

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 69 • December 2015 • IR381

Contacting us over the holiday season

Our contact centre will be closed over the Christmas and New Year break from 5pm Thursday 24 December 2015 until 8am on Tuesday 5 January 2016. You can go to www.ird.govt.nz for information any time during the holiday season.



Holiday dates	Our availability
Working for Families Tax Credits, student loans, personal tax and business tax enquiries	
Thursday 24 December	8 am to 5 pm
Friday 25 December to Monday 4 January	Closed
Tuesday 5 January	8 am to 8 pm
Child support (0800 221 221)	
Thursday 24 December	8 am to 5 pm
Friday 25 December to Monday 4 January	Closed
Tuesday 5 January	8 am to 5 pm
KiwiSaver (0800 549 472)	
Thursday 24 December	8 am to 5 pm
Friday 25 December to Monday 4 January	Closed
Tuesday 5 January	8 am to 8 pm

Counter services

All our counter services will be available until 4.30pm on Thursday 24 December, but no appointments will be made after 2pm.

Our normal hours resume at 8am on Tuesday 5 January.

New pool rate in updated depreciation guide

Our *Depreciation (IR260)* guide has been updated to include the increase in the maximum pooling value. This has increased from \$2,000 to \$5,000 for the 2015-16 income year and onwards. Updated examples on pages 10 and 11 reflect this change. If you hold copies of the guide with version dates older than October 2015, please dispose of them and download or order new copies. You can do this at www.ird.govt.nz (search keyword: IR260) or through StationeryXpress.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: contacting us over the holiday season, new pool rate in updated depreciation guide, filing GST from software, new consultations open now, End-of-year taxes due 7 February, how to treat holiday pay, recent legislation brings changes to property sales, employees needing IRD numbers, taxpayers' simplification panel.

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

BusinessTax.Update@ird.govt.nz



REMINDERS

15 January: GST returns and payments are due for the period ended 30 November 2015.

20 January: Returns and payments are due for the FBT quarter ended 31 December 2015.

Employer deductions (EDF/IR345) form and payment, and Employer monthly schedule (EMS/IR348) are due for the period ended 31 December 2015 for employers that deduct less than \$500,000 PAYE (including ESCT) per year.

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.

Filing GST from software



Inland Revenue is working with New Zealand's software developers on ways for customers to file their tax returns seamlessly from accounting software. As a first step, around 2,000 Xero and MYOB customers will be

able to file their GST return direct to Inland Revenue from 1 December. The trial will test the process before the service is offered to remaining Xero and MYOB customers, including tax agents and bookkeepers from March 2016, and other software providers from mid 2016.

The new service will reduce the amount of time that businesses spend 'double handling' accounts information, reduce errors and fit tax compliance into a business's broader administration functions.

For more information go to www.ird.govt.nz and see the News item "Filing tax returns from accounting software".

New consultations open now

The Government has launched two new consultations on proposals to make tax simpler for New Zealanders, and is seeking feedback from employers and GST registered persons. Following the initial consultation, the focus now turns to better administration of PAYE and GST, and modernising the Tax Administration Act.

Have your say: Go to makingtaxsimpler.ird.govt.nz to find out more. Consultation is open until 12 February 2016. View public feedback on the first round of consultation.

To View public feedback go to makingtaxsimpler.ird.govt.nz/all-consultations

End-of-year taxes due 7 February

If you have an end-of-year income tax, student loan or Working for Families Tax Credit payment to make for the 2015 tax year, this is due on 7 February 2016 (unless you have a tax agent or accountant with a valid extension of time).

Find out how you can avoid getting a bill next year at www.ird.govt.nz (search keywords: avoid a tax bill).

How to treat holiday pay

We've been asked to clarify the following statement which appeared in the October 2014 issue of this newsletter in an article about calculating holiday pay: "Accrued holiday pay paid at the end of employment is also treated as an extra pay and taxed as a lump sum."

Although this correctly reflects the PAYE rules, some further detail may help you understand how to apply the rules correctly.

Type of holiday pay	How to treat it
As annual paid holiday	This is salary and wages. The gross amount of holiday pay should be allocated to the number of weeks of leave taken and then the PAYE tables applied.
A lump sum payment of an accrued annual holiday entitlement when employment ends	Tax as an "extra pay".
A lump sum payment of an annual accrued holiday entitlement before the holiday is taken	Tax as an "extra pay".
A lump sum payment when employment ends where there is either no accrued entitlement, or before a further entitlement arises	Tax as an "extra pay".
As part of regular pay at the rate of 8% of the employee's gross earnings	Treat as part of regular salary and wages not separately. Apply the PAYE tables to the combined gross payment of holiday pay and regular salary or wages.

For more information about calculating holiday pay, go to the Ministry of Business, Innovation & Employment website employment.govt.nz/er/ or call them on 0800 209 020.

Recent legislation brings changes to property sales

A new Act has introduced a bright-line test for residential land. Under this test any property bought on or after 1 October 2015 and sold within two years may be taxable unless one of the following exclusions apply:

- it's the sale of your main home
- it's transferred to you as the administrator/executor of an estate
- you inherited it.

Transfers of relationship property also have special rules.

The other existing rules around tax on property come first and then the bright-line test. For example, if the sale is not taxable under the intention test you should then consider if the bright-line test applies.

From the 2015-2016 tax year, when you include taxable property sales in the "other income" box of your tax return, you'll also need to complete a *Property sale information (IR833)* form. This will be available from April 2016.

For further information on the change go to our website www.ird.govt.nz (search keywords: property changes).

Inactive trust declaration

An amendment to the Tax Administration Act 1994 allows a complying trust to make a declaration that they are non-active and so don't have to file income tax returns. To do this a *Non-active trust declaration (IR633)* form will need to be completed. This can be downloaded from our website www.ird.govt.nz (search keyword: IR633) or requested through our self-service line 0800 257 773.

Employees needing IRD numbers

Do you have a new employee from overseas who has a visa to work in New Zealand, needing to apply for an IRD number? Remind them our application process changed recently.

They'll need a fully functional New Zealand bank account before applying for their IRD number. We recommend they apply for the bank account as soon as they can, even before they arrive in New Zealand.

We have some step-by-step instructions you can share with your employee on how to apply for an IRD number. You'll find the instructions in the News and updates section of our home page, www.ird.govt.nz. Select the article title *Coming to New Zealand to work*.

Taxpayers' simplification panel

The Taxpayers' Simplification Panel has been learning about our business, our transformation and our customers. Tasked with challenging our thinking on the customer experience, they aim to help us make real improvements for our customers. The Future Tax website, www.futuretax.org.nz represents the next step for the Panel – seeking customer feedback.

Over the next six months or so they'll be going to the public with a series of questions to get opinions on a range of tax matters and processes. If you're interested in finding out what they'll be asking and when, you can subscribe for updates at www.futuretax.org.nz/stay-in-touch

