

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 52 • June 2014 • IR 381

Contacting us in the busy season

With the close of the 2014 tax year two months ago, our busy time is upon us. This means that making contact with us or getting a response can take a little longer. We know this can be frustrating for you.



To help you out during this time, here are some of the ways you can contact us.

myIR secure online services and our website

If you have a myIR secure online services account, you'll be able to:

- update your contact details
- access your income information
- check if you're entitled to a refund
- use our "secure mail" service to email us your questions
- view account transactions and return

status with our "Look at account information" tool.

Our improved website menu makes it easier to find the information you need, fast. The "Businesses and employers" tab provides you with links to frequently accessed content so you spend less time finding the information you need and more time running your business.

Check out "Your top questions" at www.ird.govt.nz/contact-us for answers to a range of personal enquiries—so you might not have to call us at all.

Virtual hold

Virtual hold is a call-back service which keeps your place in the queue so you don't have to wait on hold.

You'll be called back automatically when your call has reached the top of the queue. Call-back requests are available:

- Monday to Friday 8.15 am to 4.15 pm
- Saturday between 9.30 am and 12 pm.

Calls outside these times are placed in the queue because we can't accurately estimate our wait times at the beginning and end of each day. We also need to clear the remaining requests before the end of the day.

Schedule a convenient time to be called

You may receive a message saying "we're too busy to answer your call right now". As this is less than ideal, when this happens you'll be offered the option to schedule an appointment to speak to us at another time that's convenient to you.

This service is also available outside our normal business hours. You can call us after hours and schedule a call-back:

- up to seven days in advance (except for the day of the call)
- between 8.45 am and 4 pm, Monday to Friday.

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Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Contacting us in the busy season, employers and KiwiSaver enrolments, recently registered for GST, tax code declarations, student loan deductions on lump sum payments, mixed-use asset calculator, income tax returns due 7 July, changes to donation tax credit claims, making FBT payments to the right account, combined employer deduction payments.

If you have any suggestions for topics you'd like covered in this newsletter, email BusinessTax.Update@ird.govt.nz

REMINDERS

28 June: GST returns and payments are due for the period ending 31 May 2014. The first 2015 provisional tax instalment is due for those using the ratio method who have a 31 March balance date.

Note: If a due date falls on a weekend, public holiday or regional anniversary day, you can pay and/or file on the next working day without a penalty being applied.

30 June: Annual reconciliation return (IR 853) and Investor certificates (IR 854) are due for portfolio investment entities with an early or 31 March balance date.

7 July: 2014 income tax returns are due for customers with a standard balance date and no extension of time.

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If you enter a time that isn't available, you'll need to choose another time. You have three attempts to find an available slot.

From time to time you may still hear the "overloaded" message if there aren't any appointments available.

Please make sure you call the correct number, this will save you being transferred to another customer service specialist when you get through.

You can find the correct number to call at www.ird.govt.nz/contact-us

Employers and KiwiSaver enrolments

As an employer, you play an important role in helping your employees save for their retirement. Employees who start a new job and meet the criteria for automatic enrolment **must** be enrolled in KiwiSaver, unless you offer an approved alternative superannuation scheme or have been granted exempt employer status.

You must give all new employees, and any existing employees who ask for information, the *Your introduction to KiwiSaver – employee information (KS 3)* factsheet. You can download copies from www.ird.govt.nz (search keyword: KS3) or call 0800 257 773 to request copies.

The following summary will help you correctly determine if your employee can join KiwiSaver.

Eligibility to join KiwiSaver

To be eligible to join, your employee must be:

- aged 18 or over, and under the age of 65 (currently the age of eligibility for New Zealand Superannuation)
- living, or normally living, in New Zealand
- entitled to stay in New Zealand indefinitely, this includes (but is not limited to) holders of New Zealand passports, Australian passports and residence visas
- an Australian or New Zealand citizen living in New Zealand.

An employee is not eligible to join if they:

- hold a temporary entry class visa, or a limited-purpose visa
- are aged 65 or over.

