AGENTS ANSWERS

Inland Revenue's tax agents' update

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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.

Upload donation receipts in myIR anytime during the year

Recent improvements to myIR mean your clients can upload their donation receipts at any time, rather than keeping them until the end of the tax year. They can be electronic receipts, or photos or scans of paper receipts.

No more putting receipts in a safe place or accidentally losing them. At the end of the tax year, there's no need for your clients to complete a paper form. As long as their IR3 has been filed they should receive their refund much sooner.

For donations to qualify for the tax credit, the charity or organisation must be on our approved list. Check the list at **ird.govt.nz/donee**

Receipts must include:

- the donor's name (or name of their spouse/partner)
- the amount and date of the donation
- a clear statement it is a donation
- the name of the organisation donated to
- official stamp/letterhead of the organisation donated to.

For more information go to **ird.govt.nz/donations**

Spreading forward fertiliser expenditure

Deduction of business expenditure on fertiliser or lime applied to land can be allocated to any one or more of the 4 income years following the income year the expenditure was incurred in.

Your clients must give the Commissioner notice that they have chosen to allocate the expenditure to a given year. This notice must be given within the time that the person is required to file a return of income for the income year they allocate the expenditure to.

Your clients must give the Commissioner notice that they have chosen to allocate the expenditure to a given year. They must do this for each year that the expenditure is allocated. This notice must be given within the time that the person is required to file a return of income for the income year they allocate the expenditure to, and it must be separate to the tax return.

Any part of the expenditure not allocated within the first 3 income years following the year the expenditure is incurred in may be deducted in the 4th income year following the income year the expenditure was incurred in.

Any of your clients who were entitled to deduct expenditure but who had the deduction incorrectly disallowed may wish to ask that the Commissioner amend their assessments for the relevant years.

Income tax liability if trustee of trust resigns

In *Agents Answers* issue No 194 (September 2016) we stated that, for income tax and GST purposes, a trustee may be liable for any outstanding tax of the trust after their resignation if they have not notified the Commissioner that they have resigned.

That is accurate for GST, but not for income tax.

For income tax, a trustee is personally liable for the trust's income tax obligations. If they resign, they remain liable for income tax periods up until the date of resignation.

For GST, a trustee is also personally liable for the trust's GST obligations. If they resign, they remain liable for GST periods up until the date of resignation or the date that they have notified the Commissioner of that resignation, whichever is later. If the trustee fails to notify the Commissioner of the resignation, they continue to be liable for all the trust's GST obligations as if they were still trustee.

Join the webinar on 27 November at 2:30pm

In April 2020, we'll implement the next phase of changes designed to make tax easier and more certain. We've kicked off a new series of webinars providing more detail around the changes you can expect to see.

The next webinar on 27 November 2019 from 2:30pm to 3:30pm will cover changes related to PAYE and investment income. It will be a combined session for tax agents, bookkeepers, employers and not-for-profit organisations.

Be sure to join us so you're up to speed. You can register for this webinar and check out future sessions at **www.ird.govt.nz/webinars**

GST beta content available to review

We're now beta testing GST content on our website. The content will be available to review and provide feedback on for several more weeks before we publish the content as final. We're following the same process as we did for the KiwiSaver and student loans content that we recently tested in September and early October.

Take a look and provide feedback

If you haven't already, please take a look at our beta GST content and give feedback. Your feedback helps to know if we're hitting the mark with the level of detail and ease of use.

You can provide feedback using the feedback button which shows on each page of the website, and from the link in the yellow beta banner.

Go to **ird.govt.nz/gst**

If you want to compare the beta content to the old content, you can still access that content on our old 'classic' site during beta testing. Select the 'Go to classic website' link that shows on each beta page we're testing.

AIM for provisional tax

The Accounting Income Method (AIM) is the provisional tax option that makes paying tax easier for your clients. With AIM your clients will only need to pay provisional tax when they make a profit.

Over the past year we have seen a number of tax agents recommend AIM to their clients. Many have said that AIM works for their clients because:

- they know exactly what they need to pay
- they can pay as they go
- paying regularly is better for their cash flow.

With AIM, your clients know where they stand and can make better decisions about how to manage their money, rather than estimating how much to keep aside to cover their provisional tax bill. AIM provides more certainty with provisional tax.

Marty's tax agent recommended AIM to him and he hasn't looked back. To find out why Marty loves AIM check out our video at **www.youtube.com/watch?v=2m9gLdT-mDM**

Bright-line property rule reminder

Changes to the bright-line property rule mean your clients selling residential property might need to pay income tax on any gains.

A new 5-year timeframe was introduced in 2018. The ruling depends on when your clients bought the property.

Date property bought	How bright-line rule applies
Before 1 October 2015	Bright-line doesn't apply.
Between 1 October 2015 and 28 March 2018	If sold within **2 years** of buying the property, they'll pay income tax on any gains, unless an exception applies.
On or after 29 March 2018	If sold within **5 years** of buying the property, they'll pay income tax on any gains, unless an exception applies.

There are 3 exceptions:

- It's the family/main home.
- They inherited the property.
- They're the executor or administrator of a deceased estate.

Bright-line does not replace existing property tax rules, these will still apply.

For more information on how the bright-line rule works, your clients can visit our website at **www.ird.govt.nz/brightline**

Customers incorrectly using secondary tax codes

Some tax agents have encouraged their clients to use a higher tax rate, such as a secondary tax rate (ST code), to help offset tax bills based on other income they receive.

Law changes that came into effect from 1 April 2019 mean this is no longer allowed if the income being taxed at the higher tax rate is their only source of PAYE income.

Employers and the Ministry of Social Development have been instructed to change tax codes accordingly. We have sent letters to affected customers to let them know their new tax code.

If you don't want a client to have their source deductions taxed at the rate in this letter, you'll need to apply for a tailored tax code. You can do this in myIR. Navigate to the client's income tax account and choose **I want to...** then select **Tailored tax application**.

From October, we'll begin issuing letters to individuals where the tax code they're using is unsuitable. For example, this may be where an individual is using the correct secondary tax code, but whose secondary income tax spans tax brackets which results in too much PAYE being deducted. We'll recommend they apply for a tailored tax code to calculate a rate that will work for them.

Once this tax code has been granted, we'll notify both them and their employer.

You can find more information on:

- tax codes for individuals at **www.ird.govt.nz** (search keywords: tax codes for individuals)
- deductions from business income at **www.ird.govt.nz** (search keywords: deductions from income).

New resource for teenagers

A new resource for teenagers currently being promoted by the Ministry of Education may be useful if you have clients with children.

You can check it out here **school-leavers-toolkit.education.govt.nz/**

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.

Follow our page today **linkedin.com/showcase/Inland-Revenue-NZ-for-tax-professionals**

Email: **agents.answers@ird.govt.nz**

www.ird.govt.nz