

Important message for tax agents

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Kia ora koutou,

We hope you're doing well in these surreal times. This email provides a lot of information around how Inland Revenue can support you and your clients.

Business Transformation – Release 4

Inland Revenue's fourth transformation release has been confirmed, with improved services for a range of customers and enhancements to our online services, available from Thursday 16 April.

To make these changes we will have to shut down all of our core systems and services, as well as B2B interfaces and data shares with a number of external organisations.

Our services will be unavailable

This means we will be officially closed to customers from 3pm on the afternoon of Thursday 9 April.

During this time, you won't be able to access myIR or contact us through our contact centres. We will continue to support MSD with wage subsidy applications, and will continue to make all expected payments, including Working for Families payments. Our physical offices will remain closed due to the government's level 4 response.

During this time, we will continue to support MSD in approving wage subsidy applications, and will continue to make all expected payments, including Working For Families payments

We expect our systems and services to be back open for customers on the morning of Thursday 16 April.

In preparation for this shutdown, Inland Revenue has run a number of dress rehearsals, practising all aspects of system shut down and start-up. We are confident that we're in a good place heading into this.

Why we're going ahead with Release 4 despite COVID-19

As you can imagine we have given a lot of consideration to this decision in light of COVID-19 and the challenging environment and we remain committed to implementing the latest round of changes.

Release 4 will enable us to further simplify requirements, reduce effort, improve services and allow customers to do more for themselves. Any delay increases the risk that we won't be able to meet customers' needs at this difficult time.

In arriving at this decision we've talked to a number of our partners to get their thoughts and feedback.

Discussion has included how we'll support our customers, what New Zealanders gain from our going live, along with risks and benefits.

We acknowledge that doing this during the COVID-19 pandemic increases the risk of things not going smoothly, and the risk of us not being able to meet demand for our services in the following weeks. However, the risks involved in any future date are unknown, as we don't know what will be happening in the economy then. Not making these changes now would mean delaying the benefits to New Zealand, without necessarily reducing the risk.

Other points to note ahead of and during our closedown

If you're a myIR user or employer, note that:

- All draft messages or draft returns need to be finalised and submitted by 3pm Thursday 9 April, otherwise they will be deleted as they can't be transferred as part of the closedown process.
- Employment Information (EI) returns for payday filing that are due over the temporary closedown can be filed on Friday 17 April.
 - For returns due 9 April, note that our systems will be unavailable from 3pm that day.
- Inland Revenue will write-off any penalties and interest for business's unable to pay taxes on time due to the impact of COVID-19. Don't worry about contacting us right now. Get in touch with us when you can
- To help get correct payments to people, we would like employers to still file their returns as normal. This helps us work out the right amounts for people and helps the Government continue to respond to what is happening in the economy.

Key changes you'll see from Thursday 16 April

When we re-open, customers will be able to take advantage of a number of changes, such as:

- enhancements to our online services, specifically myIR, including improved navigation, more information available online and in one place, and more self-service options
- better services for Student loan and KiwiSaver customers, along with some changes for our Working for Families customers
- some enhanced Gateway Services capability
- a new employee onboarding process. Information sent to employers will be more streamlined and consolidated.

Navigating the changes in myIR

To help you navigate and discover the new features in myIR, we've created an information pack. Keep this information handy for when we go live next week.

View and download information pack at <http://www.ird.govt.nz/day1agent>

Webinars

Our on demand webinars are available to be viewed at: <https://www.ird.govt.nz/about-us/business-transformation/webinars>

Subjects released (by date) include:

- 31 March 2020 - Helping you get ready for the changes being implemented in April 2020 for tax agents and bookkeepers
- 23 March 2020 - Helping you get ready for the changes being implemented in April 2020 for employers and not for profit organisations
- 18 March 2020 - Preparing for changes to myIR, PAYE, payments, Income Equalisation and student loans for employers and not for profit organisations
- 4 March 2020 – Preparing for changes to myIR, PAYE, payments, Income Equalisation and student loans for tax agents and bookkeepers
- 19 February 2020 – Changes to KiwiSaver and student loans for employer & tax agents
- 5 February 2020 - High level overview of R4 changes for Maori Authorities
- 22 January 2020 – Other product changes for employers and not for profit organisations (Working for families, Research and Development, Short Process rulings, Ring fencing rental losses, Income equalisation, moving on from cheques)
- 12 December 2019 – Other product changes for tax agents and bookkeepers (Working for families, Research and Development, Short Process rulings, Ring fencing rental losses, Income equalisation, moving on from cheques)
- 27 November 2019 – PAYE and Investment income changes for employer & tax agents
- 6 November 2019 - High level overview of R4 changes for employers and not for profit organisations (KiwiSaver, Student loans, PAYE)
- 23 October 2019 – High level overview of R4 changes for tax agents (KiwiSaver, Student loans, PAYE)

Making payments to Inland Revenue

As many of you will know, IR no longer accepts cheques. This may impact some customers who are unable to go to Westpac and pay over the counter (due to Covid-19 restrictions). We understand customer concerns, but want to reiterate that, if customers are unable to pay taxes on time due to the impact of COVID19, we will understand. Please ensure they get in touch with us when they can and we'll write-off any penalties and interest.

