

Hi there,

## Further Update to AML Obligations for IRD Tax Transfers

As you know we emailed recently regarding the recent changes to AML requirements when carrying out Tax Transfers at IRD.

Although the change does not affect 2Shakes software itself, we wanted to help clarify the new requirements, and have been working with AML specialist [Trish Madison](#) to do so.

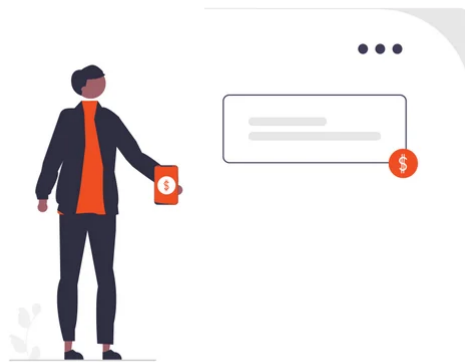
After a great meeting with representatives from DIA (as Accounting Sector Supervisor) we are really stoked to provide you with the further update below, which we are sure will help resolve the differences of opinion we have seen from providers so far.

The key takeaway is that if your only AML in-scope services are Tax Transfers at IRD covered by the exemption, then you are no longer required to:

- Appoint an AML Compliance Officer
- Train or Vet Staff
- Conduct a practice Risk Assessment
- Operate an AML Programme
- Pay for a 3-yearly AML Audit
- Submit an annual AML report to DIA (the last one is for the reporting year to 30 June 2022)

Read on for more detail on how your requirements have changed below.

And if you don't carry out Tax Transfers at IRD you can ignore this email, thanks 😊.



### What's changed?

In October 2018 CAANZ applied to the Ministry of Justice (MoJ) for a Ministerial Exemption from the AML/CFT Act for Tax Agents performing Tax Transfers at IRD.

A new class exemption has been granted by the Ministry of Justice covering many common tax transfers (but not all), for a period of 5 years from 15 July 2022.

The Tax Transfers covered by the exemption are referred to as "**Relevant** Tax Transfers". The CAANZ link below has the list of what is classed a Relevant Tax Transfer.

Anyone carrying out Tax Transfers at IRD should see the following for full details:

- [CAANZ Website on the Exemption](#)
- [The Legislation Amendment Notice](#)
- [DIA Exemption Guidance](#)
- [DIA Exemption FAQ](#)

**If you are a Reporting Entity who only carries out Relevant Tax Transfers, you are still classed as a Reporting Entity, but your AML requirements are reduced.**

### **Dealing with Relevant Tax Transfers**

For clients who you only do relevant Tax Transfers for, you will have reduced AML requirements, as follows:

- If there is **suspicious activity** you need to:
  - complete a Suspicious Activity Report (SAR) via GoAML and
  - carry out Enhanced Due Diligence (EDD) on the client

OR

- If the client is seeking to **conduct a complex, unusually large** tax transfer or unusual pattern of tax transfers that have no apparent economic or lawful purpose you need to:
  - carry out Enhanced Due Diligence (EDD) on the client

In both cases, the DIA has noted that if a reporting entity is unable to conduct customer due diligence in accordance with the Act:

- entities must not establish a business relationship with the customer; and
- entities must terminate any existing business relationship with the customer; and
- must not carry out an occasional transaction or activity with or for the customer; and
- must consider whether to make a suspicious activity report; and
- may disclose the possibility of making a suspicious activity report only to a person referred to in [section 46\(2\)](#) of the Act.

### **Reporting Entities with other in-scope services**

If you are a reporting entity who carries out other AML in-scope services, your requirements reduce as above for those clients whose only AML in-scope service is relevant Tax Transfers.

For all other clients your requirements across the full AML regime remain the same.

### **Reporting Entities who ONLY do Relevant Tax Transfers**

If you are a reporting entity whose only AML in-scope service is **Relevant Tax Transfers covered by the exemption**, the DIA has confirmed you now have significantly reduced AML requirements. This means:

- You are still a reporting Entity
- You need to look out for and report suspicious activity via GoAML
- If there is suspicious activity or a large/complex transaction described above, you need to conduct Enhanced Due Diligence.

However, **you no longer need to have the following:**

- An AML Compliance Officer
- Staff AML Training
- Staff Vetting
- A practice Risk Assessment
- An AML Programme
- A 3-yearly AML Audit

- Submit an annual AML report to DIA (the last one is for the reporting year to 30 June 2022)

The DIA recommends all entities regularly assess whether they are providing any activities that may be covered by the AML/CFT Act that falls outside of the scope of the tax transfer exemption.

In addition to the DIA guidance linked above, we have added a few FAQs below.

### **Do I need to submit Annual Reports if I have done EDD?**

After the 30 June 2022 Annual Report, you will no longer need to submit annual reports. This is the case even if EDD is done due to suspicious activity or large/complex transactions.

### **Without training staff, how will they spot suspicious activity, or be on the lookout for large/complex transactions (and not tip-off clients).**

You should treat this as a normal business driver independent of AML. It would be good practice for staff to know how to look out for these things, and on detecting it you do need to meet your AML requirements. But there is no AML requirement to train your staff, keep training records, or keep training up to date.

### **Without an AML Programme, how do you know how to report Suspicious Activity or conduct EDD?**

If you already have an AML Programme, keep it handy in case you need it.

**\*\* If you are a new Reporting Entity after the exemption whose only AML-related service is Relevant Tax Transfers at IRD\*\*, we recommend:**

- Obviously, register as a Reporting Entity with DIA!
- Check out the [DIA Website for the Accounting Sector](#)
- Read through the [DIA EDD Guide](#) and the [DIA Beneficial Owner Guide](#)
- Registering for GoAML where you can report suspicious activity (see [the Police Financial Intelligence Unit site](#)
  - NB: Registering for GoAML is recommended to make it is easier to meet the 3-day suspicious activity reporting requirement. It is not mandatory.

### **Without a Programme and regular audit/review, how do you keep up to date with changes in reporting SARs, doing EDD, etc?**

This really comes down to making sure at the time you are doing SARs or EDD that you are following current rules/guidance. You have no AML requirement to have a programme, so none to keep it up to date.

It is worth mentioning that while reporting a SAR and/or carrying out EDD are still required, we understand the DIA will take a practical approach to how well you do them without an AML Programme. At the very least if you can show you have made your best efforts that should go a long way to keeping you onside with your Supervisor.

You can also email [amlcft@dia.govt.nz](mailto:amlcft@dia.govt.nz), or contact us as [support@2shakes.co.nz](mailto:support@2shakes.co.nz), thanks.

## Reminder on IRD Authority to Act

Please remember that separate to these AML changes, IRD has published a new Authority to Act (A2A) Operational Statement, which you can read [here](#) as well as getting our full update info on our website [here](#).

In short, the IRD change means you need to do ID Verification to link in MyIR.

You can either carry out ID Verification in line with AML requirements or follow the process in the A2A Operational Statement. 2Shakes already requires you to carry out IDV when Government Authority is captured, regardless of whether you do AML or not.

In this case, where AML is not needed, you don't need to verify the identity of all the Beneficial Owners - just the person or people giving you authority.

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We are really happy to have been able to help clarify what it means for practices who only do Relevant Tax Transfers - including new practices who haven't yet been through setting up for AML - and would like to thank the team at DIA for their input in getting this information out to you.

As always, if you have any questions, need any further information, or want to send us feedback, please email us at [support@2shakes.co.nz](mailto:support@2shakes.co.nz), thanks.

And thanks very much again for using 2Shakes,  
Ngā mihi nui,

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