Some employees may be eligible to join but do not meet the automatic enrolment rules—see page 5 of the *KiwiSaver employer guide (KS 4)*.

New employees

Give each new employee (who is subject to automatic enrolment) a copy of *Your introduction to KiwiSaver – employee information (KS 3)*, the *KiwiSaver deduction (KS 2)* form and *New employee opt-out request (KS 10)* form. You can download these from our website at www.ird.govt.nz "Forms and guides", or call us on 0800 257 773 to order copies.

When your employee gives you their completed KS 2, complete the *KiwiSaver employee details (KS 1)* form and send it to us at the same time as your next *Employer monthly schedule (EMS/IR 348)*.

Start making deductions from the employee's first pay, even if they intend to opt out. When you start making deductions, you must also pay compulsory employer contributions and employer superannuation contribution tax (ESCT) in relation to the employee.

Your new employee will let you know if they're already a member on their completed KS 2. If they're already a member, start making deductions from their first pay at the rate nominated by the employee, or the minimum deduction rate of 3%, whichever is greater.

If the employee doesn't advise you that they're an existing KiwiSaver member, follow the new employee rules.

Existing KiwiSaver members can't opt out. If you have a new employee who is an existing member, and they don't want deductions from their pay, they must apply for a contributions holiday. Start making deductions and paying compulsory employer contributions and ESCT until the employee gives you a copy of their contributions holiday letter.

If the new employee is already a member, and is already on a contributions holiday, they still need to give you a completed KS 2. They must also give you a copy of their contributions holiday letter.

Start making deductions and pay compulsory employer contributions and ESCT from the next pay after the end of their contributions holiday. Use the rate nominated by the employee, or the minimum deduction rate of 3%, whichever is greater.

Existing employees

An existing employee needs to give you a completed KS 2 if they want to join KiwiSaver. You'll then send us a completed KS 1 showing their details with your next EMS. These employees can't opt out because they've made a decision to join KiwiSaver.

For more information about your KiwiSaver obligations as an employer, view the information on our website at www.ird.govt.nz (search keyword: kiwisaver), you can also download the *KiwiSaver employer guide (KS 4)* from our website, you'll find it under "Forms and guides".

Recently registered for GST

Once you register for GST you're required to file regular GST returns and keep all the paperwork that supports and explains your GST figures. Understanding your GST obligations may be confusing for some newly registered businesses.

The Canterbury rebuild has seen many new GST registrants within construction and property. We're meeting new Canterbury GST registrants within these sectors to help them get their GST right.

If you need help understanding your tax obligations, our community compliance officers and kaitakawaenga Māori can offer advice on business tax and good record keeping, ensuring your new business gets off to a great start.

You can find out more about your GST obligations at www.ird.govt.nz/gst. This web page lists topics to help you work out and file your GST. You can also book for a free "Introduction to business" seminar or a GST workshop, or watch the demo for filing eGST returns. Our series of business videos can be viewed under "Demos and videos" or you can download the *GST guide (IR 375)* from "Forms and guides".

By paying our taxes we all help contribute to the Canterbury rebuild and the economic and social wellbeing of New Zealand.

Tax code declarations

You must make sure each new employee gives you a completed *Tax code declaration (IR 330)* form when they start working for you. This must include their:

- full name
- IRD number
- tax code
- signature.

If an employee gives you an incomplete IR 330, or doesn't return it, you'll need to make deductions at the no-notification rate. Depending on their circumstances, use either:

- 46.45 cents in the dollar (includes ACC earners' levy) for employees on PAYE, or
- 15 cents (generally) in the dollar on top of the normal rate of tax for persons receiving schedular payments.

Enter "ND" as the tax code on your *Employer monthly schedule (EMS/IR 348)* and tax their pay at the no-notification rate as given above.

Once your employee gives you a completed IR 330, use their correct tax code and rate for all future pays. Don't refund any PAYE already deducted to your employee or adjust your EMS. If they've overpaid their taxes throughout the year they'll get a refund once their tax return has been processed. If your employees ask about their refund, tell them they can find this out through their myIR secure online services account.

