



**Inland Revenue**  
Te Tari Taake

# COVID-19 – Your questions answered

As at 8<sup>th</sup> April 2020



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**Inland Revenue**  
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# COVID-19 – Inland Revenue Policy Initiatives

As at 8<sup>th</sup> April 2020



# Inland Revenue Policy Initiatives

- **The COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill** was passed on 27th March 2020, and enacted the following measures:
  - Reintroduction of depreciation on commercial buildings;
  - Increase in the provisional tax threshold;
  - Up-front deduction of low value assets threshold increase;
  - Research & Development Tax Credit refundability;
  - Use of Money Interest relief;
  - Information sharing;
  - In Work Tax Credit eligibility criteria;
  - Working for families tax credit entitlement for emergency benefit recipients;
  - GST on COVID-19 related payments (related to the wage & leave subsidies administered by MSD)
  - Increase in the winter energy payment



# DEPRECIATION ON COMMERCIAL BUILDINGS

- Reintroduced from 1 April 2020
- Does not apply to residential buildings
- Applicable rates:
  - 2% for the diminishing value method
  - 1.5% for the straight line method



# Depreciation: Why are deductions being restored?

- The Bill reintroduces depreciation deductions for non-residential buildings.
- International studies indicate that commercial and industrial buildings do depreciate.
- Restoring depreciation deductions will help support businesses with cashflow in the near-term and assist with the broader economic recovery by encouraging business investment in new and existing buildings.
- The applicable depreciation rates introduced are 2% DV and 1.5% SL.
- Find out more on our website: [Depreciation & low value assets](#)



# Depreciation: Common questions

- **Why are deductions not available for residential buildings?**
  - Research shows these buildings have a slower rate of economic depreciation than other buildings.
- **Can I claim depreciation deductions for my AirB&B property?**
  - The definition of residential buildings includes dwellings and buildings used for short-term accommodation (such as AirB&B) with less than 4 individual units.
  - Houses and rooms used as AirB&B properties will therefore be “residential buildings” and will not be entitled to depreciation deductions. These buildings are not impacted by the depreciation changes as part of the Bill.
  - If there are 4 or more separate units within the same property and the property is used for short term accommodation such as AirB&B, it can be depreciated.

# INCREASED PROVISIONAL TAX THRESHOLD

- Increase in the provisional tax threshold from RIT of \$2,500 to RIT of \$5,000

Effective for the 2020/21 tax year



# Increase in the provisional tax threshold

- The Bill increases the provisional tax threshold from residual income tax of \$2,500 to \$5,000 from the 2020/2021 tax year.
- As a result, returns filed for the 2020 tax year will only generate a provisional tax assessment if the RIT is over \$5,000.
- Increasing the threshold for having to pay provisional tax from \$2,500 to \$5,000 allows more small taxpayers to delay paying their taxes to the end of the year.
- This means they have until 7 February, following the year they file, to pay their tax bill, instead of having to pay in instalments throughout the year.
- This lowers compliance costs for smaller taxpayers and allows them to retain cash for longer.
- Find out more on our website: [Provisional tax](#)

# Provisional tax: Common questions

- **Is this a permanent change?**
  - Yes. While this change is being done now in response to COVID-19 it is intended to be a permanent change.
- **How many taxpayers will be taken out of provisional tax from this measure?**
  - This reduces the number of taxpayers who have to pay provisional tax by approximately 95,000. This will give those taxpayers cash to use within their business during the year.



# Provisional tax: Common questions

- **Won't this measure just increase debt levels at the end of the year?**
  - The increase in the provisional tax threshold to \$5,000 removes compliance costs for smaller businesses and frees up cashflow during the year.
  - Those taxpayers who want the convenience of paying during the year they can always choose to make voluntary payments to Inland Revenue or put the money aside in a bank account.
- **When will this take effect?**
  - The reduced threshold will take effect from the 2020-21 income year which for most taxpayers will mean 1 April 2020.



# LOW VALUE ASSETS

- Threshold temporarily increases from \$500 to \$5,000  
Effective from 17 March 2020 – 16 March 2021
- Threshold permanently increases to \$1,000  
Effective from 17 March 2021



# Threshold for expensing low-value assets

- Businesses can now deduct the full cost of more low-value assets in the year they purchased them, rather than having to spread the cost over the life of the asset.
- Taxpayers were previously able to claim an immediate deduction for the purchase of assets that cost less than \$500.
- This threshold has been increased, effective from 17 March 2020, to allow the immediate expensing of assets that cost up to \$5,000.
- This will reduce compliance costs for businesses and, as it is a temporary measure, it will incentivise them to bring forward investments and encourage spending.
- This increase is temporary and will only apply until 16 March 2021. After this date the low-value asset threshold will increase permanently, but only to \$1,000.
- Find out more on our website: [Depreciation & low value assets](#)

# Low value assets: Common questions

- Why is the increase temporary?
- Increasing the threshold to \$5,000 from 17 March 2020 until 16 March 2021 is intended to encourage businesses to continue investing in their businesses throughout the period of the COVID-19 pandemic.
- The threshold is still being permanently increased from \$500 to \$1,000 from 17 March 2021 onwards.
- This will encourage further investment by businesses as the economy begins to recover from COVID-19.

# RESEARCH & DEVELOPMENT TAX CREDIT

- Refundability of the R&D tax credit has been brought forward to the 2019/20 tax year



# Research & Development tax credits

- The application date of broader refundability for the R&D tax credit has been brought forward by one year, to the 2019–20 income year, to help businesses retain their R&D capability during the COVID-19 outbreak.
- The R&D tax credit currently only has limited refundability rules, which may not provide sufficient support to loss-making businesses or businesses who do not pay enough income tax to fully utilise their R&D tax credits.
- Broader refundability rules have been developed and will apply from year 2 of the regime (the 2020–21 income year); however, these rules will not apply in time to benefit R&D performers struggling with the effects of COVID-19.
- Bringing the application date of the year 2 refundability rules forward to year 1 (2019–20 income year) would provide more businesses with access to R&D tax credit refunds sooner.

# R&DTC: Common questions

- **If the new rules are more generous, why didn't you do this in the first place?**
  - The R&D Tax Incentive was developed under tight timeframes. The Government committed to reviewing the refundability rules so that broader refundability would be available from year 2 of the incentive (the 2020-21 income year).
  - To provide businesses performing R&D with cash now, when they need it the most, and to encourage R&D activity and innovation at a difficult economic time, these new broader rules will apply a year early.
- **Can businesses still access the old limited refundability rules in year 1?**
  - Yes, they can.
  - The broader refundability rules will apply by default, but any business who would prefer to apply the old year 1 limited refundability rules will be able to do so. Businesses can signal this preference when they file their R&D claims with Inland Revenue.

