BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 104 • November 2019 • IR381

Inland Revenue
Te Tari Taake

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.

If you have any suggestions for topics you'd like covered in this newsletter, Email **BusinessTax.Update@ird.govt.nz**

Investment income – what's changing in April 2020

From 1 April 2020, Inland Revenue is making changes that will affect investment income payers and recipients. Investment income includes interest, dividends, PIE income, taxable Māori authority distributions and royalties paid to non-residents.

For payers this means:

- More frequent reporting of investment income becomes mandatory and must be done electronically. Investment income returns will generally be due by the **20th of the month** following the month the income was derived or paid. Some organisations may begin this reporting before 1 April 2020.
- Reporting will not be required for:
  - nil returns (if no income is paid in a month).
  - resident withholding tax (RWT)-exempt investors.
- You will need to provide additional information, where held - the date of birth and contact address of the recipient and details of any joint account holders.
- The non-declaration rate increases to 45% for RWT on interest income, when a recipient does not provide their IRD number to the payer.
- There is no longer a requirement to issue end of year RWT on interest certificates to recipients who have provided their IRD number.
- An electronic RWT-exempt status register will replace RWT-exempt certificates.
- Error-correction processes will be improved.
- Additional record keeping will be required for payment of non-resident withholding tax (NRWT).

You can find more information at **ird.govt.nz/investment-income**

Recipients - key things to know and do:

- Give your IRD number to your investment income payer (eg your bank) to make sure you're on the right tax rate and to avoid the non-declaration rate.
- We will split any investment income reported for an account equally across all the joint account holders who have provided their IRD numbers to their income investment payer. You can change this split in myIR (or on your income tax return).
- From 1 April 2020, if you hold an RWT exemption certificate you will not need to show it to a payer as your IRD number will be on the new RWT-exempt register.
- myIR has information on your investment income.

Find out more information about New Zealand tax residents with interest and dividends from New Zealand bank accounts and investments at **ird.govt.nz** (search keywords: interest and dividends).

Do you know about the bright-line property tax rule?

Introduced in 2015, the bright-line property rule means that people who sell a residential property might need to pay income tax on any gains.

How the rule works depends on when you bought the property.

When the property was purchased	How does the bright-line rule apply?
Before 1 October 2015	Bright-line doesn't apply
Between 1 October 2015 and 28 March 2018	If you sell it within 2 years of buying it, you'll pay income tax on any gains, unless an exception applies.
On or after 29 March 2018	If you sell it within 5 years of buying it, you'll pay income tax on any gains, unless an exception applies.

There are three exceptions.

- If it's your family/main home.
- If you inherited the property.
- If you're the executor or administrator of a deceased estate.

Bright-line does not replace existing property tax rules, these will still apply. So even if the bright-line rule doesn't apply in your situation, that doesn't necessarily mean you won't need to pay tax on your property profits.

For more information on how the bright-line rule works, visit **ird.govt.nz/brightline**

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.

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.

The Accounting income method (AIM)

The Accounting Income Method (AIM) is the provisional tax option that makes paying tax easier. With AIM you will only need to pay provisional tax when you make a profit. AIM is generally available to businesses with turnover of less than $5million who use AIM-capable accounting software.

Over the past year we have seen a number of businesses using AIM. Many have said that AIM works for them for the following reasons.

1 They know exactly what they need to pay.

2 They can pay as they go.

3 Paying regularly is better for their cash-flow.

With AIM, you'll know where you stand and can make better decisions about how to manage your money, rather than estimating how much to keep aside to cover their provisional tax bill. AIM provides more certainty with your 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 the video at **youtube.com/watch?v=2m9gLdT-mDM**

Employer deduction payments

All payments of employer deductions should be coded with the account type 'DED'. Coding the payments correctly means they are not credited to the wrong tax types. However, if the payment relates to arrears then the account type to which the payment directly relates should be used – for example, PAY (for PAYE balances), or SLE (for employer student loan deductions).

Payroll returns

Please ensure all payroll returns filed electronically or manually have start and cease dates for all new or departing staff.

If you use a paper IR 348 make sure box 2A is completed showing the actual pay day.

Customers incorrectly using secondary tax codes

Some employees are using a higher tax rate, such as a secondary tax rate (ST code), to help offset tax bills based on other income they get. Law changes 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.

If this situation affected any of your employees you should have received advice from us telling you to change tax codes accordingly. We have also sent letters to affected employees to let them know their new tax code.

If an employee does not want to have their source deductions taxed at the rate in this letter, they should apply for a tailored tax code. They can do this in myIR.

From October, we'll begin sending letters to individuals where the tax code they're using is unsuitable. For example, this may be where they are using the correct secondary tax code, but their secondary income tax spans tax brackets resulting 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.

Email: BusinessTax.Update@ird.govt.nz

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