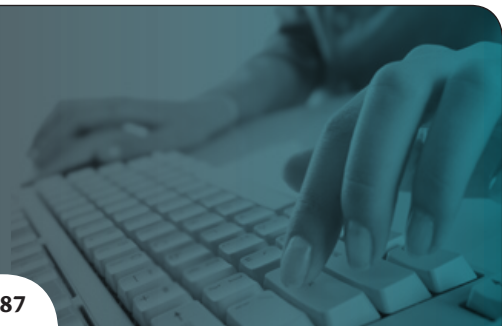


AGENTS ANSWERS

Inland Revenue's tax agents' update



Issue No 223 • May 2019 • IR787



REMINDERS

We have several calendars you can use to plan ahead to help you meet your obligations. Remember that if a due date falls on a weekend and public holiday, we can receive your return and payment on the next working day without a penalty being applied.

If you have any suggestions for topics you'd like covered in this newsletter, email agents.answers@ird.govt.nz

Income tax assessments

From now on we're going to automatically calculate end-of-year income tax for individuals where their only income is from either employment or investments (such as interest from bank deposits and savings).

Between mid-May and July income tax assessments will be issued which will show details of earnings, tax payments and if there is a tax refund or bill to pay.

If you're linked to a customer for INC, and you receive their mail, you'll get the income tax assessment. If the customer receives their mail directly they will be getting the income tax assessment and we'll also be writing to them about.

For more information about income tax assessments visit ird.govt.nz/changing-for-you

Improving our service to you

To support the increased demand that we're anticipating as we make changes as part of our transformation to make tax more straightforward, we've brought in and trained more than 300 customer service officers (CSOs) for our contact centres between now and July.

We've also made some improvements to our Speak2IR call routing service. From 26 April when you mention that you're calling about myIR, you will be directed to a CSO who can answer your online services query.

These changes will support you to manage your transactions online, with the enhancements that we are introducing.

The most common queries you make to our contact centres which you can now manage yourselves online, are:

- Credit transfers (**Financial Transfers** on the **Tax preparer** tab)
- Payment tracking (**Review payment/return** information from the **I want to** menu)
- Amending returns
- Losses carried forward
- Updating customer details (address, bank account etc).

Schedular payment rules and non-resident directors' fees

A new interpretation statement and accompanying operational position have been published concerning how schedular payment rules apply to non-resident directors' fees.

Payments of directors' fees to resident and non-resident directors have two main differences:

1. Directors' fees paid to non-residents might be non-residents' foreign-sourced income. If the income is non-residents' foreign sourced income, you are not required to withhold from it.
2. The non-resident contractor regime might apply. Some payments to non-resident contractors are excluded from being schedular payments. This means you do not need to withhold tax from these payments.

(continued on next page)

For more information read *Income tax – application of schedular payment rules to non-resident directors' fees IS 19/01* and the accompanying operational position on our website www.ird.govt.nz (search keywords: IS19/01). Tick "All of site".

Amended ACC rate

In the article "New ACC rates set" in the April Agents Answers Issue 222, there was an incorrect figure.

The 3rd sentence should have read:

"The minimum liable earnings for self-employed workers increases from \$32,760 to **\$36,816**."

Adverse event scheme

The Adverse event scheme is repealed for income years starting after 18 March 2019.

No new deposits can be made to it after the end of the current income year following enactment.

Any current balance in the scheme will automatically be transferred to the Income Equalisation scheme at the end of a farmer's income year following enactment date.

Farmers will be able to use the Income equalisation scheme for adverse events for income years starting after 18 March 2019.

Details will be available in the May *Tax information Bulletin (TIB)* Vol 31 No 4.

GST on sale of assets by a not for profit (NFP)

A legislative change from 15 May 2018 clarifies that where GST input credits have been claimed for an asset held by a NFP, the asset will be treated as part of their taxable activity.

This means that if the asset is later sold or otherwise disposed of, GST will be payable on the sale.

The same treatment will apply for any event equivalent to a sale such as an insurance pay-out or when GST deregistration occurs.

Where the asset has or is not being used in the NFP's taxable activity, a transitional measure is available.