# R&DTC: Common questions

- **How much support will this provide businesses?**
  - We're expecting this measure to provide up to \$70 million of additional cash support to R&D performing businesses.
  - By making the broader refundability rules available early, we're helping to ensure businesses have the funds they need to keep New Zealanders in their jobs and to continue undertaking R&D activities. These businesses would have had access to this cash in year 2 of this scheme, but making this amendment provides them with this vital support a year earlier.
- **The Government has already announced business support measures – why are R&D performers getting extra support?**
  - For many businesses, R&D activities are likely to be scaled back or reduced when funds are tight which means less innovation. This, in turn, hinders our economy's ability to recover once the global situation stabilises. That's why the Government has decided to act quickly and provide extra support to R&D performers now.

# USE OF MONEY INTEREST REMISSION

- Inland Revenue can remit interest on late payment if the customer's ability to make payment was significantly adversely affected by the COVID-19 outbreak

Effective for payments due on or after 14 February 2020

# Use-of-money interest remission

- The Commissioner already has a number of financial relief and remission provisions of the Tax Administration Act 1994 (TAA). The Government has also introduced a new section 183ABAB into the TAA 1994 giving the Commissioner the ability to remit use of money interest (UOMI) charged if the taxpayer's ability to pay tax on time has been significantly adversely affected by the COVID-19 outbreak.
- This new provision would include both when a taxpayer is physically unable to make a tax payment on time and also when a taxpayer is financially unable to make a tax payment on time because of the economic effects of the COVID-19 outbreak. That relief is available once the core tax has been paid in full. This discretion applies to tax payments due on or after 14 February 2020. The Commissioner's ability to remit interest under s 183ABAB will apply until 25 March 2022.
- Find out more on our website: [Use of Money Interest](#)

# UOMI remission: Eligibility

- To be eligible for remittance of penalties and UOMI, customers must meet the following criteria:
  - They have tax that is due on or after 14 February 2020
  - Their ability to pay by the due date, either physically or financially, has been significantly affected by COVID-19
  - They will be expected to contact the Commissioner as soon as practicable to request relief and will also be required to pay the outstanding tax as soon as practicable
- It is the Commissioner's view that a customer has been significantly adversely affected by COVID-19 financially where their income or revenue has reduced as a consequence of COVID-19 and, as a result of that reduction in income or revenue, is unable to pay their taxes in full and on time.

# UOMI remission: Apply “as soon as practicable”

- “As soon as practicable” will be determined on the facts of each case.
- Inland Revenue considers the term means that so long as the taxpayer applies for the relief at the earliest opportunity and agrees to an arrangement that will see the outstanding tax paid at the earliest opportunity, or will be paid over the most reasonable period given the taxpayer’s specific circumstances, the test will be met.
- Those customers who require further assistance at a later date, such as having to renegotiate the terms of an arrangement, should contact Inland Revenue at the earliest opportunity after determining they will have difficulty in paying the tax as agreed. So long as the taxpayer completes an arrangement (which may have been amended at the taxpayer’s request during the period of the arrangement), the Commissioner will accept that by entering into and completing that arrangement, the test for “as soon as practicable” in respect of paying the tax will be met.

# UOMI remission: Information required

- Inland Revenue will be trying to minimise the information we would ask to be provided during these unusual times. By continuing to file GST and other returns we will have a lot of the information we would normally ask to be provided. However, customers should be able to provide, if asked:
  - At least three months banks statements and credit card statement;
  - Any management accounting information;
  - A list of aged creditors and debtors.
- We will not ask for that information in every case, but the information should be available if we do ask for it. For businesses, Inland Revenue will be looking to understand the taxpayer's plan to sustain their business. We understand you might not be able to get all this information at this time given the COVID-19 lockdown. We will work with you based on what you know and are able to access at this time and will continue to do so as more information becomes available.

# UOMI remission: New debt & Pre-existing debt

- For new tax debt Inland Revenue will consider:
  - Instalment arrangements
  - Instalment arrangements with a deferred payment start date
  - Partial write-off due to serious hardship & payment of the remaining tax by instalment or lump sum
  - Partial payment and write-off of the balance under maximising recovery of outstanding tax
  - Write-off due to serious hardship
- Pre-existing debt prior to COVID-19
  - Customers whose debt is also subject to an arrangement but consider they may not be continue with the current terms due to being significantly affected by COVID-19 can ask to renegotiate the instalment arrangement. Any of the above options may be appropriate and each case will be considered on its own facts. Customers are encouraged to contact Inland Revenue as soon as they believe they will have difficulty in meeting their current arrangement.
  - Customers who do not have their debt under an arrangement, should contact Inland Revenue as soon as possible to discuss what options may best suit their circumstances

# UOMI remission: Filing of returns

- Inland Revenue accepts that customers will have difficulty paying all their taxes in full and on time. However, it is important that they continue to file their returns on time.
- The information in those returns will allow us to have a more complete picture of a customer's financial position when considering the various options for relief, so may reduce the amount of information we would require to consider whether or not to agree to the request for relief, and the extent of that relief.
- In addition, the information in those returns provides important information to the government – at the present time to be able to monitor the effects of COVID-19 on New Zealand's economy.

# UOMI remission: Common questions

- **How will allowing Inland Revenue to remit interest for late tax payments assist those affected by COVID-19?**
  - For many taxpayers the impacts of COVID-19 may mean they are unable to pay their tax on time, either because of the financial impact of COVID-19 or because they are physically unable to make the payment. Allowing Inland Revenue to remit use of money interest ensures that these taxpayers are only required to pay their core tax debt and do not also need to worry about interest.
- **Can't Inland Revenue already remit use of money interest in certain situations?**
  - Yes. However, the existing remission rules only applied in specific situations or events, typically due to a natural disaster. These pre-existing rules are not fit for purpose to respond to the nature of the economic shock of COVID-19 where a taxpayer may be financially unable to pay their tax on time.
- **Will taxpayers still be required to pay their core tax debt?**
  - Yes. While interest can be remitted the core tax debt must still be paid. Paying tax is an important way New Zealanders can contribute to the fight against COVID-19.

# INFORMATION SHARING

- Amends Inland Revenue's ability to share information with other Government Departments
- Assists the efficient and effective delivery of the Government's COVID-19 response

# Information Sharing

- The Bill amends the rules governing Inland Revenue's ability to share information with other government departments.
- The Bill allows Inland Revenue to share information with other government departments to assist those agencies in their response to the COVID-19 outbreak.
- This allows information to be supplied to assist the efficient and effective delivery of the Government's COVID-19 response.



