

# BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses



Issue No 88 • February 2018 • IR381

## REMINDERS

**7 February:** 2017 end-of-year income tax, Working for Families Tax Credits and student loan payments due if you don't have a tax agent or accountant with a valid extension of time.

If you haven't paid on time, find out what your options are for **managing your debt**

**28 October:** GST returns and payments are due for the period ending 31 January.

Provisional tax payments due for ratio option customers.

**Note:** If a due date falls on a weekend, public holiday or provincial anniversary day, 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](mailto:BusinessTax.Update@ird.govt.nz)

## KiwiSaver for employers: what you need to do for new and existing employees

As an employer, you play an important role in helping your employees save for their retirement. There are some things you must do and some things you should keep in mind about KiwiSaver for your employees.

### For employees who are eligible

You must offer enrolment in KiwiSaver to all new employees. For employees who have previously opted out you can approach them again to see if they wish to enrol. Check the KiwiSaver website for who can join.

Give employees a copy of:

- *Your introduction to KiwiSaver factsheet (KS3)*
- *KiwiSaver deduction form (KS2)*
- *New employee opt-out request (KS10)* (if they're new)

### For all employees who have opted in

- **Make deductions and contributions.** You'll still need to do this if the following applies:
  - They are new to your organisation but are already a member of KiwiSaver (as shown on their KS2). This may mean that they have deductions/contributions from another employer at the same time. They have the option of taking a contributions holiday from one employer.
  - They are a member of another superannuation scheme. This includes complying funds, which are schemes that have membership criteria similar to KiwiSaver.
- **Ensure deductions and contributions are correct.** This may include:
  - confirming an employee is on a contributions holiday by viewing their letter from us
  - restarting deductions and contributions if we tell you that an employee's contributions holiday has finished.

### For employees who have opted out

Send the KS10 forms to us.

(continued on next page)

(continued from previous page)

## For employees with a student loan

They should be using a tax code that has 'SL' as the last two letters of the code.

You'll need to make student loan deductions, in addition to KiwiSaver deductions, from their salary or wages and may also be asked to make extra deductions, either by your employee or by us.

Once they've paid off their loan they can complete a new *Tax code declaration (IR330)* form to change their tax code.

## For more information

### **KiwiSaver employer guide (KS4)**

Use the flowchart on page 9 of the guide to help you decide if a new employee should be automatically enrolled.

### **KiwiSaver for employers**

Includes information on getting employees started, deductions, and contributions holidays.

---

## Time to check EMS schedules

Now is the time to check all EMS schedules for 2018 are filed and correct before the final one for March 2018 is filed. Any errors can cause issues for the ACC assessment as well as your individual employees' accounts.

### What to check

- The IR345s match the payments, and match the EMS totals plus the ESCT totals.
- Adjustments to KSR have a corresponding ESCT adjustment.

### What to do if you notice a discrepancy

Call us on 0800 377 772 or complete an *Employer monthly schedule amendment (IR344)*.

If you notice debit or credit balances for months prior to the current month on your account, please resolve these as soon as possible. This will help us when we transfer our employers' data to a new system in the new financial year.

---

## Sale and purchase of a business – common tax issues

If you're buying or selling a business, you need to think about any tax issues that may arise.

There are often tax implications if either party gets it wrong, so it's best if you talk early with professional advisors (both legal and accounting) to make sure you get it right from the start.

Taxes are treated differently depending on whether the sale is an assets sale, or a shares sale.

As the seller and buyer often have differing interests, both parties will likely want to arrange the sale and purchase to achieve their most favourable outcome. Any tax consequences should be factored in so that you can report these accurately and on time to Inland Revenue.

Go to our website for **general guidance on business sales or purchases**.

---

## Are you a sole trader? Are you paying the right tax?

If you're a sole trader you shouldn't be deducting PAYE from your own income.

Instead, you need to calculate the profit from your business and pay tax on that – it's your profit that's taxable, not your drawings from the business during the year.

### How to pay your tax

You can:

- file an IR3 at the end of the financial year by logging into myIR and paying the resulting assessment
- pay during the year using AIM-approved software (this option is available from 1 April 2018 – see article over the page for more information).

We encourage you to discuss these options with your tax agent.

## New provisional tax option to help businesses with cashflow

From April 2018, small businesses (turnover under \$5m) will have the option to pay their provisional tax in a way that better reflects day-to-day cashflow.

