



MAKING TAX SIMPLER

BETTER ADMINISTRATION OF INDIVIDUALS' INCOME TAX

makingtaxsimpler.ird.govt.nz

Do you receive income from only salary and wages or interest and dividends?

The Government would like your views on changes it is proposing to make your income tax simpler, and more certain.

The Making Tax Simpler discussion document continues the Government's focus on modernising our tax system and making tax easier and simpler. The proposals build on the benefits that individuals will already receive through earlier changes the Government is planning for the administration of employment and investment income.

The *Better administration of Individuals' income tax* discussion document focuses on proposals that would make individuals' income tax obligations simpler and more certain.

The Government wants to improve the way Inland Revenue uses the information it collects to help individuals get their tax obligations right both during and at the end of the tax year. It also wants to make it easier for individuals to access information and know where they stand.

Most individuals would not have to provide information.

The main proposal is that individuals who receive only income, like salary and wages, or interest and dividends, that is reported and has tax withheld by third parties would no longer have to provide year-end income information to Inland Revenue or file tax returns. For these individuals Inland Revenue would use the information it receives from third parties like employers and banks and automatically calculate and issue refunds or amounts of tax to pay.

It would also be easier for people to correct information Inland Revenue holds about them or to provide additional information.

More proposals would make the administration of income tax fairer, simpler and more efficient for individuals.

Other proposals in the discussion document the Government would like your views on include:

- setting the threshold level above which debts are issued and refunds are made automatically (currently there is a threshold of \$5 for refunds and \$20 for tax to pay)
- helping individuals to use the most appropriate tax codes during the year
- improving administration of special tax codes and secondary tax codes
- allowing individuals to provide details during the year about donations they have made
- claiming donations tax credits through the income tax return process and
- requiring Inland Revenue to make all income tax refunds through direct credit.

Have your say at:
individuals.makingtaxsimpler.ird.govt.nz

This is your opportunity to tell the Government what you think of these proposals. Please consider the proposals set out here and go online to give us your feedback.

By helping the Government to shape the future of the tax system you can make a difference.



*You can have your say until
Friday 28 July 2017*

The examples on this page show how the Government's proposals could make income tax simpler and more certain for individuals.

Liam gets wages from his job and dividends from a utility company



Liam is an employee earning wages. His employer deducts PAYE every week when Liam is paid. Liam also gets dividends from a utility company each year on which the company pays tax.

According to his level of income Liam is taxed on his wages at a rate below the top tax rate. The utility company, however, has to pay tax on any dividends at the top tax rate. Because of this too much tax has been withheld on Liam's behalf.

To claim a tax refund, Liam has to file an income tax return at the end of the tax year. He needs to include information about the dividends received during the year.

What if at the end of the income year a tax refund went into his bank account without Liam having to do anything?

Liam's employer would tell Inland Revenue about what they pay Liam and the PAYE they deduct whenever they pay him. The company would provide Inland Revenue with information about the dividends they pay and the related tax during the tax year.

At the end of the tax year Inland Revenue would consider all this information it already holds about Liam's income from his wages and dividends. It has no reason to believe that Liam needs to provide any information to Inland Revenue.

Inland Revenue calculates Liam's tax liability and it would issue a refund to Liam's bank account.

Sarah has a main and a part-time job



Sarah has two jobs. She is using the M tax code for her main job and the secondary tax code SH for her secondary job. Because of her particular situation (the income from her second job takes her total income over a tax threshold) she is being overtaxed on a portion of her income during the year. That means she has less money during the year and has to wait for the end of the tax year before she can claim a refund of the overpaid tax.

If Sarah knows she is being overtaxed, she could currently fill in a paper form and apply for a special tax code so she is taxed more accurately during the year. If she does this Inland Revenue sends her a certificate that Sarah needs to give her employer.

What if Inland Revenue noticed (because it receives more detailed and timely information from Sarah's employers) that Sarah is likely to be better off using a special tax code than a secondary tax code? What if Inland Revenue contacts Sarah and suggests she could use a special tax code and explains the difference that would make for Sarah?

What if Sarah could apply for a special tax code online if she wanted to? Inland Revenue would notify her second employer directly to use the special tax code rather than the secondary tax code.

HAVE YOUR SAY

Go to individuals.makingtaxsimpler.ird.govt.nz to have your say.

These proposals would require changes to the law. If the proposals are passed by Parliament, Inland Revenue will provide information about the changes in plenty of time before they happen.

Consultation is open until **Friday 28 July 2017**.