



Simplifying Income Tax for Individuals

The government has introduced a number of changes to simplify the end of year tax processes for everyone.

Key changes

- making the tax refunds process automatic
- moving from cheques to direct credited refunds
- ability to claim donation tax credits online
- helping people to pay the right amount of tax during the year
- making all tax returns easier to complete.

When will these changes take place?

The changes will apply from 1 April 2019 and will therefore be in place for the year end processes for the current tax year (1 April 2018 – 31 March 2019).

Changes for salary and wage earners

The following changes affect all individual customers whose only income is from employment, investments (such as interest from bank deposits and savings), or a benefit under an employee share scheme, where tax has already been deducted.

Making the tax refunds process automatic

From 1 April 2019, starting with the tax year ending 31 March 2019, if a customer's only income is from employment, investments (such as interest from bank deposits and savings), or a benefit under an employee share scheme, we'll send them an Income Tax Assessment to finalise their end of year tax information. This will tell them how much they've earned and how much tax they've paid – and if they're due a refund or have tax to pay.

We will no longer issue personal tax summaries (PTS) for the 2019 and future income years. (For previous years, customers can request a PTS through myIR to find out if they're owed tax.)

If a customer has expenses to claim, they will need to provide us with information on their expenses. We are making it easier for customers to do this online.

If a customer has paid too much tax during the year and is due a refund, we will automatically pay the refund directly into their bank accounts.

To get refunds quickly and simply, customers will need to make sure their bank account details are up to date. We will no longer be issuing refunds by cheque except in exceptional circumstances.

If a customer hasn't paid enough tax, we will let them know how much they owe and when they need to pay it. Customers will generally have until February the following year to pay any tax owing. There will continue to be a range of payment options available, including payment plans.

Automatic tax refunds – the process will be a lot simpler. Here’s an example

Sophie is currently a busy working mum. She is pregnant with her second child and will take extended parental leave for the second time. The last time she was off work was when she had her first child. She was told by her friend that she may be due a tax refund as she had only worked part of the year. Last year, Sophie completed the tax refund process through an independent tax refund company, Welcome\$.co.nz and received her refund minus the fee charged by the company.

This year, provided Inland Revenue has Sophie’s correct contact details and bank account, she won’t have to do anything and any refund will be paid straight into her bank account from May-July 2019.

Sophie can keep her contact details and bank account up-to-date by signing up for myIR or by contacting Inland Revenue directly.

IR3 income tax return filers

Customers who have another source of income such as from business, rental property or from overseas, or have expenses that can be claimed, need to provide us with more information and file an income tax return (IR3).

From 1 April 2019, we’ll be making it easier for customers to do their tax return online. We’ll pre-populate any salary, wage and investment income, where tax has already been deducted, on their income summary and on their return.

Easier IR3 forms – making IR3 forms easier to complete. Here’s an example

Lexie has been self-employed for five years. She buys run-down vintage cars, restores them and then sells them online. Additional to her own business, she also works part-time at her friend’s café at the weekend, earning a salary and wage.

Part of her income comes directly to her, while the other part is reported to Inland Revenue by her employer.

Lexie doesn’t mind doing her own taxes but she doesn’t like paperwork and much prefers to do things online.

Lexie no longer has to include her salary and wage income as Inland Revenue would automatically add this information on Lexie’s return. Inland Revenue would message Lexie to go online to her myIR account and request she completes her return, including any missing information.

The online return is no longer an online version of the paper form and Lexie is loving the new experience. She’s finding the new filing service easy to complete as she can upload all the information with a click of the button and the whole process just got that much easier.

Improvements for all individual income tax payers

Ability to claim donation tax credits online

For tax years ending 31 March 2018 and prior, if individual customers wanted to claim a tax credit for donations of money made to approved organisations, they needed to file a *Tax Credit Claim form (IR526)* and attach the relevant receipts at the end of the tax year.

From 26 April 2019, customers will also have the option to upload donation receipts online through myIR at any time during the year. The improvements to the claim process for donation tax credits will help customers avoid the situation where they miss out on a refund for donations if, for example, they cannot find all their donation receipts at the end of the year. Refunds will still be issued at the end of the year.

Helping customers to pay the right amount of tax during the year

If individual customers are on an inappropriate tax code, they can end up paying too much or too little tax. Although they could apply for a change in tax code, it has been a difficult process.

From 1 April 2019, we will receive more regular salary, wage and investment income information where tax has already been deducted. This means we can more accurately identify if someone is on a tax rate that doesn't suit their circumstances and who, as a result, may end up paying too little or too much tax. In this situation, we would contact the relevant parties and suggest a more suitable tax rate tailored to the customer's situation. With the customer's agreement, we can change their tax code and also notify their employer.

Applying for special tax codes will be easier, and will improve the way that secondary sources or irregular sources of income are taxed.

This simpler process will make it more likely that customers pay the right amount of tax during the year and avoid unnecessary refunds or bills at the end of the year.

What do customers need to do?

- Customers should check and keep their contact and bank account details with us up to date.
- This can be done securely through their *myIR online services account* or by contacting us directly.



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check tax codes, find filing and payment dates, calculate student loan repayments.
- **Forms and guides** - download our forms and guides.

Forgotten myIR user ID or password?

Customers can request a reminder of their user ID or reset their password online. They will need to know their IRD number and have access to the email address we hold for them.

[New Zealand Government](http://www.ird.govt.nz)