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2022 TAX CHECKLIST

NEW ISSUES ARISING IN 2022

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# New issues arising in 2022

The following checklist is designed to assist members attempting to identify material changes to   
New Zealand tax legislation that take effect from the 2022 income year.

## Increase in the personal tax rate

The new personal tax rate has increased to 39% from 1 April 2021. The new rate applies to income that is above $180,000 of an individual’s taxable income. In turn, this would have a knock-on effect for both extra pay (ensure this is being taxed at the correct rate when additional income exceeds $180,000) and the applicable rate for secondary income earners (refer to appendix 1.1)

**Resident withholding tax (RWT)**

The RWT rate has been increased to 39% for individuals who receive **interest income**.   
Refer to appendix 1.2 for the range of rates that apply. For those taxpayers that don’t correctly declare their details to the payer of interest, then the non-declaration rate is 45%.

There hasn’t been any change in the rate for RWT on dividends. This will mean that relevant recipients of dividend income would need to “top-up” the amount of income tax payable when filing their tax return.

**Employer Superannuation Contribution Scheme Tax (ESCT)**

The highest ESCT rate has increased due to the personal tax rates increasing.

If the employee’s annual income is more than $216,001, then the ESCT rate will be 39% (refer to appendix 1.3).

**Retirement Savings Schemes Contributions Tax (RSCT)**

The highest RSCT rate has increased to 39% as well.

**Residential Land Withholding Tax**

RLWT applies to the sale of residential property where the vendor is an offshore person and the sale takes place within the brightline period. From 1 April 2021 the RLWT rate increases to 39%. However, if the vendor is a company the RLWT remains at the company rate (28%).

## Fringe Benefit Tax (FBT)

The FBT rates have increased to accommodate for the 39% top personal tax rate. The single rate has increased from 49.25% to 63.93%. Refer to appendix 1.4.

The alternate rate has increased from 43% to 49.25% and the pooling rate has moved from 42.86% to 49.25%.

Traditionally, many employers use the single rate (less administrative work required). However, given the potential to decrease the overall FBT payable, a good option may be to apply the **alternate rate** option.

The alternate rate would enable employers to apply the appropriate rate in relation to the marginal tax rate of the underlying employees.

## Trust Disclosure Requirements

From the 2022 income year, trusts filing their income tax return are also required to make several disclosures to Inland Revenue (refer to appendix 1.5). Exemptions are limited and include non-active trusts, certain charitable trusts and foreign trusts (who have their own disclosure obligations).

## Disclosure requirements for investment income

Amendments have been made to the disclosure requirements for investment income in relation to interest, dividends, royalties, and other distributions. These disclosure requirements can be extensive and subject to a case by case basis. Refer to appendix 1.6 for some of the more common disclosures.

## Residential Property

Taxpayers should be aware of recent amendments to the “brightline test” (extending the brightline period to 10 years for relevant residential land acquired on or after 27 March 2021). Further, restrictions will likely be introduced in respect of interest deductions relating to money borrowed in respect of residential rental properties.

At the time of writing (July 2021) the relevant proposals are with officials with relevant amendments to be enacted at a future point in time.

## Purchase Price Allocation (PPA) Rules

Legislation has been enacted to ensure both vendor and purchaser apply a symmetrical income tax treatment to the purchase of certain assets. The rules apply from 1 July 2021.

The rules apply to a “mixed supply” of certain qualifying types of property. Specifically, an agreement to purchase at least two of following categories:

* trading stock
* timber or a right to take timber
* depreciable property (other than buildings)
* buildings that are depreciable property
* financial arrangements
* purchased property for which the disposal does not give rise to assessable income   
  for the vendor, or deductions for the purchaser.

In summary, the rules provide that if vendor and purchaser haven’t agreed in writing on the value of an applicable asset then the **vendor** may unilaterally determine the allocation. If the vendor fails to do this within the specified timeframe, the **purchaser** may determine the allocation.

If both the purchaser and the vendor fail to do a PPA within the specified timeframes, or if Inland Revenue believes the proposed PPA doesn’t reflect market value then the Commissioner can determine a market value allocation.

