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CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

by the numbers

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Corner Highlights

Staff News

Congratulations to **Neil Ivamy, Principal**, who received recognition from the Institute of Chartered Accountants Australia & New Zealand for 25 years membership as a Chartered Accountant at a Gala Dinner held in Palmerston North on the 23rd May.

Congratulations also to **Celeste Cole,** Client Manager, Dannevirke, and her partner on the birth of their daughter, Winifred. Celeste is currently on parental leave and plans to return to work in the spring.

In June, we welcomed two new staff to our Dannevirke team: **Jessica MacKay** and **Desiree Watts**. Jessica and Desiree will assist with the preparation of annual accounts and tax returns.

The IRD Upgrade

The new IRD system went live on April 26. This has meant many changes for us and our clients and how we all communicate with the IRD.

"myIR" accounts now hold all correspondence, which previously may have come to us to deal with. The IRD are now only sending electronic mail to us (unless no myIR account exists) and the new system generates letters automatically, sending them directly to clients in most cases. This is causing some confusion and accountants are currently working with the IRD to improve this system.

As we cannot see if you have read your "myIR' messages and/or mail to advise if any action is needed, it is important that you check your myIR account on a regular basis.

You may also receive correspondence that is incorrect as currently "credit transfers' and "donation rebate transfers" are being processed by the IRD after a letter is generated.

If you have any queries about correspondence that you receive from the IRD please contact us immediately.

The IRD is automatically depositing tax refunds and Working for Families Refunds into the bank account that they have on their records for clients. They are doing this before we have been notified of the IRD assessment and/or credit and in some cases the IRD's assessment may be incorrect. In such instances, clients will have to return the incorrect amount of the refund to the IRD. Clients should also ensure that the IRD has the correct bank account details in order to avoid refunds going into the wrong account.

If you have any questions or concerns about this, please give us a call.

Payments to IRD

When making a tax payment to the IRD for income tax and / or provisional tax, it is important to select the correct tax type.

The tax type to select for income tax or provisional tax is "**INC"** and not **"GAP". "GAP"** should only be used if you are making a combined GST and provisional tax payment to the IRD.

When making tax payments by online banking you should always use the 'IRD payments' or 'Tax payments' option. Check that the IRD number is correct for each individual and/or entity. This will help ensure that the payment goes to the correct place.

Tax Working Group

The Tax Working Group (TWG) released its long-awaited Final Report ('the Report') on 21 February 2019, following a 13-month review during which the Group received over 7,000 public submissions. The report contained 99 recommendations including the introduction of a broad Capital Gains Tax ('CGT').

Two months later the coalition Government ruled out the introduction of a CGT for the foreseeable future.

Where does this leave us? What about the remaining 97 recommendations? The overall theme is that there will be no significant change or major evolution.

A number of the recommendations by the TWG were to make no change. For example, the government has endorsed maintaining the current business and personal income tax regimes as they are.

The Government has agreed to investigate taxing land banking, as this may trigger land development. This 'power' could be passed to local government. This has been referred to Inland Revenue to be added to its (IRD) tax policy work programme (TPWP) for consideration.

The Government is to continue its focus on the taxation of multi-national corporations (MNCs), for example, Google and Facebook. The government is working closely with the Organisation for Economic Co-operation and Development to achieve equity regarding income tax received by all jurisdictions in which MNCs operate.

Most of the TWG's recommendations have been referred to IRD for 'potential' inclusion on the TPWP. What action the TPWP drives remains to be seen. Some of these recommendations will be addressed as a by-product of the IRD's ongoing transformation project. Through its improved systems there will be an enhanced focus on data and closer interaction with businesses and individuals using the online platforms, therefore work on enhancing the integrity of the tax system has already been under way for some time.

Short-Stay Accommodation

The IRD is currently consulting on tax obligations that arise on various forms of residential rental, such as renting out a room within your home, or letting property using a peer-to-peer platform, such as Airbnb or Bookabach.

One of the proposed changes relates to the 'standard cost' rules for boarders or home-stay students. Currently, income earned below the threshold of $266 a week for the first two boarders and $218 per week for each subsequent boarder is tax free and doesn't need to be included in a tax return. The IRD propose to reduce this weekly threshold to $183 per boarder (subject to annual CPI adjustments). Or, taxpayers can elect to return all income and expenses relating to boarders in their tax return, which may be favourable if they incur considerable costs.

A similar rule is also proposed for taxpayers providing short-stay accommodation in their own home (e.g. Airbnb), by setting standard nightly costs for deductions, with income above the standard cost needing to be declared. The suggested thresholds are $50 a night for homeowners, and $45 where the host is renting their home. However, there will be various criteria to use this concession, for example a rental limit of 100 nights per year.

Renting out a property that is also used privately is currently a complex tax area, so changes to simplify the regime are welcome.

Tax Bounty

An increasing number of countries operate reward or bounty systems where informants receive payments for assisting revenue authorities.

The USA initiated a 'tax bounty' program in 2006, with a Whistleblowers Office established by the US Inland Revenue Service (IRS). This program has seen the IRS collect billions in additional tax revenue over its lifetime, with one famous case resulting in an award to the Whistleblower in excess of US$100 million. The regime has been codified in the US Internal Revenue Code, with informants receiving between 15% to 30% of the additional tax revenue collected in some instances.

The system is not limited to the USA. Singapore offers a 15% reward on tax recovered, whilst Canada offers 5-15% of the additional tax collected. The Canadian scheme extends to "any individual, no matter where they are in the world", leading to concern that the programme will turn Canada into a 'gold mine for tax snoops'.

Although New Zealand does not have a tax bounty regime at present, it may be worth Inland Revenue's consideration. But this could lead to further tax issues – is the reward income of the informant???

get in touch

You might like to visit our Website at www.mcia.co.nz.

This provides information about our firm and a number of links to other websites that may be helpful to you.

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