

AGENTS ANSWERS

Inland Revenue's tax agents' update



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First time provisional tax liabilities satisfied by tax pooling credits and the early payment discount

Since the introduction of income tax to the START system, we haven't allowed early payment discounts (EPD) for customers who used tax pooling credits to pay their provisional tax liability. This has impacted the 2019, 2020 and 2021 income tax years and some late processed 2018 income tax returns.

On review, it was determined that the Income Tax Act (ITA) did not permit taxpayers to claim the EPD when the provisional tax liability was satisfied by use of tax pooling credits. The ITA has since been amended so that it now allows EPD to be applied for taxpayers using tax pooling credits. This legislative change applies to the 2020 income tax year onwards.

The legislative amendments have resulted in the following outcomes for taxpayers:

2020 income year onwards

For eligible taxpayers for 2020 years onwards, where the return is filed after the changes have been made in START, the crediting of the EPD will happen automatically.

For eligible taxpayers whose 2020 and 2021 income tax returns were received prior to the START change being made, these will require manual intervention by us. If you have customers who are in this category, please review the affected return in myIR. If this EPD has not been now granted, please contact us.

2018 and 2019 income years

Currently the law does not permit taxpayers to claim the EPD if they use tax pooling credits to satisfy a first-time provisional tax liability in these years. We are currently reviewing this situation and a further update will follow.

Use-of-money interest (UOMI) rate change – date correction

The article about the new UOMI rates in our May AA issue incorrectly stated the rates were effective from 9 May 2022. They are effective from **10 May** 2022. We apologise for the error.

Fringe benefit tax prescribed interest rate increase from July 2022

The prescribed rate used to calculate fringe benefit tax on low-interest, employment-related loans, has increased. Effective 1 July 2022, the rate will be changed from 4.50% to 4.78%.

The list of prescribed interest rates has been updated on our website. Go to **ird.govt.nz** (search keywords: FBT rates).

Tax technical items published

Operational statement OS 19/04 with the 2021-2022 kilometre rates has been published.

Interpretation Statement IS 22/01 Income Tax – deductibility of costs incurred due to COVID-19 considers whether a business may claim an income tax deduction for costs incurred due to COVID-19 pandemic.

Operational statement OS 22/02 Reporting requirements for domestic trusts sets out the Commissioner's approach to applying the trust information gathering powers contained in section 59BA and 59BAB of the Tax Administration Act 1994.

You can find these items at **taxtechnical.ird.govt.nz/** Enter search keywords: eg OS 19 04.

2022 Consumers Price Index Adjustment

Adjustments have been made to the standard-cost amounts for the 2022 income year (1 April 2021 to 31 March 2022) for:

- Childcare household service
- Household boarding service providers
- Short-stay accommodation

You can find this item at taxtechnical.ird.govt.nz/ Enter search keywords: CPI 2022.

New look newsletter update

As mentioned last month, we are updating our newsletters to provide you with a better, more consistent approach to make it easier for you to know where to go for the latest news from Inland Revenue.

Here's a reminder about what is changing:

- The look of all our newsletters will be refreshed making them easier to read and recognise as from Inland Revenue.
- We're combining this Agents Answers and the Tax Intermediaries Update into one newsletter. You'll initially begin receiving this fortnightly, however you will get the option to change the frequency via a subscription centre on our website.
- The new subscription centre on our website will give you the option to 'opt-in' (or opt-out) of all our newsletters and to choose the frequency for when they're sent to you.

When is this change happening?

We're just making the final changes now so expect to receive the new look newsletter in your inbox from around August.



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Agents Answers comments generally on topical tax issues relevant to tax agents. Every attempt is made to ensure the law is correctly interpreted, but articles are intended as a brief overview only. The examples provided are not intended to cover every possible factual situation.

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