

Online tax options

Tax agents will be able to file GST returns online by January 2003. The system is currently being piloted by 250 tax agents and businesses, and is part of our plan to expand the range of electronic services available to tax agents and other customers.

The plan is known as our e-enablement strategy and comprises 52 linked initiatives that will be rolled out over the next five years.

Priority will go to filing and paying online, the ability to access information online and the provision of tools and calculators. These services will be in place within the next two years.

As with all our electronic activity, the participants in the GST pilot have provided input on the design of the service. Once GST has been expanded to all taxpayers, we will begin pilots on electronic filing for income tax and fringe benefit tax returns.

If you are interested in reading more about our e-enablement strategy, more detailed information is available on our website at

www.ird.govt.nz/aboutir/reports/e-enablement

Use-of-money interest and penalties

In the July 2002 issue of *AGENTSanswers* we talked about a problem that had been identified with penalties being incorrectly charged on use-of-money interest (UOMI) in the 1995, 1996 and 1997 income years.

We said that we were working on identifying those accounts that are affected, and we were going to reverse the penalties.

Very shortly we expect to take the steps to adjust the accounts involved. If after adjusting the penalties there is a credit balance, we will automatically refund that money (assuming there are no balances outstanding in any other accounts).

Statements will be issued for all taxpayers that have had penalties reduced. They will show the penalties that have been reversed in either the 1995, 1996 or 1997 income tax accounts.

Update about Industry Partnership

Inland Revenue is forming partnerships with industry associations to make it easier for industry members to meet their tax obligations and to increase tax compliance.

This article provides an overview of the Industry Partnership initiative for tax agents because we recognise the key role tax agents play in working with businesses to support compliance.

Background

The Industry Partnership initiative has developed from Inland Revenue's strategic direction and business plan, *The Way Forward*, and follows the principles of our compliance model.

We have already formed partnerships with two industries, Master Electricians and Master Painters, and look forward to forming further partnerships.

The associations for these industries want to help their members meet their tax obligations as part of running successful businesses, and we want to learn about their specific issues and address them with improved information, processes, services or legislation.

We also want to address the issue of people that do not pay their share of tax, which creates unfair competition in an industry. We'll have a particular focus on cash income which is not declared.

What is happening currently?

We are setting up dedicated teams in each of our service centres to work with industry taxpayers. These teams will link into our agent account managers.

We will be surveying members of the industries with which we have formed a partnership to gather information about their industries and the tax issues they face. This exercise will help us understand more fully the issues facing business and the factors that influence taxpayer behaviour.

How will this affect you?

Industry Partnership is a new initiative and we would like to work with you to identify opportunities to help inform and assist your clients.

When we have surveyed the industries and have a better picture of the needs and issues, we'll seek your input.

We will keep you updated about the development of the initiative in future editions of *AGENTSanswers*.



Income not liable for ACC earners' levy

We have received a number of requests to adjust IR 3 income tax returns for income not liable for ACC earners' levy. This is happening when New Zealand Superannuation or benefits are not shown in Box 11C.

Unless income not liable for earners' levy on a summary of earnings (such as NZ Superannuation and benefits) is entered into Box 11C on the return, earners' levy will be calculated on this income.

Following this tip will prevent double handling for you and us as a reassessment won't be necessary.

Are you receiving AGENTSanswers by email?

We are sending this newsletter electronically to those of you who have successfully registered with our AGENTSanswers email facility. However some emails are being returned as undeliverable. If you, or someone you know, has registered but is not receiving a copy, let us know by sending an email to agents.answers@ird.govt.nz

The electronic version is distributed one week before the printed copies are available. You can read it onscreen or print off a copy. Although some tax agents have advised they have difficulty printing the electronic copy, we do ensure it is tested before it is distributed and therefore you should contact your technical support regarding any problems you are experiencing.

If you would like to receive this information earlier and be able to email it to others in your workplace, you can subscribe at www.ird.govt.nz/subscriptions/agentsanswers.html

Simply give us your email address in the box provided and click the "OK" button.

If you have an email address but do not have internet access, email us on agents.answers@ird.govt.nz and we will subscribe you.

FBT filers' prescribed interest rate for loans

For the quarter beginning 1 October 2002 the prescribed rate of interest for calculating the fringe benefit value of low-interest, employment-related loans is 7.98%. This is an increase from the previous quarter's rate of 7.5%.

To view a complete list of the rates set since 1 January 1991, see *Prescribed rates of interest* at:

www.ird.govt.nz/library/publications/taxagents.html

The rate is reviewed regularly to ensure it is in line with the results of the Reserve Bank's regular survey of first mortgage interest rates. It last changed on 1 July 2002.

Family assistance – getting it right!!

We are introducing a new initiative to assist salary and wage taxpayers who receive fortnightly family assistance payments from Inland Revenue, to avoid an end-of-year family assistance bill.

Some of your clients may be in this category and you may be contacted by us about their family assistance income estimate.

From October 2002, we will regularly update the family assistance entitlement for salary and wage earners, based on their family income. These income updates will be based on salary and wage information we receive each month from employers.

If your client's salary and wage income is tracking higher than the original estimate, we will send you a letter, *Family assistance – your income has changed*, advising that the employment information we have received shows their family income will probably be more than their estimate.

The family assistance letter will state:

- the current family income estimate
- our revised family income estimate
- what the new fortnightly payments should be.

If you agree with the new estimate, you do not need to do anything. We will automatically adjust your client's family assistance payments and issue a new family assistance certificate of entitlement.

