

# BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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## Getting started with FBT

Fringe benefits include most benefits given to employees in addition to their salary or wages, including those benefits provided through someone other than their employer.



This summary provides an overview of fringe benefit tax (FBT). It explains what fringe benefits are, what FBT is, the different filing options and when returns and payments are due.

### What are fringe benefits?

Fringe benefits come in many forms. There are four main groups:

- motor vehicles available for private use
- free, subsidised or discounted goods and services
- low-interest loans (other than those provided by life insurance companies)
- employer contributions to sickness, accident or benefit funds, superannuation schemes and specified insurance policies.

Gifts, prizes and other goods are also fringe benefits. Paying for an employee's entertainment or private telecommunications may also be liable for FBT. Cash remuneration is treated as a PAYE income payment and PAYE is deducted.

Some benefits aren't liable for FBT and there are some exemptions available for free, subsidised or discounted goods and services.

### What is fringe benefit tax (FBT)?

FBT is a tax on benefits employees receive and enjoy as a result of their employment. FBT replaces the PAYE that would be deducted from the employee if the employee was given the money to purchase the benefit instead of being given the benefit.

### Choosing a filing (taxable) period

Which FBT return you choose to file depends on the type of employees you have and how much PAYE (including ESCT) you deduct each year. There are three FBT returns:

- *Fringe benefit tax quarterly return (IR 420)*
- *Fringe benefit shareholder/employee income tax year return (IR 421)*
- *Fringe benefit ordinary employee annual tax return (IR 422).*

Filing option	When to use this option
Quarterly (IR 420)	You must file quarterly when your gross annual PAYE and ESCT combined is \$500,000 or more. You may choose this option if this is under \$500,000.
Income year (IR 421)	Choose this option if you only have <b>shareholder-employees</b> and your gross annual PAYE and ESCT combined is under \$500,000, or you're a closely held company and only provide motor vehicles for private use to shareholder-employees (limited to two vehicles).
Annual (IR 422)	Choose this option if your gross annual PAYE and ESCT combined for the previous year was \$500,000 or less, or you weren't an employer in the previous year.

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Inland Revenue  
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## REMINDERS

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

**28 May:** GST returns and payments are due for the period ending 30 April 2015.

**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**

## Change to use-of-money interest rates

Use-of-money interest rates on underpayments and overpayments of tax will change on 8 May 2015.

The new rates are:

- underpayment rate 9.21% (up from 8.40%)
- overpayment rate 2.63% (up from 1.75%).

Use-of-money interest rates are reviewed regularly to reflect the current market interest rates. The changes were made by Order in Council on 30 March 2015.

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You can choose one filing option, or, if you're a closely held company that has ordinary employees and shareholder-employees, you can choose a dual filing option as given in the FBT election tool on our website (subject to the criteria above).

### When are my return and payment due?

Your FBT return and payment are due at the same time. The following table shows when your return and payment are due based on your filing option(s).

Filing option	Period covered	Return and payment due
Quarterly	1 April to 30 June	20 July
	1 July to 30 September	20 October
	1 October to 31 December	20 January
	1 January to 31 March	31 May

Filing option	Period covered	Return and payment due
Income year	Same period as your tax year	Same date as your end-of-year income tax
Annual	1 April to 31 March	31 May

### More information

There's a lot more to FBT than explained here. Find out more on our website at [www.ird.govt.nz/fbt](http://www.ird.govt.nz/fbt) or read our *Fringe benefit tax (IR 409)* guide under "Forms and guides".

You can register for FBT by calling us on 0800 377 772 between 8 am and 8 pm Monday to Friday and 9 am to 1 pm Saturdays.

## Filing fourth quarter and annual FBT returns

The due date for filing and paying both the fourth quarter and annual fringe benefit tax (FBT) returns is 31 May.

### Completing your fourth quarter return

The only difference between completing a *Fringe benefit tax quarterly return (IR 420)* for quarters one to three and quarter four is that you **complete section C** instead of section B in quarter four.

The FBT rate you use in quarter four depends on the rate you've used in the previous three quarters.

