

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 61 • April 2015 • IR 381

Tax relief for South Island drought-affected farmers

We're aware the drought is causing financial issues for many farmers in Central and North Otago, Canterbury and Marlborough, and understand it's likely to affect income for the 2015 and later years.



As a result of this adverse event, approval for those affected to use Inland Revenue's income equalisation discretion has been granted. If you've been affected by the drought, this may be an option for you.

Income equalisation scheme – deposits

We're able to accept later deposits to the income equalisation scheme than usual.

For farmers whose current or future income will be significantly affected by the drought, we'll allow late deposits for the 2014 income tax year up to 30 April 2015, regardless of when the 2014 return is filed or what the due date is for filing the tax return.

Affected farmers need to:

- provide evidence of how they've been significantly affected by the drought—a statement that the farmer has been significantly affected with the farmer's or tax agent's signature is the minimum criteria for this
- have the deposit to us on or before 30 April 2015
- provide a notice with the deposit stating:
 - it's for the main income equalisation deposit scheme
 - it's for the 2014 tax year
 - the late deposit criteria apply.

Income equalisation scheme – withdrawals

Normally income equalisation deposits are not available for refund until 12 months after the deposit is made. However, we do have discretion to allow early refunds, particularly in the case of "adverse events" or when the person is suffering serious hardship.

We'll allow those Central and North Otago, Canterbury and Marlborough farmers materially affected by drought to make early withdrawals. In this case, materially affected means net income has been, or will be, significantly decreased because of the drought and the withdrawal is needed to cover the income gap that results in a following year.

All applications for an early refund must be in writing and will take about 20 days to be processed. Remember, the refund will be treated as income for the year you apply, unless you elect a prior income year and your application states this time period.

For more information on income equalisation and deposits, read our standard practice statement *SPS 05/09: Income equalisation deposits and refunds* on our website at www.ird.govt.nz (search keyword: SPS 05/09).

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Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Tax relief for South Island drought-affected farmers, voluntary disclosures to be processed more promptly, upcoming changes to benefit allowances, employees with non-standard student loan deductions, want your tax refund faster – give us your bank account number, paying bonuses and deducting the right amount of tax, 7 April tax reminder, FBT return due, help make tax simpler, how to make payments, 2015 interest and dividend reconciliations due, scam alert – *Property disclosure return (IR 4T)*, new ACC rates agreed by Cabinet.

If you have any suggestions for topics you'd like covered in this newsletter, email

BusinessTax.Update@ird.govt.nz



REMINDERS

April: The PAYE deduction tables (IR 340 and IR 341) for the 2016 tax year are available at www.ird.govt.nz under "Forms and guides".

7 May: GST returns and payments are due for the period ending 31 March 2015. The third instalment of 2015 provisional tax is due if you use the standard or ratio methods and have a 31 March balance date. The third instalment of student loan interim assessments is due if you have a 31 March balance date.

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.

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Re-estimation of provisional tax

Farmers can also re-estimate their provisional tax payments. You can do this by using our provisional tax estimation and re-estimation service or completing a *Provisional tax estimation (IR 309)* form

Voluntary disclosures to be processed more promptly

Customers have told us voluntary disclosures can take too long to resolve so we're improving our processes.

In future, almost all unprompted voluntary disclosures will be processed within 20 working days—provided the customer has made a “full disclosure”.

A voluntary disclosure is considered “full” if it includes:

- the customer's details (name, trade name, IRD number, address, contact telephone number), and
- the nature of errors or omissions, and
- adequate information to enable a correct assessment of the tax shortfall to be made—preferably by including a schedule of what was returned and what it has to be amended to, and
- an explanation as to why the errors or omissions occurred in sufficient detail, and
- any further information that is necessary to make an assessment.

For the disclosure to be considered “full”, it must contain all relevant information to enable us to make the correct assessment.

If the disclosure isn't full, and we need to obtain more information, we'll contact the customer to obtain the information and negotiate the timeframe required.

If all relevant information is not disclosed on time, and is discovered by us later, the initial disclosure will not be classed as “full”.

We've found some people are reluctant to make a voluntary disclosure because there's a perception that an audit will follow. This perception isn't supported by the facts. In the year to 30 June 2013, we received 3,279 voluntary disclosures across Inland Revenue and only nine of these led to an audit.

There are significant benefits to making a voluntary disclosure.

