AGENTS ANSWERS

Inland Revenue's tax agents' update

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Inland Revenue
Te Tari Taake

REMINDERS

We have several planning calendars to help you meet your obligations. Remember that if a due date falls on a weekend or public holiday, we can receive your return and payment on the next working day without a penalty being applied. But for provincial anniversary dates, this only applies if you're in the province celebrating the holiday, and only if you usually make tax payments over-the-counter at Westpac.

COVID-19 initiatives

Recently the Government announced more tax changes to assist New Zealand businesses manage the impacts of COVID-19.

Small business cashflow (loan) scheme (SBCS)

Applications are now open until 12 June for the Small Business Cashflow Scheme (SBCS) - a one-off loan to businesses impacted by COVID-19.

The SBCS is for businesses with 50 full-time equivalent employees or less, including sole traders and those that are self-employed. In most cases, eligible businesses will be entitled to a loan amount of $10,000 plus $1,800 per full-time-equivalent employee, to a maximum of $100,000.

The eligibility criteria is the same as for the Wage Subsidy Scheme (WSS) and businesses can apply even if they haven't applied for the WSS. Businesses will have to declare they're a viable business, use the money for core business operating costs and enter into a legally binding loan contract.

Applications for the loan are now open in myIR account under "I want to" and are open till 12 June 2020. Funds will be paid directly into your business bank account within 5 working days once approved.

You must be legally allowed to borrow money for your entity to be able to apply for the SBCS loan. This means you cannot apply for the loan on behalf of your clients.

For more details on how the scheme will work, eligibility criteria and a calculator to determine the loan amount that can be borrowed, go to **ird.govt.nz/Covid19**

Temporary loss carry-back

Businesses expecting to make a loss in either the 2020 year or the 2021 year can use that loss to offset profits they made the year before. In other words, they can carry the loss back 1 year to the preceding income year. This can be done before the loss year return is filed.

There are 2 ways to claim your loss carry-back.

- Include the carried-back loss in your tax return – we will automatically refund any overpaid tax.
- Ask for a refund of any provisional tax you have paid for 2020 if you are going to carry back a loss from 2021.

We can refund some or all of the tax already paid for the preceding year before the loss year has finished by enabling customers to estimate their loss.

Note: These loss carry-back refunds will be paid out to the bank account we have on record, including to where there are redirects in place. They will not be offset against other debt your clients may have due (except debt for income tax in the same period). So please continue to help your clients who have any other payments due - the usual payment options are available.

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If your clients choose to use the loss carry-back scheme they (or you on their behalf) must first elect to participate in the scheme under the "I want to" section of myIR. Refunds will be processed quicker for claims made through myIR. Log in or register for a myIR account today.

Note: You do not need to have filed the loss year return to claim the loss carry-back.

For more information, how to claim and implications for shareholder employees go to **ird.govt.nz/loss-carry-back**

New discretion to vary requirement

To help customers manage the impacts of COVID-19, Inland Revenue now has a discretion to vary a requirement when it would be impossible, impractical or unreasonable to comply as a consequence of COVID-19.

Under this new discretion, we can extend a due date, deadline, time period or timeframe. It is also possible to modify a procedural or administrative requirement, such as the way that something must be done.

We'll let you know when any change is made through our website and other communication channels as appropriate. Go to i**rd.govt.nz/Updates/News-Folder/covid-19-new-discretion-to-vary-a-requirement-under-an-inland-revenue-act** for more information.

Income tax returns due 7 July

The 7 July deadline for filing income tax returns is coming up.

File your clients' income tax returns through myIR

The quickest and easiest way to file your income tax return is online using myIR:

- You can file anytime, 24 hours a day, seven days a week
- Most of your details will be automatically populated and calculated for you
- You'll receive immediate confirmation that your tax return has been received
- You won't need to worry about getting it to us on time through the post.

You can file the following returns through myIR:

- IR3 individual income tax return
- IR3NR non-resident individual income tax return
- IR4 companies income tax return
- IR7 partnerships and look-through companies income tax return
- IR8 Māori authority income tax return

If you are filing an IR6 trust or estate income tax return or an IR9 clubs and societies income tax return, you will need to print, complete and sign the forms and send them to our postal address.

If you don't already have a myIR account, go to **ird.govt.nz** to register today - the "Register" button is on the top-right corner of our website.

Go to **ird.govt.nz/7July** to find more information and to file your return.

New rules for reporting residential property income

From the 2019-20 income year onwards, you can now only claim deductions up to the total amount of income you earn from your residential rental property. You can no longer use excess deductions from your property to offset other income such as salary and wages.

Most residential properties are subject to the new residential property deduction rules (also known as the ring-fencing rules). The rules do not apply to some residential properties such as your main home and residential properties that are subject to the mixed-use asset rules.