# Information sharing: Common questions

- **How will information sharing help a struggling business or someone who has lost their job?**
  - Many government departments are working quickly to provide support to businesses and individuals struggling financially as a result of COVID-19. Inland Revenue has a lot of relevant information to enable government agencies to target those who need assistance the most and deliver the necessary support quickly. Allowing Inland Revenue the ability to share certain information will help speed up and target government assistance.
- **Why can't Inland Revenue use existing legislation to share information? Why do you need more legislation?**
  - The existing legislation enables information to be shared for defined purposes, which may not include responses to the COVID-19 outbreak. Also, Inland Revenue may be required to share information with agencies where we do not have any existing agreements.

# Information sharing: Common questions

- **Will the information be kept safe?**
  - Safeguards will be put in place to ensure the information is kept secure.
  - In considering whether to share information with other government agencies, the Commissioner of Inland Revenue has to consider the security of the information prior to it being disclosed.
  - Also, anyone receiving taxpayer information will be required to maintain the same confidentiality requirements imposed on Inland Revenue staff.
  
- **How much information will be shared with the receiving agency? Will they be able to use the information for other purposes?**
  - Only sufficient information will be shared to enable the other agency to administer the relevant COVID-19 response initiative. Information received by the other agency will not be able to be used for other non-COVID-19 initiatives.

# IN WORK TAX CREDIT CHANGES

- Removes the work hours requirement from the IWTC eligibility criteria

Effective from 1 July 2020



# In work tax credits

- The in-work tax credit (IWTC) is an income-tested cash payment of \$72.50 per week (\$3,770 per year) to working families with children.
- To be eligible families must be normally working at least 20 hours a week (sole parents) or 30 hours a week (couples).
- The Bill removes the work hours eligibility requirement from the IWTC.
- This means that working families who have a reduction in working hours as a result of COVID-19 do not lose their eligibility for the IWTC.
- Find out more on our website: [Support for families](#)

# IWTC: Common questions

- **Why are you removing the hours test eligibility requirement for the in-work tax credit?**
  - This extends eligibility for the in-work tax credit to all families who are not receiving a main benefit and have some level of employment income each week.
  - This is an important change as people may face a reduction of, or variable hours, in the wake of the COVID-19. Around 19,000 low-income families would benefit from this change.
- **Is this intended to be a temporary or permanent change?**
  - This is a permanent change.
- **When will this take effect?**
  - From 1 July 2020.



# Eligibility for the IWTC & MFTC generally

- For IWTC and MFTC purposes an amount paid by an employer who receives the wage subsidy is still salary/wages income to the employee.
- The issue raised is whether a person receiving a subsidised salary/wage will meet the criteria of working the required hours.
  - For IWTC a person is required to normally work the required hours but
  - For MFTC they must be working the required hours.
- Note:
  - The hours requirement for eligibility for the IWTC has been removed from 1 July 2020.
  - No change is proposed to the eligibility requirements for the MFTC



# IWTC: Eligibility from now until 1 July 2020

- Customers who have
  - had their hours reduced due to COVID-19 and
  - continue to receive qualifying income and
  - had an entitlement to IWTC prior to reducing hours

can continue to receive IWTC for the period affected by COVID-19
- Customers who have had to
  - stop work due to COVID-19 and
  - are receiving a subsidised salary/wage and
  - and had an entitlement to IWTC prior to their work stopping

can continue to receive IWTC for the period affected by COVID-19
- Customers whose hours would normally reduce at this time of the year, e.g. seasonal workers, should have their circumstances updated accordingly.
- If a customer is taking annual leave or sick leave – normal rules for IWTC criteria apply

# IWTC: Eligibility from now until 1 July 2020

- Customers who
  - are in business and
  - received IWTC prior to COVID-19
  - are unable to work the required hours due to COVID-19

can continue to receive IWTC for the period affected by COVID-19
- Customers who are made redundant or stop work (includes self-employed) and go onto a benefit have no further entitlement to IWTC, until they meet the criteria again.
- Customers who have stopped work,
  - met the IWTC criteria prior to COVID-19
  - don't go on a benefit and
  - don't receive a subsidised salary/wage,

can not receive IWTC



# MFTC: Eligibility when work hours reduced due to COVID-19

- Customers who have
  - had their hours reduced to below 20/30 hours due to COVID-19
  - receive qualifying income based on their reduced hours
  - had an entitlement to MFTC prior to reducing hours

can not continue to receive MFTC for the period affected by COVID-19
- Customers who have
  - had their hours reduced to below 20/30 hours due to COVID-19
  - but continue to receive qualifying income for 20/30 hours a week and
  - had an entitlement to MFTC prior to reducing hours

can continue to receive MFTC for the period affected by COVID-19
- Customers whose hours would normally reduce at this time of the year, eg seasonal workers, should have their circumstances updated accordingly.
- If a customer is taking annual leave or sick leave – normal rules for MFTC criteria apply

# MFTC: Eligibility when work hours reduced due to COVID-19

- Customers who have had to
  - stop work due to COVID-19 and
  - are receiving the subsidised salary/wage and
  - and had an entitlement to MFTC prior to their work stopping

can continue to receive MFTC for the period affected by COVID-19
- Customers who are made redundant or stop work and go onto a benefit have no further entitlement to MFTC, until they meet the criteria again.
- Customers who have stopped work,
  - met the MFTC criteria prior to COVID-19
  - don't go on a benefit and
  - don't receive a subsidised salary/wage,

can not receive MFTC



# WFFTC ENTITLEMENT

- Entitlement extended to include emergency benefit recipients who are on a temporary visa



# Working for Families Tax Credit entitlement criteria

- Previously, emergency benefit recipients with dependent children and who are on a temporary visa do not qualify for Working for Families (WFF) tax credits. This is because they do not meet the residence criteria for WFF.
- The result is a difference in the financial support that these families can access compared with other main benefit recipients with children.
- The Bill allows people on a temporary visa, who would not otherwise meet the WFF residence criteria, to qualify for WFF if they receive an emergency benefit from the Ministry of Social Development.
- This ensures that families on a temporary visa who receive an emergency benefit because of COVID-19 are able to access a comparable level of financial support to other recipients of main benefits.
- This change is administered by MSD and emergency benefits paid by MSD to families on a temporary visa will be increased by the amount of WFF tax credits they are eligible for.

