

AGENTS ANSWERS

Inland Revenue's tax agents' update



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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.

Final stage of our business transformation

We've now gone live with the first release of the final stage of our business transformation. We have a series of on-demand webinars that help you understand some of the key things that have changed.

The latest webinars that will be of interest to you are:

- Changes coming in April 2021, including:
 - legislative changes
 - the move to the new payday filing format (version 2)
 - the decommissioning of E-File.
- 3 webinars for New Zealand foreign trusts (including those that are, or have, tax agents). These webinars detail how to get set up and manage these trusts in myIR.

To view these webinars visit ird.govt.nz/bt-webinars

You can find more information about the changes here:

- New Zealand foreign trusts ird.govt.nz/foreign-trust-changes
- Unclaimed money (Note: some changes are dependent on legislation which is expected to pass soon) ird.govt.nz/unclaimed-money-changes
- Paid parental leave ird.govt.nz/ppl-changes

Reminder about 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 Detail Information than the current Version 1. We have been working with payroll software developers to help ensure they build Version 2 into their systems in good time. Employers who have their own in-house systems will need to build version 2 into their system prior to April 2021. To find out more go to ird.govt.nz/payday-filing-version-2

In-work tax credit (IWTC) grace period

From 1 April 2021, a 2-week grace period comes into effect for the IWTC. This means customers can keep receiving IWTC payments for up to 2 weeks when taking an unpaid break from work. This could be as customers transition between jobs, are unpaid for a period of time or leave employment.

Customers will need to let us know if their employment situation changes to ensure they receive the correct entitlement. This is because there is a delay in receiving customer's employment details from employers.

Visit ird.govt.nz/in-work for more information about the change.

Finalising 2020 Income tax – more information requests

We have a high number of 'Income tax - more information requests' waiting to be finalised by 31 March 2021.

For every client that has been issued an Income tax – more information request, you or your client must review the information (adding any additional income and expenses, if appropriate) and finalise by 31 March 2021. The auto calculation process is designed to be quick and delays in completing a client's income tax assessment can have impacts to the client and Inland Revenue.

We are aware that there is no easy way for you to identify these clients. We have produced a list for each tax agency to help them with this. Account managers will be contacting tax agents who have 20 or more linked to their tax agency that are not yet finalised.

E-File to be decommissioned 16 April

E-File will be decommissioned on 16 April 2021. This change impacts tax agents who currently use E-File.

E-File is being replaced with an array of new Gateway Return Services which software providers are building into their systems. The software providers are choosing what functionality to build before E-File is decommissioned, focusing on those that are most critical for their customers. If you have any questions, talk to your software provider.

We will have E-File available up until 16 April for 2020 tax year returns. However, your software provider could move to the new Gateway Services before 16 April – if you're unsure, check the timing with your provider.

myIR logons

Gateway Return Services use myIR credentials, not your E-File logon. Each staff member who will use Gateway Services in future will need their own myIR logon. You may need to set up unique myIR logons for impacted staff that don't already have one.

The ability to carry out or perform certain actions is based on the user's level of access in myIR.

To set up new myIR logons for your staff, and set levels of access, go to our website:

ird.govt.nz/topics/myir-secure-online-services/create-web-logon-access-for-a-myir-account

More information

We will provide more detailed FAQs on our website about the changes soon.

You can also check out our webpage for general updates: **ird.govt.nz/topics/intermediaries/e-file**

We have been working closely with the software providers for a considerable time to ensure a smooth transition from E-File to Gateway Services. If you have any questions about the software functionality that will be available to you, and when it will be available, please contact your software provider.

New campaign for real estate sector

We have identified that real estate salespersons/agents are claiming a high level of expenses relative to their income.

We believe that people are claiming private expenses but not keeping logbooks or other business records to support a deduction. We plan to provide education and offer seminars to real estate firms to help customers file the correct returns.

As part of your end of year client review, you may wish to ensure your clients are keeping sufficient records to support expenses claimed.

