AGENTS ANSWERS

Inland Revenue's tax agents' update

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Inland Revenue
Te Tari Taake

2022 tax policy and remedial changes now law

More than 100 policy and remedial changes have recently been passed by government as part of the Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act.

Our website has new and updated information and guides reflecting these changes, which include changes to property, trusts, GST, KiwiSaver and more.

There is a series of webinars covering the 2022 changes available at **ird.govt.nz/2022-changes**

Implementation date for GST invoicing changes is April 2023

The implementation date for the changes to GST rules for invoicing and record keeping has been moved to 1 April 2023. These changes seek to modernise the record keeping and invoicing requirements for GST. More detailed information about these changes will be available in the lead up to 1 April 2023.

Update to the provisional tax safe harbour rules

Please remind your clients that the requirement to pay provisional tax instalments in full and on time has been removed for customers using the safe harbour option.

We will only charge use-of-money-interest (UOMI) if there is still an amount unpaid after the terminal tax due date. All other existing qualifications remain, and late payment penalties still apply.

We will continue to bill using the information we hold including reminder notices and alerts in myIR.

Relief of use-of-money interest extension

The relief of use-of-money interest (UOMI) has been extended to 8 April 2024 for taxpayers significantly adversely impacted by COVID-19. If you or your client have already let us know your client has been affected by COVID-19 you will not need to do anything. If your client has subsequently been impacted by COVID-19 you or your client will need to notify us through myIR or regular communication channels.

To notify us via myIR, go to the client > I want to > Notify of impact of COVID-19.

For more information go to **ird.govt.nz** (search keywords: s 183ABAC).

FBT rate changes marketing campaign

The FBT rates increased from 1 April 2021 and many customers may not be applying the best rate for their circumstances. Around 90% of customers use the single rate that is now 63.93%. It's a good idea to review whether your clients are on the best rate.

More changes have recently been enacted which aim to reduce compliance costs and simplify FBT calculations. Employers can use a flat 49.25% rate for fringe benefits provided to employees with gross annual cash pay under $160,000. This will apply retrospectively to the 2021-2022 tax year.

We're running an online advertising campaign from 18 April to 15 May aimed at FBT-registered customers to:

- increase awareness of these rate changes, and
- encourage them to review the rate they're using.

You can review these FBT rules and rates at **ird.govt.nz/get-fringe-benefit-tax-right**

COVID-19 support packages receipts - key information for 2022 filing

This information will help your clients to fill out their tax returns for the 2021/2022 tax year.

There is a "Government subsidies field" in the 2022 IR3/IR3NR returns to report taxable COVID-19 receipts.

What are 2022 taxable COVID-19 receipts

They include:

- Wage Subsidy Scheme (WSS) – August 2021 wage subsidy payments plus payments received after 1 April 2021 for earlier schemes that were paid late. The August 2021 wage subsidy payments include all those listed on Work and Income's website at **workandincome.govt.nz/covid-19/wage-subsidy/ended-covid-19-payments.html**
- Leave Support Scheme (LSS) – payments received between 1 April 2021 and 31 March 2022.
- Short-Term Absence Payment (STAP) – payments received between 1 April 2021 and 31 March 2022.
- Cultural Sector Emergency Relief Grant (CSERG) – new grant available from 28 February 2022 – payments received up to 31 March 2022.

They do not include the Resurgence Support Payment (RSP) and Covid Support Payment (CSP). These payments are not taxable income so are not reported in the "Government subsidies" field of the IR3/IR3NR. However, expenses that are paid for using these support payments are not deductible.

If tax has not been deducted at source

If taxable COVID-19 receipts have not had tax deducted at source, they are required to be reported in the "Government subsidies" field of the IR3/3NR.
For the 2022 year, WSS, LSS, STAP amounts will pre-populate into the return and will be visible in the "Income Summary" in myIR.

- They will include payment amount, date and type of payment eg WSS.
- Agents and/or customers will need to verify the amount is correct before filing.
- CSERG amounts will not pre-populate and must be manually added to the "Government subsidies" field.

Definition of "Reportable Income" amended

The definition of "reportable income" has been amended effective 1 April 2022 to include WSS, LSS and STAP (but not CSERG). This change enables some customers who were required to file an IR3 as a result of receiving these payments in 2021, to now be eligible to receive a pre-populated auto-calculated income tax assessment for 2022 if all income is now "Reportable Income".

Repayments made in the 2022 year

Only repayments made in the 2022 year for subsidies that were also received in the 2022 year will be offset.

Repayments made in the 2022 year for subsidies that were received in the 2021 year, will not be offset. This is because the repayment has already been recognised and offset against the subsidy which was not taxed, or not fully taxed, in the 2021 year.

2022 client questionnaires

To ensure all taxable Covid-19 payment receipts are captured and the correct amounts are reported, your 2022 client questionnaires must include a question to determine which Covid-19 payments have been received by the client, either personally or through an associated entity.

Updated IR1251 guide

An update IR1251 2022 guide to support the above changes will be available from 1 April 2022.

Orders in Council passed in March

COVID-19 Tax relief for donations of trading stock

Legislation introduced in 2021 made it easier for businesses to donate trading stock to approved donee organisations (which are mostly registered charities) as well as to public authorities and non-associated persons.

The legislation applied to disposals of trading stock made between 17 March 2020 and 16 March 2022 (inclusive). This period has been extended, and now applies to disposals of trading stock made between 17 March 2020 and 31 March 2023 (inclusive).

For more information go to **ird.govt.nz/updates/news-folder/covid-19-tax-relief-for-donations-of-trading-stock**

Minimum standards for financial reporting by domestic trusts

Trusts with assessable income have increased disclosure requirements for the 2021–22 and later income years. This includes the requirement to prepare a statement of profit or loss and a statement of financial position.

The Tax Administration (Financial Statements - Domestic Trusts) Order 2022 was made on 7 March 2022. This Order sets minimum standards for financial statements prepared by trusts subject to these new disclosure rules.

For more information on the Order in Council, see the Special Report on our Tax Policy website at **taxpolicy.ird.govt.nz/publications/2022/2022-sr-domestic-trusts-reporting-standards**

These Orders in Council can be found at **legislation.govt.nz**.

Te Kāwanatanga o Aotearoa
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