# WAGE & LEAVE SUBSIDIES

- Administered by the Ministry of Social Development  
Any calls to Inland Revenue with regards to eligibility will be referred to MSD
- Income tax obligations
- GST obligations  
Legislation change implemented
- PAYE obligations
- KiwiSaver impacts



# Wage subsidy

- Wage subsidies are paid by the Ministry of Social Development (MSD) to employers, including sole traders and the self-employed upon application.
- An eligible employer should apply for the subsidy, which will be passed on to its employees, through MSD.
- If your employee's usual wages are less than the subsidy, you must pay them their usual wages. Any difference should be used for the wages of other affected staff.
- Further information on these subsidies, including the business eligibility criteria, is available on the [MSD website](#)

# Leave subsidy

- Leave payments for self-isolation as a result of COVID-19 were also available to businesses, including the self-employed and contractors, who satisfy the eligibility criteria and are prevented from working.
- Further information on these subsidies and applications for a self-isolation leave subsidy on behalf of an affected employee are available on the [MSD website](#).
- The payment does not affect any leave entitlements that are owed and is not available for those who are able to work from home during their period of self-isolation and be paid normally by their employer.
- From 3pm 27th March 2020 the Leave Subsidy Scheme has been absorbed into the Wage Subsidy Scheme, preventing applicants from accessing both entitlements at the same time for workers. As a result, the Leave Subsidy is no longer available for employers.

# Wage and leave subsidies: Income tax obligations

- The receipt of the subsidy is exempt income for the employer under CX 47 of the Income Tax Act;
- The employer will not be entitled to an income tax deduction for wages paid out of the wage subsidy pursuant to section DF 1(2) of the Act.
- The amount of wages paid in excess of the wage subsidy (amounts funded by the employer) are deductible as normal.



# Wage and leave subsidies: GST obligations

- The employer will not be liable for GST on the subsidy received from MSD;
- Legislation change: GST on COVID-19 related payments
  - The Goods and Services Tax (Grants and Subsidies) Amendment Order 2020 added the COVID-19 wage subsidy and the COVID-19 leave payment to the schedule of non-taxable grants and subsidies in the Goods and Services Tax (Grants and Subsidies) Order 1992 from 24 March 2020.
  - However, the wage subsidy and leave payments have been paid out from 17 March 2020. The Bill ensures that GST does not apply to payments of the COVID-19 wage subsidy and leave payments from 17 March 2020 until the date the 2020 amendment Order came into force.
- This ensures consistent GST treatment regardless of when payments were made.

# Why does GST apply to the COVID-19 related payments in the first place?

- Government grants and subsidies paid to GST-registered businesses are subject to GST under the Goods and Services Tax Act 1985. If the COVID-19 subsidy payments weren't excluded from GST, this would mean that GST-registered businesses would have to return GST on the payments they receive from the government. As a result, this would mean these GST-registered businesses would have less money from the subsidy available for supporting their staff when compared to businesses which are not registered for GST.
- The recent Order in Council (the Goods and Services Tax (Grants and Subsidies) Amendment Order 2020) added the COVID-19 wage subsidy and leave payment to the schedule of non-taxable grants and subsidies for the purposes of the Goods and Services Tax Act 1985. It did not have retrospective effect, so only applies in respect of payments made from 24 March, which is when the Order in Council came into force. The change in this bill ensures that the same exclusion from GST applies to all payments made since 17 March 2020.
- COVID-19 related subsidies will therefore not be subject to GST.

# Wage and leave subsidies: Employer obligations

- Wage subsidies and self-isolation leave subsidies should be passed on to the employee by the employer and processed as part of the employee's normal wages. All deductions of PAYE, KiwiSaver, Student Loans, child support etc are made as normal.
- If the total wage (subsidy + employer funded pay) amounts to the same wages as previously, the pay and deductions on their payslip should be the same.
- Whether employers top up the subsidy with cash payments or annual leave is up to them to arrange with staff. Employees cannot be forced to use their annual leave entitlement.
- Employers should keep accurate records detailing the amount of the subsidy received and details of the employees it has been paid to, this will assist the employer if MSD request to review their records later .
- If your employee's usual wages are less than the subsidy, you must pay them their usual wages. Any difference should be used for the wages of other affected staff.

# Wage and leave subsidies: Employer obligations

- Are there any tax consequences if an employer pays the 12-week wage subsidy as a single lump-sum to their employees?
  - For employers – no. As mentioned, the receipt of the subsidy is exempt income and the payment to an employee is not deductible so it doesn't make any difference if they pass it on now, or over time.
  - For employees – the intention is the subsidy amount is passed to the employee as per their normal pay cycle, otherwise yes, there are likely to be tax consequences..
- What are the tax consequences for employees?
  - Paying the 12-week subsidy to an employee as a lump sum brings up to 12 weeks of income, that would normally be earned in the next tax year, into this tax year (which ends on 31 March 2020).
  - The additional income could move them into a higher marginal tax bracket and result in them receiving a tax bill when Inland Revenue completes the automatic assessment process later this year;
  - If, as a result of receiving the additional income, their total gross income for the year exceeds \$48,000 they will no longer qualify for the Independent Earner Tax Credit;
  - It may also impact their Working for Families Tax Credits, or they may receive a Student Loan bill.

# Home office expenses incurred by employees

- During the COVID-19 Alert Level-4 lock down period many employees are working from home.
- In some instances, their employer may provide a special allowance to cover the costs of this, however in many cases the employee is expected to bear these additional costs.
- We have been asked whether these costs, or a proportion of the costs can be claimed as an expense against employment income.
- No – under current legislation the employment limitation prevents an employee deducting costs incurred in deriving income from employment.
- There are only very limited types of expenses that can be claimed by individuals who only earn income from employment, you can find out more on our website: [Types of individual expenses](#)

# Wage and leave subsidies: Self-employed customers

- If the wage subsidy received by a self-employed person taxable in the year it is received, or can it be spread over the 12-week period?
  - Many self-employed people will receive the subsidy in the 2020 tax year, but (in most cases) only 1 or 2 weeks of it relates to the 2020 tax year.
  - Inland Revenues position is that these payments qualify as ‘compensation’ for the purposes of section CG 5B and can therefore be returned in the income year which the income being replaced would have been derived.
  - In practical terms this means an amount received prior to 31 March 2020 can be spread if it relates to income that would have been derived after 31 March (the 2021 year).

# Wage and leave subsidies: Self-employed customers

- Is the wage subsidy received by a self-employed person subject to ACC levies?
  - No, under section 14 of the ACC Act, the income must be derived from physical exertion before it will be liable for ACC levies.
  - To ensure the subsidy is not subject to ACC for these customers it is important to return it as **'Other Income'** in the IR3 return.
  - If it is included as part of the 'Self-Employed Income' ACC will have no way of identifying whether the amount is liable for ACC levies or not and as a result will charge the levy on the entire amount.

