

AGENTS ANSWERS

Inland Revenue's tax agents' update



Inland Revenue
Te Tari Taake

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REMINDERS

We have several calendars you can use to plan ahead to help you meet your obligations. Remember that if a due date falls on a weekend and public holiday, we can receive your return and payment on the next working day without a penalty being applied.

What's coming in April 2020 for tax agents

Check out our 'What's coming for tax agents' page at ird.govt.nz/agents for information on what's coming in April.

Seminars for Business Transformation changes - Release 4

We'll be holding seminars around the country from 1 to 8 April advising you of the changes in our next release of our business transformation programme.

You will be able to register for these on our website shortly so please keep an eye out for these and we will let you know when you can register.

Join our final webinars

We have two remaining webinars coming up before we go live with our next round of changes in April 2020. Both sessions will be focused on helping you prepare for upcoming changes.

We'll cover changes related to myIR, payments, what's changing for employers, income equalisation, student loans and KiwiSaver. We'll also share details around shut down dates and where you can get support.

The first session will take place on **4 March 2020 at 2:30pm - 3:30pm** and we invite tax agents and bookkeepers to attend.

The second session is primarily aimed at employers and will take place on **18 March 2020 from 2:30pm - 3:30pm**.

Visit www.ird.govt.nz/webinars to register, or watch previous webinars on demand.

Thank you to those who participated in previous sessions. We have published the questions and answers from recent webinars on our website, as well as copies of webinar presentations completed to date.

2019 income tax assessment refunds

We have identified clients of tax agents (excluding IR3 filers) who have refunds owing to them that we haven't been able to pay because we don't have their bank account details. This includes clients who have had an:

- income tax assessment issued
- income tax assessment request where more information has subsequently resulted in a refund.

To ensure your clients receive any refunds they are entitled to, please update their bank account details in myIR. Or you can use the refund redirect option if you hold written authority to receive client refunds and operate a disbursement account.

If you want to set up a disbursement account to receive client refunds please contact your Account Manager.

Please do not to add your own agency bank account to the client's account.

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To add a client's bank account in myIR

Select the **Tax Preparer** tab>enter the client's IRD number>click **access client**, select the **Income Tax** account>click **More next to I want to**> Under **payment and refunds section** select **update a refund bank account**.

If you are unable to see the 'Update refund bank account' link, please contact your agency Administrator to update your access security. You need to have 'Full account access' to add/edit a refund bank account.

To redirect client refunds

Select the **Tax Preparer** tab>Client Maintenance>Delink or Manage Links>enter the IRD number>click add/select **client**>under Refund to> click **client** and this will change to Tax Agent>click **submit**.

To check if your client has a credit in their account

export a client list report

- apply a filter to the total linked balance
- identify clients with credits
- access the client's account add your clients bank account or edit your current link to include a refund redirect.

Automatically issued income tax assessments - request for more information 2018/2019 income tax year

Please confirm the income is correct or add in the additional income by 31 March 2020. For those not confirmed or where there is no additional information provided, an income assessment will be finalised based on the information we hold.

To finalise the assessment

- Identify clients yet to have their automatic assessments finalised. You can get this information by exporting your client list report and filtering the 'Individual filing group' column to show 'auto issued - more info'.
- You will need to look at each individual client to check if their automatic assessment has been finalised. In myIR if this has been finalised in the income tax account you will see "ontime processed" if not you will see "request to complete."
- Confirm with your client their income sources for the 2018/2019 income year and finalise the assessment.

Select the **Tax Preparer** tab> enter the client IRD number> select **access client**> click on the **Income tax** account> select the **periods** tab> click on **Request to complete**> Follow the prompts to complete the client's assessment>**submit**.

If your client has been selected for 'request more information' and also has 'other income' to submit you can enter the additional income at this step.

Once submitted the assessment will update to your client's income tax account.

Ensure your clients' bank account details are up to date so that any credits can be refunded directly to their account.

If your client has a debit and an extension of time, their 2019 terminal tax is due 7 April 2020.

Keeping email addresses up to date in myIR

We've recently noticed a growing number of our customers' email addresses are no longer in use or have been changed without letting us know. This applies to both you and your customers. If a tax agent leaves your firm, the responsibility for ceasing logon for that user sits with the account owner.

With the next stage of transformation just around the corner, and our move to more digital services, it's more important than ever to have up-to-date email contacts.

Please check your myIR account and update any email addresses or cease any logons that are no longer required if necessary. Please also pass this reminder on to your clients.

SPS 20/01 Tax payments - when received in time

We have recently published a standard practice statement that sets out Inland Revenue's practice for accepting tax payments as having been received in time.

From 1 March 2020, we will no longer accept cheques as a method for payment of tax. Customers are encouraged to use direct banking facilities when they make tax payments (or when refunds are issued).

You can find SPS 20/01 at **www.ird.govt.nz** (search keywords: SPS 20/01, then click "Technical" at top of page).

Updating investment income allocations in myIR for 1 April reporting changes

From 1 April investment income reporting is changing.

If your clients receive investment income, you will need to ensure that their investment income payer (eg their bank) has their IRD number to avoid being them charged the **non-declaration rate of 45%**.

