



Sharing information: to combat global tax evasion

The Government has signed up to the global automatic exchange of information (AEOI) initiative led by the OECD. We're one of 100 countries that will automatically share some financial account information about foreign tax residents. All countries will use the Common Reporting Standard (CRS) to identify and report on financial accounts held or controlled by foreign tax residents.

The countdown is now on for 1 July 2017 when the CRS requires reporting New Zealand financial institutions to:

- start due diligence to identify accounts held or controlled by foreign tax residents
- collect prescribed identity and financial account information about the identified accounts, and
- report this information to IRD annually by 30 June (from 2018).

There is a broad definition of a financial institution. Other than banks, financial institutions can also include:

- non-bank deposit takers
- collective investment entities
- mutual funds
- private equity funds
- hedge funds

- discretionary investment managers
- certain brokers, and
- trusts (including some managed family trusts).

IRD is helping you to prepare for the Common Reporting Standard. IRD will have a new CRS section on their website in May.

IRD will be running a targeted public awareness campaign during June and July to highlight the changes and impacts.

Information sessions will be held in early June - the key focus on these sessions will be a general implementation update. Let IRD know what CRS topics you would like to hear about by emailing them at global.aeoi@ird.govt.nz

The following information sessions will be held:

- Wellington - Wednesday 7 June, 10am to 12pm in the Grand Dining Room at the Wellesley Hotel
- Auckland - Thursday 8 June, 1pm to 3pm, 2 Takutai Square, Britomart, hosted by Ernst & Young
- Teleconference - week beginning 15 June, 10am to 12pm, dial in details to follow.

IRD welcomes your questions and feedback, and you can sign up to implementation updates via global.aeoi@ird.govt.nz

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ACC is developing a new website

ACC is developing a new website ACC is working to improve their business customers' online experience and they'd love your feedback.

They're developing a new website with new content and tools and a new online service – MyACC for Business. Beta.acc.co.nz As part of the website upgrade, a test site - beta.acc.co.nz has been developed.

New website tools of particular interest to businesses are:

- an invoice heat map outlining key sections of an ACC invoice, and
- a levy estimator to help new customers estimate how much their first invoice might be.

Check out the new site and let ACC know what you think of the new content and layout. There are feedback tabs on each page of the site so let them know if you think anything is missing, unclear or wrong. Keep checking it, there'll be more soon.



MyACC for business

MyACC for Business is a new online self-service and it's available for sole trading self-employed customers. ACC customers can self-register, check and update details, as long as there is an 's' at the end of their ACC number.

More features will be developed during the year and ACC will extend access to other business customers, including intermediaries.

MyACC for Business can be accessed at: myacc.co.nz/forbusiness

This is just the beginning of improvements to ACC's digital channels. If you'd like to be involved in shaping what they develop for tax agents and intermediaries, please get in touch.

Email digitaloperations@acc.co.nz

Mileage rate for motor vehicles increased



For the 2017 tax year (1 April 2016 to 31 March 2017), the mileage rate for both petrol and diesel fuel vehicles has increased to 73 cents per km.

This year we are also able to set mileage rates for hybrid and electric cars. The mileage rates for these vehicles are:

- hybrid - 73 cents per km
- electric - 81 cents per km.

For both Hybrid and Electric vehicles, our data shows that although these types of vehicle have lower running costs, these are offset by higher fixed costs.

If you're an employer you can use the above rates when reimbursing employees for the use of their private vehicle for work-travel for the current tax year (1 April 2017 to 31 March 2018).

The mileage rate is reviewed after a tax year ends so the rate reflects the average motor vehicle operating costs for that year. If you've filed your 2017 income tax return using the 2016 rate of 72 cents per km, you can request an amendment.

If the mileage rate doesn't reflect your actual costs, or your work-travel is more than 5,000km per year, you must keep a record of your actual vehicle expenses.

Threshold change for correcting an error in your next tax return

On 1 April 2017, the threshold for correcting a minor error in your next tax return increased to \$1,000. This applies to tax returns for:

income tax (including RWT and NRWT)
fringe benefit tax, and
GST.

You can fix a minor error in your next tax return when:
the error was caused by a clear mistake, simple oversight, or mistaken understanding on your part, and
the total discrepancy in the assessment that is caused by the error is \$1,000 or less.



Changes to ESS benefits

You can now choose to tax employee share scheme (ESS) benefits as an extra pay. This means you can deduct tax, student loan & child support on an employee's behalf. You can choose not to deduct any tax. In most cases you will still include the value of the ESS benefit for each employee on your Employer monthly schedule (IR348). If you choose not to deduct tax, the employee will have to pay it themselves.

If you file your IR348 online and include an ESS benefit with no tax, you may get the error message "No PAYE deductions are showing where an employee has positive gross earnings...". You can still file your return, this message will not stop you. But, IRD may contact you to clarify the income with no tax. To avoid this step, you can send IRD a list of employees in your ESS. You only need to send IRD this list once, or when new employees join your ESS.

