BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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GST filing from software - tried, tested and ready to use

We're making things better for business by allowing customers to file GST returns directly from software. We've been piloting the new service with a group of Xero and MYOB customers, saving them time and effort.

Customer feedback shows the new service is easy to use, convenient and provides more accurate data which is pre-populated from their sale and purchase figures.

Throughout April and May, Xero and MYOB will offer this service to all their customers who file GST returns.

Other software providers can also offer this service to their clients when they've met our criteria.

GST return types

This service can be used to file:

- GST only returns, or
- combined GST and provisional tax return. If you use the ratio option to calculate your provisional tax you'll need to continue filing your GST return in myIR.

Access to use software

If you use a tax agent and want them to file through software on your behalf you'll need to provide them with access to your software. Contact your software provider about how to do this.

You'll also need to give your tax agent delegated access in your myIR account to file your GST return. You can watch our video "Learn how to register for myIR and file GST online" at **www.ird.govt.nz/help/demo/gst-vids/** This video explains how to delegate.

It's about making tax simpler for you so tax compliance is part of your daily administration processes.

Find out more

For more information about this service visit **www.ird.govt.nz/news-updates** and read our article 'Filing tax returns from accounting software'.

Research and development (R&D) loss tax credit

The Government has introduced a new R&D loss tax credit to help encourage business innovation.

Are you a Kiwi company that conducts research or development and is making a tax loss? You may be eligible to 'cash out' (claim and be refunded) your R&D tax losses for the 2015/16 tax year.

Find out if you're eligible now

Visit **www.ird.govt.nz/rd-credit** now to find out if you're eligible and apply.

Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: GST filing from software - tried, tested and ready to use, research and development (R&D) loss tax credit, changes to paid parental leave (PPL), making the right student loan deductions, all about our audits, new property sales form, calculation of fringe benefits from employment-related loans, new calculators and decision tree for property sales, government seeks feedback on new business tax package, GST and body corporate, 7 April and 7 February tax reminder - it's not too late to pay.

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

REMINDERS

April: The 2017 PAYE deduction tables for the tax year 1 April 2016 to 31 March 2017 are available online.

Changes to paid parental leave (PPL)

The Government has made changes to paid parental leave (PPL) that will apply to people with babies due or born on or after 1 April 2016, and to people who take full-time care of a child under six from that date.

As an employer there are a number of changes that may affect you. These are:

- PPL is now available to more people
- employees may ask you to complete a work verification as part of their PPL application
- employees receiving PPL can now work Keeping in Touch (KIT) hours without affecting their PPL entitlement
- employees can now resign while on parental leave without affecting their entitlement to PPL.

The changes in more detail

PPL is now available to people who become the primary carers for a child under six years old. This could be through giving birth, or taking on permanent responsibility for the care and upbringing of the child. Primary carers could include parents, grandparents or other family members, Child, Youth and Family Home for Life parents, whāngai and other permanent guardians.

Primary carers can now receive PPL when they have worked:

- an average of 10 hours a week or more
- for at least 26 of the 52 weeks immediately before the baby's due date or the date the child comes into the care of the person.

This work could include seasonal or contract work, and does not have to be for one employer.

Employees who have worked for you for the required hours may ask you to complete a declaration on their *Paid parental leave (PPL) application (IR880)*. More information is on the form.

Employees receiving PPL will be able to work KIT hours. They'll be able to work up to 40 hours over the 18 week period without affecting their PPL entitlement. These hours can only be used after the first 28 days of parental leave. These hours are paid and must be agreed between the business and the employee.

Parents of babies born prematurely (before 37 weeks of pregnancy) will qualify for additional entitlements.

Employees may now resign from their job while on parental leave, without losing their PPL entitlement.

When can PPL be applied for and taken?

A person can apply for PPL:

- before their baby is born
- after their baby is born but before the child's first birthday
- when a child comes into their permanent care, or
- at any time up until the child has been in their care for 12 months.

If they apply for PPL after the first 18 weeks the child is in their care they'll receive their entitlement as a lump sum backdated to the baby's due date.

Update your forms

We've created a new application form to reflect the changes to PPL. If you have any old forms, please replace them with the new version. You can find this at **www.ird.govt.nz** (search keyword: IR880).

For more information about the changes go to **www.ird.govt.nz/paid-parental-leave** or the Ministry of Business, Innovation and Employment's "Employment New Zealand" website at **www.employment.govt.nz/er**

Making the right student loan deductions

If your employee has 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 from their salary or wages and may also be asked to make extra deductions, either by your employee or by us.

Your employee only needs to use the SL repayment code while they're repaying their student loan.

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

All about our audits

For many people in business, audits are a complete mystery and at some time, we may contact you to arrange an audit.

We've produced a video for our business customers "All about Inland Revenue audits", that explains everything in plain language. The video walks you through a business audit from start to finish. You can see what happens, how to prepare for an audit, and what to do if you've made a mistake.

If you want to know what to expect from our audits, take a look at our new video. It's easy to find on our website **www.ird.govt.nz** (search keywords: business audits).