As a reminder, there are several options - with internet banking or using myIR being the easiest. Businesses can also make credit card or debit card payments over the phone or set up direct debit payments through their myIR account. For further details on alternative ways to pay your tax see: <https://www.ird.govt.nz/managing-my-tax/make-a-payment/ways-of-paying>

Our next Business Transformation stage will also include a new self-managed phone payment option (for debit and credit cards), which can be managed from any home phone or cell phone line.

Reply to messages function in myIR now available

We have now added a reply function in myIR so all tax intermediaries can reply directly to web messages received from us. The reply function is only available for intermediary logons.

You can use the reply function when you require more information from us relating to your query.

Note: Please do not use the reply function to acknowledge receipt of a web message or to say thank you. These responses create additional work items to be reviewed and closed, which delays us responding to genuine queries.

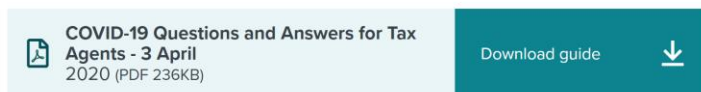
COVID-19 Your questions answered

In response to COVID-19 there have been a wide range of policy and related changes. The most common questions we have received, along with detailed answers, are captured and will be updated regularly online:

You can download the most recent version of this document at the bottom of this webpage:

<https://www.ird.govt.nz/roles/tax-agents/COVID-19>

To ensure that you have all of the detail you need to continue working, we will be providing more technical updates on changes surrounding the COVID-19 outbreak on this page. Please check back regularly for more information.



Current topics include:

- depreciation
- provisional tax
- low value assets
- research and development
- use of money
- income sharing
- in-work tax credit (IWTC)
- wages subsidies.

Remittance of UOMI due to COVID-19

We understand the effect that COVID-19 (novel coronavirus) has had on the income and businesses of many of our customers. In response to the outbreak of COVID-19, Inland Revenue acknowledges that many customers will be coming under increasing financial pressure to pay their taxes in full and on time. Inland Revenue understands at times, this might mean that to maintain a business's long-term viability, arrangements might need to be made in respect of a business's ability to pay their tax. We have been asked to clarify what support is available to taxpayers in light of the COVID-19 crisis.

To assist customers, the Commissioner already has a number of financial relief and remission provisions of the Tax Administration Act 1994 (TAA). The Government has also introduced a new section 183ABAB into the TAA 1994 giving the Commissioner the ability to remit use of money interest (UOMI) charged if the taxpayer's ability to pay tax on time has been significantly adversely affected by the COVID-19 outbreak.

This new provision would include both when a taxpayer is physically unable to make a tax payment on time and also when a taxpayer is financially unable to make a tax payment on time because of the economic effects of the COVID-19 outbreak. That relief is available once the core tax has been paid in full. This discretion applies to tax payments due on or after 14 February 2020. The Commissioner's ability to remit interest under s 183ABAB will apply until 25 March 2022.

For the sake of consistency, Inland Revenue intends to use the same dates in considering relief more generally for those customers adversely affected by COVID-19. The principles below that apply to considering the new section 183ABAB, will also be applied when considering other forms of relief from penalties for those customers who have seen significantly adversely affected by COVID-19. It is important that those customers who can pay their taxes on time continue to do so. The following special provisions will apply only to those customers who have been significantly adversely affected by the COVID-19 outbreak.

It is important to remember each taxpayer will have circumstances unique to them and this document reflects the broad tenor of the Commissioner's position in respect of the current environment.

When the Commissioner will remit penalties and UOMI

To be eligible for remittance of penalties and UOMI, the taxpayer must meet the following criteria:

- The taxpayer has tax that is due on or after 14 February 2020;
- The taxpayer's ability to pay by the due date, either physically or financially, has been significantly affected by COVID-19;
- The taxpayer will be expected to contact the Commissioner as soon as practicable to request relief and will also be required to pay the outstanding tax as soon as practicable.

It is the Commissioner's view that the taxpayer has been significantly affected by COVID-19 financially where the customer's income or revenue has reduced as a consequence of COVID-19 and that as a result of that reduction in income or revenue is unable to pay their taxes in full and on time.

"As soon as practicable" will be determined on the facts of each case.

For guidance, the Commissioner considers the term means that so long as the taxpayer applies for the relief at the earliest opportunity and agrees to an arrangement that will see the outstanding tax paid at the earliest opportunity, or will be paid over the most reasonable period given the taxpayer's specific circumstances, the test will have been met.