If the disclosure is made before we notify the customer of an audit, we may be able to reduce any shortfall penalties by up to 100%. No prosecution action will be taken.

If the disclosure is made following notification of an audit but before the audit starts, we'll reduce shortfall penalties by 40%.

When you've made a mistake, a voluntary disclosure is the best way to put your taxes in order.

You can find out more about voluntary disclosures in *SPS 09/02: Voluntary disclosures* at www.ird.govt.nz (search keyword: SPS 09/02).

(submit online or print and post). These can be found online at www.ird.govt.nz (search keyword: IR309). Provisional tax re-estimations can also be done by telephone or secure mail through myIR secure online services.

Upcoming changes to benefit allowances

There are changes to the tax treatment of accommodation, meal and clothing allowances you may provide for your employee(s).

An online decision tool will help you decide if any employee accommodation and meal allowances you provide are taxable or not. You can find the tool at www.ird.govt.nz (search keywords: allowance calculator).

For detailed information about these changes, including examples on how to tax employer-provided accommodation, go to www.ird.govt.nz (search keywords: employee allowances) or see our *Employer's guide (IR 335)* under “Forms and guides”.

Employees with non-standard student loan deductions

The tax year has come to an end and so will your employee's special tax code, special deduction rate or repayment deduction exemption certificate.

Your employee may apply for a new certificate for the next tax year or quarter. If they do, they'll give you a new certificate. You'll make student loan deductions at the reduced rate shown on the certificate.

If they don't give you a new certificate for the new tax year or quarter, it's important you start using the tax code they were on before any special deduction rate was granted. You'll make deductions at the normal rate according to the tax code they're using. If this tax code is incorrect, they'll need to complete a *Tax code declaration (IR 330)* form.

Want your tax refund faster – give us your bank account number

There are two ways to get a refund from us—a cheque in the post, or the fast way by direct credit.

Direct credit to your bank account is the secure, efficient, simple way to get your refund fast. All you need to do is give us your bank account number by:

- logging into your myIR secure online services account at www.ird.govt.nz and editing the information under your “Personal details”
- sending us your bank account details by secure mail through your myIR account
- completing and sending us a *Direct credit authorisation (IR 587)* form—print one from www.ird.govt.nz “Forms and guides” or call 0800 257 773 to request a copy.

Paying bonuses and deducting the right amount of tax

It can be tricky working out how much PAYE to deduct from bonuses or lump sums. Bonuses or lump sum payments can include annual or special bonuses, cashed-in annual leave, back-pay and retiring or redundancy payments.

Overtime or any regular payments aren't lump sum payments. Follow these steps to work out the PAYE rate to use for a lump sum payment:

1. Work out what your employee has earned (before PAYE) over the past four weeks.
2. Multiply this figure by 13.
3. Add the lump sum payment to the figure in step 2.
4. Use the table below to work out what income bracket your employee is in.
5. Deduct PAYE from the lump sum payment at the rate shown in the right-hand column for that income bracket.

Income bracket	PAYE rate (including ACC earners' levy)
\$14,000 or less	11.95%
\$14,001 to \$48,000	18.95%
\$48,001 to \$70,000	31.45%
Greater than \$70,000, but less than the ACC earners' levy maximum threshold of \$120,070*	34.45%
Greater than \$120,070	33% (excludes ACC)

* For the 2016 tax year.

You can use the PAYE rate of 34.45 cents in the dollar if the employee asks you to.

You'll also need to calculate student loan, KiwiSaver employee deductions and employer contributions on lump sum payments (where applicable to the employee).

Don't deduct ACC earners' levy from redundancy payments and retiring allowances. In these cases, you'll need to reduce the above rates by 1.45%. Redundancy payments and retiring allowances are exempt from KiwiSaver employee deductions and employer contributions.

7 April tax reminder

The 2014 end-of-year income tax, Working for Families Tax Credits and student loan payments are due 7 April 2015 if you have a tax agent or accountant with a valid extension of time. Find out more at www.ird.govt.nz/7April

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 at www.ird.govt.nz (search keywords: financial difficulty).

If your employee uses a secondary tax code, follow steps 1 to 3, add the low-threshold amount based on the secondary tax code they're using, as listed below, and deduct PAYE at the rate for this annual income estimate.

Tax code	Low-threshold amount
SB	\$0
S or S SL	\$14,001
SH or SH SL	\$48,001
ST or ST SL	\$70,001

Example

Andre has a second job and uses the ST tax code. Andre's secondary employer wants to pay him a one-off bonus of \$20,000. In the last four weeks Andre has earned \$2,695 from his second job.

