BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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Inland Revenue
Te Tari Taake

REMINDERS

We have several calendars you can use to plan ahead to help you meet your obligations. Remember that if a due date falls on a weekend and public holiday, we can receive your return and payment on the next working day without a penalty being applied.

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

Payday filing is now mandatory for all employers.

From 1 April 2019, you'll need to file employment information within your normal pay cycle.

- You can use the payroll account in the My business section of myIR, and this is where you'll file employment information instead of an *Employer monthly schedule (IR348)* and *Employer deductions form (IR345)*.
- You may file through your payday filing compatible software, if you have it.
- Alternatively, if you still file by paper, you will receive new forms in the mail from us.

Remember, if you haven't already been payday filing, you need to still send through your final EMS and EDF for March as well as employment information for April pay runs.

If you're new to payday filing, you can find helpful guides at **ird.govt.nz/payday**

Key services unavailable in late April

We're making changes to help make tax more straightforward for people in New Zealand.

As a next step, we'll move information from our old computer system to our new system. We'll do this between 3pm on Thursday, 18 April and 8am on Friday, 26 April.

During this time, myIR Secure Online Services will be unavailable and our phone lines and offices will be closed.

You can still do some things during this time, including:

- pay a bill as you normally would through your bank account
- access information on our website.

Are you an employer? Plan ahead and file your March EMS before we close at 3pm on 18 April.

Find out more at **ird.govt.nz/serviceupdate**

myIR changes go live on 26 April

From 26 April changes will be made to myIR Secure Online Services. The myIR home page will look different – it'll be similar to how the My Business section looks now. You'll also be able to file, pay and amend your business income tax through myIR.

To find out more go to **ird.govt.nz/business-changes**

New Inland Revenue website goes live 25 April

Our new website will go live as part of our next transformation release in April 2019.

Featuring a modern new-look homepage, the new site will also initially present child support, Working for Families and income tax content in a crisper, more accessible style, as tested on the beta test site.

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The remainder of the current Inland Revenue website's content will be updated, tested, and incorporated into the new site over the coming year. The greatly-improved site navigation, layout and global search will allow you to easily get around and search for content across the two sites during this time.

Other features of the new site include:

- shorter content and fewer pages
- the ability to navigate content by role, situation, topic or task
- a responsive design allowing you to view the site on any device
- an improved online experience for those who are visually impaired.

If you have bookmarks or links to child support, Working for Families and income tax pages on the current Inland Revenue website, there is a small chance these may break when the new site goes live, or redirect to other pages. You may need to re-establish these when the new site goes live.

Find out if AIM is right for you

Now's the time to see if AIM is right for you.

You'll only have to pay provisional tax when you make a profit.

We've made some updates to AIM that will make provisional tax easier for you and your clients:

- You will be able to opt into AIM at any time during the year.
- There are two ways to treat profits paid to shareholders.
- We've removed unnecessary notifications for shareholders.
- Penalty and interest information is up-to-date throughout the year.
- We've improved the GAP payment method for AIM provisional tax payments.

With the new financial year coming up, there isn't anything you need to do for AIM for it to continue. When you fill out your Statement of Activity it will roll over for the new tax year.

AIM is available through MYOB, APS (Reckon) and Xero software. AIM will use your business' accounting information to work out how much provisional tax you need to pay.

For more information about AIM go to **ird.govt.nz/AIM**

Wine Equalisation Tax (WET) producer rebates for producers of wine in New Zealand

Some New Zealand wine producers are eligible for rebates paid under Australian tax legislation. We call this the Wine Equalisation Tax (WET) scheme.

Find out more about the Wine Equalisation Scheme **www.ird.govt.nz** (Search keywords: WET rebate).

If you have a question about your eligibility as an approved participant or about a WET rebate email **wet.rebate@ird.govt.nz**

Amending assessments

The criteria for self-correction of errors in a later income tax, FBT or GST return under section 113A of the Tax Administration Act 1994 has, from 18 March 2019, been replaced with a combination of a monetary threshold and a materiality threshold.

The current threshold of $1,000 now applies without qualification.

Taxpayers now have the option of correcting an error in a subsequent return, provided the purpose isn't to delay the payment of tax, when the error results in a difference of tax to pay that is equal to or less than the lower of:

- $10,000 of their annual gross income (i.e. turnover) or GST output tax (as applicable), and
- 2% of their annual gross income (i.e. turnover) or GST output tax (as applicable).

Example

When preparing their 2019 income tax return a company discovered that some transactions had been coded incorrectly resulting in $7,500 income being missed from their 2016 income tax return. The gross income (sales) returned on their 2016 income tax return was $400,000.

1. As the tax on $7,500 is more than $1,000 ($7500 × 28% = $2,100) they can't automatically correct the error in their 2019 return.
2. The amount of income is less than $10,000 and less than 2% of $400,000 ($400,000 × 2% = $8,000) so the new thresholds can be used to include the income missed from the 2016 return in their 2019 return.

Schedular payment rules and non-resident directors' fees

A new Interpretation Statement (IS 19/01) and accompanying Operational Statement have been published concerning how schedular payment rules apply to non-resident directors' fees.

Payments of directors' fees to resident and non-resident directors have two main differences. The first difference is that directors' fees paid to non-residents might be non-residents' foreign-sourced income. If the income is non-residents' foreign sourced income, then you are not required to withhold from it. The second difference is that the non-resident contractor regime might apply. Some payments to non-resident contractors are excluded from being schedular payments. This means you do not need to withhold tax from these payments.

Refer to Interpretation Statement IS 19/01 *Income tax - application of schedular payment rules to non-resident directors' fees* and the accompanying Operational Statement for more information.

The Domestic Violence – Victims' Protection Act 2018

The Domestic Violence – Victims' Protection Act 2018 came into effect on 1 April 2019, enhancing legal protections in the workplace for employees affected by domestic violence. The Act does not cover people that commit domestic violence.

Key changes include:

- Employees who are affected by domestic violence have the right to up to 10 days paid domestic violence leave per year, and can ask for short-term flexible working arrangements to deal with the effects of domestic violence.
- Employers are acting unlawfully if they treat employees or prospective employees adversely because they are, or are suspected to be, affected by domestic violence.
- Employers who fail to comply with the new legislation are subject to financial penalties.

To find out more visit **www.employment.govt.nz** (Search keywords: Domestic Violence Leave).

A reminder of some of the requirements for a consolidated group of companies

Consolidation is where two or more companies owned by the same shareholders can be treated as a single economic entity. Companies that are a wholly owned group of companies may elect to be treated as a consolidated group of companies.

Requirements for a consolidated group include:

The consolidated group:

- has a separate IRD number and files a single income tax return for all the members. Member companies do not file income tax returns.
- must have a nominated company which is a member company of the consolidated group. This company is responsible for the tax obligations of the group.
- may continue with a single member company, if it does, it must also be the nominated company. If the nominated company is removed from the consolidated group, it must be replaced by another member of the group. If there is no nominated company the consolidated group will cease.

If **all** member companies amalgamate, then the consolidated group ceases, and the imputation credits transfer to the amalgamated company.