Rate used in quarters one to three	Rate to use in quarter four
43% alternate rate (used in any quarter)	alternate rate calculation
49.25% single rate	49.25% single rate or alternate rate calculation

### Completing your annual return

If you file an annual FBT return, you can calculate FBT using either the 49.25% single rate or alternate rate calculation.

### Filing the correct FBT return

We often see incorrect FBT returns filed, like the *Fringe benefit ordinary employee annual tax return (IR 422)* being filed by companies who have only shareholder-employees, when they should be filing the *Fringe benefit shareholder/employee income year tax return (IR 421)*, or filing an IR 422 or IR 421 when quarterly returns should be filed. Make sure you file the correct return for your situation.

### How to file your return

The easiest way to file your FBT return is online through our eFBT service. You don't need a myIR secure online services account to use this service.

There are options for quarterly, annual and income year returns. You'll find these on our website [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: eFBT). When you file online you'll need:

- the value of the fringe benefits provided to employees
- your IRD number
- the 14-digit DLN number from your paper return—call us on 0800 377 772 if you don't have this
- a printer to print the receipt page to keep for your tax records.

You can also complete and post the paper return you receive. Remember, all returns and payments must be received on or before the due date to be considered received on time. 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're posting your return, send it early to make sure we receive it in time.

### How to pay your FBT

It's easy to make payments to us. You can make payments:

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

When making the payment you must include:

- your IRD number
- the tax type code:
  - FBT—quarterly returns
  - FBA—annual returns
  - FBI—income year returns
- the period the payment relates to, eg, 31 March 2015.

## Electing a different FBT filing option

If you want to file annual or income year FBT returns instead of quarterly, there are set dates when you can elect to file these returns.

To see which filing options you qualify for and the periods each quarter covers, see the "Getting started with FBT" article on page 1. The following information explains when you need to make your election.

### Income year

Companies with shareholder-employees can elect to file the *Fringe benefit shareholder/employee income year tax return (IR 421)*. If you're:

- **an existing employer**—you must elect this option by the last day of the first FBT quarter in the income year the election is for
- **a new employer**—you must make an election by the last day of the first quarter you started employing in, within the income year the election is for.

### Annual

If you qualify, you may prefer to file the *Fringe benefit ordinary employee annual tax return (IR 422)* instead of quarterly returns. If you're:

- **an existing employer**—you must make an election by 30 June in the year the election applies
- **a new employer**—you must make an election by the last day of the first quarter after you start employing staff.

If you want to change your FBT filing option (except to quarterly), use our online FBT election tool at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: FBT election).

## Use the right IRD number

We've seen a number of recent transactions where, instead of using their individual or business IRD number on a return or payment, customers have used the IRD number of the firm they contract to, or their courier or transport operators, banks and even government departments. This causes assessments and payments to appear in the wrong account, which can also cause incorrect penalties and interest being charged.

If we've received your return and/or full payment on time, any incorrect penalties and interest will be reversed once your return and/or payment are allocated correctly.

Don't give someone else your refund or pay their assessment by mistake—use the right IRD number.

## Filing your GST online – genius

Are you filing your GST returns online? Congratulations if you are, you're already filing the easy way. If you aren't, now's a great time to start. Filing through myIR secure online services means:

- the calculations are done for you
- you can delegate someone else to do your returns on your behalf
- it saves you time in the long run by having all your GST electronic returns in one easy-to-access place
- you'll receive immediate confirmation once your GST is filed, so you know we've received it
- you can save a copy for your own records
- we'll send you email alerts to help you do your GST on time.

It's secure and simple—more than 200,000 businesses can't be wrong.

Log in or register for a myIR account today at [www.ird.govt.nz](http://www.ird.govt.nz)

Need a hand getting started? Our free GST workshops cover online filing. Check out the workshops on near you at [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: workshop).

## eDocuments now available

If you're registered for myIR secure online services you'll start receiving your statements and notices electronically in your myIR account. These are known as "eDocuments".

You may still receive some paper copies of statements and notices by post. All statements and notices sent to your tax agent or accountant will be by post, but we've stopped sending paper copies to nominated persons.

### Email reminders

We'll send email reminders to you when a new eDocument is available in your myIR account, except for the ones sent to your tax agent.

