2023 Tax Guide

New Issues arising in 2023

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The following guide is designed to assist members attempting to identify material changes to New Zealand tax legislation that take effect from the 2023 income year.

This information is current as at 5 December 2022.

**About the author**This checklist was prepared by Baker Tilly Staples Rodway on behalf of CPA Australia.

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### GST Tax Invoice Changes

From 1 April 2023, major changes are being made to modernise the GST rules for invoicing and record keeping. [[1]](#footnote-2)

#### New Terminology

* “Taxable Supply Information” will replace “Tax Invoices”
* “Supply Correction Information” will replace “Credit/Debit Notes”
* “Buyer-created Taxable Supply Information” will replace “Buyer-created Tax Invoice”

Currently, the term ‘tax invoice’ must be prominently shown in order for a tax invoice to be valid. From 1 April 2023, this wording is no longer required to be included in taxable supply information. Taxable supply information can continue to use the old ‘tax invoice’ terminology.

For supplies over $200, taxable supply information must be provided to GST registered buyers within 28 days of request. For supplies less than $200, taxable supply information is not required to be provided, however, sellers are required to keep a record of the supply.

### GST Apportionment and Adjustment Rule Changes

For supplies made on or after 1 April 2011, but not to supplies for which an assessment has been made prior to 30 August 2022, a registered person can elect to treat mainly private or exempt use assets, such as dwellings, as if they only had private or exempt use. It is important to note that this would not apply if a person has previously claimed a deduction for the supply of those assets.[[2]](#footnote-3)

Another change is the introduction of a principal purpose test. For 1 April 2023, where goods and services are acquired principally for business purposes, and is acquired for $10,000 or less, the person can claim a full GST input tax credit deduction and not need to apply the apportionment rules.[[3]](#footnote-4)

### FBT Exemption for Public Transport

From 1 April 2023, all public transport fares that are paid or subsidised by an employer mainly for the purpose of their employees travelling between their home and workplace will be exempt from FBT. This includes train, bus, ferry, tram, and cable car services.[[4]](#footnote-5)

Payment would need to be made directly by the employer to the public transport provider. Direct reimbursement of costs to the employee will be subject to PAYE.

### Build-to-rent exemption from interest limitation

With application from 1 October 2021, residential rentals which are considered ‘build-to-rent’ are exempt from the interest limitation rules in perpetuity.[[5]](#footnote-6)

To be considered build-to-rent, the following criteria would need to be met:[[6]](#footnote-7)

* There must be at least 20 dwellings on the site
* Each dwelling must be used, available for use, or being prepared or restored for use as a dwelling occupied under a residential tenancy to which the Residential Tenancies Act applies
* Tenants would need the option of a 10-year tenancy, with the tenant having the ability to give 56 days’ notice of termination
* Every tenancy agreement must include a personalisation policy.

If at any point the dwelling does not meet the requirements, it will cease to be build-to-rent and can never regain that classification.

### Dual Resident Companies

As the result of an Australian High Court judgement in 2017, New Zealand subsidiaries of Australian companies, especially where those subsidiaries had Australian resident directors, were at risk of being considered dual tax residents and subject to some harsh consequences. While the previous Australian government announced in October 2020 that it would enact retrospective legislation to limit the effects of the 2017 court judgement, the legislation has not yet been introduced in Australia, let alone enacted.

As a result of this delay, the New Zealand government has removed some of the harsh consequences of dual residency. Dual resident companies are now enabled to:[[7]](#footnote-8)

* Be a part of a tax consolidated group
* Offset losses with other companies in the same group
* Have an imputation account if the dual resident company is tax resident in both New Zealand and Australia.

These rules would apply from 15 March 2017, which was the date of the Australian High Court judgement.

1. https://www.ird.govt.nz/gst/tax-invoices-for-gst/rules-for-tax-invoices-are-changing-on-1-april-2023 [↑](#footnote-ref-2)
2. Section 113 Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). *When enacted, Section 14 Goods and Services Tax Act 1985.* [↑](#footnote-ref-3)
3. Section 116(9) Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). *When enacted, Section 20(3CB), 20(3CC), & 20(3CD) Goods and Services Tax Act 1985.* [↑](#footnote-ref-4)
4. Section 27 Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). *When enacted, Section CX 19C Income Tax Act 2007.* [↑](#footnote-ref-5)
5. Section 100 Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). *When enacted, Schedule 15 Income Tax Act 2007.* [↑](#footnote-ref-6)
6. Section 98(3) Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). *When enacted, YA 1 Income Tax Act 2007.* [↑](#footnote-ref-7)
7. Explanatory note - Taxation (Annual Rates for 2022-23, Platform Economy, and Remedial Matters) Bill (No 2). [↑](#footnote-ref-8)