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Tax Alert

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Inland Revenue steps up activity on taxing house sales

By Susan Wynne

With climbing average residential property prices and debate on which buyers are driving the increase in demand and prices, it should come as no surprise that Inland Revenue is also actively looking at residential property transactions. Recently various commentators and politicians have raised the prospect of extending the bright-line test period. The Minister of Finance has not ruled this out, noting that he has asked Treasury to advise on whether the bright-line test is achieving its goals.

Inland Revenue first established a Property Compliance Programme back in 2008. Successive Government budget allocations in 2010, 2013 and 2015 have provided resourcing for this programme to target property transactions, including for the development of data analytics capability.

Combined with the introduction in 2015 of the bright-line test specifically for residential property, it is becoming easier for Inland Revenue to identify residential property sales that may be taxable.

We are aware that Inland Revenue has been contacting taxpayers to question if recent residential property transactions have been treated correctly for tax purposes, where it believes the bright-line test may have been triggered.

While there is complexity in the details, broadly the bright-line test operates as follows:

- Profits made on residential land acquired and disposed of within two years (if bought between 1 October 2015 and 28 March 2018 inclusive) or five years (if bought on or after 29 March 2018) is taxable, subject to some exceptions. These timeframes are relatively easy to monitor and enforce. Combined with data analytics, Inland Revenue has more ability than ever to assess if a residential property sale may be taxable.
- The bright-line test applies to residential land, including land with a dwelling on it or bare land. It does not apply to business premises or farmland.
- The bright-line period generally starts when title to the property is transferred and ends when a contract to sell the property is entered.
- For sales off the plans, where no title is available, the start date is when a person enters into a contract to buy the property.

- Where a property purchaser uses a nominee this can further complicate the start date for the bright-line test depending on the nomination arrangements.
- The bright-line test does not apply to a person's main home and a person can only have one main home. This exception is available where residential property is held in trust but there are additional requirements. There is no main home exception for residential property held by a company. There are also limitations to how many times a taxpayer may use the main home exception.
- If subject to the bright-line test, taxpayers will be taxable on the proceeds from the sale of a residential property and allowed deductions for costs related to that property sale according to ordinary tax rules.

Also introduced in 2015 was the requirement for buyers and sellers of land, unless exempt, to provide tax information on every property sale by completing a land transfer tax statement, and this is provided to Land Information New Zealand (LINZ). Both the buyer and seller are required to provide separate statements and include their IRD numbers. Consequently, Inland Revenue receives near real time information on land sales from LINZ, including the tax information collected, and uses this information to monitor land transactions and check that any tax obligations arising from a property transaction are met. This information combined with the capability from the Business Transformation programme and Inland Revenue's new START software is allowing Inland Revenue to collect and use data to see if taxpayers are filing as they should be.

We anticipate that Inland Revenue's focus on residential property transactions and use of data collection will only continue. Inland Revenue has indicated that from early 2021 they plan to contact taxpayers within a few weeks of a potential bright-line property sale to alert taxpayers and their tax agents that the bright-line rules need to be considered.

The Inland Revenue approach of identifying taxpayers who may not be filing as they should and providing an opportunity for these taxpayers to file correctly is positive in helping to educate taxpayers and encourage compliance. However, we believe there is still a general lack of understanding of when and how the bright-line rules may apply and the importance of providing correct information to LINZ via the land transfer tax statement. If you would like more information about the bright-line test and its application, please contact your usual Deloitte advisor.

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Christmas parties and gifts – Entertainment or FBT or PAYE?

By Nick Cooke & Angie Leung

With Christmas now less than four weeks away and restrictions on gatherings relaxing, some employers may be busy planning Christmas parties, while others may be looking to provide gifts to their employees (either goods or vouchers), or both. Some businesses may also be considering gifts for customers. Regardless of what your business is planning to do for Christmas this year, it's important to consider and apply the relevant tax rules, which are frequently misunderstood or overlooked altogether. Certain benefits provided may be subject to either the fringe benefit tax (FBT) regime or entertainment regime and so it's important businesses are aware of when each regime applies.

In addition, in some instances what may appear to be fringe benefits may actually be subject to PAYE, depending on how the benefit is provided.

Entertainment versus fringe benefit tax

The entertainment regime restricts deductibility to 50% of cost for certain expenditure that provides both a private and business benefit. Such expenditure includes recreational events away from the business premises and can capture food and drink regardless of where it is consumed.

