

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses



Issue No 103 • October 2019 • IR381

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

Short-process rulings

You can now apply for a short-process ruling for your clients. Short-process rulings are a new way to get a binding ruling on how a tax law applies to a situation.

Short-process rulings are quicker and less expensive than private rulings, which means that more people can get certainty on how tax rules apply to them.

This new service doesn't replace private rulings – which are still available if your clients cannot use the shortened process.

Short-process rulings are only for individuals and organisations with annual gross income of \$20 million or less in the last tax year (or if they didn't exist in the last tax year, they expect to meet that income threshold in the year the ruling relates to). Also, the application must relate to a situation involving tax of less than \$1 million.

You will need to ask a question related to a tax, duty or levy that Inland Revenue is responsible for. You will also need to tell us what tax outcome you expect.

Applications can be made through myIR, or on our website. The whole process will take about 6 weeks until we come back to you with our initial view, and costs \$2,000 (including GST).

When the ruling is finalised, it will tell you how the tax law applies to the situation and what conditions apply.

For more information go to ird.govt.nz/SPR

Moving on from cheques

Inland Revenue is becoming increasingly digital in the way we work. Soon this will include a move away from cheques.

This also reflects our customers' preferences, with cheque usage declining every year. Last year cheques only accounted for 5% of payments and some people who used cheques also used other payment methods. Most of our customers now choose to pay their taxes electronically.

From 1 March 2020, we will no longer accept cheques. This includes post-dated cheques (cheques dated after 1 March 2020). If you pay by cheque we encourage you to get a head-start on finding other convenient and secure payment options that work for you.

We do appreciate that for some people this will be a significant change that will take some adjustment. The good news is that there are lots of faster, cheaper and safer ways to pay – electronically or in person.

Secure ways to pay

Through your bank

To help you find a payment option that works for you, talk to your bank about their online banking facilities including: regular automatic payments and one-off automatic payments.

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Through Inland Revenue

Use your credit or debit card to make online payments, visit ird.govt.nz/pay

You can pay by direct debit or use your debit card and credit card in myIR. Visit ird.govt.nz and login or register for myIR.

Paying from overseas

You can pay us using a fees-free money transfer service. Search for 'make a payment' at ird.govt.nz

In person at Westpac

Drop in and pay your taxes over the counter by cash or eftpos. You can only do this at Westpac branches. You can also use one of Westpac's Smart ATMs.

Go to westpac.co.nz to find a Westpac branch or Smart ATM.

Find out more

You can find out more about your payment options by visiting ird.govt.nz/pay

If you have a tax agent, you may also like to talk to them about your payment options.

Enrolling for the Research and development tax incentive

The Research and development tax incentive available from the 2019/20 income year, features a 15% tax credit on up to \$120 million of eligible expenditure.

Businesses can use the eligibility tool and guidance on our website to find out if their R&D activities meet the incentive criteria.

You must spend more than \$50,000 on eligible R&D in a tax year to claim this credit, unless you use an approved research provider. This exception helps make the R&D tax credit accessible to businesses of all sizes.

Businesses that plan to claim this tax credit need to enrol through myIR before they can submit a supplementary return at the end of their tax year.

To enrol, go to myIR and choose the 'I want to' tab and 'RDTI enrolment'. This process should take around 10-20 minutes to complete.

Once enrolled, you'll have access to the R&D tax incentive workspace where you'll be able to begin entering information from November 2019.

The R&D tax credit operates on a self-assessment basis. This means you are responsible for determining whether your R&D activities and expenditure meet the eligibility requirements of the legislation, and for maintaining records to support your eligibility. Your records must be sufficient to verify:

- the nature of the R&D activities and the scientific or technological uncertainty or uncertainties they were designed to resolve
- the amount of expenditure incurred on R&D activities
- the relationship between the expenditure and the R&D activities.

Relevant records include those that are normally kept by businesses to support income tax and GST claims. Additional records will be required to cover the planning and conduct of R&D activities, and to isolate eligible expenditure. These additional records will vary depending on the nature of the business and the R&D activities.

For information, eligibility and enrolment visit www.classic.ird.govt.nz/research-development

Use of money interest rates (UOMI)

From 29 August 2019, the Use of Money Interest (UOMI) rates on underpayments and overpayments of tax changed.

The new rates are:

- underpayments - 8.35% (up from 8.22%)
- overpayments - 0.81% (down from 1.02%).

UOMI rates are reviewed regularly to ensure they are aligned with market interest rates.