Including residential property income in your income tax return

The new rules mean that when you complete your 2019-20 income tax return, your total residential rental property deductions generally cannot be more than your residential property income. If you have excess deductions, also known as rental losses, this amount must be carried forward to the next year that you earn income from your residential property. If you sell your residential property and still have excess deductions these can be transferred to another residential rental property. If you own more than one residential rental property you can combine their income and deductions if you use the portfolio method.

You will now enter the residential rental information in the "Residential rental income" (for myIR) or "Residential property" (for paper return) section of your income tax return.

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In myIR you will need to manually select "Residential rental income". Currently, the "Other Rental Income" box in myIR is automatically selected - this is for the like of commercial properties where a loss can still be claimed. If you have residential rental income you must:

- make sure both "Residential rental income" and "Other rental income" are selected in the "Build your return" section
- leave the "Other rental income" fields as nil if you do not have other rental income. If you do have other rental income (property that the residential rental property deduction rules do not apply to) then complete those fields as normal.

We encourage you to use the **Residential property deductions worksheet - IR1226** to help you work out the amounts and where to enter these in your income tax return. We also encourage you to use the **Rental income guide - IR264** and the relevant income tax return guide. You can find these on our website.

For more information about the residential property deduction rule changes go to **ird.govt.nz/ring-fencing**

Income tax – request for more information for linked clients

Until the end of July, we're sending income tax assessments in batches to most New Zealanders.

However, this year we've changed the process for your linked clients who receive reportable income only, ie they are not IR3 customers.

Any clients you're linked to, at the time we process them, will be issued an "Income tax – more information request". If your client mail is being redirected, this letter will be sent to you. Otherwise, it will go directly to your client.

You (or your client) will need to review, add any more information needed, and complete the assessment. If you (or your client) don't review and complete the assessment, we'll complete it automatically:

- on 31 March 2021 if your client has an Extension of Time (EOT)
- after 45 days if your client does not have an EOT.

Check out our on-demand webinar for more details **ird.govt.nz/about-us/business-transformation/webinars**

It's also a good time to check your clients' details are up to date, including their bank account details.

Kilometre rates for the business use of vehicles for the 2020 income year

Instead of making a claim for the business use of a motor vehicle based on the actual costs, a taxpayer may elect to have a deduction for the business use portion based on a kilometre rate method.

In accordance with section DE 12 of the Income Tax Act 2007, the Commissioner must from time to time set the kilometre rates for the business use of vehicles as an alternative method for businesses to claim motor vehicle running costs. As the Commissioner relies on third-party information to set the kilometre rates and that information is not yet available to us due to COVID-19, we cannot review the present rates. The 2019 kilometre rates will continue to apply for the time being.

We will review the rate once we get the information from our third-party. In the meantime, taxpayers can file returns and if there is a material change once we do set the new rates, they may adjust their 2020 motor vehicle expense claims under section 113 or section 113A of the Tax Administration Act 1994.

Employers may continue to use the current rates as a reasonable estimate of expenditure incurred by an employee for the business use of a private motor vehicle, until these rates are reviewed.

The current rates are:

Vehicle type	Tier one rate	Tier two rate
Petrol or diesel	79 cents	30 cents
Petrol hybrid	79 cents	19 cents
Electric	79 cents	9 cents

Operational Statement 19/04 provides further information on the use of the kilometre rates.

Direct debits in myIR

We have made some changes to the direct debit process. You can no longer initiate a direct debit payment for your client to approve in myIR. If your client wants to pay us by direct debit, they'll need to set up an "authority" for their own bank account in myIR. Setting up the authority is a one-off process and your client will need to do this separately for each new bank account before a direct debit payment can be made.

However, you can continue to pay by direct debit for a client if you have sole signing authority on the bank account being used. For example, if it's your agency's own bank account or your client has organised this authority with their bank. This replaces the old process where you confirmed you had sole signing authority on a bank account by ticking a box when you set up the payment.

New bank account update service

A new bank account service on the IR website enables individual clients to update their bank accounts in limited circumstances. That is, if we have been unable to issue them a disbursement as they either have no bank account listed, or the disbursement has been returned by the bank.

The "Failed Direct Credit" and "Bank account Number Required" letters we send have been updated to include the option for clients to use the new service on the website, with the URL and a unique token. The unique token:

- will always start with '47'
- will only be valid for 30 days, and
- can only be used once.

The letters will be sent directly to clients with or without a myIR account unless the tax agent has the refund re-direct on.

We will perform validation checks on the web requests. If the client's bank account is successfully updated, we will send the standard letter confirming the bank account update.

If the web request fails validation, we will issue a Failed bank account update letter requesting the bank account be updated within myIR or asking the client to contact Inland Revenue.

Website changes complete and tax technical site live

Our work to redevelop the Inland Revenue website is complete, with all content now housed on our new site.

This includes the first release of our new and improved tax technical website **www.taxtechnical.ird.govt.nz**, the place to go to view all rulings, determinations, interpretation statements and more.

Over the past few months we've been beta-testing the tax technical site. The customer feedback received helped us further improve this website before the official release.

We'll make further improvements to the site throughout 2020.

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**

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