



The Tax Lady

Accounting Services for Small Business
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Client Newsletter [April / May 2018]

FATCA Forms

Foreign Account Tax Compliance Act (FATCA) is a reporting regime that ensures US persons (and New Zealanders with accounts in the US) meet their tax obligations. It requires all foreign financial institutions that are not exempt, including New Zealand financial institutions, to register with the IRS in the USA. They must report on US citizens and tax residents who have specified foreign financial assets that exceed certain thresholds.

The Inland Revenue Department (IRD) has updated its website to include the main dates for New Zealand financial institutions to meet their FATCA obligations.

If this affects you or you would like further information, please get in touch.

Profit Shifting Between Countries

Multinational corporations have long been engaged in aggressive tax planning strategies to reduce their tax liabilities throughout the world.

These strategies are known as Base Erosion and Profiting Shifting or popularly termed as "BEPS".

There has been significant global concern by governments of these practices by multinationals particularly since the GFC.

Where does New Zealand stand on BEPS?

Some of New Zealand's existing tax laws are already consistent with OECD recommendations. Although it is broadly consistent with the OECD/G20 Action Plan, it needs changes in some areas of the double tax treaty and domestic law to address BEPS.

A tax bill was introduced into Parliament in late 2017 to counter BEPS. This Bill contains proposals which will prevent the use of:

- artificially high interest rates on loans from related parties to shift profits out of New Zealand (interest limitation rules),
- hybrid mismatch arrangements that exploit differences between countries' tax rules to achieve an advantageous tax position,
- artificial arrangements to avoid having a taxable presence (a permanent establishment) in New Zealand, and
- related-party transactions (transfer pricing) to shift profits into offshore group members in a manner that does not reflect the actual economic activities undertaken in New Zealand and offshore.

The Bill proposes amendments to the Income Tax Act 2007 and the Tax Administration Act 1994. For most provisions this will take effect in income years beginning on or after 1 July 2018.

Investment properties for land-type businesses

Usually where someone who is not involved in the business of dealing with land buys an investment property, it is to derive rental income. Most likely, they will not be taxed on any gain on the eventual sale, unless they are caught by the bright-line test.

There are three classes of taxpayers for income tax purposes – (i) developers, (ii) dealers and (iii) builders, with a 10-year rule applying to property sales.

Developers and dealers can sell an investment property without incurring tax on any gain if they buy the investment property and keep it for at least 10 years from the date of purchase.

If a builder, meanwhile, builds an investment property, the 10-year period starts from the date of completion, not purchase. Also, if a builder makes any reasonably significant improvements to any property owned by them, then the 10-year period starts from the date of completion of those improvements.

It is also important to note that you could be liable for tax on any property sale because you are considered an “associated person” of a developer, dealer or builder, despite not actually being the developer, dealer or builder.

Transactions involving property can be a complex area so please get in touch before committing to any property purchase or sale.

National Standard Costs for Specified Livestock Determination 2018

This was approved on 1 February 2018 and applies to any specified livestock on hand at the end of the 2017-18 income year where the taxpayer has elected to value that livestock under the national standard cost scheme for that income year. Some common ones are:

Kind of Livestock	Category of Livestock	National Standard Cost
Sheep	Rising 1 year	\$34.60
	Rising 2 year	\$24.10
Dairy Cattle	Purchased bobby calves	\$186.00
	Rising 1 year	\$437.30
	Rising 2 year	\$333.30
Beef Cattle	Rising 1 year	\$362.50
	Rising 2 year	\$203.40
	Rising 3 year male non-breeding cattle (all breeds)	\$203.40
Deer	Rising 1 year	\$95.30
	Rising 2 year	\$49.30
Goats (Meat and Fibre)	Rising 1 year	\$28.30
	Rising 2 year	\$19.40
Goats (Dairy)	Rising 1 year	\$184.50
	Rising 2 year	\$40.50
Pigs	Weaners to 10 weeks of age	\$103.90
	Growing pigs 10 to 17 weeks of age	\$86.20

Important: This is not advice. Clients should not act solely on the basis of the material contained in the Client Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Client Newsletter is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval. 02/2018.