

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 64 • July 2015 • IR 381

Budget 2015 – summary of tax changes

The May 2015 budget proposed a number of changes that will affect tax and social policy programmes. Here's a summary of those proposals. Not all are law yet.



KiwiSaver kick-start repeal

The \$1,000 government kick-start payment provided to all new KiwiSaver members has been repealed. This was included in Budget night legislation and took effect from 2pm on 21 May 2015. This won't affect existing KiwiSaver members.

Child support—reduction of penalty debt

Two new measures to reduce child support penalty debt have been proposed to encourage people to engage with us and pay the child support they owe.

The changes mean that on or after 1 April 2016:

- all customers complying with a new payment arrangement will receive a 26-week penalty write-off, even if the payment plan was compulsory
- when considering writing off penalties, a new "fair and reasonable" test will replace the current "uneconomic to pursue" tests. The "fair and reasonable" test is proposed to apply on a discretionary, case-by-case basis.

WfFTC—in-work tax credit increase

An increase of \$12.50 is proposed to the maximum weekly in-work tax credit basic payment from 1 April 2016. The total in-work tax credit payment will be \$72.50 a week for families with up to three children.

The abatement rate will increase from 21.25% to 22.5% from 1 April 2016.

Changes already planned for, but not yet in effect, will continue as follows.

- The abatement will rise in 1.25% steps until it gets to 25%.
- The abatement threshold will decrease in \$450 steps until it reaches \$35,000.
- Each step is timed to match increases in the family tax credit rate.

Measures to improve tax compliance

- A New Zealand IRD number will generally be required as part of the land transfer process.
- As part of the land transfer process, non-resident buyers and sellers must provide their home country's tax identification number.
- Certain non-residents will also need a New Zealand bank account before they can get an IRD number to buy a property.
- A proposed new "bright line" test to supplement Inland Revenue's existing intentions test, means that gains from a residential property sold within two years of purchase will be taxed. An exemption is proposed if the property is the seller's main home, inherited from a deceased estate or transferred as part of a relationship property settlement.

This proposal will be subject to public consultation.

Budget 2015 also allocated \$74 million over five years for Inland Revenue's work in aggressive tax planning, property compliance and the hidden economy.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Budget 2015 – summary of tax changes, cash deals aren't tax-free income, Child support changes to wages and salaries, Affected by a receivership?, Requesting a new recognised industry balance date, avoid postal delays, How to amend a GST return you've filed, use-of-money interest (UOMI), relief for taxpayers affected by the floods in the lower North Island and West Coast.

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

BusinessTax.Update@ird.govt.nz



REMINDERS

7 July: Income tax returns are due if you don't have an agent or an extension of time.

20 July: *Fringe benefit tax quarterly return (IR 420)* is due for the first quarter of 2016.

28 July: GST return and payment is due for the period ended 30 June 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.

Cash deals aren't tax-free income

The government uses taxpayers' money to pay for services we all need, such as healthcare, education, environmental protection and recreation.

While most people pay the right amount of tax, we know some people think they don't have to pay tax if they're paid in cash. By not declaring all their income, people who do un-taxed "cashies" are taking unfair advantage of honest businesses and cheating those who pay the right amount of tax.

It's okay to do jobs for cash or for your mates as long as you record them and declare the income when you're filing your annual tax return. You should:

- record every job, no matter how big or small, and provide your customers with receipts
- bank all cash you receive—don't use it to make small purchases
- encourage your customers to make a direct credit or internet banking payment rather than paying in cash

For more about keeping good business records go to www.ird.govt.nz (search keyword: tfb).

- charge GST if you're registered for it. You must be registered for GST when your annual turnover exceeds \$60,000
- declare **all** your income when you file your tax return.

If you're already paying tax on all your income, there's nothing more you need to do.

If you're not doing the right thing we can help you get back on track.

If you've left some income off your tax return it's best to let us know now, rather than wait for us to find out some other way. By making a full voluntary disclosure you may benefit by:

- not being prosecuted
- having your shortfall penalty reduced by up to 100%.

Choosing not to tell us may lead to:

- late payment penalties
- shortfall penalties
- prosecution.

Go to www.ird.govt.nz (search keywords: putting your tax returns right) to find out more, including how to make a voluntary disclosure.

If you need help with correcting your tax returns, please contact your tax agent.

Know someone who's not playing fair?

