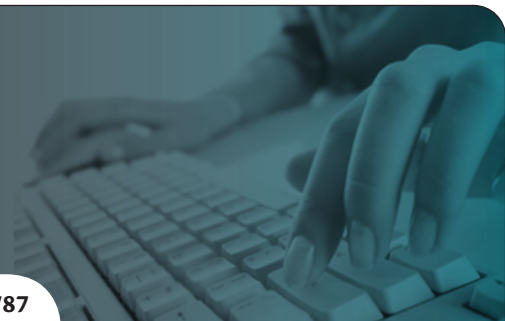


AGENTS ANSWERS

Inland Revenue's tax agents' update



Issue No 242 • February 2021 • IR787



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.

Key services unavailable late February

From 5pm Friday 26 February to Monday 1 March, myIR and SPK2IR will be unavailable and our phone lines will be closed for planned system changes.

Customers using software will also be affected. Bill payments can still be made during this time.

Please note: Any draft returns or draft secure mail in myIR will be deleted during the system shutdown.

Changes coming in 2021

Changes for paid parental leave in March

From March (date to be confirmed), customers will be able to apply for and manage their paid parental leave in myIR.

Some customer details for self-employed people, such as contact details, will be pre-populated. However, the customer will still need to provide us with their income details. This will mean that from next month tax agents will no longer need to verify income details for clients. These regulation changes are currently going through Parliament.

Visit ird.govt.nz/ppi-changes for more information about the proposed changes.

In mid-February we'll be sending another update to paid parental leave customers to make sure they're ready for the changes.

Changes for New Zealand foreign trusts from 1 March

We're making some improvements to the way we manage New Zealand foreign trusts (NZFT).

We're setting up a new "NZ foreign trust account" in myIR so that from 1 March it will be easier to manage NZFTs on behalf of your clients.

You'll be able to:

- link to your client's NZFT account
- update their details online eg connected persons
- view previously provided NZFT information and send web messages in myIR instead of email
- file your client's NZFT annual returns and make payments online
- register an IRD number then an NZ foreign trust account in myIR or cease an account registration.

You may need to consider creating different client lists if you wish to allocate different levels of access and, where appropriate, create new logons for your staff who handle NZFTs.

We'll be sending an update directly to New Zealand foreign trusts later this week to remind them of the changes.

More information can be found at ird.govt.nz/foreign-trust-changes

(continued on next page)

Changes to unclaimed money from 1 March

We're making improvements to the way we administer unclaimed money. Unclaimed money arises when a holder (an organisation that holds money that has been untouched by the owner for an extended period of time) makes all reasonable efforts to find the owner but is unsuccessful. Once this happens, the money and all information held about the owner, must be sent to us.

What the changes mean for you

The main change you will notice is a new "Unclaimed money holder" account in myIR for organisations that hold unclaimed money.

This means that from 1 March you'll be able to:

- link to your client's unclaimed money holder account if they submit unclaimed money
- manage their details in myIR including filing, paying, viewing transactions and monitoring correspondence.

Other proposed changes

These changes are dependent on legislation which is expected to pass in March 2021:

- The length of time that money is held before becoming "unclaimed" may change. Currently it takes 6 or 25 years depending on the type of funds. Under the revised rules all types of funds held may be deemed "unclaimed" after 5 years. There will be a transitional period of 2 years to help shift to the new timeframe.
- Holders of unclaimed money may need to provide more customer information which will help claimants identify that the unclaimed money is theirs and whether to pursue a claim.
- If holders have unclaimed money to send to us, they may need to submit schedules more regularly and payments will need to be made at the same time. We'll confirm the filing and payment dates once the legislation has passed.

There will also be changes to the process for customers who submit a claim for unclaimed money that has been transferred to us.

More information about the proposed changes can be found at ird.govt.nz/unclaimed-money-changes

On 3 February we sent an update directly to holders who have recently filed unclaimed money with us, to make sure they're ready for the changes.

Role of tax agents and other intermediaries

We've had questions from tax agents about their role and that of other intermediaries. We've clarified how tax agents and other intermediaries can co-exist.