Send your list to EmployeeShareScheme@ird.govt.nz including the following columns:

- Employer IRD number
- Employee name (surname, first name)
- Employee IRD number
- Date the employee joined the scheme if after 1 April 2017 (leave blank if employee joined before 1 April 2017).
- You'll find more information on:
 - how to tax the ESS benefit
 - what to include on, and how to complete, your IR348
 - when tax is due to be paid
 - end of year square ups for employees.

question time >>

Q: A taxpayer has omitted some income in his tax returns right back to 2005 – is he covered by the 4 year time-barring?

A: No, read on below

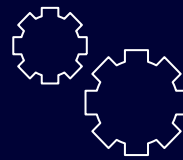
If a taxpayer furnishes an income tax return and an assessment has been made, the Commissioner may not increase the amount of an assessment if four years have passed from the end of the tax year in which the taxpayer provides the tax return. However, the time bar does not apply if the Commissioner is of the opinion that a tax return provided by a taxpayer does not mention income which is of a particular nature or was derived from a particular source, and in respect of which a tax return is required to be provided.

As a New Zealand tax resident, the individual is required to return his worldwide income in his New Zealand tax return. Because the individual's tax returns since 2005 do not mention income of a particular nature or derived from a particular source, the time bar will not apply. Accordingly, the Commissioner can reassess all tax returns for income years from which the foreign income was omitted.

REFERENCE:

Tax Administration Act 1994, s 108.

Source: CCH/TEO Question & Answer Service



TAX SOLUTIONS

New ACC rates The ACC levies have been set by regulation for the 2017-2018 tax year.

The earners' levy is set at \$1.39 (GST inclusive) per \$100 liable earnings. The maximum liable earnings has increased from \$122,063 to \$124,053.

Use-of-money interest (UOMI) rate change Starting on 8 May 2017 the UOMI rates on underpayments and overpayments of tax change.

The new rates are: • Underpayments - 8.22% (down from 8.27%). • Overpayments - 1.02% (down from 1.62%). Rates are reviewed regularly to ensure they are aligned with market interest rates.



WEB SOLUTIONS

We all know we can clear our inbox and then another email swarm arrives. How do we avoid spending too much time on emails?

Prioritise and don't be afraid to delete. Discipline yourself to accept you can't read them all and prioritise your reading. You may have to forgo opportunities by pressing the delete button so you have enough time to deal with the important emails.



PROHUB SOLUTIONS

Are you looking for an online Job Management system? Our Prohub Online system now has a Job Management system in it which links perfectly to the online Time Sheets. This Job Management system allows you to take a job through whatever stages your jobs normally take and can be passed from one Team Member to another. It also tracks how long jobs are taking and you can also set deadlines for when jobs are to be completed by and it has a reminder dashboard of upcoming job completion deadlines. In due course we will have it linking to our online Accounting system which will enable you to monitor the costs of jobs with precision accuracy.

Low rates **not so good**

Don't be taken in by very low interest rates for hire purchase, or even those offering zero percent.

Many retailers occasionally offer "special deals" of 0% percent interest on hire purchases. Does it mean you pay only the ticket price over the term of the loan?

The answer is no, and in fact the total price can be very expensive.

If you add up establishment fees, annual fees and any other cost the vendors may add, you will get some idea of the cost of the borrowing.

For example, an appliance costing \$700 could be financed by one of the leading dealers at 0% finance. The deal included an establishment fee of \$55 and what appeared to be an annual account fee of \$52. The salesperson was a bit vague.

That would make a total of \$211 (\$55 + 3 times \$52) for a 30-month agreement.

If you take the average between the debt at the start of the contract and the debt at the end of the contract, you get an average debt of \$350. You can now see why the \$211 is such an enormous figure to be paying.

Divide it by 30 months and multiply by 12 months and you have the cost per year of about \$84. That's an interest rate of 24% (\$84 divided by the amount borrowed being \$350).

Even if these figures are not entirely accurate, do your homework and determine the true cost of borrowing. You might be a lot better off with a bank overdraft.



Quick Quote

Attitudes are contagious. Are yours worth catching?
~ Dennis and Wendy Mannering

Never make judgements **about potential customers**

Carl and Carole were buying a new kitchen. They needed new appliances so they went to one of the large retail stores. While they were talking to the salesman, he was called over by his manager. The couple only found out why later.

In due course the salesman pulled off a pretty useful sale, but then confided in them what had happened. He said the manager had told him not to waste time on them because the manager considered them tyre-kickers. This was in spite of the store being relatively empty.

Another couple, Barry and Betty, had a similar experience when buying a car. They sent a list of questions to a dealer in new cars and instead of getting the answers they needed, they were supplied with three or four paragraphs of standard car information.

The couple like driving cars but didn't want to know how they're made and other technical details.

They found it very hard to interpret what they received and decided to send a letter of thanks to the company but stating they were no longer going to buy a car. About a month later, they still had not found the car they wanted so they made further enquiries at the dealership.

While out walking, they received a cell phone call from the manager. He wanted to know whether they were really serious.

In due course they bought the most expensive new car in the dealer's fleet.

These are both true stories although the names have been changed.

Our message is, never prejudge your potential customers by their looks or their actions, and never assume they're not going to buy from you.

Many people who look like hoboes are quite rich. They don't have to dress up to be a big spender.

Stephen Larsen and Co

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