

Anti-money laundering requirements and tax pooling



Tax Management NZ (TMNZ) must now conduct a limited form of customer due diligence on all clients as part of recent changes to anti-money laundering (AML) requirements.

As such, we will be collecting information about the taxpayers using our service and asking anyone acting on their behalf to supply some basic personal details.

We also need to see evidence that a taxpayer has an actual or expected liability at Inland Revenue (IR) before we transfer tax from our tax pool. Transactions cannot be completed until we receive this information from you.

Information we require from a taxpayer

For a company, limited AML requires us to collect and hold information about them that is publicly available. We will obtain this information ourselves from the New Zealand Companies Office. You don't have to do this.

For an individual or a trust, we only need information from a person acting on their behalf (see below).

What person acting on behalf means

As part of the limited AML requirement, TMNZ must collect the identity information from at least one individual who has the authority to act on behalf of a taxpayer using our service.

For tax agents, this can be either of the following:

- A partner, director or owner of your firm; or
- An agent at your firm who is linked to the taxpayer (e.g. the taxpayer's accountant). It can also include the person who entered the transaction

for the taxpayer or the person who receives email correspondence regarding the taxpayer's transaction if this person is different from the accountant.

For a taxpayer, this can be ANY of the following:

- The taxpayer themselves, if they are an individual.
- A trustee of the taxpayer (if they are a trust). We require a copy of the trust deed to ensure this person has authority to act.

The person above requires a TMNZ dashboard login and must either have visibility to view all taxpayers registered with your accounting firm or be linked to the specific taxpayer or transaction. This is not applicable if the taxpayer is an individual or the person acting on behalf is a trustee.

You have the option of supplying the tax agent or taxpayer identity information as part of limited AML.

Any personal information TMNZ holds about you or your clients will be stored on a secure system

Identity information we require from a person acting on behalf

TMNZ must collect the following identity information as part of the limited AML requirement if you are a person acting on behalf of the taxpayer:

- Your full legal name.
- Your date of birth.

The above is required under section 15 Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

Any personal information TMNZ holds about you or your clients is stored on a secure system that has been penetration tested to ensure this data will not be compromised.

Confirmation of tax liability

The limited AML requirement means TMNZ must also ascertain that a taxpayer using our service has a liability or expects to have a liability with IR before we can complete their transaction.

Proof of this can be in the form of:

- Written confirmation from a tax agent that the taxpayer is expecting to have a liability at IR. (This can be an approximation if the exact figure is not known at the time.)
- A copy of the taxpayer's myIR transaction detail report for the relevant tax year.
- Standard uplift amounts determined from prior year RIT information. Prior year RIT information must be determined from copies of IR correspondence or written confirmation from a tax agent.
- A copy of any provisional tax estimate submitted to IR by the taxpayer.
- Any correspondence from IR showing a liability to pay in respect to the relevant tax year.

We only require confirmation of a taxpayer's liability when we transfer funds from the tax pool to their IR account.

Does the information provided need to be verified?

A partial exemption granted to the tax pooling industry means there is no need for TMNZ to carry out the verification requirements that apply under full AML – i.e. we DO NOT need you to provide copies of documents to substantiate the information you provide.

Full AML, including verification, is still required for refunds or sales that meet our policy thresholds.

AML has been around for a long time – why are you asking for this information now?

Previously, TMNZ only carried out AML if a taxpayer was requesting a refund or sale over a certain amount from the tax pool.

However, our AML regulator – the Department of Internal Affairs (DIA) – is making tax pooling providers hold more information about every taxpayer using our service and anyone with authority to act on their behalf.

This limited AML requirement from DIA is in response to the accounting profession being brought into the AML regime. It has been in effect since 1 July 2020.

As a reporting entity that is captured under the Act, TMNZ is obligated to comply with the AML regulations set out in the legislation and any other requirements issued by DIA.

Please feel free to contact us if you have any questions. We're happy to help.

Current as of September 2020