REMINDERS

10 November: This date is a guideline for having filed 60% of your EOT clients’ returns to meet your 100% filing requirement for March 2018.

L letters Now available until February 2018.

Clients due a refund: Don’t forget to confirm your clients’ personal tax summary and make sure their bank account details are up-to-date.

If you have any suggestions for topics you’d like covered in this newsletter, email agents.answers@ird.govt.nz

Paying contractors or working as a contractor

There is a misunderstanding that all contractors are now subject to withholding tax. This is not the case. The change is only for contractors hired by a labour hire business.

From 1 April 2017, contractors working for a labour hire business under a labour hire arrangement must have withholding tax deducted from their income.

Activities and examples of a labour hire business

One of the main activities of a labour hire business is arranging for a person to perform work or services directly for:

- its clients, or
- clients of another person.

Examples of labour hire businesses are:

- an on-hire business
- an employment agency
- contract management, or
- recruitment services.

Withholding tax rate

The standard withholding tax rate for this category is 20%. However, a contractor may choose a lower rate (the lowest rate is 10%) when they fill in their Tax rate notification for contractors (IR330C) form.

They can also apply to us for a 0% special tax rate by filling in a Special tax code application (IR23BS) form. We review their tax compliance history before deciding if we'll issue a 0% rate certificate.

Sub-contractors

Businesses (eg an engineering business) hiring sub-contractors don’t come under the new legislation. The sub-contractors wouldn't be paid schedular payments so withholding tax isn't taken out of their payments.

For more information about labour hire services go to www.ird.govt.nz (Search keywords: labour hire services).
Sharing information to fight global tax evasion

Have you or your clients had FATCA reporting obligations with the American Internal Revenue Service (IRS)? The Common Reporting Standard (CRS) is a similar but global initiative to fight offshore tax evasion, involving over 100 countries.

Make sure you and your clients are across the **Common Reporting Standard (CRS) due diligence and reporting obligations** that began on **1 July 2017** - especially about:

- **tax residency self-certification** - if you or your clients hold or control accounts with financial institutions
- **persons connected to a trust** (including discretionary beneficiaries receiving distributions) - if you manage trusts and or trust accounts
- **whether the trust or corporate trustee is a financial institution** - if you act as a corporate trustee for New Zealand trusts or New Zealand foreign trusts.

Check out our guidance and support materials including our fact sheets **Accounts and the CRS (IR1089)**, **Is the Trust a Reporting New Zealand financial institution? (IR1052)** and **Family Trust obligations under the CRS (IR1053)** at [www.ird.govt.nz](http://www.ird.govt.nz)

If you are unclear how this may impact you or your clients we welcome your question, and if you'd like to receive updates, you can sign up at [global.aeoi@ird.govt.nz](mailto:global.aeoi@ird.govt.nz)

Find out more about the CRS at our November information sessions

**Wellington:** Monday 6 November, 10am to 12pm, Room 5.1.21 Tokomaru Level 5, Asteron Centre, Inland Revenue, 55 Featherston Street

**Auckland:** Tuesday 7 November, 1pm to 3pm, Level 9, 2 Takutai Square, Britomart, hosted by Ernst & Young

**Teleconference:** Wednesday 15 November, 10am to 12pm, dial in details provided when you register.

Please RSVP telling us the session you'll attend and advising us of specific CRS reporting topics you would like to hear about via [global.aeoi@ird.govt.nz](mailto:global.aeoi@ird.govt.nz)

We're also running a free webinar on AEOI at 2.30pm on **Monday 20 November**. The presentation will be followed by the chance to ask questions. Don't worry if you miss the webinar - you can view it free of charge after it's been run. Find out more, and register, at [cchlearning.co.nz](http://cchlearning.co.nz) (Search keywords: cat 57, Inland Revenue). You can read more about our series of BT webinars elsewhere in this issue of *Agents Answers*.

