Moving away from cheques

You will likely have seen our announcement in September that on 1 March 2020, Inland Revenue will no longer be accepting cheques. This includes post-dated cheques (cheques dated after 1 March 2020).

Cheque usage continues to decline every year. Last year cheques only accounted for 5% of payments to Inland Revenue and some people who used cheques also used other payment methods.

Around 90% of the cheques we receive come from clients of tax agents. If you or your clients use cheques you will be instrumental in the transition to alternative payment methods. There's plenty of time before next March for people to explore their options and find a convenient and secure way that works for them.

There are many different ways to pay – electronically or in person.

Ways to pay

Here's a summary of payment options:

- **myIR**: Pay by direct debit and make debit card and credit card payments securely through myIR. Visit our website [ird.govt.nz](http://ird.govt.nz) and login or register for myIR.
- **Online banking**: Make payments using online banking. Contact the bank for more information.
- **Credit or debit card via our website**: Use credit or debit cards to make online payments through our website. Visit [ird.govt.nz/pay](http://ird.govt.nz/pay)
- **In person at Westpac**: Pay by EFTPOS or cash at a Westpac branch or Smart ATM.
- **Money transfer**: From overseas pay us using a money transfer service. Search for "make a payment" on our website for more information.

Charges may apply for some payment options.

We have been contacting cheque payers (and their tax agents) to let them know about this change and alternative ways to pay.

If you would like more information visit our website at [ird.govt.nz/pay](http://ird.govt.nz/pay) You can also read our factsheet *Moving away from cheques* (AD268). Go to [ird.govt.nz](http://ird.govt.nz) (search keywords AD268).

**Note**: We have also aligned GST cheque issuing with other products that have migrated into our new system. This means we have stopped sending GST refund cheques from 25 September 2019 to align with this change.

GST liability if a member of an unincorporated body resigns

A member of an unincorporated body (including, for example, the trustee of a trust) is liable for that body's unpaid GST. If a member resigns, they remain liable for GST periods up until the date of resignation or the date that they have notified the Commissioner of their resignation, whichever is later.

Notice of resignation can be done electronically through myIR or by phone.
Change of tax code proactive actions

You or your clients may have noticed letters recommending a change in tax code where we think one is unsuitable or incorrect. This started from 24 September 2019 and will happen monthly as part of our proactive actions.

GST registration for low-value imported goods available

New GST rules for low-value imported goods apply from 1 December 2019.

Overseas businesses can register now to be ready for 1 December, and also find more information at ird.govt.nz/GSTupdate

If they intend to claim GST on New Zealand business expenses, they can file full GST returns. Otherwise, they can lodge simplified pay-only returns using myIR.

The first GST return will be for a 4-month transition period from 1 December 2019 to 31 March 2020. From 1 April 2020, filing will be quarterly.

Are your clients already registered for GST on remote services?

Let us know if they also supply low-value goods to consumers in New Zealand by emailing info.lvg@ird.govt.nz

From 1 December 2019 they must return GST on these supplies and continue to file GST returns quarterly.

Easier to charge GST on all goods sold to consumers in New Zealand?

Your clients may find it easier to charge and return GST on all goods supplied to consumers in New Zealand. This means they won't have to treat low-value goods different to goods that are individually valued above NZ$1,000 (known as high-value goods).

Overseas businesses can elect to do this if 75% or more of the total value of the goods supplied to customers in New Zealand in the 12 months from the date of the election will consist of goods individually valued at NZ$1,000 or less.

If they elect this option, they need to let Inland Revenue know. This can be on the registration form or at a later date.

If they do not meet the test to charge GST on high-value goods, they may also apply in writing to the Commissioner of Inland Revenue by emailing info.lvg@ird.govt.nz

Residential property changes – ring-fencing rental deductions

From the 2019-20 and later income years new ring-fencing rules apply to residential property deductions.

All deductions are now ring-fenced. If your clients own residential rental property, they can now only deduct expenses up to the amount of income they earn from the property for the year.

Any excess deductions (“rental losses”) will carry forward and must be added to other deductions for the property in a later year to offset in the year they derive residential income.