Following steps 1 to 5, Andre's employer works out the amount of PAYE on his bonus:

Annualised income (\$2,695 × 13)	\$35,035
Plus low-threshold amount (based on ST tax code)	\$70,001
Plus the bonus	\$20,000
Annual income	\$125,036

ACC earners' levy should only be applied to earnings below the threshold of \$120,070. Andre's employer continues working out the PAYE as follows:

PAYE on bonus	\$20,000 × 34.45%	\$6,890
Extra pay not liable for earners' levy	\$125,036 – \$120,070	\$4,966
ACC on amount not liable	\$4,966 × ACC rate of 1.45%	\$72
PAYE applied to bonus (full PAYE on bonus minus ACC on amount not liable)	\$6,890 – \$72	\$6,818

Find out more about taxing lump sums at www.ird.govt.nz (search keywords: taxing lump sum payments).

FBT return due

The 2014 *Fringe benefit shareholder/employee income year tax return (IR 421)* and payment are due 7 April 2015 if you have a balance date between March and September and a tax agent or accountant with a valid extension of time.

Help make tax simpler

In an age when you can book, check-in and board a flight through your cell phone, the Government thinks that Inland Revenue can do much more to make tax simpler.

Over the next couple of years, the Government will consult on ideas on how to make tax simpler. They want to understand your views before settling on what to do. These changes will affect all New Zealand businesses and individuals.

The first round of consultation gives an overall picture of a future tax administration and the second outlines how digital technologies will help achieve that.

What could this mean for you? One idea is that businesses could use accounting software to exchange information directly with Inland Revenue, so that:

- more accurate PAYE, GST and related information could be provided to us automatically—less time needed to fill out forms
- provisional tax could be managed more like PAYE and calculated as you earn your income

Join the discussion

Right now the Ministers of Finance and Revenue want your views on these ideas and how New Zealand can use technology to make tax simpler.

Go to www.makingtaxsimpler.ird.govt.nz to see what others are saying and make your own views heard.

- Discussion on better digital services – closes 15 May 2015.
- Discussion on the plan for the Tax Administration – closes 29 May 2015.

How to make payments

It's easy to make payments to Inland Revenue. You can make payments:

- electronically
- by credit or debit card
- by posting a cheque (which must be **received** by the due date).

When making payments, you **must** include:

- your IRD number
- the tax type code
- the period the payment relates to.

For full details of our payment options, go to www.ird.govt.nz/pay or read our factsheet *Making payments to Inland Revenue (IR 584)*.

2015 interest and dividend reconciliations due

The following interest and dividend reconciliation statements for the 2015 tax year are due 31 May:

- *RWT on interest reconciliation statement (IR 15S)*
- *RWT reconciliation statement: Dividends treated as interest/Māori authority distributions (IR 17S 2014)*
- *NRWT on interest, dividends and royalties reconciliation statement (IR 67S)*.

You'll also need to file the following certificates (attached to the relevant reconciliation statement listed above):

- *RWT withholding certificate (IR 15)*
- *RWT deduction certificate for dividends treated as interest/Māori authority distributions only (IR 17)*
- *New Zealand NRWT withholding certificate (IR 67)*.

You can file IR 15 and IR 67 certificates online. Go to www.ird.govt.nz (search keywords: RWT filing) to find out how. Please note, you'll still need to file paper reconciliation statements.

Scam alert – Property disclosure return (IR 4T)

There is currently an email scam asking New Zealand taxpayers to complete a *Property disclosure return (IR 4T)*. If you receive this email, please ignore it and delete it. Don't complete the IR 4T or send it to the fax number or email address in the email.

Find out more about what to do if you receive email and phone scams at www.ird.govt.nz (search keyword: phishing).

New ACC rates agreed by Cabinet

The ACC levies have been set by regulation for the 2015–16 tax year.

The earners' levy remains at \$1.45 (GST-inclusive) per \$100 liable earnings.

The minimum liable earnings for self-employed workers increases from \$28,600 to \$29,640.

The maximum liable earnings will increase for:

- self-employed people under the work account from \$116,089 to \$118,191
- employees and private domestic workers under the current portion of the work levy from \$118,191 to \$120,070
- employees and private domestic workers under the residual portion of the work levy from \$116,089 to \$118,191.