In contrast, FBT is a tax borne by employers on the value of non-cash benefits provided to employees in connection with their employment, so arguably includes the provision of entertainment.

As a rule of thumb, the entertainment regime overrides the FBT regime and typically applies, unless:

- the employee can choose when to enjoy the benefit, or the benefit is enjoyed outside New Zealand; and
- the benefit is not received or used in the course of, or as a necessary consequence of, the employee's employment duties.

Therefore, where the benefit can be enjoyed at the employee's discretion and is unrelated to their employment duties, the FBT regime will apply and expenditure will be fully deductible for employers.

Once it has been determined that there is a fringe benefit, it may be necessary to confirm whether this is actually a benefit subject to FBT or whether it is a reimbursement of costs which could be subject to PAYE. As a rule of thumb, if an employer has a legal obligation to pay for something it is subject to FBT. If an employee incurs a cost and is reimbursed by the employer it may be subject to PAYE.

Examples

Let's consider some examples:

Costs associated with organising a Christmas party event off premises

Expenditure on venue hire, food and drink will be subject to the entertainment regime. Expenditure would include incidental costs such as hiring crockery, glassware or utensils, waiting staff, and music or other entertainment.

In the spirit of assisting employees to get home, some employers also provide transport for employees to and/or from the event. If an employee's presence at the event is expected as part of their

employment (due to the networking and social cohesion aspects of the event), then there could be arguments to support the transport benefit being exempt from FBT, on the basis the travel is provided to enable the employee to perform their employment duties. If attendance is not expected as part of their employment duties, then there is a risk FBT should apply to the employer provided travel. If the employee organises their own transport and is reimbursed for the cost, if this is taxable it would be subject to PAYE rather than FBT.

Providing employees with food and drink

Food and drink provided on premises at a party, reception, or celebratory meal, as well as taking employees out for food and drink off premises at restaurants, would all be subject to the entertainment regime. However, if an employer was to give employees a voucher for a restaurant meal as a gift and the employees can choose when to use the voucher, the cost of the voucher will be subject to FBT.

As a rule of thumb, if an employer has a legal obligation to pay for something, it is subject to FBT. If an employee incurs a cost and is reimbursed by the employer, it may be subject to PAYE

Providing employees with Christmas gifts

Most gifts including drink bottles, keep cups, and clothing would be subject to FBT in the first instance, as these benefits are able to be enjoyed at the employee's discretion. Similarly, gift baskets containing food and drink, which typically fall within the entertainment regime, would also be subject to FBT for the same reason.

Note that any benefit subject to FBT can also be subject to various exemptions, such as the de minimis exemption.

Providing customers with Christmas gifts

A quirk of the entertainment regime is that Inland Revenue considers that it applies to the provision of any food and drink, rather than food and drink that is consumed at an event or function. Back in 2016, Inland Revenue made this position clear when they issued an operational position specifying that if a business provided a customer with a gift basket containing wine, cheese, tea towels and soap, the tax outcome would be that the tea towel and soap is fully deductible but the wine and cheese is only 50% deductible.

Individuals other than employees

Where invitations to events are extended to or benefits are provided to an employee's spouse, typically the same rules will apply to the spouse that apply to the employee. This is because the FBT rules extend to associated persons of the employee.

If you would like further information about any of the topics in this article, please contact us.

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Just returned to New Zealand? What you need to know about capital gains tax

By Emma Marr

Anyone reading the papers in New Zealand recently might think we don't tax any capital gains. While we don't have anything in our legislation called "capital gains tax", many gains that you might think of as capital are actually taxed in New Zealand. Recent returnees (and many long-term residents) should read on to learn about how this happens.

First up, if you've recently returned to New Zealand, read our high-level summary of how our tax rules work as you transition back to being a New Zealand tax resident. If you qualify for the transitional residence exemption, this can have a big impact on how you'll be taxed on income from overseas. That won't help with any New Zealand income though, so remember to treat that separately.

Next, assess your assets and your income. Outside specific rules that apply for particular types of assets and income (eg land), in New Zealand you'll be taxed on income from profits made when you sell any personal property (ie, not land) if you:

- acquired the personal property for the purposes of disposal;
- entered into an undertaking or scheme to make a profit with the personal property purchased; or
- are in the business of dealing in that personal property.

This applies to any personal property – fine art, jewellery, classic cars, the pottery you are casually throwing in your garden shed. If you're doing it to sell and make a profit, Inland Revenue will tax it.

