

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses



Issue No 93 • July 2018 • IR381

REMINDERS

Important dates

We have a range of **calendars** to help you plan ahead to help you meet your obligations. Remember that 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 IR422 and IR680 online

From 1 August, you'll need a **myIR Secure Online Services account** to file your *Fringe benefit ordinary employee annual tax return (IR422)* and *Gaming machine duty return (IR680)* online.

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

Combatting global tax evasion

The New Zealand government has joined more than 100 other countries in a global initiative to combat tax evasion. It's called the Automatic Exchange of Information – or AEOI.

This international collaboration will make it even harder for people who are trying to evade paying tax by hiding money or investments overseas.

What this could mean for you

New Zealand tax residents are taxed on the money they make in New Zealand and in other countries – even if they don't bring money earned overseas into New Zealand.

Money earned overseas could include interest from an overseas bank account or income from an overseas investment, rental property, business and more.

If you're a New Zealand tax resident who earns money in another country, your information may be shared with Inland Revenue as part of AEOI. So now's a good time to check you're paying the right amount of tax. If you need help getting your tax right, talk with a tax agent or accountant.

Find out more

Best Start tax credit

Best Start is a new weekly payment of \$60 per child, available to eligible parents who have a baby born on or after 1 July 2018 (or babies who were due on or after 1 July 2018 but were born earlier).

Everyone who is eligible will receive \$60 a week until the baby turns one, no matter what the household income is. If the household income is less than \$79,000 then you will continue to receive \$60 a week until the child turns three.

What makes a person eligible?

To be eligible for Best Start:

- you must be the principal caregiver of the child
- you must be a New Zealand resident or citizen and have been in New Zealand for a continuous period of 12 months at any time
- you must be a New Zealand tax resident
- you must have an IRD number for the child you will get Best Start payments for
- the child you are claiming for is both a resident and present in New Zealand.

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How to apply

Families can apply when registering their baby's birth:

- through "**Register your Baby**" on the SmartStart website
- by completing the **Working for Families Tax Credits registration (FS1)**.

Find out more

Sharemilkers and contract milkers - deduction for farmhouse expenditure

A recent Question We've Been Asked (**QB18/09**) confirms that sharemilkers and contract milkers may use the approach in Interpretation Statement IS 17/02 to claim a 20% deduction for farmhouse expenditure (for example, power and insurance bills) without calculating actual business use of the farmhouse, if:

- they carry on a sharemilking or contract milking business as sole traders or a partnership independent from the farm owner's business;
- the business is of sufficient scale to require its own home office and centre of operations in the sharemilker's or contract milker's farmhouse; and
- the sharemilker's or contract milker's farmhouse is used in a similar manner to and to a similar extent as other farmhouses on type 1 farms.

IS 17/02 "Income tax – deductibility of farmhouse expenses" sets out the Commissioner's view on the appropriate treatment of farmhouse expenses in different circumstances, and was published in *Tax Information Bulletin* Vol 29, No 4 (May 2017).

Minimum wage has increased to \$16.50 per hour

The adult minimum wage rate (for employees aged 16 years and over) recently increased by 75 cents to \$16.50 per hour before tax.

Find out more

KiwiSaver for new employees

It's a good idea to make sure you're aware of your obligations as an employer.

Find out what you need to do

Foreign investment fund deemed rate of return for 2017-18

The foreign investment fund deemed rate of return for the 2017-18 income year has been set at 6.44%. This is an increase from last year's deemed rate of return, which was 6.28%.

The deemed rate of return is set annually by Order in Council.

Non-payment penalty on employer monthly schedule/Employment information (IR348)

If you file your IR348 but don't pay the amount calculated, you may have to pay a non-payment penalty as well as late payment penalties and interest.

How are the penalties calculated?

The non-payment penalty is 10% of the amount outstanding. If you do not pay, a further 10% penalty will be added each month if an amount remains outstanding.

When you pay the amount outstanding or enter into an instalment arrangement, the last 10% penalty imposed will reduce to 5%.

Instalment arrangements

If you miss or short-pay your agreed monthly instalment amount, a 10% penalty will be charged.