Your clients can no longer use excess deductions from property to off-set other income, such as salary and wages.

The new rules apply to residential land you can claim deductions for. This will mainly be rental properties but can also include other residential land. The rules apply to individuals, partnerships, trusts, look-through companies and close companies. They apply to overseas as well as New Zealand properties.

If your clients own more than 1 rental property, they can choose whether to apply the ring-fencing rules across their property portfolio, or to apply them on a property-by-property basis. The portfolio basis will be the default option for applying the rules.

Your clients can find more information on our website at ird.govt.nz/ring-fencing
Enrolling for the Research and Development Tax Incentive (RDTI)

The Research and Development Tax Incentive, available from the 2019-20 income year, features a 15% tax credit on up to $120 million of eligible expenditure.

Your business clients can use the eligibility tool and guidance on our website to find out if their R&D activities meet the tax incentive criteria. This may also help their decision-making for any future R&D they are planning.

Businesses must spend at least $50,000 on eligible R&D in a tax year to claim this credit, unless they have approved research provider expenditure. This exception helps make the R&D tax credit accessible to businesses of all sizes.

Businesses that plan to claim this tax credit need to enrol through myIR before they can submit a supplementary return at the end of their tax year.

If you have interested clients, they can go to myIR and choose the I want to tab and RDTI enrolment. The process should take 10-20 minutes to complete.

Once enrolled, you’ll have access to the R&D Tax Incentive workspace where you’ll be able to begin entering information from November 2019.

For information, eligibility and enrolment see www.ird.govt.nz/rd-tax-incentive

Release 4 webinars coming soon

We will be kicking off our Release 4 webinars later this month. We will be running these through a webinar provider called On24 and will promote them via direct marketing.

Transitional residence and applying for Working for Families Tax Credits

Under the transitional residence rules a new migrant is automatically treated as a transitional resident for the first 4 years of tax residence in New Zealand.

A taxpayer may opt out of the transitional residence rules. One way to do this is by applying for Working for Families Tax Credits (WfFTC).

However, only taxpayers who are eligible for WfFTC are considered to have opted out of the rules.

To be eligible for WfFTC at the time of applying they must:
• be over 16 years of age,
• be a principal caregiver of one or more dependent children, and
• satisfy the residence requirements outlined in section MC 5 (or if not, their dependent children must satisfy this requirement).

A person will not be eligible for certain tax credits when receiving certain allowances, benefits or tax credits as outlined in section MC 6.

Note: a person who is eligible to apply for WfFTC based on these criteria may still not be entitled to receive any WfFTC if, for example, their income is over the relevant threshold. In this situation, an application is still an opt out from the transitional residence rules even if they receive no WfFTC.

A transitional resident who applies for WfFTC but does not meet the eligibility requirements at the time of applying may have returned foreign-sourced income on the understanding that they were no longer transitional residents. This is incorrect as they are not eligible for family scheme tax credits the application is invalid and they are still treated as a transitional resident.

These taxpayers may wish to apply to have their assessments for the relevant years amended.
Short-process rulings

You can now apply for a short-process ruling for your clients. Short-process rulings are a new way to get a binding ruling on how a tax law applies to a situation.

They are quicker and less expensive than private rulings, which means that more people can get certainty on how tax rules apply to them.

This new service doesn't replace private rulings – which are still available if your clients cannot use the shortened process.

Short-process rulings are only for individuals and organisations with annual gross income of $20 million or less in the last tax year. Or if the organisation didn't exist in the last tax year, they expect to meet that income threshold in the year the ruling relates to.

Also, the application must relate to a situation involving tax (excluding provisional tax), duty or levy of less than $1 million.

You will need to ask a question related to a tax, duty or levy that Inland Revenue is responsible for. You will also need to tell us what tax outcome you expect.

Applications can be made through myIR, or on our website. The whole process will take about 6 weeks until we come back to you with our initial view, and costs $2,000 (including GST).

When the ruling is finalised, it will tell you how the tax law applies to the situation and what conditions apply.

For more information go to our website: ird.govt.nz/SPR