Whether or not you are in business will be inferred from your conduct, including the frequency and volume of transactions, and the pattern of behaviour over a period of time.

This month we are covering the rules around taxing property under the bright-line test, and last month we covered how profits made on crypotassets and share transactions can be taxed. Inland Revenue is taking an active interest in all of these areas. You need to be aware of their sophisticated data-analytics capability, and their extensive information gathering powers. If Inland Revenue want to know about something, they have extremely wide powers to get that information. The best strategy is to be informed, to be proactive in getting advice and, if required, declare any resulting income and pay tax.

If you own shares in a foreign company you may also have tax to pay, even when you make an unrealised gain.

Similarly, unrealised gains made from financial arrangements (foreign or not) might be taxable. Gains of this nature might seem capital, especially if they're unrealised and you have no cash to pay any tax liability, but they're still taxable in New Zealand.

If you're interested in understanding your tax position further, get in touch with your usual Deloitte advisor.

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Small business cashflow loan scheme

By Robyn Walker and Anna Zhang

On 10 November 2020, the Government announced it would extend the Small Business Cashflow (Loan) Scheme ('SBLS') until 31 December 2023, extend the interest free period from one year to two years, and broaden the use of the loan. At this stage, all other aspects of the SBLS loan remain in place. Inland Revenue will unilaterally change the terms and conditions of existing loan contracts by 31 December 2020. Official website information about the SBLS loan and the terms and conditions document are expected to be updated soon.

The SBLS loan opened for applications on 12 May 2020 and since then Inland Revenue has been inundated with applications. Close to 100,000 businesses have received a loan to date, with total lending of $1.6 billion.

To be eligible for the SBLS, you need to meet a number of criteria, including:

1. You need to have been eligible for the Wage Subsidy Scheme (e.g., more information can be found in our article here;
2. You must have 50 or fewer Full-Time Equivalent (FTE) staff (combined with any other commonly owned businesses);
3. Your business must be 'viable'.

The threshold for FTE is the same that is used for the Wage Subsidy Scheme – 20 hours or more is full-time, less than 20 hours is part-time.

How much can I borrow?

The maximum amount of funding you can receive from the SBLS is a $10,000 base loan plus $1,800 per FTE employee with a maximum loan of $100,000.

A calculator to assist you in determining the amount you are eligible to apply for has been developed by Inland Revenue and can be accessed here.

What is a 'viable' business?

To be eligible for the SBLS loan, the business needs to be viable and have a plan to ensure it remains viable. This could include the directors or owners having good reason to believe it is more likely than not the business will be able to pay its debts as they fall due within the next 18 months. It is essential to document why the business is viable as Inland Revenue will be auditing applications. Inland Revenue suggest the following examples of evidence that business should consider keeping:

A cash-flow forecast for the business or organisation for the short term.

- A plan for where revenue will come from in future market conditions, and a forecast of those revenues.
- Financial statements showing the business or organisation has enough resources to sustain itself when including the SBCS loan.
- Your accountant's assessment that the business or organisation is viable and ongoing.

Are there any restrictions on what the loan can be used for?

When applying for the loan, it is necessary to confirm that the loan will be used for core operating costs (e.g. rent, insurance, utilities, supplier payments) or capital expenditure. The loan cannot be passed through to shareholders or owners of the

business (as either a loan or a dividend).

What are the terms and conditions?

Anyone applying for the loan should ensure they have fully read all of the terms and conditions as there are a number of actions which could trigger an event of default (requiring an immediate repayment of the loan, and a default interest rate).
The terms and conditions are expected to be updated soon in accordance with the latest Government's announcement.

When do I have to repay the loan?

The loan term is five years. It is not necessary to make any loan repayments for the first two years; after this time Inland Revenue will advise of an instalment plan. Voluntary payments can be made at any time.

How much is the interest?

Once received, the loan is subject to interest at 3% per annum. If the loan is repaid within two years no interest will be charged. If the loan is paid off within the five year lending period but after more than two years, the 3% interest rate will apply for the entire length of the loan (i.e. will be charged on the first two years also). In the event that there is a default on the loan, the interest rate is increased by Inland Revenue's use of money interest rate (currently 7%).

How do I apply?

As noted above, it is essential to ensure you understand the obligations associated with the loan, including establishing the current and ongoing viability of the business. We are here to help you with this.

Applications are currently open until 31 December 2023. You can find out more about the application process here.

If you have any questions in relation to the issues discussed above, please consult your usual Deloitte advisor.

