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Tax Talk Bites | December 2019

FBT interest rate decreases

In a sign of the times, the rate of interest applying for fringe benefit tax (**FBT**) purposes on employment-related loans has decreased from 5.77% to 5.26% effective from the quarter starting 1 October 2019. This marks the first interest rate change since January 2016 and is reflective of the lower interest rate environment.

Now is a good opportunity to review any employment-related loans to ensure the correct rate of interest is being charged. Alternately, if you are providing employment-related loans at a lower rate of interest and paying FBT on the foregone interest, now is an opportunity to review your calculations and ensure they are correct.

Given the FBT interest rate is also used for intercompany balances, now is also a good time to review your calculations and ensure they are up-to-date.

New disclosure and filing requirements come into force on 1 April 2020

From 1 April 2020, dividend paying companies will be required to submit detailed dividend information regarding both the payer and recipient by the 20th of the month following payment of the dividend. The information submission process will be completely electronic, with dividend payers needing to register and elect into the new investment income regime on myIR.

This will replace the existing requirement for companies to submit company dividend statements to Inland Revenue on any dividends paid as part of the annual income tax return filing process. In theory, this should allow Inland Revenue to have up-to-date information about the income of taxpayers who have solely tax paid income.

Inland Revenue releases purchase price allocation paper

Whenever a business is sold this will usually comprise a number of components (for example, trading stock, goodwill, depreciable assets) each of which need to have a proportion of the sale price allocated to them (that is the "purchase price allocation"). Inland Revenue has become increasingly concerned about mismatches between the purchase price allocations of purchasers and vendors.

In an attempt to resolve this issue, Inland Revenue have released an officials' issues paper on purchase price allocations. In the paper, they suggest implementing a new hierarchy of rules to at least ensure consistency between the tax treatments by purchasers and vendors. The proposed hierarchy of rules would be as follows:

1. An agreed allocation between the purchaser and vendor; or
2. The purchaser using the vendor's allocation, with the requirement the vendor discloses their allocation within three months of disposal; or
3. The purchaser using their own allocation, with the allocation being provided to the vendor and the vendor being required to use the purchaser's allocation. This would only be available if the vendor has failed to disclose their allocation upon request from the purchaser

Now is an opportunity to have your say on how these rules could work, before legislation is introduced (likely) next year.

If you wish to make a submission to Inland Revenue on the issues paper, your Baker Tilly Staples Rodway advisor can assist.

If you are in the process of, or considering, purchasing or selling a business, Baker Tilly Staples Rodway can assist with tax advice, pre-purchase audits, providing valuations and providing due diligence, subject to independence requirements.

A farewell to cheques

From 1 March 2020, Inland Revenue will stop accepting payment by cheque for most tax payments. If a taxpayer needs to make payment by cheque, they will need to request permission from Inland Revenue to do so.

While most tax payments will no longer be able to be made by cheque, income equalisation payments will continue to require payment by cheque until Inland Revenue has rolled out the next stage in Business Transformation.

Vacant land tax a non-starter

One of the points coming out of the Tax Working Group (**TWG**) was the treatment of vacant land held long-term ("land-banking" to put it plainly). The Productivity Commission was tasked to look into the possibility of a vacant land tax, partly as a tool to free up vacant land. The Commission has now reported back and do not recommend proceeding with the idea, so another proposal by the TWG bites the dust.