Find out more on our website: ird.govt.nz/updates/news-folder/tax-agents-and-other-intermediaries

Moving to Payday filing Version 2

From 1 April, we will require all employers to use the new payday filing format (Version 2). Version 2 has been available since April 2020 and provides more employee information and employee details than the current Version 1.

Payroll software developers are those most affected by this change and we have been working with them to help ensure they build Version 2 into their systems in good time.

For employers who file on-screen through myIR or paper there is no change as the Version 2 changes have been in place since April 2020.

For employers who use a Payroll Bureau or Intermediary service there will likely be no impact as their payroll service provider will make any necessary changes. For employers who file through software, they should notice little change. Employers who have their own inhouse systems will need to build Version 2 into their system prior to April 2021.

It's important to note that amendments to EI will have to be made using the same version as the original file. For example, if you file through Version 1 you must amend through Version 1.

We are asking customers who file through software, to contact their payroll software provider if they want to know more about what will be changing and when.

GST treatment of payments to GST-registered bodies corporate under the Leaky Homes Financial Assistance Package (FAP)

A payment under the FAP scheme from MBIE (on behalf of the Crown) to a GST-registered body corporate is subject to GST.

The payments are a grant or subsidy from the Crown under section 5(6D) of the Goods and Services Tax Act 1985 so are considered to be made in response to a supply from the body corporate.

A GST-registered body corporate which receives these payments must include the GST component in their GST return and pay for any net GST output tax.

A body corporate which is not registered (and not liable to be registered) for GST does not have to account for GST.

The detailed position is set out in a Commissioner's Statement: *CS 20/05 GST treatment of payments received by a GST registered body corporate from the Ministry of Business, Innovation and Employment under the Leaky Homes Financial Assistance Package*.

Changes to IR3 for wage subsidy recipients

All wage subsidy payments are taxable to the individual who received the payment. Where an employer received and passed on the payment to their employee as part of their wages, tax was required to be deducted and returned on the Employer Information forms.

For all customers who received the wage subsidy, but did not have tax deducted at source, a new box has been added to the IR3 for 2021 titled "**Government Subsidies**", to include this income.

We recommend that wage subsidy receipts are discussed with clients when preparing their 2021 tax returns. Some clients may have received the wage subsidy directly, other clients via an associated entity.

You can go to ird.govt.nz/wage-subsidies for more information about the various scenarios that apply to individuals and how to correctly report the wage subsidy in their return where an employer has not deducted PAYE.

Income tax - more information requests 2020 income tax year

A large number of requests for more information are yet to be finalised.

You must review and confirm all "Income tax – more information requests" for each client. This includes confirming the income provided is correct and/or adding in additional income and expenses (if appropriate) before 31 March 2021.

For those not confirmed by this date, an income assessment will be finalised based on the information we hold.

Important reminder about final tax due date

If your client has an amount to pay and an extension of time, their 2020 final tax is due 7 April 2021. Please get in touch with your client about any amount owing and advise them how and when to pay. If they can't pay you can help them through the process of making an instalment arrangement before the due date. See **Instalment arrangements for clients** (ird.govt.nz)

To finalise the assessment

- Identify clients yet to have their automatic assessments finalised. You can get this information by exporting your client list report and filtering the "Individual filing group" column to show "auto issued - more info".
- Look at each individual client to check if their automatic assessment has been finalised. In myIR if this has been finalised in the income tax account you will see "ontime processed". If not you will see "request to complete."
- Confirm with your client their income sources for the 2020 income year and finalise the assessment.
- Select the **Tax Preparer** tab> enter the client IRD number> select **access client**> click on the **Income tax** account> select the **periods** tab> click on **Request to complete**> Follow the prompts to complete the client's assessment>**submit**.

If your client has been selected for "request more information" and also has "other income" to submit you can enter the additional income at this step.

Once submitted the assessment will update to your client's income tax account.

Ensure your clients' bank account details are up to date so that any credits can be refunded directly to their account.

GST registration and continuous nil filers

We will be reviewing the GST registration of customers who have been filing nil GST returns for 6 months or more.

We plan to contact agents and clients to check GST registrations if we consider that the GST activity might have ceased. We are aware that a lot of businesses affected by Covid 19 will not have had their usual level of activity during 2020 and we will take that into account in our contact selection.