The certificate will confirm:

- their new family income estimate
- the new fortnightly payments
- the bank account the payments will be credited to
- a summary of their income sources.

If you have any questions about a revised family income estimate or if you disagree with it, please contact us on the tax agents' freephone number to discuss it.



Business adjustments for family assistance

Income for income tax purposes is not always the same as income for family assistance purposes. When calculating a client's family assistance entitlement, you may need to make adjustments to their income if they received income or claimed losses from business activities. For example, losses from running a business or from a loss attributing qualifying company cannot be offset against other income for the purposes of calculating a family assistance entitlement.

Use an *Adjusting your business income for Family Assistance (IR 215)* form to calculate any business adjustments. All clients who file an IR 3 have been sent an IR 215 with their IR 541 family assistance end-of-year statement. The IR 215 is also available on the tax agents' CD Rom or from our website

www.ird.govt.nz/library/publications/familyassistance.html

To advise us of the adjustment, either transfer the figures to the IR 541 and send it with the IR 3, or send correspondence with the return or phone us on the freephone number on the form. If you are e-filing the return, please send E-File correspondence with the return. This will ensure your client receives their correct family assistance entitlement.

Income used for family assistance calculations

The following are examples of income and adjustments required for the calculation of family assistance:

- scholarships and bursaries received
- child support received and/or paid
- private maintenance received and/or paid
- business debit adjustments—these are added to the net income of the family as part of the specified income calculation and include:
 - depreciation on buildings
 - income equalisation reserve deposits
 - most income spread from the current year
 - any loss shown on the return from a loss attributing qualifying company
 - additional income if the customer or their partner holds 10% or more of the issued shares in a close company
 - losses brought forward from a previous year
 - current year business losses
- business credit adjustments—these are subtracted from the net income of the family as part of the specified income calculation and include:
 - depreciation recovered from the sale of a building
 - income equalisation reserve scheme refunds
 - most income spreads to the current year
 - certain land improvement expenditure incurred in the current year.

Information requests about deceased clients

There is confusion over when we can release information regarding a taxpayer who has died. This is causing frustration to tax agents and concern for us as we do not want to breach our privacy obligations under the Tax Administration and Privacy Acts.

If a client dies, it is considered that the authority held by a tax agent to act on behalf of that client ceases at the date of death. From this point on we can no longer discuss the client's affairs with the tax agent.

However, in many cases the executor of the client's estate may wish the tax agent to continue to deal with the tax obligations of the estate and will provide written authority to do so. The tax agent will then still be entitled to request information for the client.

To avoid confusion

- If you are requesting an estate to be added to your client list, we will ask you to confirm that you hold written authority from the estate's executor.
- If you request information for an existing client who has died, we will ask you to confirm that you hold written authority from the estate's executor to continue to act for the client's estate. If you do, the existing client link will remain active.

In either case we will not need to see a copy of the written authority. By confirming you have written authority from the estate's executor, we will be able to provide you with the information you require straightaway.

New standard practice statement

INV-510 requests to amend assessments

This standard practice statement sets out the circumstances when the Commissioner may exercise the discretion to amend assessments to ensure correctness under section 113 of the Tax Administration Act 1994 and section 27(2) of the Goods and Services Tax Act 1985.

This standard practice statement applies from 1 September 2002 and can be found in *Tax Information Bulletin (TIB)* Vol 14, No 8, which is available on our website

www.ird.govt.nz/library/newsletters/tib/vol14



Recently updated publications

The following publications have recently been updated and are available from our website at www.ird.govt.nz/library or they can be ordered through INFOexpress or StationeryXpress.

Gaming machine duty (IR 180)

This guide (previously the IR 680A) explains the duty payable by organisations that operate gaming machines.

This guide was last produced in June 1997. Since then, there have been a number of developments in the gaming machine industry. Significant changes have been made to gaming equipment, prize levels, means of payment to players and the provision of cash floats.

Previously, gaming machine profit could be calculated simply using the meters on each machine. However the changes in the gaming machine industry have impacted on the calculation of gaming machine profit.

For example, jackpot link systems are devices that can be connected to any number of machines on a site, monitor the turnover of connected machines to create a separate prize pool, then generate prize payments independently of those awarded by the machines. Some of these devices have the capability of downloading "win" information directly to the meters of the connected machines, but others do not. For those that don't, the total jackpots won must be manually subtracted from the gaming machine profits.

This guide has been expanded to better reflect gaming machine systems and the calculation of gaming machine duty.

Non-resident withholding tax – payer registration (IR 380)

Use this form to register a payer for non-resident withholding tax.

Resident withholding tax – interest payer registration (IR 450)

Use this form to register an interest payer.

Application for exemption from resident withholding tax on interest and dividends (IR 451)

Use this form to apply for a certificate of exemption from resident withholding tax. It also explains who may qualify for an exemption.

Tax agent or agency maintenance (IR 792)

Use this form to tell us about any changes needed to your tax agent or agency records.

Ceasing a client's tax type (IR 794)

Use this form to request a tax type to be ceased for a client. You can also ask for the tax type to be delinked from your client list after the cessation has been processed.

This form has been updated to include GST cessations.

AGENTSanswers Index

Included with this edition is an *AGENTSanswers Index* for issues 1–37 (September 1999 to September 2002). We hope you find it useful.

The index is also available on the Tax Agents' page of our website in both interactive and printable (PDF) formats. We will update these regularly.

Please email us at agents.answers@ird.govt.nz with any feedback or suggestions for improvement.

Note from the editor

If our mailing details are incorrect, we have missed someone off the distribution list or you have suggestions for future topics, please contact:

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