



# MAKING TAX SIMPLER

## INVESTMENT INCOME INFORMATION

[makingtaxsimpler.ird.govt.nz](http://makingtaxsimpler.ird.govt.nz)

*The Government would like to get your views on changes it is proposing to make to the administration of information on investment income.*

The Government wants to improve the way Inland Revenue uses the information that it collects. It also wants to make it easier for taxpayers to access the information that Inland Revenue holds about their tax position.

The amount of income New Zealanders earn from savings and investments is likely to grow over the coming years, as our population ages and more capital is accumulated. The Government wants to ensure it has an accurate understanding of peoples' income. It also wants to ensure that people and organisations pay the right amount of tax and receive the right amount of social policy assistance, and wants to enable them to do that easily.

The *Making Tax Simpler* discussion document just released continues the Government's focus on finding out what New Zealanders want to see in our future modernised tax system. Specifically, the *Investment Income Information* discussion document consults on proposals that will increase the amount and frequency of information that investment income payers provide to Inland Revenue to enable recipients' tax records to be pre-populated.

The changes proposed will affect the following types of investment income:

- interest income;
- dividends paid to residents;

- Portfolio Investment Entity (PIE) income; and
- Māori Authority distributions.

These types of income are subject to resident withholding tax (RWT), non-resident withholding tax (NRWT), PIE tax and approved issuer levy (AIL).

The proposals will affect a wide range of payers of investment income including banks, all companies that pay dividends, PIEs, Māori authorities and individuals paying withholding income such as interest. The proposals also affect the recipients of investment income.

In addition, the changes will support a number of areas that will be consulted on in future such as the taxation of individuals and social policy (including Working For Families tax credits and Child Support).

This discussion document is your opportunity to tell the Government how you would like tax on investment income to be administered in the future. Please consider the proposals and take some time to tell us what you think. By helping the Government to shape the future of the tax system you can make a difference.

## THE PROPOSALS

- Payers of investment income would be required to provide Inland Revenue with taxpayer specific information on a monthly basis (or for the months that they pay investment income if that is less often than monthly);
- taxpayer specific information would include:
  - the amount of income paid to the customer;
  - the amount of tax withheld (if any);
  - imputation or Māori authority credits attached (if any);
  - the customer's IRD number (if held);
  - the customer's name;
  - the customer's address;
  - the customer's date of birth (if held);
- if the investment is a joint investment, information on each owner of the investment;
- if the payer is paying AIL, details of the relevant customers;
- if the payer is paying interest that is exempt from withholding tax, details of the relevant customers;
- payers of interest would not have to provide end of year tax certificates to their customers who have provided their IRD number;
- the "non-declaration rate" will increase to 45% for RWT on interest, and for tax on PIE income (the "non-declaration rate" is applied when a customer does not provide the payer with their IRD number);

- Inland Revenue will create a database of taxpayers holding certificates of exemption from withholding tax; and
- all taxpayers seeking to receive their investment income not subject to withholding tax will be required to obtain a certificate of exemption.

### HAVE YOUR SAY

Go to [makingtaxsimpler.ird.govt.nz](http://makingtaxsimpler.ird.govt.nz) to find out more about these proposals and to have your say.

These proposals would require changes to the law. If the proposals are passed by Parliament, Inland Revenue will communicate the changes to payers of investment income well in advance of the changes coming into effect.

Consultation is open until **Friday 19 August 2016**.

### CUSTOMER STORIES

#### ***Bob and Cathy: Retired couple with investments in bank term deposits, shares and PIEs***

Bob and Cathy worked hard and have saved for their retirement. They have made a number of small investments to reduce the impact if one of their investments doesn't perform. Cathy looks after all of their important documents so has to collect all of their dividend statements, end of year tax certificates and PIE tax summaries. She is pretty good at filing the information but sometimes things get misplaced and she is always worried that they might miss something when they do their tax returns at the end of the tax year. They also have to split the income that they have received when they calculate their tax positions as they invest jointly.

What if all of Bob and Cathy's investment income was pre-populated on their Inland Revenue tax records and their

income from their jointly owned investments was evenly split for them? Bob and Cathy could log on to their MyIR accounts, check that all of their income was shown and confirm their tax position there and then. They could also see what portfolio investor tax rate they were entitled to use in the coming year as all of the information would be showing in one place.

#### ***Lenny: Finance team at a small bank***

Lenny works in the finance team of a small bank and has responsibility for looking after withholding taxes. Lenny knows that customers can be exempt from withholding tax on their interest income if they have an exemption certificate or if they are exempt under a non-tax Act. Lenny also knows that he has to remove a customer's exempt status if their certificate of exemption expires or is cancelled. Lenny sometimes has to spend quite a lot of time trying to confirm that a customer's claim that they are exempt under a non-tax Act seems reasonable and is uncomfortable with this where he is unfamiliar with the relevant law. He also worries that the bank may sometimes fail to remove a customer's exempt status promptly enough if their exemption certificate expires or is cancelled.

What if Lenny could just look up the customer's details on a database administered by Inland Revenue that provided up to date information on the taxpayers that were eligible to be treated as exempt from withholding tax? Lenny could look up the status of a new customer in a few moments and he could also use the database to check that all of the customers that the bank is treating as exempt are still eligible to be treated that way.