The entire community is affected by businesses cheating on their taxes. You can play your part if you have concerns about those getting an unfair advantage. If you know someone who's doing undeclared cash jobs you can report it by going to www.ird.govt.nz (search keywords: anonymous information).

If you do this by using the form available, please provide as much detail as possible.

Child support changes to salary and wage deductions



More child support changes are coming soon.

They include an option for liable parents to have their child support deducted from their salary and wages. You may see an increase in requests to set up child

support deductions through your existing employer monthly schedules. **Note:** This new option is only available to parents who are not in debt.

The change will make it easier for our customers to pay their child support in full and on time. The additional benefit for customers paying child support on time is not getting charged penalties.

We'll keep you informed of other changes during the year as they become available to our customers.

For more information go to www.ird.govt.nz (search keywords: more child support changes).

Affected by a receivership?

If you were employed or contracted to an organisation now in receivership, our factsheet *Affected by a receivership? (IR 1020)* will help you. It explains how we can help both contractors and employees and includes advice on:

- increasing their Working for Families Tax Credits payments
- changing child support payments
- getting an urgent GST refund
- re-estimating provisional tax.

You can get the factsheet from www.ird.govt.nz (search keyword: IR1020).

Requesting a new recognised industry balance date

If you're requesting a new recognised industry balance date, or a change to an existing one, you'll need to have it approved.

When you make your request, please give us as much information as possible to speed up the process.

Read our standard practice statement SPS 08/04: *Elections to change a balance date* which gives you the minimum information we require to consider your application.

The SPS is available at www.ird.govt.nz (search keyword: SPS 08/04).

Avoid postal delays



Some mail delivery services are due to be reduced to three days a week from 1 July 2015.

Please ensure you allow plenty of time for your return or payment to reach us on or before the due date to avoid late payment penalties and interest charges.

You should also check you're sending mail to the correct address. The table below shows our current postal addresses.

Payments	Returns	General correspondence
Inland Revenue PO Box 39050 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39090 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39010 Wellington Mail Centre Lower Hutt 5045

Note: If you're sending both a return and payment, please use the payments address.

Alternatively you can file returns and make payment through your myIR secure online services account. If you don't have a myIR account, register now at www.ird.govt.nz/myir

How to amend a GST return you've filed

If you want us to reassess a GST return that's already been filed please don't send another GST return attached to your letter with the corrected figures. Our standard practice statement outlines the correct way to amend GST returns. The standard practice statement is available at www.ird.govt.nz (search keyword: SPS 07/03).

Further information is also available at www.ird.govt.nz (search keywords: GST errors).

Use-of-money interest (UOMI)

Many customers wonder why UOMI continues to be calculated after the principal is paid without also paying the interest. This is because payments are first applied to interest, then the principal. If the debit balance is over \$100, interest continues to be added until the amount is paid in full.

Interest is calculated on a daily basis on the amount of overpaid or underpaid tax. It doesn't compound and isn't included when calculating penalties. Interest on tax underpayments is charged on the tax owing, which includes accumulated penalties and shortfall penalties.

If possible don't wait for the full period you may have been allowed to pay, especially for reassessments. It saves you money if you pay debits, including interest, within 30 days of the date of statements of account or notices of assessment issued. This is because the interest calculated between the date of the notice or statement and the date of payment in full within the 30-day period is cancelled.

You'll find full details of the historical rates on our website (search keywords: current interest rates).

Relief for taxpayers affected by the floods in the lower North Island and West Coast

We have the ability to waive the late filing and late payment penalties, and interest to help taxpayers who cannot file and pay on time as a consequence of the June floods in the lower North Island and the West Coast.

Income equalisation

We have activated our income equalisation discretion for farmers. Under this discretion farmers materially affected by the flooding can make early withdrawals from the income equalisation scheme in their 2015-16 tax year.

For more information go to www.ird.govt.nz (search keywords: farmers income equalisation scheme).

Because of how early it is in the 2014-2015 tax return filing season, and noting that most farmers have late balance dates, very few, if any will have filed their 2014-15 tax returns. As we have not applied a general discretion for this, farmers will have to apply individually for the discretion if they want to make late deposits from the 2014-15 year.

Once you've dealt with your immediate situation and you find you need help with your tax affairs, contact your tax advisor, or call us on 0800 473 566 sooner rather than later so we can help.

For more information go to www.ird.govt.nz (search keywords: tax relief extreme weather).