# Wage and leave subsidies: KiwiSaver implications

- Can an employee request to have their KiwiSaver contributions suspended while they are receiving the subsidy?
  - The only way employees can stop contributions is by requesting a savings suspension.
  - They must request the savings suspension from Inland Revenue, we then notify the employer, provider and member once we have granted it.
  - There are three ways employees can apply, either online through My KiwiSaver (part of MyIR), by completing a KS 6 Form and posting it to us, or by calling us. The quickest way is through MyIR.
  - There are a few requirements:
    - They have to have been a contributing member for 12 months, unless it is a matter of financial hardship.
    - The savings suspension is for a minimum period of 3 months, unless the employer agrees.
    - The savings suspension can be granted for up to one year, but can be ended early, and another can be applied for if they would like to extend it further.
  - Find out more on [our website](#).

# Wage and leave subsidies: KiwiSaver implications

- A customer can apply for a savings suspension through MyIR:
  - Log into the MyIR account;
  - Select the 'KiwiSaver' account tile;
  - Select 'Go to My KiwiSaver' at the top left of the page;
  - Select 'Savings Suspension' and complete the required information to submit your request.
  
- If a customer wants to withdraw their funds from KiwiSaver they need to speak with their scheme provider (not Inland Revenue). To find out who the scheme provider is:
  - Log into the MyIR account;
  - Select the 'KiwiSaver' account tile;
  - Select 'Go to My KiwiSaver' at the top left of the page;
  - Select 'My Scheme' to find out who to contact to discuss your withdrawal request.

# WINTER ENERGY PAYMENT

- Administered by MSD
- Doubled for the 2020 year
- For eligible people:  
\$900 for single people with no dependent children;  
\$1,400 for couples and people with dependent children.

# Winter Energy Payment

- The winter energy payment (WEP) is assistance paid to help eligible people meet their household heating costs during the winter months.
- The rates for the WEP have been doubled by Order in Council to \$900 per year for single people with no dependent children and \$1,400 per year for couples and people with dependent children.
- However, this increase in the WEP rates is intended to be temporary and apply for 2020 only.
- The Bill therefore restores the WEP rates from 2021 onwards to their current rates of \$450 per year for single people with no dependent children and \$700 per year for couples and people with dependent children.



**Inland Revenue**  
Te Tari Taake

## Questions & Answers

We have had a multitude of questions, here are answers to some of the most common ones



# Common questions & answers

- The following Q&A covers the following topics:
  - General
  - Due dates for filing & paying
  - Refunds
  - In Work Tax Credit & Minimum Family Tax Credit (IWTC & MFTC)
  - Goods & Services tax
  - Insurance proceeds
  - International
  - Student Loans



# GENERAL INFO

- Inability to contact Inland Revenue & long wait-times
- Inland Revenue updated advice to business
- Urgent IRD Number application: Proof of identity process change
- Reduction in compliance activities

# Inability to contact Inland Revenue & long wait-times

- Inland Revenue is continuing to provide essential services for business and individual customers, including payments to Working for Families customers and the administration of Child Support.
- Because of the extremely difficult circumstances, we are having to prioritise the work we do and adjust the way we do it accordingly. But please be assured payments will be made.
- Contact by phone is severely limited so customers will have to make every effort to make their contacts online - preferably through MyIR.
- Please continue to respond to electronic mail from Inland Revenue.
- Importantly, we will be flexible in the way we approach filing obligations (GST and provisional tax, for example) and tax debt. More details on filing and debt will be provided as soon as possible.
- Again, please be assured that we will remain open during the Alert 4 period and will prioritise working on all critical matters related to your tax entitlement and payment obligations. We know these are matters causing real stress and uncertainty and we are working urgently to provide as much certainty as quickly as we can.
- Our thanks for your patience in what is a difficult time for everyone.
- Read on [our website](#).

# Inland Revenue updated advice to business

- If your business is unable to pay its taxes on time due to the impact of COVID-19, we understand, you don't need to contact us right now.
- Get in touch with us when you can, and we'll write-off any penalties and interest.
- It would help if you continue to file however, as the information is used to make correct payments to people, and to help the Government continue to respond to what is happening in the economy.
- Read on [our website](#).



# Inland Revenue – Our Services

- Due to circumstances surrounding the current Alert 4 lockdown, we are having to reprioritise work and revisit the way we do it. Even so, we will continue to provide essential services for business and individuals, including Working for Families payments and administration of child support, during this time.
- We understand that this is a difficult time and are doing all that we can to make it as stress-free as possible. We'll be flexible in the way we approach filing obligations, such as for GST and provisional tax, and tax debt.
- If you need to get in contact with us, you should make every effort to do so online - preferably through myIR. We are experiencing unprecedented levels of calls at the moment, so phone contact is extremely limited. You should continue to respond to messages you receive from us in myIR.
- Again, be assured that we will remain open during the Alert 4 period and are prioritising work on all critical matters relating to your tax entitlement and payment obligations. We know that these matters are causing real stress and uncertainty and we're working urgently to provide as much certainty as quickly as we can.
- Read on [our website](#).

# Urgent IRD Number application: Proof of identity process change

- A temporary process change to the proof of identity for urgent IRD Number applications has been implemented to accommodate customers during the COVID-19 Lockdown. The below will apply to IRD number applications until the lockdown has been lifted:
  - We will not request face to face verification for urgent IRD Numbers for both Individuals and Non-Individuals
  - We will assess the level of risk, based on the documentation provided by the customer to determine the approach and process accordingly, where required, verification checks for these customers will be conducted at a later date.
- All customers will be asked to complete the normal face to face within four weeks of the restrictions being lifted. We will be following up with customers to ensure this is completed.

# DUE DATES FOR FILING & PAYING

- Income Tax
- Time bar effects of late filing
- GST
- PAYE
- Closure of Westpac branches
- Difficulty paying tax
- Basic Compliance Packages

# Income tax returns due 31 March 2020

- The due date for filing income tax returns (for customers with a Tax Agent) is 31 March.
- This due date will not be extended by new, or a change in, legislation.
- Tax Agents can apply for 'deferred' status on behalf of their clients which is an approval from Inland Revenue for their client to file their return late.
- We know that Tax Agents would usually complete this process online through MyIR but the system has an automatic cut-off date of 20th March 2020.
- As a result we have agreed to a manual process for request after 20th March. Tax Agents can contact their IR Agent Account Manager and provide a list of clients who need 'deferred' status this year.
- Inland Revenue will accept and process any requests made up till 3rd April 2020.

