

# AGENTS ANSWERS

Inland Revenue's tax agents' update



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## REMINDERS

We have several planning calendars to help you meet your obligations. Remember that if a due date falls on a weekend or public holiday, we can receive your return and payment on the next working day without a penalty being applied. But for provincial anniversary dates, this only applies if you're in the province celebrating the holiday, and only if you usually make tax payments over-the-counter at Westpac.

## Simplifying our processes

### Self-correcting income tax return errors

If you or your clients notice that an error has been made in an income tax return:

- you or your client can self-correct these in myIR
- you can correct the return via E-File (or Gateway Services in future).

Use-of-money interest (UOMI) is minimised when errors are corrected in real-time.

### Loss carried forward income mismatch

When your client declares a loss for one income tax year, subject to continuity rules, this loss can be carried forward and offset against income in a future year.

Errors occur when a wrong loss balance figure or an out-of-date loss balance is used. These transactions can be due to:

- a shareholder continuity breach
- subvention payment made
- company amalgamations
- consolidated group transactions, or
- losses used to pay shortfall penalties or tax debt.

To check the balance of the loss to carry forward, you can generate a "Client List Report" by selecting the **Tax Preparer** tab > **Agency reports** > **Client list report** > select your client list > **Run report** and **Export**.

Under the **Income Tax Information** section, the **Loss carried forward** column records the balance to transfer to the income tax return of your client.

### Nil returns

If a customer has:

- a loss balance from earlier years waiting to be offset against future income, but
- no taxable income in the current year

they would file a "Nil" return.

In the "Nil" return for the current year, it is important that the loss carried forward figure is also disclosed in the corresponding box of the income tax return.

### Shareholder salary mismatch

We see errors occurring between a company claiming a deduction for payment of a shareholder salary and the recipient of the salary not declaring it as income.

When you are filing a company **Income tax return - IR4** and there is shareholder salary to declare, please ensure that the **Shareholder Salary box is updated** along with the IRD number of the shareholder the income is allocated to.

## Research & Development tax incentive

### Research & Development tax incentive tax credits (RDTI)

Do you have any clients claiming a refundable RDTI credit through their IR3, IR3NR, IR6, IR8, IR9 or IR44 for the 2020 tax year?

You and your clients will not find the RDTI refundable keypoints in the 2020 returns. The broader refundable method was only introduced under urgency in the COVID-19 tax bill and retrospectively applied to the 2020 tax year.

Please don't adjust the tax return to include the refundable tax credits. We will make any adjustments once the outcome of the application has been determined.

This will ensure your credits are calculated and applied correctly.

You can email any questions to **R&Dtiteam@ird.govt.nz**

### Research & development tax incentive: Certifiers

The R&D tax incentive certifier application form is now available for those interested in becoming an IRD approved R&D Tax Incentive certifier.

The form asks you to list any licenced auditors you employ, as well as the names of any partners, directors, or principals authorised to provide R&D certificates.

You are also required to make a statutory declaration on the application form stating that you:

- are competent in applying the appropriate legal and accounting standards relating to R&D tax credits, and
- have the appropriate technical knowledge to assess R&D.

If we approve your application, we'll let you know and will publish your approval on our website.

Your approved R&D certifier status takes effect from the date of your application.

### Licenced auditors

To be approved as an R&D certifier, a firm must declare that they include or employ one or more licenced auditors (as approved by the Financial Markets Authority). Where a firm is approved as an R&D certifier, they will be required to provide us with the names of licenced auditors in their employ.

Please go to our website **ird.govt.nz** (search keyword: Research)

There is more information in our R&D guide IR1240 in the **Approved R&D certifiers** section.

### Filing date change for RDTI general approval applications

If you're filing a general approval application for the R&D Tax Incentive (RDTI) for the 2020/2021 income tax year, you now have until the 7th day of the 5th month after the end of the first income year.

The change is for a situation where you could not apply on time because the COVID-19 pandemic disrupted any of the following:

- planning or doing eligible research and development
- appropriately obtaining necessary information
- getting advice.

The change is effective from 1 September 2020 to 30 September 2021.

### Income tax and supplementary return due dates

Please note that the extension for filing a general approval application does **not** apply to your income tax and supplementary return due dates.

If you need more time to file your income tax and supplementary return, you can email **r&dtiteam@ird.govt.nz**

## Information requests during audits/reviews

When your client is subject to an audit or review we will generally use myIR web messages and letters for requests for information.

In the past we asked for a reply within 28 days. With the increased use of electronic mail the response time is now 21 days.

Once we receive the information, we'll be in touch with you within 21 days about the progress and next stages of the audit or review.

The shorter timeframe does not apply to:

- non-disclosure rights, and
- Agreements to amend assessment(s) forms, which remain at 28 days.

If your clients can't meet that timeframe, they can ask for an extension.

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## Income tax – more information request

If you receive an "Income tax – more information request", you (or your client) must finalise it in myIR by the due date.

The date to finalise the more information request is:

- 31 March if the client has an extension of time
- 45 days after the date of issue if there is no extension of time (the date will be in the letter).