AIM – the Accounting Income Method – works through accounting software, which will initially be available from MYOB, Reckon and XERO. AIM-capable software will use your business' accounting information to work out how much provisional tax you need to pay every 1 or 2 months.

If you choose AIM you'll pay provisional tax only when you make an accounting profit. If your business makes a loss, you can get an immediate refund of any overpaid provisional tax – no more waiting until the end of the year.

AIM could be good for you if:

- your business is really busy at some times of the year and not at others
- it's hard to forecast how well your business is going to do
- your business is growing.

You'll need to regularly update your financial information in your software for AIM (just like you do with GST), so it will help you keep your business records up to date.

Find out more about **AIM on our website** or talk to your accounting software provider or tax advisor.

## New features in myIR

From 1 April 2018 you'll be able to do more online as we continue to introduce new features in myIR.

The My GST section will change to **My Business** and will be where you go for the tasks below.

- Employer monthly schedules (EMS) and employer deduction forms: we've added a 'Payroll Returns' account to replace the current ir-File service, and you can amend an EMS.
- Fringe benefit tax and gaming machine duty: file, amend and pay.
- Portfolio Investment Entities (PIE) returns: file.
- GST: file, amend and pay.

## Free seminars and webinars for businesses

We're running free seminars and webinars across the country from February to May covering:

- myIR
- legislation changes and what they mean for employers and provisional tax payers.

There'll also be time for questions and answers.

### Seminars

**Find out what seminars are coming up in a town near you.**

You can register now for the first two webinars:

- 12 February 2018 AIM – New Provisional Tax option for small businesses
- 26 February 2018 April changes to IR which businesses need to know about

### Webinars

**Sign up for a webinar at CCH learning.**

If you can't make it to a webinar, you can register and listen to the recording online.

## Briefs

### Some of our services will be unavailable from 12 – 17 April

To implement the next stage of our transformation we need to temporarily close some of our customer-facing services. This means myIR and our contact centre will be unavailable from the **afternoon of Thursday 12 April until early on Tuesday 17 April.**

### Need to update your bank account details?

*The Direct credit authorisation: Get your refund faster (IR587) form, colloquially known as the 'Fast refunds form' is being discontinued and removed from the IR website. If you need to update your bank details you can do it over the phone or in myIR.*

## Sharing information to fight global tax evasion: how to register and report

From 1 July 2017, reporting New Zealand financial institutions (NZFIs) must undertake new due diligence procedures for Common Reporting Standard (CRS) purposes. These procedures include identifying financial accounts held, or in some cases controlled, by foreign tax residents; collecting prescribed information; and reporting that information annually to us.

From 17 April 2018, NZFIs will use myIR to submit any CRS reports for the initial reporting period commencing 1 July 2017 and ending 31 March 2018, and then for annual cycles of 1 April to 31 March. NZFIs will also register and report any Foreign Account Tax Compliance Act (FATCA) reports in myIR from 17 April 2018. CRS and FATCA reports must be filed with us no later than 30 June each year.

If this applies to you, we've got some information on our website to help you get started.

### CRS

#### CRS registration and reporting

**Find out how to register** with us for the CRS and submit disclosures.

Miss the recent free AEOI Overview about the CRS, 'Back to basics' webinar? **Click here** to register by completing all the fields – you will not be charged. You can access it at a time that suits.

Detailed guidance information on CRS obligations can be found on our **website**.

If you're still unclear how this may impact you we welcome your questions. To also receive updates, sign up at: **global.aeoi@ird.govt.nz**

### FATCA

#### Registering with us and the IRS for FATCA

**Find out how to register** with the IRS, receive your Global Intermediary Identification Number (GIIN), then register and report with Inland Revenue.

Detailed guidance information on FATCA obligations can be found on our **website**.

If you still have questions about how FATCA may impact you, contact us at **fatca@ird.govt.nz**

## Payday reporting is currently before Parliament

Legislation that would require you to report PAYE information every payday is going through the parliamentary process.

Although the proposals would mean filing this information every payday rather than monthly, you would still have a few days after payday to file the returns.

The payment due dates for PAYE and other deductions wouldn't change.

Other proposals in the new legislation include lowering the electronic filing threshold.

### Benefits to payday reporting

- You'll be able to file returns, directly from payroll software if you are using it, when the information is at hand instead of holding onto it for later.
- We will have more up-to-date information to work out tax and entitlements more accurately. We want to make sure individuals pay and receive the right amounts during the year.

If the legislation becomes law, payday reporting will be voluntary from April 2018 and required from April 2019. We'll keep you up to date with progress.