# Time bar for 2019 income tax returns

- It remains important to furnish the returns as soon as possible. However, any late filing penalties will be waived in these circumstances.
- Late tax return filings will also have the effect of extending the time bar in s 108 to 31 March 2025 (instead of 31 March 2024).
- Due to the impact of COVID-19 and related potential for filing delays, as at 31 March 2024 the Commissioner will close any review or other compliance activity for any 2018/2019 income tax return which is:
  - due on or before 31 March 2020 and is furnished after 31 March but before 31 May 2020
  - not subject to any existing exclusions from the standard 4 year time bar
  - not subject to a dispute:
    - commenced by NOPA issued before 1 January 2023, and
    - involving alleged tax avoidance, or
    - having tax in dispute of greater than \$200 million.
- The Commissioner may need to clarify the circumstances of any delay in filing. This is limited to the effects of the COVID-19 virus. Read more on our website: [Covid-19 Income Tax & time bar](#).



# Goods and Services Tax

- We understand that business owners are under pressure and tax compliance can add to their stress, however we cannot change or extend the legislated due date for filing GST returns.
- The most important thing is for customers to file, even if they cannot pay, so that Inland Revenue, and the Government, have up-to-date information about what is happening in the New Zealand economy.
- If customers cannot pay their GST now they can go online and set up an instalment arrangement that suits them.

# Employer Obligations

- We know it's challenging for customers in the current environment to continue to file Employment Information each payday. However, filing Employment Information ensures information about employees is up to date and accurate and will also help support any application for the Government's recently announced wage subsidy (if required) given the current context of COVID-19.
- Employment information is critical to our ability to complete the automatic assessment process for the 2020 tax year and release any resulting refunds to New Zealanders who need them now, more than ever.



# Making payments to Inland Revenue

- As many of you will know, IR no longer accepts cheques. This may impact some customers who are unable to go to Westpac and pay over the counter (due to COVID-19 restrictions). We understand customer concerns, but want to reiterate that, if customers are unable to pay taxes on time due to the impact of COVID19, we will understand. Please ensure they get in touch with us when they can and we'll write-off any penalties and interest.
- As a reminder, there are several options - with internet banking or using myIR being the easiest. Businesses can also make credit card or debit card payments over the phone or set up direct debit payments through their myIR account. Find out more on our website: [Ways of paying](#).
- Our next Business Transformation stage will also include a new self-managed phone payment option (for debit and credit cards).

# Difficulty paying tax

- If you're having difficulty paying outstanding tax, we can help. If you'd like to break down your payments, you can set up an instalment arrangement in myIR.
- You can also apply for a write-off due to serious hardship if you know you won't be able to pay the full amount. If we grant relief from payment due to hardship and you have losses to carry forward, these losses will be reduced in proportion to the amount written off.
- Alternatively, you can send us a disclosure of financial position form - IR590 or call us on our Adverse Events line at 0800 473 566.
- Find out more on our website: [Difficulty paying tax](#)



# Closure of Westpac branches

- Westpac offices will be open one day a week (Wednesdays) during the nationwide lockdown in response to COVID-19. As a result, taxpayers who pay their tax obligations via their local Westpac branch will only be able to do so on Wednesdays.
- If your business is unable to pay its taxes on time due to the impact of COVID-19, we understand, you don't need to contact us right now. Get in touch with us when you can, and we'll remit any penalties and interest.
- It would help if you continue to file however, as the information is used to make correct payments to people, and to help the Government continue to respond to what is happening in the economy.
- There are other ways you can pay your tax, via internet banking or using myIR. You can make credit card or debit card payments or set up direct debit payments through your myIR account. Find out more on our website: [Westpac only opens Wednesdays](#).

# Extension to the due date for Basic Compliance Packages

- We can confirm that the due date for lodging your annual Basic Compliance Package has been extended to 30 June 2020.
- A letter advising of the new due date has been issued to all customers who are required to lodge a Basic Compliance Package this year.



# REFUNDS

- Income tax & unfiled ICA returns



# Income tax refunds & the requirement to file an ICA return

- We have been asked if we can release refunds from income tax where an ICA return (or the relevant year's income tax return) hasn't been filed, if the customer can give us a reasonably assurance that they have sufficient IC's to entitle them to a refund.
- Unfortunately, the answer is no. The requirement to file an ICA return is a legislative one, and we do not have discretion to depart from it.
- This is because a companies Income Tax refund is limited under section RM 13 of the Income Tax Act 2007 to the balance of their ICA account.
- If they have not filed the ICA return, we simply don't know if they are entitled to the refund, so we can't release it.
- It isn't just an administrative requirement to file an ICA return, it is a necessary step to allow us to determine they are actually entitled to the refund at all.

# GOODS & SERVICES TAX

- GST on cancelled supplies
- GST adjustments for change in asset use
- GST registration cancellations

# GST on cancelled supplies

- If you have returned GST on a supply that is subsequently cancelled, an entitlement to a GST adjustment arises in the period in which it becomes clear that the output tax returned is incorrect, e.g. the period in which the reimbursement was made.
- Where a tax invoice was originally issued for the supply, a credit note for the cancellation of the supply will also need to be raised to support any GST adjustment made.
- If, as a result of the cancellation of significant or multiple supplies, you make a claim for loss of income (or similar) insurance, the receipt of any insurance pay-out will be subject to GST as it is a deemed supply under section 5(13) of the GST Act.

# GST adjustments for change in asset use

- If a particular asset is not being used at all for a period of time e.g. during the COVID-19 alert level 4 period then there are unlikely to be any change of use or apportionment adjustments required for GST purposes.
- If an asset e.g. a vehicle, is used both for business and private purposes and an actual use calculation is above the threshold to require an adjustment at the end of an adjustment period, primarily due to the fact that the asset could not be used for normal business use during the COVID-19 alert level 4 period, IR will apply a practical approach in accepting calculations that provide a fair and reasonable result in the circumstances.