For those not finalised or where there is no additional information provided, an income assessment will be issued based on the information we hold.

If a client's mail is being redirected for income tax, this letter will be sent to you. Otherwise, it will go directly to your client.

### Steps to finalise the assessment

- Identify clients yet to have their "more info request" 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".
- Look at each individual client in their income tax account in myIR. If this has been finalised you will see "on time processed" otherwise it will show "request to complete."
- Confirm with your client their income sources for the 2019/2020 income year and finalise the assessment. This might include calculating expenses for clients receiving schedular income.

Once submitted the assessment will update to your client's income tax account and an income tax assessment notice will issue.

If your client has been sent a "more information request" please do not file an IR3 return through E-File or file a paper return as these will be treated as a duplicate return and slow down processing. It can take up to 10 weeks to process. Editing the assessment in myIR is the quickest way to finalise your client's assessment.

We're working closely with software providers to ensure that the new income tax return filing service will allow you to amend or finalise these assessments through your software.

Remember to check your client's bank account details are up-to-date so any credits can be refunded directly to their account.

### For more help

Our "Income tax assessments for individual clients of tax agent's" webinar can help you through the process of reviewing and finalising assessments.

Go to [ird.govt.nz/webinars](https://ird.govt.nz/webinars)

## Client mail redirection

Most letters we issue will redirect to a tax agent if you requested "mail to tax agent" when you linked to your client. This includes all "Income tax – more information request" letters, Notices of assessment and Summary of accounts.

You can check and edit where each client's mail will go by account type in myIR, either in the "Delink" or "Manage links service" under "Client maintenance".

You can enter up to 50 IRD numbers at a time. The "Mail to:" column will show the current setting for each account. You can edit it by clicking on the hyperlink.

Redirecting a letter to your tax agency means your client:

- will not get a paper copy
- will not get an email from us to say they have an unread letter in myIR
- can see a copy in the "Correspondence" tab in their myIR.

It's a good idea to check this regularly when you're managing your clients' accounts.

It's important to make sure the addresses for your clients are up to date. They can also check and update their address in myIR.

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## Changes coming to foreign trusts in March 2021

We're making some improvements to the way we manage New Zealand Foreign Trusts. (NZFTs)

We're setting up a new foreign trust section in myIR. This means that from early March 2021 it will be easier to manage NZFTs on behalf of your clients in myIR.

You'll be able to:

- link to your client's NZFT account
- update their details online from your myIR account
- view previously provided NZFT information and send web messages in myIR instead of email
- file your client's NZFT annual returns and make payments online
- register a NZFT online in myIR or cancel an existing NZFT.

You may need to consider different levels of access and, where appropriate, create new logons for your staff who handle NZFTs.

We'll be sending an update directly to New Zealand foreign trusts in early November to make sure they're aware of the changes.

More information will be added to our website as we work through the final details so keep an eye out for further updates at [ird.govt.nz/foreign-trust-changes](https://ird.govt.nz/foreign-trust-changes)

## Changes coming to unclaimed money in March 2021

We're making improvements to the way we administer unclaimed money. Unclaimed money arises when a holder (an organisation that holds money or untouched accounts) makes all reasonable efforts to find the owner but is unsuccessful. Once this happens, the money and all information held about the owner, must be sent to us.

### What the changes mean for you

The main change you will notice is a new "Unclaimed money holder" account in myIR.

This means that from early March you'll be able to:

- link to your client's unclaimed money holder account if they file unclaimed money
- manage their details in myIR including filing, paying, viewing transactions and monitoring correspondence.

### Other changes

The length of time that money is held before becoming "unclaimed" may change. Currently it takes 6 or 25 years depending on the type of funds. Pending legislation changes passing next year, all types of funds held may be considered "unclaimed" after 5 years. There will be a transitional period to help shift to the new timeframe

Holders of unclaimed money may need to provide more customer information if they have it and will be able to file more frequently. The additional information will be used to help owners identify which money is theirs and whether to pursue a claim.

There will also be changes to the process for customers who submit a claim for unclaimed money that has been transferred to us.

On 10 November we'll be sending an update directly to holders who have recently filed unclaimed money with us to make sure they're aware of the changes.

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## New tax technical item published

We have recently published:

- **CS 20/05 Commissioner's Statement GST treatment of payments received by a GST registered body corporate from the Ministry of Business, Innovation and Employment under the Leaky Homes Financial Assistance Package**

This Commissioner's statement discusses payments received by GST registered bodies corporate from the Ministry of Business, Innovation and Employment under the Leaky Homes Financial Assistance Package (FAP) scheme.

You can find it on our website [taxtechnical.ird.govt.nz/](https://taxtechnical.ird.govt.nz/) Enter CS 20/05 in the search box.

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## Using electronic signatures on forms and documents

Digital signatures must meet the requirements set out in the Operational Guidelines: *OG 17/02 Standard for the use of a valid electronic signature on documents provided to the Commissioner.*

We will, in most cases, accept any form or document as being validly signed if you are using a digital signature according to these guidelines to sign your clients forms or documents, for example:

**This document was digitally signed by [name] on [date and time]**



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