If your client has a joint account, we will split any investment income reported equally across all the joint account holders who have provided a valid IRD number to the payer.

If this allocation isn't correct, you can update it in myIR using the following steps:

1. Select the **income tax** account
2. In the Earning summary section, select **view details**
3. Select the **income period dates** for the period the investment income was earned.
4. Select **Update investment percentage**.
5. Next to the payer they have received investment income from, select **view detail**
6. All accounts listed with that payer will show, along with an account identifier (as provided by the payer) and ownership percentage. Select **View detail**.

Note: If an account identifier hasn't been provided by the payer, it will show "not identified". You can continue with the below steps if this shows.

7. The table shows the dates the income has been received. Select **Add ownership period**.

8. Complete the **From** field and the **Ownership percentage** field. Then click **next**.

Note: If the **To** field is left blank, the updated percentage will remain until you advise us otherwise.

9. Review the details and select the **Confirmation** checkbox. Click **Submit**.

The percentage and income received in the dates provided will be updated instantly. The update will only be made to the individual's ownership percentage. Other account holders will need to update their details separately.

For more information about investment income reporting changes visit ird.govt.nz/investment-income

Deducting financial arrangement expenditure that arises from foreign exchange losses

If your client is a New Zealand tax resident required to apply the financial arrangement rules to foreign bank accounts or term deposits, expenditure that arises from a decline in value of foreign currency may be deductible. This is despite the accounts or deposits being held or used for private or non-business purposes.

The general permission will be satisfied for both interest-bearing and interest-free bank accounts and deposits. Also the private limitation will not apply to deny a deduction.

The financial arrangements rules do not apply to excepted financial arrangements. This means that the above will not be relevant to a bank account that is a "variable principal debt instrument" of someone who holds instruments of that type with a total NZ dollar value every day of \$50,000 or less.

Different considerations apply for borrowing transactions. So, the deductibility discussed above only covers deposits and bank accounts with credit balances at year end.

Any of your clients who think they have been adversely affected by Inland Revenue action or advice on this issue in the past may ask for their position to be reviewed.

Requests will be considered on a case by case basis according to the principles set out in Standard Practice Statement 16/01 - *Requests to amend assessments*.

New website for Research and Development Tax Incentive

The Research and Development Tax Incentive (RDTI) supports Government's target to increase New Zealand's R&D expenditure to 2% of GDP by 2027.

In February a new RDTI website was introduced to help businesses understand the benefits of undertaking R&D and to encourage more businesses to invest in it. Designed for busy business-decision-makers, the website features an easy-to-follow introductory guide to RDTI eligibility and a step-by-step overview of how to apply.

If you have clients who undertake R&D or may be considering it, we encourage you to point them to this site.

The RDTI is jointly administered by Inland Revenue and Callaghan Innovation, and information on the new website has been developed collaboratively by both agencies with support from MBIE.

Learn more at www.rdti.govt.nz

RWT exemption register

We have introduced a new online RWT exemption register that lists the IRD numbers of all customers who are exempt from having RWT deducted from the interest and dividends they receive.

Currently we issue successful applicants with a certificate of exemption from RWT. This process will remain in place until 31 March 2020. From 1 April, payers of investment income (eg payers of interest and dividends) will access the register to confirm which of their customers have RWT exempt status. They will no longer ask for or accept physical certificates of exemption.

The register:

- is automatically populated by Inland Revenue
- identifies customers only by their IRD number
- can be searched by exemption status, IRD number and when the information was last updated
- is updated overnight every business day (Monday to Friday) - so it provides near real time information.

Payers can use the register now to verify if a customer has an exemption, or to check the exemption status (eg cancelled, revoked or end-dated, ie expired).

If a customer has an exemption under an Act that is not administered by Inland Revenue, they may need to apply to us to be included on the register.

If you are a charity registered with Charities Services you do not need to apply for RWT exempt status. We will automatically put you on the register.

A factsheet has been developed to help payers understand what the changes from 1 April 2020 will mean for them.

You can find out more and access the register and factsheet at ird.govt.nz/rwt-exemption

Tax technical beta site available in late March

As part of our work to build a new and improved tax technical website, we're making a beta, or test version available ahead of the first published release. We're planning to make the beta site available in late March, accessible via the existing tax technical section of the Inland Revenue website.

We're keen to get your thoughts and feedback on the new look and feel, features and layout of the tax technical site and we encourage you to visit the beta version when it's available. You will be able to provide comments using the feedback button on each beta page. Feedback we receive during this time will help us to improve the site before the first release.

Key services unavailable over Easter

For a few days in April over the Easter break we'll be undergoing system changes to make tax more straightforward. At this time, myIR will be unavailable and our offices and phone lines will be closed. We'll update you with exact dates and times in our April Agents Answers and on our website closer to the time.

Tax relief - COVID-19 Coronavirus

Tax relief and income assistance is available to people affected by the downturn in business due to the COVID-19 Coronavirus. We have a range of ways to help depending on your clients' circumstances. Agents are asked to please work with your clients about what they need to do.

There is more information on the tax relief available at ird.govt.nz/Updates/News-Folder/tax-relief-coronavirus



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