New property sales form

We have a new *Property sale information (IR833)* form for customers to include in their 2016 and future income tax returns where they:

- have a taxable property sale, and
- show the income from the sale in the "other income" box of their tax return.

A separate IR833 should be filed for each taxable property sale in that year. If there have been more than five sales in one year, you can file a list with all the details instead of individual IR833s.

Customers filing electronically will specify within the "other income" field that property has been sold and how many sales were made. The return will then provide the specified number of IR833s to be completed. The form includes information to help complete it correctly.

If property sale income is returned as business or self-employed income we don't expect you to file an IR833.

IR833 and income tax packs

Where our information shows a customer may have had a taxable property sale during the year we'll:

- include one IR833 with their tax return if they normally get a tax return issued as part of our annual process, eg the customer files an IR3 return
- send out an income tax return and IR833 to customers who normally wouldn't need to file a tax return, eg only had salary and wages in the previous year. This will happen at the end of April or early May.

Even if an IR833 hasn't been sent with the tax return, we'll expect one (or more) to be sent to us with your income tax return if you have a taxable property sale(s) included as "other income".

Requesting more IR833s

Extra copies of the IR833 can be ordered through our self-service number 0800 257 773 or you can download a copy from our website **www.ird.govt.nz** (search keyword: IR833).

Calculation of fringe benefits from employment-related loans

When calculating fringe benefit tax (FBT), the use of the market rate for low-interest loans was previously only available to employers that are banks or financial institutions.

Now, the use of the market rate will also be available to employers who aren't in the business of lending money to the public, but are in a group of companies that has a member which is.

For more information about this change go to **www.ird.govt.nz** (search keywords: low-interest loans).

New calculators and decision tree for property sales

We've got two new calculators and updated the decision tree to help our customers work out:

- if a property sale is taxable or not
- what the net profit and loss is on the sale
- the income or loss to show in the income tax return, including the new bright-line loss treatment rule when there are up to five property sales.

Property tax decision tree

This tool will take you through a number of questions to help determine whether the property sale is taxable under any of the property rules. This includes the new bright-line test applicable to property sales on or after 1 October 2015.

Property net profit (loss) calculator

You'll be able to work out the net profit or loss on each taxable property sale. Up to five property sales can be included in the same calculation.

Property net profit (loss) summary calculator

You'll be able to work out the total income to show in the "Other income" field of the income tax return when the net profit or loss is known for up to five property sales.

Both calculators take into account whether a loss made on a property sale caught under the bright-line test can be claimed in that year. These are available at **www.ird.govt.nz** under "Work it out".

Note

The results are only a general guide based on the answers or information provided. You'll still need to self-assess whether the disposal/sale of your property is taxable and the amount of income to return in the income tax return. If you're unsure you should seek advice from a tax advisor.

Government seeks feedback on new business tax package

The Government is now consulting on 16 new tax initiatives aimed at providing more certainty - reducing stress and making it easier for business owners to better manage their tax affairs.

Included in the package is a new Accounting Income Method (AIM) option for paying Provisional Tax as businesses earn income. This will come into effect on 1 April 2018.

You can find a summary of the 16 initiatives, make a formal submission or take part in an online forum about the new provisional tax method, go to **www.makingtaxsimpler.ird.govt.nz**

Submissions are open until Monday 30 May 2016.

GST and body corporate

New legislation clarifies how GST will apply to body corporates registered under the Unit Titles Act 2010 (or 1972 Act).

The Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Act 2016 amends the Goods and Services Tax Act 1986. The amendments clarify that levies or fees paid by members of a body corporate to the body corporate are treated as being consideration for services provided by the body corporate. However, supplies from a body corporate to its members won't be included in the body corporate's turnover when determining if the body corporate needs to register for GST.

This means that body corporates will be able to voluntarily register for GST, but won't be required to register unless supplies to third parties exceed the $60,000 registration threshold. Whether GST registration is compulsory or voluntary, output tax is payable on the total value of taxable supplies, to both members and third-party.

From 26 February 2015:

- specific rules apply to determine effective registration and deregistration dates
- funds and assets held at date of registration are treated as payment for services
- common property held on date of deregistration is valued at zero
- body corporates registered under the new rules must remain GST registered for at least 4 years.

7 April and 7 February tax reminder - it's not too late to pay

The 2015 end-of-year income tax, Working for Families Tax Credits and student loan payments were due 7 April 2016 if you have a tax agent or accountant with a valid extension of time.

If you don't have a tax agent or accountant with a valid extension of time, your payment was due 7 February. If you have an unpaid bill, find out how we can help in the "Managing financial difficulty and debt" section of our website.

You can find out more about 7 February bills and 7 April payments in the reminders and important dates section of our website.

How to avoid getting a bill next year

If your business pays provisional tax (instalments of income tax during the year), you should choose the provisional tax calculation that best suits your situation. There are three options:

- standard
- estimation
- ratio.

Paying provisional tax helps you spread your tax payments out during the year but any change in circumstances may affect how much you should be paying and whether you'll get a bill at the end of the year.

Find out how to avoid getting a bill next year at **www.ird.govt.nz** (search keywords: avoid bill).

Email: BusinessTax.Update@ird.govt.nz

www.ird.govt.nz