AGENTS ANSWERS

Inland Revenue's tax agents' update

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Inland Revenue
Te Tari Taake

REMINDERS

We have several planning calendars to help you meet your obligations. Remember that if a due date falls on a weekend or public holiday, we can receive your return and payment on the next working day without a penalty being applied. But for provincial anniversary dates, this only applies if you're in the province celebrating the holiday, and only if you usually make tax payments over-the-counter at Westpac.

Final business transformation changes coming

We're now working through the final business transformation release. This includes a new-look myIR for all customers, new functionality for child support customers in myIR, some amendments to child support legislation and some changes for tax on income.

The changes you'll notice in myIR include the following:

- New account panels will clearly display the total balance, upcoming 'due now' or overdue balances and relevant quick links to common actions such as making a payment or filing a return.
- The 'Tax preparer' tab will be upgraded to a new 'Intermediary centre'. This will allow you to perform intermediary functions from any level (eg, account or customer) in myIR.
- Workspace is being removed, but don't worry, there will be new functionality such as a favourites list and a name-based search that you can use to access clients easily.
- Name-based search – we've listened to your feedback, so you'll be able to search using the names or IRD numbers of all clients you're authorised to access. Bear in mind, all your staff with myIR access will be able to use the name search on any clients in the client lists they have access to. They will also be able to find your own organisation but will not be able to see any account specific information, unless you've specifically delegated them access – like what they can see today.
- Correspondence – subscriptions will now include return, payment and other account alerts and will be capped at 1,250 accounts. If you have 1,250 or under, you don't need to do a thing, we'll move them across for you. If you have over 1,250 subscriptions, we'll be in touch prior to the change.

Other changes for tax intermediaries include the following:

- Child support employer deduction notices will now be sent electronically to customers and their employers (following mail direct where applicable).
- S157 and S154 deduction notices will also be sent electronically to customers and their employers (following mail direct where applicable).
- Audit correspondence will be sent electronically going forward and historic audit mail dating back to February 2017 will be visible in myIR. We will directly contact all customers who have received one of these letters and have an Administrator logon to make them aware of this change during September.
- Inland Revenue will no longer issue a new IRD number for customers who are made bankrupt.

You can see more detail on these upcoming changes at **ird.govt.nz/changes-intermediaries**

More webinars

You might have seen some of our new webinars which provide more detail on the changes you can expect to see in October. All of our webinars are available now on our webinar page **ird.govt.nz/bt-webinars**

More information

You can find out more about these and other changes at **ird.govt.nz/changes-intermediaries**

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Support for individuals and businesses affected by Covid 19

There is a range of support available for individuals and businesses affected by Covid 19.

Find out more at **ird.govt.nz/covid-19**

Law change for minors' income exemption

There is currently an exemption from income tax for minors who derive certain income totalling less than $2,340.

A recent law change has added beneficiary income to the list of income types that are not tax exempt for minors. This amendment is retrospective. It applies from the 2012-13 tax year unless a return of income has been filed before the tax bill was introduced – 4 June 2020 – where the customer relied on the law as it previously stood.

The amendment does not affect the minor beneficiary income rule in section HC 35 of the Income Tax Act 2007 where beneficiary income in excess of $1,000 is generally taxed in the trust return at the trustee rate. Beneficiary income of $1,000 or less should be taxed at the beneficiary's marginal tax rate.

Companies claiming home office expenses

If a company uses a home office, that is, the home of one of its shareholders, it will not be able to claim a deduction for the office unless it has incurred the actual cost.

This means that, if a company's shareholder or director runs the company's business through a home office and pays all expenses relating to the home office, the company has not incurred any expense and cannot claim a deduction.

When a company can claim a deduction

A company can claim a deduction in the following conditions:

- The company can prove a nexus between its business income and the home office expense that the company is claiming. Any private portion cannot be claimed.
- The company has incurred the expenditure within the income year the deduction is being claimed. That is, it has a liability to pay the expense either direct to the provider, or to the homeowner.

Appropriate accounting records must be kept showing that these conditions have been satisfied, along with any agreement allowing the company to use the home.

Income treatment in the hands of the home office owner

Under section CW 17 of the Income Tax Act 2007, a reimbursement paid to an employee in connection to their employment or service is exempt income to the employee. This is provided that a deduction would be allowable if the employment limitation didn't exist. This includes payments made to a shareholder employee. So, if the company reimburses a shareholder employee for the use of their home office, and that office is used to fulfil their duties as a shareholder employee, the payment would be exempt income.

Section CW 17 cannot be used in instances where there is no employer/employee relationship. In these instances, general tax rules would apply. This could create income in the hands of the home office owner, that would in turn need to be offset with the related expenses incurred by the owner.

How look-through companies are affected

An owner of a look-through company (LTC) cannot be a shareholder employee. If certain conditions are met, they can be an employee with PAYE deductions made on all employee income received. If the owner is an employee, section CW 17 applies as above.

If the owner is not an employee of the LTC, they are able to claim the home office in their own right – provided a nexus exists between the expenditure and the income they receive from the LTC.

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