

AGENTS ANSWERS

Inland Revenue's tax agents' update



Issue No 252 • December 2021 • IR787

RWT rate for clients earning over \$180,000 a year

From 1 April 2021 a new top tax rate of 39% was introduced for individuals who earn over \$180,000 a year.

Updating RWT rates

If any of your clients will earn over this amount, any interest they earn from New Zealand bank accounts and investments will need to have the 39% resident withholding tax (RWT) rate applied. They should be able to select the 39% rate through their online banking portal. Otherwise, they'll need to contact their bank or investment provider directly to get this updated.

Inland Revenue cannot update the RWT deduction rate for customers.

Other possible tax implications for these customers

- As interest payers did not need to make this rate available until 1 October 2021, RWT will have been under-deducted from 1 April 2021 up until the date it was updated.
- Due to the under deduction, they may have an end of year tax liability for the 2021-2022 year.
- Under-deductions of RWT may also have implications for provisional tax customers. This includes clients who are already provisional taxpayers using the estimation method, or where the under-deduction will result in their residual income tax (RIT) exceeding \$60,000.

Emails and letters were sent in late November

In late November we sent emails and letters to customers who need to update their RWT rate, and letters to tax agents acting on behalf of their clients.

More information

For more information about using the correct RWT rate, visit ird.govt.nz/rwt-rate or refer to the October Agents Answers.

Have you filed your clients' IR4s?

Remember IR4 Companies tax returns were due on 7 July for companies that do not have an extension of time to file.

Times are tough for businesses right now with the continued impacts of COVID-19. While payment is not required until 7 Feb/April 2022, you are still required to file your clients' returns. Continuing to file ensures your information is up-to-date and accurate. It will also help support any applications for the Government's COVID-19 relief packages.

If COVID-19 has impacted your clients' ability to pay, there are ways we can help including, by setting up an instalment arrangement in myIR to pay off tax over time. If COVID-19 has impacted their ability to file or pay then please let us know as soon as you can, as they will not be charged penalties and interest as long as they keep to the terms of the arrangement to pay off the outstanding tax. Set up an instalment arrangement in myIR. Alternatively, you can send us a note in myIR to explain the situation and we will take that into consideration.

If your clients are no longer trading, remember to let us know by completing a Non-active company declaration - IR433.

Go to ird.govt.nz/IR4 for more information.

KiwiSaver default provider transfer

As of 1 December, the KiwiSaver default providers are Bank of New Zealand, Booster, BT Funds Management (Westpac), Kiwi Wealth (Kiwibank), Simplicity and Smartshares.

Following the findings of a Government review announced last May, all KiwiSaver default members must be in a balanced fund.

What happens for your clients during the transfer process

Your clients who are KiwiSaver default members with the 5 default providers that were not re-appointed (AMP, ANZ, ASB, Fisher Funds and Mercer) are now being transferred to one of the new default providers. Your clients do not need to take any action for this transfer to occur.

During the transfer, any new deductions and contributions Inland Revenue receives will be sent to these members' newly allocated default schemes. Funds that were sent to these members' previous default schemes will be transferred from the old to the new schemes directly.

This transfer process is expected to take several months as providers have 75 days to complete the necessary actions.

How we are informing default members about the transfer

We are informing default members about the transfer, who their new default scheme provider is, and providing a product disclosure statement that explains how their new default fund works. We are sending these in digital form where we have a valid email address, and the remainder are being sent via post.

Members who have made an active choice to remain with their default provider, are under 18 or have been identified as a deceased customer by IR are not being transferred.

If your clients want to confirm if they are a default member, they will need to contact their KiwiSaver provider. They can confirm who their KiwiSaver provider is by logging into myIR.

More information

For more information about the KiwiSaver default provider review, visit the MBIE website: mbie.govt.nz/business-and-employment/business/financial-markets-regulation/kiwisaver/kiwisaver-default-fund-changes/

Clean Car Discount scheme

From 1 July 2021 the Clean Car Discount scheme was introduced to make it more affordable to buy low CO2 emission vehicles.

The scheme is administered by Waka Kotahi (NZTA) who have information about the scheme on their website. nzta.govt.nz/

You can find guidance on the income tax, GST and FBT implications of the scheme, including how vehicles subject to the scheme will be valued for depreciation and FBT purposes on our website ird.govt.nz/topics/clean-car-discount-scheme

Postponing customer reminder about their Small Business Cashflow loan

Last month we'd planned to contact tax agents of customers who took out the Small Business Cashflow loan (SBCS) between May and July 2020. This was to remind them of the interest-free period and next steps. We've decided to postpone these reminders until early in the new year.

We know businesses, and as a result tax agents and intermediaries, are under a lot of pressure right now. While we wanted to provide as much advanced notice as possible about SBCS loan status, including the option to avoid interest, we realise that doing so before the end of the year is too soon.

We'll provide a further update about the SBCS in the new year. Loan balances can be reviewed in myIR at any time.

For more information visit ird.govt.nz/sbcs



Follow us on our LinkedIn page for tax professionals

We have a LinkedIn page dedicated to tax professionals. We share regular updates on tax law changes, upcoming due dates and more.

Follow our page today [linkedin.com/showcase/Inland-Revenue-NZ-for-tax-professionals](https://www.linkedin.com/showcase/Inland-Revenue-NZ-for-tax-professionals)



Te Kāwanatanga o Aotearoa
New Zealand Government

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.

Email: agents.answers@ird.govt.nz



ird.govt.nz