

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 82 • May 2017 • IR381



REMINDERS

7 May: GST returns and payments were due for the period ending 31 March 2017. If you haven't been able to pay in full, please contact us as soon as possible.

28 May: GST returns and payments are due for the period ending 30 April 2017.

GST refunds: GST credits are now refunded by direct credit only. Make sure your GST bank account is correct in myIR.

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

Changes to employee share scheme benefits

You can now choose to tax employee share scheme (ESS) benefits as an **extra pay**. This means you can deduct tax, student loan and child support on an employee's behalf.

You can choose not to deduct any tax. In most cases you will still include the value of the ESS benefit for each employee on your *Employer monthly schedule (IR348)*. If you choose not to deduct tax, the employee will have to pay it themselves.

If you file your IR348 online and include an ESS benefit with no tax, you may get the error message "No PAYE deductions are showing where an employee has positive gross earnings...". You can still file your return, this message will not stop you. But, we may contact you to clarify the income with no tax. To avoid this step, you can send us a list of employees in your ESS. You only need to send us this list once, or when new employees join your ESS. Send your list to EmployeeShareScheme@ird.govt.nz including the following columns:

- Employer IRD number
- Employee name (surname, first name)
- Employee IRD number
- Date the employee joined the scheme if after 1 April 2017 (leave blank if employee joined before 1 April 2017).

| | A | B | C | D |
|---|----------------------------|----------------------|----------------------------|---|
| | | | | Date the employee joined the scheme if after 1 April 2017 (leave blank if employee joined scheme before 1 April 2017) |
| 1 | Employer IRD Number | Employee Name | Employee IRD Number | |
| 2 | 123456789 | Surname, First Name | 987654321 | 1/04/2017 |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |

For more information go to www.ird.govt.nz (search keyword: ESS). You'll find more information on:

- how to tax the ESS benefit
- what to include on, and how to complete, your IR348
- when tax is due to be paid
- end of year square ups for employees.

Mileage rate for motor vehicles increased

For the 2017 tax year (1 April 2016 to 31 March 2017), the mileage rate for both petrol and diesel fuel vehicles has increased to 73 cents per km.

This year we are also able to set mileage rates for hybrid and electric cars. The mileage rates for these vehicles are:

- hybrid - 73 cents per km
- electric - 81 cents per km.

For both Hybrid and Electric vehicles, our data shows that although these types of vehicle have lower running costs, these are offset by higher fixed costs.

If you're an employer you can use the above rates when reimbursing employees for the use of their private vehicle for work-travel for the current tax year (1 April 2017 to 31 March 2018).

The mileage rate is reviewed after a tax year ends so the rate reflects the average motor vehicle operating costs for that year. If you've filed your 2017 income tax return using the 2016 rate of 72 cents per km, you can request an amendment.

If the mileage rate doesn't reflect your actual costs, or your work-travel is more than 5,000km per year, you must keep a record of your actual vehicle expenses.

For more information about mileage rates go to www.ird.govt.nz (search keywords: mileage rates).

Threshold change for correcting an error in your next tax return

On 1 April 2017, the threshold for correcting a minor error in your next tax return increased to \$1,000. This applies to tax returns for:

- income tax (including RWT and NRWT)
- fringe benefit tax, and
- GST

You can fix a minor error in your next tax return when:

- the error was caused by a clear mistake, simple oversight, or mistaken understanding on your part, and
- the total discrepancy in the assessment that is caused by the error is \$1,000 or less.

For more information go to our standard practice statement 16/01 *Requests to amend assessments* at www.ird.govt.nz (search keywords: SPS 16/01).

Use-of-money interest (UOMI) rate change

On 8 May 2017 the UOMI rates on underpayments and overpayments of tax changed.

The new rates are:

- underpayments - 8.22% (down from 8.27%).
- overpayments - 1.02% (down from 1.62%).

Rates are reviewed regularly to ensure they are aligned with market interest rates.

New ACC rates

The ACC levies have been set by regulation for the 2017-2018 tax year.

The earners' levy is set at \$1.39 (GST inclusive) per \$100 liable earnings.

The maximum liable earnings has increased from \$122,063 to \$124,053.

Taxable market rental value of accommodation

Commissioner's Statement CS 16/02 gives guidance for employers on working out the taxable market rental value of accommodation provided by an employer to employees. You can read the full statement at www.ird.govt.nz (search keywords: market rental).

Sharing information to combat global tax evasion

The Government has signed up to the global automatic exchange of information (AEOI) initiative led by the OECD. We're one of 100 countries that will automatically share some financial account information about foreign tax residents. All countries will use the Common Reporting Standard (CRS) to identify and report on financial accounts held or controlled by foreign tax residents.

