

IRD Tax Simplification - Proposed Changes

The Government has recently announced a package of proposed tax changes intended to apply from 1 April 2017, with the exception of provisional tax payment changes, which have a proposed implementation date of 1 April 2018.

Changes to provisional tax

The changes propose to increase the existing use of money interest (UOMI) safe harbour threshold for individuals from \$50,000 to \$60,000 and allow it to apply to all taxpayers. This effectively means that all taxpayers who calculate and pay provisional tax using the standard or 'uplift' method would only be charged UOMI from their terminal tax date provided their residual income tax is below \$60,000. Larger taxpayers, who fall outside the safe harbour threshold and pay tax using the standard option, would instead pay UOMI from their last instalment date.

Some businesses may be able to use an "Accounting Income Method" (AIM) to calculate and pay their provisional tax based on the income to date in their accounting software. There will be mandatory IRD approved software specifications that will be required for this.

Other proposed changes include:

Removal of the monthly incremental 1% late payment penalty for some tax debt types;

Increased threshold for taxpayers to correct errors in returns from \$500 to \$1,000;

Remove the requirement to renew resident withholding tax exemption certificates annually;

Increase the threshold for annual fringe benefit tax returns from \$500k to \$1m of annual PAYE.

Allow small companies providing motor vehicles to shareholder-employees to make a private use adjustment instead of paying fringe benefit tax.

We shall advise further once the Government confirms these changes will be implemented, however it seems likely the changes will go ahead.

Murrays Comment

A couple of years ago my client, Brian De Luen died and left a significant bequest to Auckland Medical Research Foundation (AMRF). Since that date, I have been involved with the Estate and AMRF. AMRF is in my opinion one of the best charitable organisations I have seen and is second only to the Government in the funds it provides to medical research in New Zealand. Last year the grants made were \$4.08 million.

It has a lean mean administrative structure and all the annual administration costs are paid by a very generous benefactor. Therefore, every dollar donated to AMRF goes to medical research in New Zealand.

I now donate a regular amount monthly as part of my social conscience donations knowing it goes to a very good New Zealand cause. (You can claim a 33% tax rebate on your donations).

If you are looking for a very good New Zealand charity to support, contact Kim McWilliams at kim.mcwilliams@medicalresearch.org.nz, or phone 09-923-1701, or visit www.medicalresearch.org.nz

Residential Land Withholding Tax (RLWT)

Further changes to land sales have been introduced effective July 2016. Residential land withholding tax (RLWT) may need to be deducted from property sales where the property being sold is in New Zealand, and the vendor:

- acquired the property on or after 1 October 2015, and
- has owned it for less than two years before selling or disposing of the property, and
- is an offshore person

This affects non-residents and may affect New Zealand resident companies with shareholdings of 25% or greater held by foreign persons, and trusts where more than 25% of the trustees are foreign persons.



"In return for an increase in my allowance, I can offer you free unlimited in-home computer tech support."

IRD Scam Alert

Scammers claiming to be from Inland Revenue are cold calling people to say they are being investigated for tax fraud. The scammer requests personal information including the person's IRD number, before threatening them with legal action. In some cases people are told they must pay a debt urgently or face jail. Some people have also reported scammers leaving voicemails stating the recipient is subject to criminal action for tax fraud, leaving a phone number for the person to return the call. There have also been reports of more phishing* email scams appearing with the Inland Revenue logo on them. If you come across any correspondence from Inland Revenue that you are unsure about, please contact us immediately.

* *"Phishing. An attempt to acquire information such as usernames, passwords, and credit card details by masquerading as a trustworthy entity in an electronic communication"*

Trust IRD Numbers

We advise that Trusts that own property will be required to have an IRD number before any Trust property transfers can occur. This includes Trusts that own the family home and previously had no requirement to have an IRD number. Once an IRD number has been issued, a non-active trust declaration can be filed where there is no taxable income to ensure a tax return is not required to be filed each year.

Mileage Rate Changes

Inland Revenue advise the mileage reimbursement rate reduces from 74c to 72c/km for the 2016 tax year (1 April 2015 to 31 March 2016).

Use of Money Interest

Effective 8 May 2016 the UOMI rates on underpayments and overpayments of tax changed. The new rates are:

Underpayments: 8.27% (down from 9.21%)

Overpayments: 1.62% (down from 2.63%)

Provisional Tax Date

Note: the next provisional tax payment is due on 28 August 2016. We shall be sending reminders in due course.

Brexit

Woo-ha. Isn't that interesting!

REAL ESTATE



"We want a cozy, secluded 20-acre farm surrounded by hills, trees and streams, within walking distance of shops, restaurants, schools, theatres and hot night spots."