



MAKING TAX SIMPLER

SUMMARY OF BETTER BUSINESS TAX

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All measures apply from 1 April 2017 unless otherwise stated

CHANGES TO PROVISIONAL TAX TO INCREASE CERTAINTY

What are the measures?

- Increasing the current \$50,000 residual income tax limit for use of money interest (UOMI) to \$60,000 (for individuals and non-individuals)
- Removing UOMI interest for the first two provisional tax payments for all taxpayers who use the uplift method

What impact will they have?

- 67,000 provisional taxpayers will no longer be liable for UOMI on provisional tax (78% of taxpayers currently exposed to UOMI)
- 19,000 additional taxpayers will only be liable for UOMI from the last instalment date as long as they pay their provisional tax instalments (allows the remaining 22% of taxpayers to reduce the impact of UOMI)

MORE TIMELY PAYMENT OF PROVISIONAL TAX

What are the measures?

- Allowing businesses to use the Accounting Income Method (AIM) to pay provisional tax through their accounting software (applies from 1 April 2018)
- Allowing companies to pay tax on behalf of shareholders (applies from 1 April 2018)

What impact will they have?

- Small businesses will be able to use their accounting results to ensure their provisional tax payments accurately match income as it is earned
- Shareholders of companies that have had tax paid on their behalf will no longer be subject to provisional tax

SELF-MANAGEMENT AND INTEGRITY

What are the measures?

- Allowing contractors to elect their own withholding rate
- Permitting voluntary withholding agreements
- Extending withholding tax to labour-hire firms

What impact will they have?

- 130,000 businesses currently subject to withholding for contract work will have greater flexibility to self-manage
- More than 4,200 labour-hire contractors will be brought into withholding, providing them an easier means to pay their tax and decreasing an existing compliance risk

MAKING THE SYSTEM FAIRER

What are the measures?

- No longer imposing incremental late payment penalties on future GST, provisional tax, income tax and Working for Families Tax Credits (WfFTC) debt

What impact will they have?

- Incremental late payment penalties will no longer be charged on some tax debt affecting:
 - 65,000 taxpayers with income tax debt
 - 67,000 taxpayers with GST debt
 - 23,000 families with WfFTC debt

MAKING MARKETS WORK BETTER THROUGH TAX TRANSPARENCY

What are the measures?

- Sharing tax information for significant debts with credit reporting agencies
- Sharing information with the Companies Office about serious offences

What impact will they have?

- Tax debt will be more transparent and businesses will be able to use it to make better lending and credit decisions
- The Companies Office will receive better information to support prosecutions of people committing serious offences

SUPPLEMENTARY TAX SIMPLIFICATION MEASURES

What are the measures?

- Simplifying FBT for close companies
- Simplifying deduction calculations for dual use vehicles and premises
- Increasing thresholds for adjustments in subsequent returns
- Removing the requirement to renew RWT exemption certificates annually
- Increasing the threshold for annual FBT returns from \$500k to \$1m of PAYE/ESCT
- Modifying the 63 day rule on employee remuneration

What impact will they have?

- 1,500 businesses will be able to file FBT returns annually rather than quarterly, making it easier for them to manage their filing obligations
- Compliance costs will be reduced through simpler methods for small businesses to calculate their deductions for vehicles and premises
- Further compliance cost reductions from relaxing the rules for adjusting errors, RWT exemptions, and the calculation of employee remuneration