Those customers who require further assistance at a later date, such as having to renegotiate the terms of an arrangement, should contact Inland Revenue at the earliest opportunity after determining they will have difficulty in paying the tax as agreed. So long as the taxpayer completes an arrangement (which may have been amended at the

taxpayer's request during the period of the arrangement), the Commissioner will accept that by entering into and completing that arrangement, the test for "as soon as practicable" in respect of paying the tax will have been met.

Interest and penalties will continue to accrue for those taxpayers who enter into arrangements. However, when the arrangement is completed and we have already established the taxpayer meets the criteria for remission, that interest will be automatically cancelled without the need for the taxpayer to apply to have it remitted.

The interest will be charged on those taxpayers who do not complete an arrangement from the time they stop complying with the arrangement.

Information to be provided when requesting relief

Inland Revenue will be trying to minimise the information we would ask to be provided during these unusual times. By continuing to file GST and other returns we will have a lot of the information we would normally ask to be provided. However, customers should be able to provide, if asked, at least three months banks statements and credit card statement; any management accounting information; a list of aged creditors and debtors. We will not ask for that information in every case, but the information should be available if we do ask for it. For businesses, Inland Revenue will be looking to understand the taxpayer's plan to sustain their business. We understand you might not be able to get all this information at this time given the COVID-19 lockdown. We will work with you based on what you know and are able to access at this time and will continue to do so as more information becomes available.

The type of relief available

New debt due to COVID-19

- Instalment arrangement
- Instalment arrangement - deferred payment start date
- Partial write-off due to serious hardship and payment of the remaining tax by instalment or a lump sum
- Partial payment and write-off the balance under maximising recovery of outstanding tax
- Write-off due to serious hardship

Pre-existing debt prior to COVID-19

Customers who may already be in an arrangement but consider they may not be continue with the current terms due to being significantly affected by COVID-19 may ask to renegotiate the instalment arrangement. Any of the above options may be appropriate and each case will be considered on its own facts. Customers are encouraged to contact Inland Revenue as soon as they believe they will have difficulty in meeting their current arrangement.

Customers who do not have their debt under an arrangement, should contact Inland Revenue as soon as possible to discuss what options may best suit their particular circumstances

Filing of returns

Inland Revenue accepts that customers will have difficulty paying all their taxes in full and on time. However, it is important that they continue to file their returns on time. The information in those returns will allow us to have a more complete picture of a customer's financial position when considering the various options for relief, so may reduce the amount of information we would require to consider whether or not to agree to the request for relief, and the extent of that relief. In addition, the information in those returns provides important information to the government – at the present time to be able to monitor the effects of COVID-19 on New Zealand's economy

Example 1: Scenario 1: Corrine's café

Corrine owns a small café. In the last few weeks the business was experiencing a sharp decline as people avoid going out due to concerns about COVID-19 and now with the lockdown Corrine's business has no cashflow at all.

Corrine contacts Inland Revenue and explains that the effect of COVID-19 on the hospitality sector means her turnover for the current year is going to be down from the previous years, and she won't be able to pay in full an upcoming tax bill. She's tried to get a further extension to the business overdraft from the bank but has been unsuccessful. Corrine has a payment plan with her key suppliers that she needs to keep the business running and has other immediate financial expenses to maintain her business operation in the short to medium term. She asks if there's any kind of help Inland Revenue can provide.

There are a range of ways Inland Revenue can to help customers who are struggling to meet tax payments. Working through these options in conjunction with Corrine's finances and plan to sustain her business Corrine agrees with Inland Revenue on an instalment arrangement to pay off the tax bill over the next six months. This allows her to also meet her other financial commitments and assist with the viability of her business moving forward.

Agreeing to an instalment arrangement before the due date means only initial late payment penalties will apply to the amount owing. Because her financial situation was due to COVID-19, the late payment penalty and the UOMI charged over the term of the arrangement will be remitted once the amount owing is paid.

Example 2: Piri

Piri works as a manager at a café. With the COVID-19 lockdown in place Piri can no longer attend his workplace. Although Piri is receiving the Government's wage subsidy through his employer, because the employer is not in a position to top up this payment, this still represents a 35% decrease in his usual wage. Because of this Piri is struggling to make ends meet.

Remembering he's got last year's tax bill coming due, Piri contacts Inland Revenue and explains his situation. He's earning much less than what he earned last year due to the effect of COVID-19 on his employer's business, and all his credit cards and personal loans are maxed out. He just can't afford to pay the bill on the due date. Inland Revenue discusses with Piri the many options the department has available for debt relief. It is agreed that the best option will be to enter into an instalment arrangement to defer payment for three months. Piri is relieved, as he's sure his hours will return to normal before then.

Because this agreement was made before the due date for the tax, Piri will only be charged the initial late payment penalty on the amount owed. Because his financial situation is due to the effect of COVID-19, he'll be entitled to have any UOMI that would have been charged and the late payment penalty remitted once he's paid off the tax debt.

I hope this information assists you in continuing to deliver service to your clients during this challenging time. Please ensure this information is shared with your colleagues.

Ngā mihi

Corey Sinclair
National Leader
Community Compliance