The countdown is now on for **1 July 2017** when the CRS requires reporting New Zealand financial institutions to:

- start due diligence to identify accounts held or controlled by foreign tax residents
- collect prescribed identity and financial account information about the identified accounts, and
- report this information to us annually by 30 June (from 2018).

There is a broad definition of a financial institution. Other than banks, financial institutions can also include:

- non-bank deposit takers
- collective investment entities
- mutual funds
- private equity funds
- hedge funds
- discretionary investment managers
- certain brokers, and
- trusts (including some managed family trusts).



How we're helping you to prepare for the Common Reporting Standard. We'll have a new CRS section on our website in early May.

We'll be running a **targeted public awareness campaign** during June and July to highlight the changes and impacts.

Information sessions will be held in early June - the key focus on these sessions will be a general implementation update. Let us know what CRS topics you would like to hear about by emailing us at global.aeoi@ird.govt.nz

The following information sessions will be held:

- **Wellington** - Wednesday 7 June, 10am to 12pm in the Grand Dining Room at the Wellesley Hotel
- **Auckland** - Thursday 8 June, 1pm to 3pm, 2 Takutai Square, Britomart, hosted by Ernst & Young
- **Teleconference** - week beginning 15 June, 10am to 12pm, dial in details to follow.

We welcome your questions and feedback, and you can sign up to implementation updates via global.aeoi@ird.govt.nz

For more information, go to our Tax Policy website at www.taxpolicy.ird.govt.nz and search for our:

- Special Report on automatic exchange of information
- Draft guidance on the automatic exchange of information

You can also go to the OECD's Automatic Exchange Portal at <http://www.oecd.org/tax/automatic-exchange/> and search for the:

- Standard for Automatic Exchange of Financial Account Information in Tax Matters, Second edition
- Standard for Automatic Exchange of Financial Account Information in Tax Matters: Implementation Handbook
- CRS-related Frequently Asked Questions

New choice for provisional tax will give certainty to small business

The accounting income method (AIM), will soon make provisional tax easier for small businesses to manage.

From 1 April 2018, if your turnover is less than \$5 million per year, you can choose to use AIM.

Using AIM, you will:

- pay provisional tax as your business earns a profit
- calculate and pay provisional tax through your accounting software
- have certainty of your income tax during the year if you have fluctuating or seasonal income, and
- have more time to focus on growing your business.

AIM capable software will work out how much provisional tax you need to pay each instalment. We are working with the accounting industry and software developers to confirm how it will be calculated.

We will have more information about how AIM will work over the next year.

AIM is part of a drive by the Government and us to simplify tax for business. AIM was introduced with the **Making Tax Simpler - Better business tax** package. It passed into law on 23 February 2017.

Taxation (Business Tax, Exchange of Information, and Remedial Matters) Act 2017

The Taxation (Business Tax, Exchange of information, and Remedial Matters) Act 2017 received Royal assent on 21 February 2017.

There are a number of other measures to simplify the tax rules for businesses. These apply for the 2017-18 and later income years.

- Some close companies will be able to use the motor vehicle rules instead of paying FBT on a motor vehicle benefit provided to shareholder-employees.
- The threshold for self-correction of minor errors for GST, FBT and income tax returns has increased from \$500 to \$1,000.
- A new simplified method of deductions for dual use vehicles and premises will be available. More information will be available on Inland Revenue's website when the rates are published.
- Most RWT exemption certificates can now be issued for more than one year.
- The PAYE/ESCT threshold for annual and income year FBT return filing is increasing from \$500,000 to \$1 million.
- The 63-day rule for employee remuneration has been made voluntary.

Record your employee start and stop dates

Make sure you enter your employee's start and stop dates on your *Employer monthly schedule (IR348)*.

We use these dates to work out your employee's social policy and tax credit entitlements. We also use them to work out if employees have more than one job, or if they're moving from one employer to another.

If you haven't entered these dates, or they're incorrect, send us a secure mail in myIR or call us on 0800 377 772 to fix it.

Applying for a new IRD number is now simpler

There's now a simpler and faster way to get an IRD number for a new club, trust, society or other company entity.

You can now do your registration online. The streamlined process allows you to get your IRD number within 48 hours. You can attach all required documents in myIR instead of having to post or fax them to us.

You can also complete online registration for GST, PAYE, FBT, RWT, LTC and Māori Authority.

To register, go to www.ird.govt.nz (search keywords: IRD number business).