Tax treatment for leaky building remediation costs

We have updated the Residential Property "Leaky buildings" webpage.

We have highlighted the steps to work out the type of repair and maintenance costs of the leaky building (as a rental property) and whether you can claim them as a deduction.

It is based on our Interpretation Statement IS 12/03 Income tax - deductibility of repairs and maintenance expenditure - general principles. This provides detailed analysis on the matter.

To find out more go to [www.ird.govt.nz](http://www.ird.govt.nz) (Search keywords: leaky buildings).

**General depreciation rates guide (IR265) - correction**

An old version of the **General depreciation rates (IR265) guide** had a mistake about depreciation loading on car park buildings acquired (or having a binding contract entered into for purchase or construction ) on or before July 2009. The guide was on our website until 6 July 2017.

On page 47 we said you can’t use the depreciation loading for these buildings for straight line or diminishing value depreciation rates.

This is not the case - the building can have a 20% depreciation loading if:

a) it hasn't been used or held for use in New Zealand as depreciable property before the date it was acquired, and

b) it was acquired (or was under a binding contract entered into for purchase or construction) on or before 30 July 2009.

If your client meets these two conditions you can apply a 20% depreciation loading.

If you used an old version of the guide and claimed the wrong rate you may ask us to change the assessments. Make the request under section 113 of the Tax Administration Act 1994.

We've updated the guide. Please dispose of any versions published before July 2017.
**Milestone for AIM**

The new option for managing provisional tax through approved accounting software - the Accounting Income Method (AIM) - is a step closer to its April 2018 delivery.

Our November issue of the *Tax Information Bulletin (TIB)* sets out details of what functionality AIM-capable software must have and how AIM will work for:
- eligibility and exclusions from AIM
- refunds of overpaid provisional tax
- interest and penalties
- payment dates
- transfers of overpaid provisional tax.

The TIB includes the release of the AIM Determinations, which provide a greater level of detail for software providers. It will also help you to better understand what you and your clients can expect from AIM.

The Determinations include practical examples of how AIM-capable software will calculate provisional tax payments by taking into account your treatment of:
- depreciation
- trading stock
- livestock
- private expenditure
- losses
- accounts receivable and accounts payable
- provisions.

The next milestone for AIM will be when software providers are in a position to update you on the AIM functionality in their software packages.

To read more about how AIM can help your clients, visit [www.ird.govt.nz](http://www.ird.govt.nz) (Search keyword: AIM).

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**Free Webinars on Inland Revenue's business transformation**

In October we held two webinars introducing you to the Accounting Income Method (AIM). We reached over 1300 tax agents with our introductory webinars. We also presented to another 800 the adjustments that AIM capable software will consider when calculating provisional tax payments.

These webinars have been so popular that we've decided to offer more. In the coming months we'll help you to prepare your AIM-suitable clients, and tell you more about our transformation as a whole.

Below is a schedule of our upcoming webinars. They're all free, you just have to sign up at [cchlearning.co.nz](http://cchlearning.co.nz) (Search keywords: cat 57, Inland Revenue).

If you can't make it to a webinar, you can listen to the recording online. You have to register to be able to listen to a recording, but this only takes a minute.

**Upcoming webinars**

- **Monday 6 November**
  - Inland Revenue's Business Transformation: An Overview for tax agents

- **Monday 13 November**
  - Adjustments in AIM-capable software

- **Monday 20 November**
  - Automatic Exchange of Information (AEOI) and the Common Reporting Standard (CRS)

- **Monday 27 November**
  - A detailed look at changes tax agents will see to myIR from next April.

- **Monday 4 December**
  - For Bookkeepers - Proposed payday reporting and other changes that will affect bookkeepers

- **Monday 11 December**
  - A detailed look at changes tax agents will see to myIR from next April.

CA ANZ will also be holding their own webinar on AIM on **29 November**. If you're a CA ANZ member, head to their website to find out more.