As part of your end of year client review, and to help clients maintain correct tax registrations and reduce administration or compliance costs, you may wish to look at whether some of your clients should be ceasing their GST registration. Please also remember to check whether an apportionment or change-of-use adjustment is required for any non-taxable use of goods or services. There may be output tax payable for assets retained at cessation so contact us early if alternative payment arrangements need to be considered.

We will continue this process on an on-going basis.

Tax pooling transfers from purchased funds that become excess tax

If an excess arises from purchased tax pooling funds, special rules apply to the effective date the excess is available at to transfer. The amount of the excess tax can only be:

- transferred forward to a future provisional or terminal tax liability of the tax payer with an effective date no earlier than the start of the year it is being transferred to, or
- transferred to a tax type of the tax payer for which tax pooling is allowed to be used to pay an increased amount of tax with an effective date no earlier than the original due date for that tax type, or
- transferred to another tax obligation of the tax payer or to another tax payer with an effective date no earlier than the date the request to transfer the excess purchased tax pooling funds is received, or
- refunded.

Where a transfer request does not comply with tax pooling rules, we will decline the request, or reverse it if it has been processed incorrectly.

You can find more technical information in *Tax Information Bulletin, Vol 23 No 8, Oct 2011* pages 40 to 42.

Calculating the tax payable on beneficiary income

We're changing 2 of our guides (IR6G and IR288) to make it clearer how trustees should be working out the tax they need to pay on income allocated to beneficiaries as beneficiary income.

Where trustees are paying tax on behalf of the beneficiaries, they must first calculate tax on the **total** taxable income of the beneficiary, **including other income not received from the estate or trust**. As set out in the guide, the normal tax rates for that level of taxable income are to be used. It is not correct to apply the normal tax rates to just the beneficiary income from the trust.

After calculating the tax on the total taxable income, the proportion of beneficiary income to the total taxable income determines the tax to be paid by the trustees on the beneficiary income.

The changes are to the guides for the year ended 31 March 2021 and following. We will not be devoting resources to identifying underpaid tax on beneficiary income by trustees who may have incorrectly calculated the tax payable relying on previous guides.

Advising customers that outbound calls are being recorded

As part of our commitment to giving the best service to our customers we record most of the calls made to our contact centres, and some of the outbound calls we make. This helps us to find ways for us to give you better service.

See our call recording statement at ird.govt.nz/about-this-site/your-privacy/call-recording-privacy-statement for more information.

2019/2020 Kilometre rates now finalised

The 2019/2020 kilometre rates are now published on our website.

ird.govt.nz/updates/news-folder/finalised-kilometre-rates-2019-2020

New tax technical items published

We have recently published these items:

QB 20/03: First step legally necessary to achieve liquidation when a liquidator is appointed

This QWBA considers when the first step legally necessary to achieve liquidation occurs when a liquidator is appointed under the Companies Act 1993.

It is designed to sit alongside public ruling BR Pub 14/09: Meaning of 'Anything Occurring on Liquidation' When a Company Requests Removal from the Register of Companies.

It confirms that the first step legally necessary to achieve liquidation when a liquidator is appointed is the special resolution of shareholders to appoint a named liquidator.

QB 20/04: Do certain supplies wholly or partly consist of land for the compulsory zero-rating (CZR) rules?

This new QWBA is a follow-up to Interpretation Statement IS 17/08 and provides guidance on the meaning of land for the purposes of the compulsory zero-rating (CZR) rules. It confirms that a supply that wholly or partly consists of land (and which satisfies certain other requirements) must be zero-rated for GST purposes.

IS 20/09: GST – Unconditional gifts

This interpretation statement provides guidance on the meaning of "unconditional gift" for GST purposes. A payment made to a GST-registered non-profit body that is an "unconditional gift" is not "consideration" for a supply of goods or services and is not subject to GST.

IS 20/09 replaces two earlier articles published in *Tax Information Bulletin*, November 1990 and July 1991.

You can find these items on our website taxtechnical.ird.govt.nz/ Enter the number in the search box, eg QB 20/03.



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