Student loan deductions on lump sum payments

Up to 31 March 2012, lump sum payments had student loan deductions calculated at a flat rate. This was to ensure that student loan borrowers were meeting their repayment obligations and that the end-of-year square-up was correct.

From 1 April 2012, student loan deductions are considered full and final on a monthly basis, so the flat rate is no longer appropriate for employees who use a student loan code (M SL or ME SL) on their main source of income.

New process

Add any gross salary or wage payments for the same period to the gross lump sum amount and deduct the appropriate pay-period threshold as follows.

Pay period	Pay-period threshold
Weekly	\$367.00
Fortnightly	\$734.00
Monthly	\$1,590.33
Four-weekly	\$1,468.00

The remaining amount will have student loan deductions made at the standard deduction rate of 12 cents in the dollar.

For employees who use a student loan tax code for a secondary source of income (SB SL, S SL, SH SL or ST SL), continue to make student loan deductions at a flat rate of 12 cents in the dollar.

For more information, go to www.ird.govt.nz (search keywords: taxing lump sum payments).



Mixed-use asset calculator

New rules set a new basis for apportioning deductible expenditure relating to certain assets that are used both privately and to earn income (mixed-use assets), such as holiday homes.

A mixed-use asset calculator is now available at www.ird.govt.nz (search keywords: mixed use calculator). The calculator is for customers who own holiday homes or baches for the 2014 tax year and onwards. It doesn't cater for mixed-use assets held in a close company. You can print the resulting calculation to keep for your records.

Income tax returns due 7 July

The IR 3, IR 4, IR 7, IR 8 and IR 9 income tax returns for the tax year ending 31 March 2014 are due on 7 July unless you have a valid extension of time, or an approved late balance date. Most taxpayers who have a tax agent or accountant will receive an extension of time automatically.

How you can file your return

You can file your IR 3 easily through your myIR secure online services account. If you don't have a myIR account, you can register at www.ird.govt.nz/myir

If you file an IR 4 or IR 7, these can be completed and submitted online at www.ird.govt.nz "Get it done online".

All other returns must be posted to us. Simply complete the copy you received and post it back to us on or before 7 July. Alternatively you can complete the return online at www.ird.govt.nz "Forms and guides", print it and post it to us at:

Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

If you're not able to file by 7 July, please call us on 0800 377 774 **before** the due date. We may be able to give you an extension of time to file your return.



Changes to donation tax credit claims

The time period for claiming donation tax credits has been reduced to four years, in line with other annual return filing periods.

This means a tax credit for a donation must be claimed within four years of the end of the year in which the donation was made. Any claims outside this period will be disallowed. This change applies to tax credit claims made in the 2014-15 and later tax years.

Note: Claims for childcare/housekeeper tax credits will still be allowed for the 2000 to the 2012 tax years.

Making FBT payments to the right account

There are three different account types to choose from when you make a fringe benefit tax (FBT) payment to us. The table below will help you identify which account type to use when making a payment, so you know your payment is going to the correct place.

FBT return type	Description	Account type
Annual	Payments for filers of the <i>Fringe benefit tax annual return (IR 422)</i> for the year ended 31 March	FBA
Income year	Payments for filers of the <i>Fringe benefit tax income year return (IR 421)</i> for companies with shareholder-employees	FBI
Quarterly	Payments by employers who must file a <i>Fringe benefit tax quarterly return (IR 420)</i> every quarter, or who choose to file quarterly	FBT

Combined employer deduction payments

When you pay your **combined** employer deductions to us (PAYE, child support, student loan, and KiwiSaver employee deductions and employer contributions), make sure you include your IRD number, the account type DED and the period the payment is for.

The DED account type ensures we process the payment as intended. We'll separate it according to the *Employer deductions (IR 345)* form you've filed for the same period.

Letting us know the correct period is easy, if you're paying your combined employer deductions for June 2014, the period to show is 30 June 2014 if paying by credit/debit card or a bank's tax payment service, or 30062014 if making a one-off electronic or manual payment. If you pay twice-monthly, the period for the first half of June 2014 is shown as 15 June 2014 or 15062014.