

# The Insider

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Key news and information from our business to help you with yours

## Simplified business tax

The Taxation (Business Tax, Exchange Information, and Remedial Matters) Bill was enacted recently. The Bill reforms a number of administrative aspects including the introduction of a fourth provisional tax method (the accounting income method) from 1 April 2018. This will allow small businesses (below \$5m turnover) to base their provisional tax on their accounting profit, through 'approved' accounting software. The benefits of AIM will include:

- provisional payments will be synced with their GST obligations to reduce ongoing compliance
- there will be no use of money interest ('UOMI') if the taxpayer has met their provisional tax obligations
- refunds will be able to be released throughout the year without an interim imputation credit account being lodged.

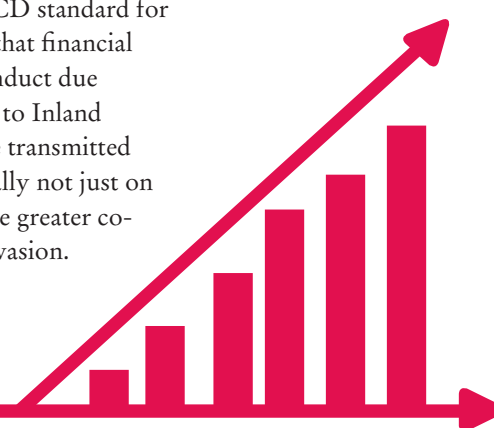
Other changes to note which take effect from 1 April 2018 include:

- increasing the safe harbour from UOMI from \$50,000 to \$60,000 of residual income tax ('RIT') and extending this relief to non-individual taxpayers
- changes to how UOMI is calculated by removing it for the first two provisional tax payments for all taxpayers who use the standard uplift method (it will continue to apply from the final instalment unless the RIT is under \$60,000)
- removing the one per cent monthly incremental late payment penalty on new GST, income tax and working for families debt

- contractors not covered by the schedular payment rules can opt into the rules with the consent of their payer
- contractors that are subject to withholding tax can elect any rate for the payer to withhold (with a minimum of 10%)
- extend the schedular payment rules to contractors who work for labour hire firms
- increase the threshold for minor errors from \$500 to \$1,000 for taxpayers to self-correct simple errors in their next return
- RWT exemption certificates will be issued for an unlimited period
- providing the option for certain close companies to elect to use motor vehicle expenditure rules (apportioning expenditure based on business versus personal use) rather than registering and paying FBT
- the 63-day employment rule will become optional for taxpayers to reduce compliance costs.

## Automatic Exchanges of Information (AEOI)

The Bill will be part of New Zealand's responsibility to reducing BEPS by meeting its commitments under the G20/OECD standard for AEOI in tax matters. This means that financial institutions will be required to conduct due diligence and report their findings to Inland Revenue. Information will then be transmitted to other tax authorities automatically not just on request. The intention is to provide greater co-operation to reduce offshore tax evasion.



## Disclosure rules for foreign trusts

New information disclosure rules have been introduced for foreign trusts with New Zealand resident trustees. These largely follow the recommendations of the Shewan report. The changes include requirements for the trust to register with Inland Revenue, file annual returns and pay registration and filing fees. Resident trustees need to comply with these rules to qualify for exemption from tax on foreign sourced income. Foreign trusts formed after 15 February 2017 will be required to register with Inland Revenue within 30 days; existing foreign trusts will have until 30 June 2017.

## Australia GST changes

The Australian government introduced a law that will amend the GST treatment of low value imports of goods imported by consumers from 1 July 2017. Under the current regime GST on low value imported goods is only levied by

customs officials on the consumer where the value exceeds A\$1,000. From 1 July 2017, non-resident businesses of low value imported goods will have to collect and remit GST of 10% from Australian consumers if their Australian sales exceed A\$75,000.

Non-residents who do not meet the A\$75,000 turnover threshold will be able to continue exporting to Australia without collecting GST.

New Zealand businesses that are caught by the changes will have to move swiftly to meet their foreign tax obligations. Consideration should be given to the following matters before 1 July 2017:

- Ensuring their systems and processes are capable of segmenting their Australian sales
- Managing the registration, collection and filing of GST with the Australian Taxation Office
- Reviewing price points and the underlying effect on the bottom line
- Managing foreign exchange as part of the businesses cash flows

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