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Restricted transfer pricing – evolving complexities

By Bart de Gouw & William Dawson

By introducing restricted transfer pricing rules, New Zealand broke away from commonly applied methods of dealing with base erosion and profit shifting ("BEPS") through excessive interest deductions, creating its own unique solution. New Zealand's restricted transfer pricing rules have now been in place for over two years, so it's time to reflect on its effectiveness and consider the top issues that have arisen from its implementation. A summary of the restricted transfer pricing rules and key technical issues is available here.

General impressions

In our experience to-date, taxpayers are taking the restricted transfer pricing rules seriously. Taxpayers introducing new related-party debt into New Zealand are seeking advice on pricing the relevant instrument to comply with the restricted transfer pricing rules. In addition, taxpayers with existing debt instruments that are subject to restricted transfer pricing are, at a minimum, undertaking a high-level analysis of their debt instruments and applicable thin capitalisation/debt percentages to understand whether an alternative credit rating analysis and/or loan terms need to be applied to comply with the rules. Where risks have been identified, further work has led to loan agreements being amended for the interest rate, more fully renegotiated, or interest deductions denied in taking a tax position. In some instances, our analysis has shown interest rates applied to be conservative from a New Zealand restricted transfer pricing perspective. We consider that this outcome is likely due to changes in multinational group's behaviour as part of the wider global BEPS program, including a greater focus on the impact of passive association on a borrower's credit rating.

Compliance with the restricted transfer pricing rules has been facilitated by the requirement for taxpayers with more than NZD 10m of related party cross-border debt to file a separate online disclosure form with Inland Revenue. This form includes the need to disclose the amount (if any) of interest denied due to the application of restricted transfer pricing.

Inland Revenue has published guidance on the rules, and you can also read our related article.

Outcomes under restricted transfer pricing

For plain vanilla funding arrangements, restricted transfer pricing has somewhat simplified the debt pricing process through its prescribed approach to determining a credit rating for the borrower. This usually results in an outcome that is largely consistent with the arm's length principle (although this is not always the case).

In contrast, we are finding that for more complex group funding structures, the restricted transfer pricing rules can lack the flexibility required to provide a commercially sensible outcome for the taxpayer e.g. where funding terms/structures are the result of negotiations with external lenders at a group level. Similarly, the restricted transfer pricing rules require that borrowers qualifying as "insuring or lending persons" have the same credit rating of the wider group.

While there may be evidence to support this approach in some circumstances (e.g. a systemically important banking group) smaller lending groups may operate autonomously and with significantly different investment risk profiles. In such instances, equating the credit rating of the borrower with that of the wider group is clearly not commercially justifiable and may well result a transfer pricing risk in the counter-party jurisdiction.

The implementation of restricted transfer pricing's prescriptive approach has been successful in-so-far as it has forced taxpayers to recognise a high degree of passive association between the borrower's and group's creditworthiness, and reduced a taxpayer's ability to artificially inflate interest rates applying to related party instruments. However, it has simultaneously removed the ability for taxpayers to defend interest rates applied based on the economic and commercial circumstances underpinning the transaction. Examples include where the regime systemically disallows a proportion of interest deductions for lending by large highly rated global groups to relatively small and not strategically important subsidiaries in New Zealand that would otherwise have been rated relatively poorly.

Technical complexities

Restricted transfer pricing represents a move away from the arm's length standard. Real world application of restricted transfer pricing continues to produce unique problems and issues to consider. Technical issues include the potential for double taxation, implications for withholding taxes, and deemed dividends in relation to denied interest, as well as timing implications for entering, extending or renewing financing arrangements.

Taxpayers should be aware when contemplating changes to a financial arrangement (i.e. where the financial arrangement is renewed, renegotiated or extended) that these changes may have the effect of triggering a reset of both the calculation date of the threshold criteria and the pricing date of the instrument itself. In light of materially reduced interest rates in the current environment, this could have the impact of significantly reducing the level of deductible interest.

For these reasons, it's important for taxpayers to proactively consider the implications of the restricted transfer pricing and seek advice where appropriate. Further details in relation to these issues are set out in our earlier article.