**Note:** If you receive an email reminder, check the "Things to do" section of your myIR account to view your eDocument.

### eDocuments make it easier

The advantages of using eDocuments instead of paper are that:

- Inland Revenue-related eDocuments are all in one place
- they can be viewed, printed or saved at any time.

### Up-to-date contact details are essential

Make sure you receive your eDocuments and email reminders by keeping your email and postal addresses up to date. It's easy to do this at any time in the "Personal details" section of myIR.

## Reminders for employers

The 2015 summaries of earnings will be issued in May and personal tax summaries in June. Make sure all your *Employer monthly schedule (EMS/IR 348)* and *Employer deductions (EDF/IR 345)* forms have been filed for the year 1 April 2014 to 31 March 2015 so you receive the correct ACC invoices and your employees receive the correct summaries.

### Schedular payments and the ACC earners' levy

If you hire contractors and deduct schedular payments, show their tax code as WT. Include the gross schedular payment details in the "Gross earnings and/or schedular payments" and "Earnings and/or schedular payments not liable for ACC earners' levy" columns in your EMS. This will ensure you don't get charged ACC earners' levy on the schedular payments made.

## Child support deduction notices

By now employers will have received child support deduction notices for employees who pay child support. These notices show the correct amount of child support you need to deduct from their pay, starting 1 April 2015.

Please check the amount you deduct from your employee's pay is the same amount we've requested in the notice. If you can't deduct that amount, please enter a variation code on your *Employer monthly schedule (EMS/IR 348)*, or call us on 0800 220 222. This tells us why the deduction is different from the notice so we won't need to contact you.

Processing the correct deduction and filing your EMS by the due date helps us make sure your employees pay the correct child support amount.

Find out more about child support employer responsibilities at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: child support deductions).

## Taxing cashed-in annual leave

If you agree to cash-in an employee's annual leave (up to one week), the payment they receive is considered a "lump sum". PAYE on lump sums is worked out at a flat rate, which changes depending on the employee's grossed-up annual income.

Receiving a lump sum increases your employee's annual income. This means they'll need to adjust their family income if they have child support and/or Working for Families Tax Credits.

Find out all you need to know about taxing lump sum payments at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: lump sum).

## Taxpayers' Simplification Panel

The Taxpayers' Simplification Panel set up in 2014 is designed to provide an independent voice to challenge Inland Revenue so we can improve customers' experiences.

The panel is made up of individual taxpayers, small business owners and people from organisations who know and understand the tax needs of the group they represent.

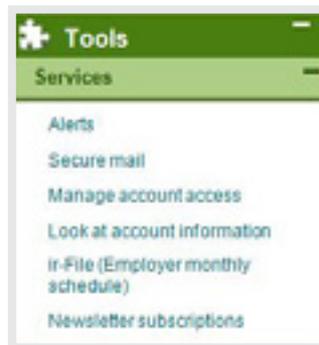
They're keen to work with everyday New Zealanders and talk to people who haven't been heavily involved in the tax debate until now. We've already engaged with a variety of interest groups and listened to their views so we're familiar with their positions. The panel is about giving a voice to those who have yet to be heard.

Customers can use the panel to have a say on how to simplify our processes and improve our services, making the tax experience easier for them.

We're going through a significant change to make tax easier, quicker and simpler for everyone. By talking to the Taxpayers' Simplification Panel New Zealanders can have a say in these tax system changes. We'd like you to be a part of this journey as we become a world-class revenue organisation.

Over the coming months the panel will be engaging with our customers and small businesses to see how we can best reduce the amount of time spent on tax compliance. We'll let you know more in the coming months.

## Look at account information



Do you wish you could see your account balances and transactions online? You'll be glad to hear you already can.

You can view all your transactions by using the "Look at account information" tool in your myIR secure online services account. It

shows the transactions for each tax type you're registered for, broken down by taxable period.

If you don't have access to "Look at account information" please ask the owner of the business's myIR account to give you access, especially if you need to reconcile things like payroll or GST.

You'll find the look at account information tool in the "My overview" section of your myIR account under "Tools" on the right-hand side.