The NFP can elect to repay an actual or a reasonable estimate of all GST credits they have claimed for the asset within the last 7 years. This will result in the asset being treated as not being part of the NFP's taxable activity, so when later sold or otherwise disposed of no GST will be payable.

Both the election and the repayment of GST claimed must be made by 31 March 2021.

Elections should be sent to Charities.Queries@ird.govt.nz and include:

- the period the election and repayment applies to
- a general description of the asset(s) eg, church hall
- a legal description if any eg Lot 12 DP 345678
- the location of the asset eg St Mathews Church, 9 Long Road, Christchurch
- when the asset was acquired
- the repayment calculation.

Reminder of some of the requirements for a consolidated group of companies

Consolidation is where two or more companies owned by the same shareholders can be treated as a single economic entity. Companies that are a wholly owned group of companies may elect to be treated as a consolidated group of companies.

Requirements for a consolidated group include:

The consolidated group:

- has a separate IRD number and files a single income tax return for all the members. Member companies do not file income tax returns.
- must have a nominated company which is a member company of the consolidated group. This company is responsible for the tax obligations of the group.
- may continue with a single member company, if it does, it must also be the nominated company. If the nominated company is removed from the consolidated group, it must be replaced by another member of the group. If there is no nominated company the consolidated group will cease.

If **all** member companies amalgamate, then the consolidated group ceases, and the imputation credits transfer to the amalgamated company.

Proposed GST law on overseas low-value goods sold to New Zealand consumers

The Government is currently considering new GST rules that would require overseas businesses to register for, collect and return goods and services tax (GST) on low-value goods sold to consumers in New Zealand. If approved, the new rules would come into effect from 1 October 2019.

The rules aim to ensure GST is collected and paid on all goods bought online by consumers in New Zealand.

New Zealand Customs currently collects GST and duty at the border on goods bought from overseas, but only when the amount due is \$60 or more (except on alcohol and tobacco products).

From 1 October, Customs would no longer collect GST and duty on goods valued at or under NZ\$1,000. Customs would continue to collect GST and duty on consignments valued over NZ\$1,000.

What this means for overseas businesses

Overseas businesses, online marketplaces, and redeliverers (see Note below) would be required to register for GST if their total taxable supplies of goods and services to New Zealand:

- was \$60,000 or more in the last 12 months, or
- will exceed \$60,000 in the next 12 months.

They'd be required to:

- update their business systems so they could collect and return GST to Inland Revenue
- register for GST in New Zealand
- collect GST on goods valued at \$1,000 or less sold to consumers and delivered to addresses in New Zealand
- return that GST to Inland Revenue
- complete relevant Customs documentation.

More information

Further details about the proposed international GST changes can be found on our website at ird.govt.nz/GSTupdate

We'll be providing another update in June or July when the proposed changes are expected to become law.

Note: The definition of a "redeliverer" includes a person that provides the use of an overseas delivery address for consumers purchasing goods from offshore suppliers. These types of redeliverers would receive or collect the goods from the overseas address and deliver the goods to the consumer's address in New Zealand, or arrange the collection and delivery of the goods to the consumer in New Zealand. The proposed definition of "redeliverer" also includes persons that provide personal shopping services to consumers in New Zealand in relation to goods sold by offshore suppliers, in the specific situation where the personal shopper purchases the goods as an agent of the consumer.

Wine Equalisation Tax (WET) producer rebates for producers of wine in New Zealand

Under the Wine Equalisation Tax (WET) scheme rebates are paid under Australian tax legislation to eligible New Zealand wine producers.

You can find out more on our website www.ird.govt.nz (search keywords: wet tax).

For any queries about eligibility as an approved participant or a WET rebate you can:

- email wet.rebate@ird.govt.nz, or
- call us on 0800 443 773 between 8am and 4.30pm Monday to Friday.

Student loan interim repayments

If you have customers with student loan interim repayments for their adjusted net income you need to remind them their final instalment is due 7 May for a 31 March due date.



Follow us on our LinkedIn page for tax professionals

We have a LinkedIn page dedicated to tax professionals. We share regular updates on tax law changes, upcoming due dates and more.

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