

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.

Bright-line regular campaign launches from June

A bright-line direct marketing campaign advises customers who have recently sold/transferred a residential property to check whether the bright-line property rule applies.

The letters will be issued under the client's IRD number. The tax agent redirect will determine whether the letter goes to the customer or their tax agent.

The bright-line campaign letters will be available in myIR. We cannot send one letter with all your clients' information on it as we need to make sure client information from secure lists is not visible to all agency administrators. One letter to the agency would be visible to all owners and administrators in myIR.

We will send these letters as soon as we become aware of a potential bright-line property transaction, usually within a month of the transaction, to give you or your client an early head's up. If the property sale/transfer is subject to the bright-line property rule and your client has not completed the **Bright-line residential property sale information form – IR833**, please complete and file the form. Otherwise let us know by email if the bright-line property rule does not apply to your client's transaction.

Accounting for Wage Subsidy Scheme (WSS) payments in IR3/IR3NR return

The 2021 income tax filing season's here. Any wage subsidies received by clients (including indirectly from an associated entity) need to be returned in their IR3/IR3NR's.

If the WSS payment was fully taxed at source, they don't need to report this separately.

Where tax has not been deducted automatically and included in Employer Information forms, your clients need to return the WSS payments in the new 'Government subsidies' field.

We've added a 'Wage Subsidies Received' indicator to customers that received a WSS payment directly and to customers that received one from an associated entity. This ensures IR3s are issued to these customers as they cannot receive an automatically issued income tax assessment. If a client got their subsidy from their employer, they won't have this indicator.

New guide IR1251 Accounting for the wage subsidy – example scenarios for individuals

We've produced an IR1251 guide which you can find at ird.govt.nz (search keywords: wage subsidy self-employed). This guide includes examples for sole traders, partners, shareholder-employees, trustees and other people that have received the subsidy either directly or indirectly (through their business).

We've made changes in myIR

If your clients received a WSS payment directly, the WSS amount is pre-populated into the Government subsidies field in their IR3/IR3NR for 2021, but you can change it, for example, if a portion of the subsidy was included in the 2020 year or some/all of it was repaid by 31 March 2021.

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You might also need to change the information if they received money indirectly without tax deducted or received Leave Support Scheme or Short-Term Absence payments.

Please note: for software users, the wage subsidy details are now available in Gateway Services but will only pre-populate if your provider has updated their software to make this information available to you.

We're also aware of issues with WSS amounts not displaying in the income summary in myIR. We are working on this.

Tips to help you:

- Check whether WSS payments are included and whether they were received directly, indirectly, or both, and to both business and personal bank accounts.
- Wage subsidies must pass to an individual person (or be refunded to the Ministry of Social Development). For companies in a loss position the WSS payment must still go to the shareholder.
- Shareholder-employees that get a regular salary **may** have tax deducted - you must check the payment date and relevant weeks for that specific WSS payment to determine if it was fully taxed, for example, for the wage subsidy, was this fully passed on within 12 weeks after payment?
- Salary/wage expenditure that is funded by a wage subsidy payment is non-deductible.

2021 Income tax – more information request

From the end of May through to the end of July all individual clients of tax agents (excluding IR3 filers) will receive an 'Income Tax – more information request' letter.

Clients who have been issued an 'Income tax – more information request' that requires finalising will display a filing expectation of 'Auto-issued – more info' under the "individual filing group" column on your client list report.

Individual clients who don't have an extension of time (EOT) and have received an 'Income tax – more information request' letter will have 45 days to review and finalise their income tax assessment. The letter will confirm the date it needs to be finalised by.

You can see your client's 2021 EOT status by filtering the 'Current year EOT status' column on your client list report.

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

If we do not hear from you or your client within the set timeframe, we'll assume the information is correct and finalise the income tax assessment.

What happens next

Once finalised you or your client will receive an income tax assessment. Any automatic write-offs will update to the income tax account when finalised.

To ensure faster processing

Please keep client bank account details up to date. This can be managed in myIR.

For more help

Our On-demand webinar can help you through the process of reviewing and finalising income tax assessments. Go to ird.govt.nz (search keywords: webinars business transformation).

Find out more at ird.govt.nz/roles/tax-agents/individual-income-tax-for-clients-of-agents

Spreading forward fertiliser expenditure

When making an allocation of deferred fertiliser expenditure, generally an election used to be required for the income year of the allocation by the date the return was required to be filed.

From the 2021 tax year the election is now generally made by taking a tax position in your income tax return for the income year you choose to allocate fertiliser expenditure to.

You can find more information here: legislation.govt.nz/act/public/2021/0008/latest/LMS352578.html

Kilometre rates for the 2020-2021 income

The 2020-2021 kilometre rates have been published. You can find them on our website: ird.govt.nz (search keywords: kilometre rates).

Flooding in Canterbury declared a medium-scale adverse event

The flooding affecting the Canterbury region has been classified as a medium-scale adverse event.

To assist farmers and growers we are exercising discretion to allow early withdrawal from the income equalisation scheme.

We have a range of support in place for affected customers, including businesses, individuals and families affected by the floods.

For more information go to ird.govt.nz (search keywords: flooding in Canterbury).

Valuing assets when selling

From 1 July new rules come into force for how assets are to be valued when they are sold as a bundle, for example a sale of commercial property or a business. Typically, a buyer wants more of the price to be allocated to taxable or depreciable assets, while a seller wants less. The new rules make it clear that both parties have to make the same allocation. The rules also set out the process that must be followed if the buyer and seller can't agree an allocation, which includes notifying Inland Revenue.

For more information see ird.govt.nz (search keywords: asset sale).

Tax technical items

We've recently published these items

Determination DET 09/02 (CPI 2021) Childcare household service

- Hourly standard cost (per child) \$3.75
- Annual fixed administration and record keeping standard-cost \$367.00

Determination DET 19/01 (CPI 2021) Household boarding service providers

Weekly standard-cost (per boarder) \$194.00

Determination DET 19/02 (CPI 2021) Short-stay accommodation - daily standard-cost (for each guest)

- Owned dwelling \$52.00
- Rented dwelling \$47.00

COV 21/01: Variation to sections 33E and 68CC of the Tax Administration Act 1994

This COVID-19 variation extends, in relation to research and development activities, the time for filing supplementary returns for the 2020 tax year and for applying for "criteria and methodology" approvals for the 2021 income year for those customers materially delayed or disrupted by the COVID-19 outbreak and its effects.

CS 21/02: Government Service Rule

This Statement clarifies the interpretation of the Government Service Rule as set out in the Interpretation Statement on Tax Residence – IS 16/03, and sets out the Commissioner's position in relation to whether a person is "absent" for the purposes of section YD 1(7) of the Income Tax Act 2007.

OS 21/01 – Income tax treatment of accommodation provided to employees

Inland Revenue has published an operational statement on the income tax treatment of accommodation provided to employees.

The operational statement is intended to clarify and simplify the tax rules around employer-provided accommodation.

It includes an exemption for accommodation provided to employees needing to isolate to avoid the risk of spreading Covid-19.

You can find the items above on our website taxtechnical.ird.govt.nz/ Enter the item number eg COV 21/01.



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