

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.

Business Finance Guarantee Scheme ends 30 June 2021

On 30 June 2021, the Business Finance Guarantee Scheme (BFGS) will cease.

This means that any BFGS loans must be approved, signed and documented by 30 June 2021 to be eligible. However, the loan does not have to be drawn down by this date.

As any loan applications submitted under the BFGS involve a heavily administrative process to approve, it is recommended that these are submitted as soon as possible to meet the close date.

For more information visit treasury.govt.nz/news-and-events/news/business-finance-guarantee-scheme-conclude-30-june

Have your clients received the wage subsidy?

If your client received the wage subsidy during the 2020–21 tax year, this is taxable income.

If they received it through an employer with tax deducted, you do not need to do anything else.

However, if your client is:

- self-employed, or
- received the wage subsidy directly, or
- through an associated entity (for example a company, partnership, or trust) and tax was not deducted

you'll need to declare this income by completing an Individual tax return IR3.

For the 2020 year the income needs to go in the "other income" field and for the 2021 year onwards it needs to go in the "Government Subsidies" field.

For more information on how to declare the wage subsidy not taxed at source, go to ird.govt.nz (search keywords: wage subsidy self-employed).

2021 End of year process – Individual income tax assessments

From the end of May through to the end of July we'll be issuing automatic income tax assessments for most New Zealanders.

For tax agents, there have been minimal changes to the process from last year. However, from the 2021 tax year there are a few things that now form part of an individual's end of year process. These are:

- If a New Zealand tax resident has portfolio investment entity (PIE) income, a PIE square-up is included in their individual income tax return.
- A "Government subsidies" field in the IR3 income tax return to add any wage subsidy received that has not been taxed at source.

All individual clients of tax agents (excluding IR3 filers) will receive an 'Income tax – more information request' letter. If your client's mail is being redirected, you will receive this. Otherwise, it will go directly to your client.

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.

You (or your client) must review this information, add any additional income and expenses as appropriate, and finalise within the required timeframe, ie

- before 31 March if your client has an extension of time (EOT)
- within 45 days if your client doesn't have an EOT.

The letter will confirm the date it needs to be finalised by according to the client's situation. You can see your clients 2021 EOT status by filtering the "Current year EOT status" column on your client list report.

If you are using Gateway services software to send income tax returns to us, you may also be able to "confirm" or amend the "more information request" in your software. Talk to your provider as to whether they offer this functionality.

If you don't use Gateway services or don't have the above functionality in your software, you will need to use myIR to finalise the assessment.

For more help go to:

- our webinar [ird.govt.nz](https://www.ird.govt.nz/webinars/income-tax) (search keywords: webinars income tax) (please note this webinar does not include information on 2021 changes outlined above) and
- our webpage [ird.govt.nz/roles/tax-agents/individual-income-tax-for-clients-of-agents](https://www.ird.govt.nz/roles/tax-agents/individual-income-tax-for-clients-of-agents)

Do your clients own residential rental property?

If your clients own residential property, deductions (expenses) can only be claimed up to the total amount of income they earn from residential rental property. You can no longer use excess deductions from property to offset income from other sources, such as salary and wages.

Most residential rental properties are subject to the residential property deduction rules (also known as the ring-fencing rules). The rules do not apply to some residential properties, such as the main home, and residential properties that are subject to the mixed-use asset rules.

For more information about the rules, and how to include residential rental income in income tax returns, go to [ird.govt.nz/ring-fencing](https://www.ird.govt.nz/ring-fencing)

Real estate sector campaign

As you may be aware Inland Revenue is looking closely at real estate salesperson/agent customer groups. We have identified that these groups are claiming a high level of expenses relative to their income.

Our information suggests some of these customers are claiming private expenses and are not keeping logbooks or retaining other business records to support a deduction.

Our initial approach was to raise awareness and provide education tools to encourage customers to do the right thing from the start. These materials are available on our website

[ird.govt.nz/pages/campaigns/real-estate-agents](https://www.ird.govt.nz/pages/campaigns/real-estate-agents)

We're now moving to the next phase of our campaign, identifying those customers that fall outside industry norms. If we're concerned someone has overclaimed expenses or we identify other compliance risks, we'll send you a letter on behalf of your clients, asking you to review their tax returns and provide records to support expenses claimed.

If you have any questions, please contact us at realestate@ird.govt.nz

Tax technical items

We've recently published these items.

SPS 21/01: Deduction notices from 3rd parties

This standard practice statement sets out Inland Revenue's power to issue a deduction notice to recover outstanding amounts of tax from a third-party and to provide guidance on how the Commissioner will use such notices.

COV 21/01 COVID 19 time extension for RDTI

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.

You can find these items on our website taxtechnical.ird.govt.nz/

Enter the item number in the search box, eg COV 21/01.



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