

Transforming Inland Revenue: Making tax simpler for your business



New Zealand's tax system is changing to simplify how businesses work with Inland Revenue.

We're making it easier and faster for you to meet your tax obligations, reducing compliance effort and costs over time, and giving you more time to focus on your business.

We've already delivered GST into our new system. Now you can use our new 'myGST' service to file and pay GST at the same time, amend a previously-filed GST return and set up payment instalments, among other new features.

Preparations for the next stage, where we will move over other tax types, are well underway.

Why transform?

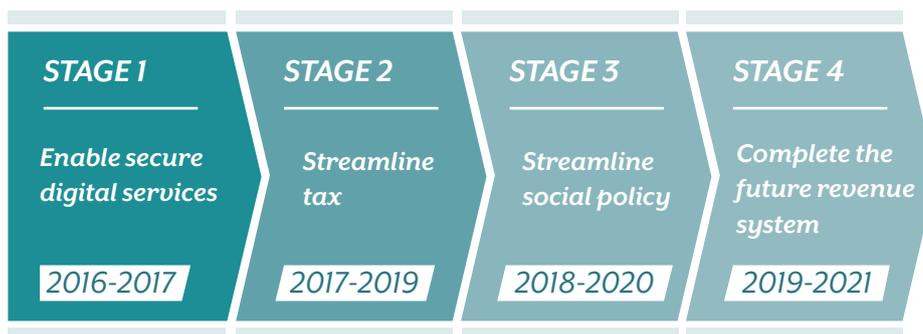
The world is changing and technology plays a big part in our personal and business lives. Tax systems around the world are using technology to improve their services for taxpayers and New Zealand is moving in the same direction.

Over time, tax processes will become part of your everyday business accounting rather than a separate compliance exercise. Information will be 'pre-populated' meaning fewer errors, and notifications and refunds will be faster. This will save you effort so you can spend more time on your business.

As technology improvements and policy changes are introduced over the next few years of our transformation, information will be provided more frequently to Inland Revenue by employers, government departments, and from businesses through their software systems.

Receiving information (such as correct tax codes and PAYE contributions) in near real-time means that Inland Revenue will have a more accurate and complete picture of customers' tax positions and will be able to help customers get what they're entitled to more regularly through the year, with fewer surprises and less end-of-year debt.

Future transformation stages



Stage 2 involves streamlining taxes.

Stage 3 is focused on social policy. It's going to build on the better information available in earlier stages to improve the delivery of social entitlements like Working for Families and Child Support.

Stage 4 will pick up what's left to complete the new tax administration system.

Need more information?

To find out more about our GST related changes, visit www.ird.govt.nz/mygst.

To find out how tax could get easier for small businesses, visit www.changingforyou.ird.govt.nz.

Look out for government consultations and have your say at makingtaxsimpler.ird.govt.nz.

Email us on IRTransformation@ird.govt.nz.

AIM will give small businesses peace of mind about provisional tax

The Accounting Income Method (AIM) is a new option for small businesses to calculate provisional tax through their accounting software. It starts from 1 April 2018.

It's a pay-as-you-go choice for businesses with turnover under \$5 million a year, and will suit businesses wanting to keep up-to-date and on top of their tax obligations.

Small businesses choosing AIM will pay provisional tax as

their business earns profit. This will give businesses more certainty about their tax and more time to grow their business.

AIM will be simple and easy to use. Small businesses and their tax agent can work together to set it up. The accounting package will work out how much provisional tax you need to pay each instalment.

Businesses that won't suit AIM can carry on with one of the existing three options for paying provisional tax. They can always decide to start using AIM the following year.

"Pay-as-you-go" approach is ideal when sales go up and down

Let's imagine it's already early 2019 and see how AIM is helping a typical small business.

Sally designs and makes her own range of swimwear. Mike does the marketing and sales. They're pretty organised and do all their business online – accounts, GST, sales, inventory, etc.

Sales fluctuate a lot. When Mike manages to get Sally's designs featured in one of the upmarket life and leisure magazines it's always followed by weeks of good sales and sometimes a large order from a big retail chain.

Their tax agent suggested in early 2018 that Sally and Mike switch to AIM. She knew they were comfortable using software, so all they had to do on 1 April 2018 was turn on the AIM module in their accounting package. Now their software calculates their provisional tax every two months along with their GST, and tells them how much to pay.

The summer holidays at the end of 2018 were a disaster. Nobody buys swimsuits in the rain. Sally and Mike had three months where there was hardly anything coming in. But because they're in AIM, they only pay provisional tax on the profit they're actually making, not like the old system when the payments weren't matched to how the business was actually doing at any point in time.

Then a department store cancelled a big order. Because they're on AIM Sally and Mike were able to get a refund on the provisional tax paid in earlier months. They didn't have to wait until the end of the year – their accounting software



calculated the refund when it worked out the losses over that bad period, and Inland Revenue refunded the money straight into their bank account.

Sally doesn't worry anymore about whether they've got it exactly right. As AIM users, as long as they pay on time what the software tells them, there won't be any penalties or interest. The accounting software will get it close enough for them during the year, reducing the likelihood of a larger than expected bill at the end of the year.

They've got more time to work with their tax agent. She's been helping them revise their business model, so one wet summer can't soak their business.