# GST registration cancellations

- If your business shuts down due to the COVID-19 Alert Level-4 situation you may need to de-register from GST.
- If a taxable activity has ceased the registered person should seek de-registration within 21 days of cessation. However, whether or not a taxable activity has ceased will depend on the facts of each case.
- After a period of making regular or frequent taxable supplies, making no taxable supplies for a 12-month period may be indicative of the taxable activity having ceased but it will depend on what other activities relating to those supplies or future intended supplies has occurred or will occur. For example, things done in relation to ending the taxable activity such as closing down operations or honouring warranty obligations for prior supplies are part of the taxable activity.
- Where a taxable activity has ceased and de-registration is appropriate, de-registration adjustments to return GST on any assets retained from the activity will be required

# INSURANCE PROCEEDS

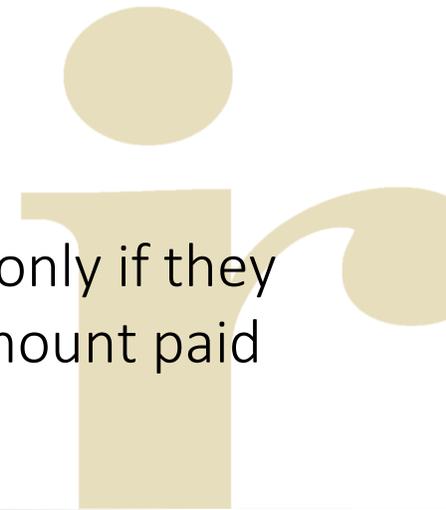
- **Individuals**  
Income protection insurance  
Personal sickness insurance
- **Businesses**  
Income tax  
GST



# Individual insurance polices

ITA: CE 11, CA 1(2)

- Whether or not payments from an insurance policy are taxable will always depend on the exact terms of the policy, however in most instances the following applies:
- Income protection insurance  
Amounts paid out under income protection insurance policies will be income to the recipient.
- Personal sickness insurance  
Amounts paid out under personal sickness insurance policies will be income only if they are income under ordinary concepts, but are generally exempt where the amount paid out is not calculated with reference to loss of earnings.



# Business insurance policies

ITA: CG 5B. GSTA: 5(13)

- Any insurance or compensation amounts received are income if:
  - Received in relation to an interruption or impairment of business activities resulting from an event; and
  - Is attributable to a loss of income that the business would have otherwise derived.
- The income can be allocated to the later of:
  - The income year that the replaced income relates to; or
  - The year in which the amount is received or is able to be reasonably estimated.
- In practical terms this means that loss of income insurance is taxable, but if received prior to 31 March 2020 it can be spread if it relates to income that would have been derived after 31 March (the 2021 year)
- Receipts of insurance for loss of income are deemed to be in the course or furtherance of a taxable activity and are therefore subject to GST.

# INTERNATIONAL

- Breach of the conditions of an Advance Pricing Agreement
- Due date for Annual Compliance Reports for the 2019 tax year
- Due date for the International Questionnaire
- Due date for CFC disclosures
- CRS & FATCA

# Breach of the conditions of an Advance Pricing Agreement

- We are aware that customers with current Advance Pricing Agreements (APAs) may be impacted during the COVID-19 Crisis.
- At this stage, we do not know how significant the disruption will be or how long it will last and there will be considerable variations between sectors and types of businesses.
- It is only after the dust has settled that we will be able to reset the likes of APAs but we do recognise these rulings will need to be reconsidered in light of this global upheaval.
- We would like to reassure customers that they do not need to take any specific action now to ensure that their circumstances are appropriately reviewed in due course

# Breach of the conditions of an Advance Pricing Agreement

- To ensure that customers can focus on critical business decisions at this time, we note the following:
  - IR input or permission is not required where a customer makes a business decision that results in an APA breach.
  - If an APA breach occurs, please advise IR in the relevant year's Annual Compliance Report (ACR). We recognise that due to the significant uncertainty faced by business currently, communication at any earlier point, particularly before year-end or before a tax position is taken, may be problematic.
  - When reviewing an APA breach disclosed in the ACR, IR will have regard to the exceptional circumstances faced by the customer and we anticipate that there will be some circumstances where the arm's length outcome during the Covid19 pandemic may differ from that agreed in the APA.

# Due date for Annual Compliance Reports for the 2019 tax year

- The terms of most Advance Pricing Agreements require an Annual Compliance Report to be filed at the same time as the relevant Income Tax return, or, at the latest, by the due date for that Income Tax return.
- If your tax agent has applied for Deferred status for your 2019 Income Tax return then we will apply the same extension to the due date for your Annual Compliance Report.
- If you have any questions or concerns about your particular situation please contact us at:

[Transfer.Pricing@ird.govt.nz](mailto:Transfer.Pricing@ird.govt.nz)

# Due date for the International Questionnaire

- We are happy to consider extensions on a case-by-case basis and we will be pragmatic given the current situation effecting most businesses.
- We have already received a number of completed responses and we are happy to work with any corporate experiencing difficulty in responding.
- If you need to discuss an extension please contact us via email at:

[InternationalQuestionnaire@ird.govt.nz](mailto:InternationalQuestionnaire@ird.govt.nz)



# CRS & FATCA

- We understand that many of you will be facing several challenges during these extreme circumstances.
- If you do need an extension for filing your disclosures, then get in touch with us at your earliest convenience so we can work out something that suits your circumstances.
- Contact us on either:

[fatca@ird.govt.nz](mailto:fatca@ird.govt.nz)

[global.aeoi@ird.govt.nz](mailto:global.aeoi@ird.govt.nz)



# STUDENT LOANS

- Hardship relief for NZ based borrowers
- Hardship relief for overseas based borrowers
- Unable to return to NZ



# Student Loan Borrower: hardship or reducing current assessments

- If you're struggling to make your student loans payments, we might be able to reduce your repayment obligations. Alternately, you can propose an instalment arrangement to suit your situation.
- You can also apply for a student loan repayment deduction exemption if you're New Zealand based and:
  - are studying full-time, or about to start studying
  - will reasonably expect to earn under the annual repayment threshold.
- Find more information on our website:
  - [Hardship & defaulting on my student loan](#)
  - [Student loan repayment deduction exemption](#)



# Student Loan Borrower: Unable to return to New Zealand

- If you were intending to travel back to New Zealand but are now unable to, you can apply for your student loan to be interest-free.
- You'll need to have been a New Zealand tax resident while you were overseas and show that you were intending to stay overseas for less than 183 days.
- You'll need to provide the following proof:
  - evidence of the reason you were delayed
  - your original flight reservations
  - a completed New Zealand tax residence questionnaire (IR886) if you were overseas for more than 325 days.
- Find more information on our website:
  - [Unexpected delay returning to NZ when I have a student loan](#)



# Student Loan Overseas Borrower hardship or reducing current assessments

- If an overseas based borrower is unable to pay the required amount, they can apply for hardship relief, and the obligation may be reduced.
- When dealing with overseas based borrowers Inland Revenue will ensure we are taking the current situation with COVID-19, worldwide, into account.
- If you contact us and we can see that you have been keeping up to date with your repayments, or have been making repayments under an arrangement, and you are now unable to make these payments then we will discuss options for the capitalisation of arrears and/or options for reducing your current assessment.



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## Other questions we have been asked...