If we are concerned someone has overclaimed expenses, we'll send them a letter asking them to provide records to support expenses claimed. Please contact us if you have any questions at **realestate@ird.govt.nz**

Client offshore and needs an IRD number?

There is an alternative process for any clients offshore who cannot provide the required evidence of a fully functional New Zealand bank account or customer due diligence to get an IRD number.

You can find details on our website **ird.govt.nz/topics/proof-of-identity**

In general, the requirements include identification documentation, in English, certified in the country of residence. Applications can then be sent through to a specific email address: **offshore@ird.govt.nz**

Income return errors in e-Filed returns

Some common errors are delaying the processing of your clients' income tax returns.

Please note:

- Don't add an address or phone number for a client into the return if there is no change.
- Include the area code if a new contact phone number is a landline.
- Do not electronically file an IR3 return if your client has been issued an 'Income tax – more information request'. If they have other income to add, you can manage this in myIR when reviewing and finalising the 'more information request.' If the wrong return is filed your client may miss out on automatic write offs that only apply to auto-calc clients.
- Loss brought forward:
 - The loss needs to be the **exact** amount, not rounded up to the whole dollar amount.
 - When claiming the loss brought forward (where the loss is greater than the net income) please **only** claim the amount required to clear the net income claim, not the full loss.
 - Include any loss brought forward when there is income to offset it against.
 - Excess ICA credits brought forward are being entered as loss brought forward on individuals returns and may or may not be included in the correct box.

2021 Individual income tax assessments

Please take the opportunity to ensure the correct income tax assessment is generated for your clients for the 2021 income year by ensuring we have the most up-to-date income sources recorded.

Go to the 'summary' tab in your client's income tax account, select 'Manage' in the 'Current income types' heading and add or delete the appropriate income sources.

You can find more information on our website:

ird.govt.nz/roles/tax-agents/individual-income-tax-for-clients-of-agents

ird.govt.nz/about-us/videos/webinars/business-transformation/previous-business-transformation-webinars/income-tax-assessments

Filing imputation returns for consolidated group members

A reminder that consolidated group members (including the nominated company) that are not part of an imputation group, are required to maintain their own imputation account (separate to the consolidated group's account).

IR4Js will be issued for consolidated group members. Please file them by the due date of the nominated company return.

Technical decision summaries

We'll now be publishing our technical decisions summaries (TDS) for both adjudication and private rulings. This will start with adjudication decisions from mid-2021 with private rulings following for applications received on or after 1 June 2021. A TDS will generally be published on the Tax Technical website within 3 months of the final decision.

How this affects you

Any clients you have who are party to an adjudication or private ruling will be sent a draft summary of the TDS to check it doesn't breach confidentiality or include commercially sensitive information. They'll be asked to limit comments to issues of confidentiality or sensitivity only, as we cannot alter the final decision reached. They'll have 1 month to comment.

Further information and contacts

You'll find details of the policies and principles of technical decision summaries in the "*Guidelines for the Publication of Technical Decision Summaries*" taxtechnical.ird.govt.nz (keywords: about technical decision summaries).

If you have any queries about TDS please email Technical.decision.summaries@ird.govt.nz

New tax technical items published

We have recently published these items:

QB 21/01 – Income tax – Monthly retirement payments from the United Nations Joint Staff Pension Fund

This Question We've Been Asked (QWBA) discusses the New Zealand tax treatment of monthly retirement benefits received by New Zealand tax residents from the United Nations Joint Staff Pension Fund (UNJSPF). It concludes that in general, monthly retirement payments received by retired United Nations staff members are taxed as pensions under s CF 1(g) of the Income Tax Act 2007.

IS 21/01 – GST and agency

A new interpretation statement considers whether a person is acting as an agent or as a principal for the purposes of the Goods and Services Tax Act 1985. It is primarily concerned with the application of sections 60(1) and (2) of the GST Act and identifies features that indicate when an agency relationship will exist in relation to a supply.

You can find these items on our website taxtechnical.ird.govt.nz/ Enter the number in the search box, eg QB 21/01.



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