

LARGE ENTERPRISES UPDATE

Inland Revenue's corporate update

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Inland Revenue
Te Tari Taake

Welcome to Large Enterprises Update

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

REMINDERS

1 July	AEOI requirements started
28 August	1st provisional tax instalment due for standard March balance date
28 September	GST returns and payments due for August 2017
30 September	Final date for us to send FATCA data to IRS for year ended 31 March 2017
20 October	FBT returns and payments due for September 2017 quarter
28 October	GST returns and payments due for September 2017 period

Company imputation credit accounts (ICA)

Further Income tax payable reminder

If an imputation credit account had a debit balance as at 31 March 2017 then client companies are required to pay further income tax and imputation penalty tax. This is because section 140B of the Tax Administration Act 1994 imposes imputation penalty tax on a company that is liable for further income tax under section OB 65 of the Income Tax Act 2007.

The due date for the payment of any 2017 further income tax and imputation penalty was 20 June 2017. Also, the imputation return for the 2017 imputation year should be filed at the same time as the 2017 income tax return.

Transfers in and out of the imputation credit account can be complex and it is suggested that the total money owing should be paid as one sum including any additional charges.

Legislation affecting company income tax refunds

In previous years delays have occurred in refunding overpaid income tax for client companies around 31 March. A refund was often limited to the credit balance of a company's imputation credit account at the end of the most recently ended imputation year. Now, if the imputation return for 2016 is filed by 31 March 2017 (providing the company has a current Extension of Time), the 2016 imputation credit account balance will be used to determine whether the 2016 income tax overpayment can be refunded. Current tax law applies to refunds paid on or after 1 April 2002. More details on this change can be found in *Tax Information Bulletin (TIB)*, Vol14, No11.

Use of money interest (UOMI)

Credit or debit interest should not be recorded on the IR4J. We have a number of company staff members or tax professionals who are incorrectly recording UOMI in the IR 4Js.

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Section 120M of the Tax Administration Act 1994

Client companies are not entitled to credit interest on provisional payments exceeding the RIT, if the excess is “retained” (ie cannot be refunded or transferred) because of an insufficient ICA closing balance in the latest ICA return required to be filed under section RM 13 of the Income Tax Act 2007.

Retained credits cannot be transferred to another taxpayer or tax type either – only transferred within that Income tax account.

Tax pooling and imputation credit accounts

Tax pooling payments are very limited for ICA purposes. Please check the criteria very carefully and do not make assumptions that could penalise your client companies unnecessarily.

Small value loans – Updated safe harbour rate

We have completed the annual review of our safe harbour rate for cross-border associated party loans by groups of companies for up to \$10 million in total per year.

As of 1 July 2017, we will consider 250 basis points (2.5%) over the relevant base indicator to be broadly indicative of an arm’s length rate for transfer pricing purposes. This rate is unchanged from the previous year.

The above rate applies in the absence of a readily available market rate for debt instruments with similar terms and risk characteristics.

Our next review of interest rates for small value loans will be 30 June 2018.

Payments by electronic transfer

A large number of electronic payments are made with incorrect details. The correct methods are described on our website (search keywords: make a payment).

Use the following information for making electronic payments.

Particulars: IRD number (if you have an 8-digit IRD number put a zero in front of the number) No punctuation is to appear on the IRD number

Payee code: Account type and period (with a space), eg, IPS 31082017 or DED 15092017

Reference: Nothing is required

Using the correct details will stop incorrect statement of accounts or debt letters being issued in error. If you still receive these after making your payments, please contact us to determine what is causing the error on 0800 443 773 or +64 4 916 7118 (if calling from overseas), Monday to Friday 8am to 4:30pm. Alternatively, send us a secure email through your MYIR online account.

Changes to managing ACC accounts online

ACC has a new online self-service tool, MyACC for Business. This is for small to medium enterprise business customers to manage their account and levies online, 24/7 from any device.

MyACC for Business will have more features released later in the year for large enterprises, but for now you should continue to use ACC Online.

Visit acc.co.nz for more information.

Fijian withholding tax credits

We have had several recent cases involving the claiming of foreign tax credits in New Zealand tax returns for withholding tax deducted in Fiji.

Fiji imposes domestic and non-resident withholding taxes on a range of items – notably management fees, professional services, other independent services, interest, dividends and royalties. However, such withholding taxes are subject to the application of the New Zealand/Fiji Double Taxation Agreement.

Accordingly, Fijian withholding tax does not apply to the following:

- Services performed exclusively from New Zealand (New Zealand has full taxing rights to such income); and
- Shrink-wrapped software supplied for distribution from New Zealand (payments for such software are not royalties under the New Zealand/Fiji Double Taxation Agreement).

Where Fijian withholding tax has been deducted in respect of such payments for services and software, please contact in first instance the Fiji Revenue & Customs Authority (FRCA) in Suva to arrange a refund.

If relief is not provided by FRCA, please follow the **Double taxation relief/Mutual agreement procedure (MAP) guidance** on our website.

New Zealand is currently renegotiating the Double Taxation Agreement with Fiji.