It should be noted that the PPA rules don’t apply to property worth less than $1 million, or $7.5 million for residential property (land and chattels).

The above rules are complex (the above simply providing a high-level overview). If you believe this to be an issue, then further advice should be sought.

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## Appendix

**Appendix 1.1**

Secondary income-earners

|  |  |  |
| --- | --- | --- |
| **Taxable income** | **Withholding rate** | **Tax deduction code** |
| $70,000 - $180,000 | 33% | ST |
| $180,001 upwards | 39% | SA |

**Appendix 1.2**

RWT rates per taxable income

|  |  |
| --- | --- |
| **Taxable income** | **Tax rate %** |
| 0 - 14,000 | 10.50% |
| 14,001 - 48,000 | 17.50% |
| 48,001 - 70,000 | 30% |
| 70,001 - 180,000 | 33% |
| 180,001 - upwards | 39% |

**Appendix 1.3**

ESCT rates

|  |  |
| --- | --- |
| **Employee’s annual income** | **Tax rate %** |
| $0 to $16,800 | 10.50% |
| $16,801 to $57,600 | 17.50% |
| $57,601 to $84,000 | 30% |
| $84,001 to $216,000 | 33% |
| $216,001+ | 39% |

**Appendix 1.4**

FBT rate

|  |  |
| --- | --- |
| **All-inclusive pay range (NZD)** | **New rate** |
| 0 - 12,530 | 11.73% |
| 12,531 - 40,580 | 21.21% |
| 40,581 - 55,980 | 42.86% |
| 55,981 - 129,680 | 49.25% |
| 129,681 upwards | 63.93% |

**Appendix 1.5**

Trust disclosure checklist

| **Disclosure required** | **(Completed, not complete or not applicable)** |
| --- | --- |
| Profit and loss statement |  |
| Balance sheet items |  |
| Other information specified by the Commissioner of Inland Revenue |  |
| Distributions (both taxable and non-taxable and monetary or non-monetary) |  |
| The source of distributions |  |
| **Details of all settlements including:** | |
| i) all transfer of value |  |
| ii) all entities and individuals involved in making the settlement |  |
| iii) The names, date of birth and IRD numbers for settlors, beneficiaries |  |
| Trustees will need to provide details of settlors from prior years, if not done already. |  |
| **Information on:** | |
| i) appoint or dismiss a trustee |  |
| ii) add or remove a beneficiary |  |
| iii) ability to amend the trust deed |  |
| Any other information that has been requested by the Commissioner of Inland Revenue (requests can go as far back as the 2013 – 2014 income year). |  |

**Appendix 1.6**

Investment income disclosure checklist

| **Reporting of investment income information** | **(Completed, not complete or not applicable)** |
| --- | --- |
| The name of the payer |  |
| The tax file number of the payer |  |
| The contact address of the payer |  |
| The name of the investor |  |
| The tax file number of the investor, if held by the payer |  |
| The contact address of the investor and, if the investor is non-resident, the country code of the investor |  |
| The date of birth of the investor, if held by the payer |  |
| The amount and type of income of the investor for the period |  |
| The tax withheld on behalf of, or approved issuer levy paid in relation to, the investor for the period |  |
| The date on which or period in which the tax was withheld, or levy paid |  |
| The tax rate of the investor for the period as notified to the payer, if applicable |  |
| The notified investor rate of the investor, if applicable |  |
| Whether the PIE is a superannuation fund or a retirement savings scheme or not |  |
| The imputation credits attached, if applicable |  |
| The names, tax file numbers, dates of birth, and contact addresses of persons who are joint owners, if held by the payer |  |
| The number of shares for which the dividend is declared, or in the case of a dividend that is a bonus issue, the number of shares included in the bonus issue |  |
| The date on which the dividend is declared and the payment date of the dividend |  |
| In the case of a dividend that is a bonus issue, the amount of the bonus issue as determined under section CD 7 or CD 8 of the Income Tax Act 2007 |  |
| If the dividend is paid in Australian currency by an Australian ICA company, the exchange rate between the NZ dollar and the Australian dollar that was used to calculate the imputation ratio |  |

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