

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses



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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 or 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

Want a 'pay as you go' provisional tax option?

The Accounting Income Method (AIM) – an alternative provisional tax option - is now into its second year. It's provided through accounting software so it's tuned into a business's real-time account information, which in turn helps determine a real-time tax liability. This means you only pay provisional tax when you've made a profit.

Already some provisional taxpayers are reaping the benefits of AIM. They tell us they like:

1. Knowing what they pay is based on how their business is doing now rather than past years' profits.
2. Paying more regularly; it's more manageable and better for their cashflow.
3. Having no surprises at the end of the year.
4. Being able to get a refund. If you have a drop in profit and are entitled to a refund you have options to:
 - receive a partial or full refund
 - ask us to hold your refund, or
 - transfer it to another tax type or customer.

And now you can opt into AIM at any time of the year. Previously, existing businesses needed to be set up and ready to go in time for the first filing but now you can start using AIM at any time.

Find out if AIM is right for you www.ird.govt.nz/aim

Research and development (R&D) tax incentive advice now online

A new easy-to-use online eligibility tool and guidance material are available to help businesses tap into the new R&D tax incentive.

The incentive aims to encourage more businesses of all sizes and across a range of sectors to invest in R&D.

The credit rate is 15% of eligible expenditure up to \$120 million. It is available for eligible businesses from the 2019-20 income year.

Companies need to spend at least \$50,000 a year on eligible R&D, unless they contract with a research provider approved by us. Contracting allows smaller businesses to access R&D services and claim the tax credit.

If you are thinking of undertaking R&D in the 2020 tax year, you must keep records to support your claim.

The eligibility tool gives businesses a useful indication of whether they should explore their eligibility further.

The guidance material gives further detail on:

- the purpose of the R&D tax incentive and how it works
- eligible entities
- eligible activities

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- eligible expenditure, and
- what records businesses should start keeping now.

To find out more go to www.ird.govt.nz/rd-credit

You'll also find a list of approved research providers.

2019 Square metre rate

The 2019 Square metre rate has been issued. This is used to calculate the expenditure on the proportion of business use of a building that is used partly for business and for other purposes (for example, an office at home).

A square metre rate of \$41.70 will apply to the business use portion of a building for the 2018-2019 income year. This adjustment reflects the annual movement of the Consumer Price Index for the twelve months to March 2019, which showed an increase of 1.5%.

Find out more at www.ird.govt.nz (Search keywords: home business)

2019 Kilometre rates for business use of motor vehicles

The 2018-2019 kilometre rates have recently been published.

Find out more at www.ird.govt.nz (search keywords: km rates).

Payroll reassessments

When you make online payroll reassessments, you still need to notify us if you want to transfer money or get a refund. Either message us in myIR or you can call us.

There may be times when KiwiSaver deductions will have to be refunded from the provider which will slow down the transfer or refund.

If you are adjusting an employee's KiwiSaver deductions, remember to adjust your ESCT too.

Payments

We've noticed a significant number of payments being made with the wrong tax type code. The payment has to be moved by us manually, which may result in a lengthy delay before your payment is credited to the right tax type. To make sure your payments go the right tax type check out www.ird.govt.nz (search keywords: make a payment).

New GST rules for low-value imported goods

On 26 June 2019, Parliament passed rule changes for GST. These changes mean overseas businesses supplying low-value goods to consumers in New Zealand must charge GST at the point of sale if they meet the GST registration requirements including a NZ\$60,000 turnover threshold.

These changes apply to:

- **merchants (or retailers)** who sell goods directly to New Zealand consumers (either online, by mail order or phone)
- **online marketplaces** merchants sell goods and services through
- **re-deliverers** that offer mailbox redelivery and personal shopping services from other countries.

The changes come into effect on 1 December 2019. This is two months later than the date proposed in draft legislation. The later date is to allow overseas businesses more time to update their systems.

What are low-value goods?

Low-value goods are physical goods valued at NZ\$1,000 or less (excluding GST). They include books, clothing, cosmetics, shoes, sporting equipment and electronic items.

These changes do not apply to:

- supplies of fine metal
- alcohol and tobacco products – Customs will continue to apply GST, excise taxes and other duties at the border regardless of value.

Goods sold for more than NZ\$1,000 will continue to be taxed by Customs at the border as they come into New Zealand.

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What does this mean for New Zealand businesses buying goods?

Low-value goods sold by overseas suppliers and sent to GST-registered businesses in New Zealand, for use in their business (business-to-business supplies) are generally excluded from these rules. In limited circumstances, overseas suppliers may collect and return GST on these sales.

Overseas suppliers will charge GST to New Zealand GST-registered businesses unless you provide the supplier your GST number, New Zealand Business Number or inform them that you're a GST-registered business.

If your business is not registered for GST or the goods are not for business use, then GST should apply.

If you import goods in a consignment valued above NZ\$1,000

You'll continue to pay GST and duty on these goods at the border. Processes will be put in place, so Customs does not collect GST on any goods already taxed at the point of sale by the supplier.

To prevent you being double taxed, suppliers must:

- include tax information on import documentation, and
- provide purchasers with a receipt that clearly shows the amount of GST charged.

More information

Visit www.ird.govt.nz/GSTupdate for detailed guidance on these changes.

If you have questions, you can email us at info.lvg@ird.govt.nz

The Holidays Act 2003 — reduce your risk of non-compliance

(published on behalf of Employment New Zealand)

Employment New Zealand has free resources to help you comply with the Holidays Act 2003 (the Act). Our Labour Inspectorate Payroll Team also engage with businesses to update you on areas of Holidays Act non-compliance.

Some of the common issues we find in our daily work include:

Strategic business issues

- Some instances of industry-wide non-compliance and this is not acceptable.
- Some employers have an incorrect 'set and forget' mentality to their payroll systems.
- Employers often assume their system gets it right automatically when often it does not.

Operational issues

- Record keeping and processes resulting in non-compliance.
- Agreements are not reached between employers and employees.
- Accrual vs entitlement calculations are not being applied properly.
- Incorrect calculations, including incorrect use of hours, gross earnings and portions of a week.
- There is incorrect use of the 'casual' employee approach to entitlements.

Our suggestions to help reduce your risk of non-compliance

- Engage with your employees and educate them about their entitlements.
- Keep accurate and compliant records.
- Respond promptly to changes in your employees' work arrangements.
- Ensure necessary information is provided to your payroll systems manager/provider.
- Regularly test your payroll system for compliance with the Act.

For more information including resources visit www.employment.govt.nz/leave-and-holidays/annual-holidays/ or search for Employment New Zealand (Search keyword: Annual Holidays)

If you have general questions, you can phone 0800 20 90 20 during business hours.

Remember to download the **Leave and Holidays Guide A guide to employees' legal entitlements** (44 pages of valuable educational material designed to help businesses).

It's easy - simply visit www.employment.govt.nz/leave-and-holidays/annual-holidays/ and select it from the Tools and Resources available on the right-hand side menu.