We know customers are concerned about these issues and we are working through trying to find solutions.

We will update our website when we have more information to share



# Child Support: Shared care arrangements impacted by COVID-19

- While New Zealand is in Alert Level 4 lock-down, the shared care arrangements of many families will be disrupted. The Government and the Principal Family Court Judge guidelines are:
  - Generally, children in the same communities can continue to go between their homes
  - If the families are in different towns or communities, then the children should stay in one home
  - Children should also stay in one home if they're feeling unwell, or if someone in their home is unwell or has been overseas in the last 14 days
- We know that for Child Support and Working for Families, the care arrangements of the children can have an impact on entitlements and liabilities. If the care arrangements have to be altered because of the lock-down (and the plan is to return to the usual arrangement once lock-down ends), we wouldn't view this as a change to the ongoing care arrangement. However, we will continue to consider each case on its own merits.

# Trading stock valuations: as at 31 March 2020

- The Commissioner will allow a late 2020 stocktake, provided it is carried out as soon as practicable and no later than 31 May 2020. The 2020 closing stock figure needs to be reconstructed by adjusting for post-balance date sales and purchases – those made between balance date and the late stocktake date.
- Example:
  - Wiremu's Home Appliances Ltd sells and repairs kitchen appliances. It has a standard balance date of 31 March. At the end of the 2020 income year, the company was required to value its trading stock. However, as a result of COVID-19, it had to shut down its business and was unable to undertake the stocktake on 31 March 2020.
  - On the 28<sup>th</sup> April, the company reopens its business and undertakes a late stocktake. It has kept a record of all amounts of post-balance date sales and purchases. Using the cost valuation method, it adjusts the late stocktake figure (to reconstruct what would have been the amount of closing stock at the end of 2020), by adding back the cost of post-balance date sales and deducting the cost of post-balance date purchases.

# LTC elections: due 31 March 2020

- The Commissioner can accept late LTC elections if there are exceptional circumstances outside the control of the owners or director. For the purposes of LTC elections, the Commissioner considers that COVID-19 is an exception circumstance and will allow late elections provided they are made as soon as practicable and no later than 31 May 2020
- Example
  - Smith Street Ltd is a new company and its shareholders and director were intending on electing the company into the LTC regime. This election was due by the 31 March 2020; the due date of their first income tax return.
  - However, due to COVID-19 the required LTC election form was unable to be completed and provided to Inland Revenue until 5 May 2020.
  - Smith Street Ltd's tax agent writes to Inland Revenue and provides details of the exceptional circumstances relating to COVID-19 that prevented the election being made on time. As the election was filed as soon as practicable and before 31 May 2020, the late LTC election is allowed.

# Subvention payments: due 31 March 2020

- For a subvention payment to be valid, two conditions must be met:
  - The payment must be made by 31 March 2020;
  - The two companies must provide Inland Revenue with notice of the subvention payment.
- For subvention payments for the 2019 tax year which would otherwise have been due on 31 March 2020, if the companies:
  - Agree that they intend to make a subvention payment; and
  - File their income tax returns as soon as practicable, but by 31 May 2020 at the latest; and
  - Provide Inland Revenue with notice of the subvention payment by the 31 May 2020

Inland Revenue will allow the subvention payment.

- An example follows on the next slide



# Subvention payments: due 31 March 2020 - example

- Zeus Technologies Group is a group of software companies operating in New Zealand with common ownership and a balance date of 31 March.
- Zeus Technologies Group intends to make a subvention payment between two of its group companies; Z Sales Co Ltd (the profit company) and Z Development Co Ltd (the loss company). The necessary conditions relating to subvention payments have been met. Z Development Co Ltd has agreed to receive a subvention payment from Z Sales Co Ltd in return for Z Sales Co Ltd bearing its tax loss.
- Zeus Technologies Group was due to file its 2019 income tax return by 31 March 2020 as it had an extension of time. However, due to COVID-19 the group was unable to provide its tax agent with its latest tax information and the group was therefore unable to file by 31 March 2020. The Commissioner has indicated that provided Zeus Technologies Group files its return as soon as practicable and before 31 May 2020, any late filing penalties will be waived and the time bar will not be extended (assuming the required conditions are satisfied).
- Similarly, as a result of COVID-19 Zeus Technologies Group was also unable to provide the Commissioner with notice of the subvention payment before the due date of 31 March 2020 and Z Sales Co Ltd did not make the subvention payment to Z Development Co Ltd.
- Zeus Technologies Group files its group tax return on 4 May 2020, including notice of the subvention payment between Z Sales Co Ltd and Z Development Co Ltd. Z Sales Co Ltd makes the subvention payment to Z Development Co Ltd on 4 May 2020 also. As the subvention payment and election (and group tax return) were late as a result of COVID-19 but were made as soon as practicable and before 31 May 2020 the Commissioner will allow the subvention payment.

# Beneficiary distributions: due by 31 March 2020

ITA: HC 6

- Beneficiary income is, by definition, an amount which has vested absolutely to the beneficiary within the income year, or by the later of:
  - A date within six months of the end of the income year; or
  - The earlier of:
    - The date on which the Trust files its tax return or;
    - The due date of the Trust's tax return
- If an amount has not absolutely vested to the interest of the beneficiary by 31 March 2020 (at the latest) then it cannot be treated as beneficiary income for the 2019 tax year and must therefore be declared as trustee income in the Trusts tax return.
- An example follows on the next slide

# Beneficiary distributions: due by 31 March 2020 - example

- Wilson Family Trust is a trust with three beneficiaries to which it usually distributes some beneficiary income every year. The trustees of the Wilson Family Trust are required to make these distributions to the beneficiaries before 31 March 2020 when they file the 2019 trust tax return (which has an extension of time).
- In February 2020, one of the trustees (Wilson Family Trust's accountant) remembered that the Trust needed to ensure payment was made to the beneficiaries before the tax return was filed on 31 March 2020. The accountant trustee made a note in her calendar, reminding her to follow up with the other trustees who had forgotten about allocating any income to the three beneficiaries for 2019.
- However, since then the impact of COVID-19 has led to significant delays in the ability of the Trust's accountant to access information regarding the Wilson Family Trust from the other trustees. Additionally, the accounting firm was closed during the level four lock-down and was unable to file the Trust's 2019 tax return by 31 March 2020. As a result, no distributions were made to beneficiaries of the Wilson Family Trust by the 31 March due date.
- Although the Wilson Family Trust will be able to file its 2019 tax return late with any late payment penalties waived, there is no discretion for a late distribution of beneficiary income. As a result, all income of the Wilson Family Trust for the 2019 income year will be taxable as trustee income.