Long term debt example

Interesting and somewhat unexpected outcomes can arise where existing debt instruments are for a long term (e.g. a 15-year fixed rate loan entered into in 2005) and the restricted transfer pricing rules require the debt instrument to be priced on the basis of a five-year loan term relevant in 2005. Based on high level benchmarking, the tenor adjustment (15 years to 5 years) could result in a reduction from 6% down to 3.5% for BBB rated borrowers. If the loan is renegotiated or extended for a further term then it would be repriced on the relevant date – if today that may result in an interest rate of substantially less than the 2005 rate (e.g. 1.5%).

Summary

Restricted transfer pricing is still in its infancy and the application of these rules will continue to develop as will the complexities associated with their implementation. As Inland Revenue begins to review restricted transfer pricing positions adopted by taxpayers, further discussions and commentary is expected. New Zealand has placed significant resource into the development of the restricted transfer pricing rules and inbound related party cross-border debt will clearly continue to be a focus area. Affected taxpayers are strongly advised to consider the implications of restricted transfer pricing and seek advice if necessary.

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Double taxation disputes – good things take time...

By Bart de Gouw & Kirstie Anderson

Tax authorities around the world are ramping up efforts to collect their "fair share" of tax. In the international context this raises the prospect of double taxation for Multinational Enterprises. A network of tax treaties is intended to provide relief from the incidence of double taxation. Most tax treaties contain a provision called the "Mutual Agreement Procedure" (MAP) which allows a taxpayer to present their case for relief from double taxation to the Competent Authority of a treaty partner/ state. The OECD has recently released its 2019 MAP statistics, which provide detailed information regarding the MAP activities.

In recognition that the MAP process is not a perfect solution, the OECD's BEPS Action Plan included measures to improve the international dispute resolution / MAP process. Under BEPS Action 14 (Making Dispute Resolution Mechanisms More Effective), jurisdictions committed to a minimum standard regarding resolution of treaty-related disputes in a timely, effective and efficient manner. All members of the inclusive framework on BEPS committed to implement the Action 14 minimum standard. This standard provides for timely and complete reporting of MAP statistics pursuant to an agreed framework.

We take a look at how things are tracking at both an OECD and a New Zealand level:

- In 2019 there were 2,690 new MAP cases started across OECD members – a 13% increase on the 2,385 new cases that started during 2018 and a 30% increase in new cases since 2017.
- Of these new cases, 43% (1,156) were transfer pricing cases (i.e. involving a question of attribution or allocation of profits). There were more open transfer pricing cases (3,735 in total) at the end of 2019 than there were "other" cases (3,220 in total).
- In terms of success rates, 52% of all OECD MAP cases closed during 2019 were resolved with full relief (i.e. fully eliminating any double tax). A further 21% of cases were resolved through unilateral relief, domestic remedy, or agreement to partially eliminate double tax. Only 2% resulted in no agreement (including agreement to disagree).
- Interestingly, only 40% of MAP cases that were concluded in 2019 resolved transfer pricing issues. The closure rate of transfer pricing cases is slower than for "other" cases. The reporting of pre-2016 cases suggests that these cases have an even lower closure rate (perhaps reflecting the difficult nature of these old cases).
- The average time for transfer pricing cases to be resolved is 30.5 months, compared with an average of 22 months for "other" cases.

New Zealand Specific Observations

- The opening inventory of cases on 1 January 2019 was 13 and the closing inventory was 14 cases.
- 12 new cases were started and 11 cases were closed in 2019, only 3 of those closed related to transfer pricing.
- All three of the transfer pricing cases closed were granted relief unilaterally.

The OECD's 2019 MAP statistics show that the number of cases of double taxation requiring a MAP to find a resolution continues to increase, driven by a number of factors including increased globalisation as well as growing confidence in the MAP process.

- Of the "other" cases closed during the year, only 50% were granted either full relief or unilateral relief, and the remaining 50% resulted in no agreement or agreement to disagree.
- Consistent with the broader OECD, in a New Zealand context the closure rate for transfer pricing MAP cases is also slower than that of "other" cases – averaging 16.26 months in comparison to 12.3 months.
- On a positive note, some cases took only a week to get the attention and initial action of the Competent Authority once the case was filed.
- Cases with Australia appear to be those that have the fastest resolution, an average of just over 4 months for non-transfer pricing cases.

The OECD's 2019 MAP statistics show that the number of cases of double taxation requiring a MAP to find a resolution continues to increase, driven by a number of factors including increased globalisation as well as growing confidence in the MAP process. Positively, the number of cases closed is also increasing, however at an insufficient pace to reduce the inventory of cases. Outcomes of the MAP process are also generally positive, with around 85% of the transfer pricing MAP processes concluded worldwide in 2019 fully resolving the issue.

If you have a situation of potential double taxation, pro-actively engaging with the New Zealand Competent Authority may provide a resolution to the matter. If you have these issues talk to your Deloitte tax advisor or the authors.

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Snapshot of recent developments

Tax legislation and policy announcements

Government update

The Electoral Commission declared the official results for the 2020 General Election on 6 November 2020 and the Governor General swore in the new Government executive on the same day. Hon David Parker is the new Minister of Revenue, along with his other roles, which can be viewed on the Ministerial List. Dr Deborah Russell has been appointed as a Parliamentary Under-Secretary to the Minister of Revenue.

Revenue Minister's speech at CAANZ Tax Conference

On 19 November 2020, the new Revenue Minister Hon David Parker presented his speech at the 2020 CAANZ Tax Conference. The Minister discussed the Government's tax priorities and the Tax Policy Work Programme's key work plans over the short term.

Inland Revenue statements and guidance

New COVID-19 Variation for changing GST taxable period

On 4 November 2020, Inland Revenue published a new COVID-19 variation COV 20/11: Variation of section 15D(2) of the Goods and Services Tax Act 1985 for applications to change GST taxable period. This variation applies where a registered person wishes to file on a one-monthly basis to provide earlier access to any GST refunds. It allows the change of taxable period to take effect sooner and applies from 4 November 2020 to 31 March 2021.

Variation to finance lease definition

On 5 November 2020, Inland Revenue issued COV 20/12 – Variation in relation to the definition of "finance lease" in section YA 1 of the Income Tax Act 2007. This extends the application period of COV 20/08 which varies and extends the definition of finance lease to 'more than 75% of the asset's useful life plus an additional 18 months'. This new determination applies from 5 November 2020 to 31 March 2021.

Student loan repayment – options for relief

On 10 November 2020, Inland Revenue released Standard Practice Statement SPS 20/05: Student loan repayment – options for relief. This statement describes how the Commissioner of Inland Revenue will exercise a statutory discretion or deal with practical issues arising out of the administration of the Inland Revenue Acts. It updates and replaces SPS 11/03 Student Loans – Relief from repayment obligations. This replacement standard practice statement reflects the Student Loan Scheme Act 2011 and changes introduced by the Inland Revenue transformation programme to encourage borrowers to self-manage student loans via the myIR secure online service.

Calculating income from personal services to be attributed to the working person

On 12 November 2020, Inland Revenue released consultation document PUB00321: Income tax – calculating income from personal services to be attributed to the working person. This draft interpretation statement provides guidance on how to calculate the amount of income from personal services that is attributed to the working person under the attribution rule in the Income Tax Act 2007. The attribution rule may apply if an entity earns income from supplying services that are personally performed by an associated person (the working person). The rule is aimed at ensuring the appropriate amount of income is recognised as being the working person's income – so taxpayers in this situation cannot use associated entities to achieve a tax advantage. Submissions close on 24 December 2020.

Whether "negative interest" payments are subject to withholding taxes

On 22 November 2020, Inland Revenue released draft Question We've Been Asked ADV000097 – Whether "negative interest" payments are subject to withholding taxes for external consultation. It explains the application of the resident withholding tax (RWT) and non-resident withholding tax (NRWT) rules to situations where negative interest is charged on an advance of money or a loan and concludes that the payment of negative interest will not be subject to withholding taxes. The deadline for comment on this item is 15 January 2021.

Tax depreciation for e-scooters and e-bicycles

On 30 November 2020, Inland Revenue released a consultation item ED0228 which proposes depreciation rates for e-scooters and e-bicycles used in the ordinary course of business as well as e-scooters, e-bicycles and pedal bicycles used for short-term hire. Once finalised the rates are proposed to apply for the 2021 and subsequent income years. Submissions close on 29 January 2021.

Income tax treatment of accommodation provided to employees

On 1 December 2020, Inland Revenue released a draft optional statement ED0227 which outlines the tax treatment of accommodation provided to employees. The draft operational statement essentially consolidates previous guidance on this topic following major reforms to the taxation of accommodation which took effect from 1 April 2015. Submissions close on 1 February 2021.

Other

Taxation and Philanthropy

On 26 November 2020, the OECD released a report "Taxation and Philanthropy". The report provides a detailed review of the tax treatment of philanthropic entities and giving in 40 countries.

Note: The items covered here include only those items not covered in other articles in this issue of Tax Alert.

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