



Better service for tax agents

Tax agents can look forward to a closer relationship with Inland Revenue following a review and upgrade of the Agent Account Manager service.

Eighteen positions are initially planned to start in July this year and these people will be based in Takapuna and the South Island Service Centre area. Next year Inland Revenue aims to have 52 positions established in centres all over the country.

The service to tax agents was developed five years ago in recognition of the important role tax agents play in helping the Department achieve its compliance goals.

Inland Revenue set up a project team to look at improving service delivery to tax agents. We talked to many staff to find out which tax agents contacted them and why, so that the service could be more focused and staff would have the appropriate skills.

Considerable input was also sought from tax agents and current Agent Account Managers. We've had a good look at the service provided by other organisations who use account managers.

The new, full-time dedicated role aims to respond better to tax agents' needs and to improve our service in a proactive manner. This includes promoting Inland Revenue's extensive range of services and products designed to assist tax agents and their clients. Examples of these services and products can be viewed at www.ird.govt.nz/business/tax_agents

Agent Account Managers will be provided with training and technology to support their role, and tax agents will have more contact with us at their place of business. We'll talk about issues that are important to both of us, based on a better understanding of the needs of different groups of tax agents.

Neil Boundy, who is currently testing the new role in Nelson, said one aim was to promote technology and best business practice.

"In Nelson it's been about planting the seed and promoting best practice with tax agents. I have found the leading tax agents here are keen to work together to interact better, smarter, faster and cheaper. In some practices staff have changed, so several firms have invited me to visit as part of their training to discuss the best ways we can work together," Neil said.

Depreciation rates – find them faster

New on Inland Revenue's website is an interactive depreciation rate finder. You simply choose the asset you want from a single alphabetical list and the rate finder will tell you every industry category and asset category that includes that asset.

See the rate finder at the following address:
www.ird.govt.nz/resource/publicat/depn.html

Please note: The rate finder is currently only available on PCs and not Apple Mac.

Less Taxing Tax update

In the November issue of AGENTSanswers we told you about the "Less Taxing Tax" legislation changes. This is a reminder of the changes that are effective from 1 April 2001.

- **Incremental penalty for late payment of tax reduced**

Incremental late payment penalties imposed on and after 1 April 2001 will be applied at the new rate of 1%. Previously this rate was 2%.

- **Grace period for use-of-money interest**

The use-of-money interest grace period given to taxpayers who receive a statement of account for overdue tax has been increased from 15 days to 30 days. This change applies to statements issued on or after 1 April 2001.

While the grace period applies to use-of-money interest, any incremental penalties imposed during the grace period will remain payable.

- **Changes to the relief provisions**

The serious and financial hardship relief provisions have been extended to include all tax types except the approved issuer levy, child support obligations and student loan repayment obligations. Also, Inland Revenue will now be able to apply these provisions to amounts over \$50,000 where previously it had to obtain the approval of the Minister of Finance.

The changes to the serious hardship provisions apply on 1 April 2001, and the changes to the financial hardship provisions apply to applications received on or after 1 April 2001.

The *Debt options* products (IR 582 booklet and IR 592 information sheet) and the *Taxpayer obligations, interest and penalties (IR 240)* booklet have been updated to reflect the changes. The updated publications will be available from our website at www.ird.govt.nz/resource/debt from 1 April 2001.

Self-employed returns

This is a reminder that when determining the levy indicator for ACC purposes, the definition of "full-time employment" means the person has worked on average more than 30 hours per week in any combination of self-employment, withholding payments or salary and wages over the whole of the income year.

For example, if a 23-year-old person works for six months—12 hours in self-employment and 50 hours as a wage earner—this equates to 31 hours per week over the year and the levy indicator is F.

F means "worked in full-time employment and is 20 years of age or over"

Instances have been found where the person has been coded as U (part-time self-employment), which is not correct.





E-Filed returns

There are an increasing number of returns being E-Filed without an IR 10 attached.

Although the returns are still processed, you may be contacted later to provide the financial information.

It is important to be familiar with your software and its operation. Even if you complete an IR 10 in your software, not following the correct steps for your package may result in it not being sent to Inland Revenue. You will know if an IR 10 has been sent by checking the confirmation report that we send back to you. If the IR 10 is not on the report, you will have to contact your software supplier for details of how to successfully send the information.

When tax agents register to use our E-File system, a declaration is signed stating they have read and understood the terms of reference and agree to fulfil their obligations as an E-File user.

One of those obligations is to "send an *Accounts information (IR 10)* form with all tax returns that have business accounts"

If you have another staff member entering this information for you, please pass this message onto them.

Remember 7 April

A reminder to agents that the 7 April end-of-year payment due date is close at hand and you may wish to contact your clients if they have payments due by this date.

Tax agents wanting to discuss a client's payment options should use the tax agents' toll-free number. More information on debt payment options is available in our IR 582 booklet, which is discussed further in this issue of *AGENTSanswers*.

Use of the L letter

The purpose of the L letter is to assist tax agents to get information from their clients so they can file their tax returns by the extension of time date.

The letter is not intended to be used to obtain records from clients who do not have an extension of time for the current period.

Please ensure that you only request the L letter for your clients who have an extension of time for the current return.

A copy of the L letter is enclosed.

2000 income tax returns – late filing penalty and removal of clients' EOT

This is a reminder to tax agents who have return filing responsibilities for clients' 2000 income tax returns.

Under the compliance and penalties legislation that has applied from 1 April 1997, a late filing penalty may be applied to taxpayers whose 2000 income tax returns are still outstanding after 31 March 2001.

For income tax purposes, Inland Revenue's current practice is to limit late filing penalties to the IR 3 and IR 4 return.

If the return outstanding is an IR 3 or IR 4, and a late filing penalty is imposed, the extension of time for the 2000–2001 tax return will be withdrawn so that:

- any IR 3 or IR 4 return will be due by 7 July 2001 (if their balance date ends in April to September, the due date will be the 7th of the month four months after their balance date)
- their end-of-year payment date will revert to 7 February (if their balance date ends in October to February, the due date will be the 7th of the month 11 months after the balance date).

In accordance with section 139A(5) of the Tax Administration Act 1994 the Commissioner is required to give not less than 30 days notice of his intention to impose the late filing penalty. Where a 2000 return is still outstanding after 31 March 2001, we will send a letter to affected clients of tax agents in April 2001 telling them that the 30-day period has commenced.

Apart from this single warning letter, the Commissioner does not need to provide further notice. The late filing penalty will be applied not less than 30-days from the date of the warning letter.

The following late filing penalties apply to taxpayers' annual income tax returns:

Net income late	Filing charge
Below \$100,000	\$50
Between \$100,000 and \$1,000,000 inclusive	\$250
Above \$1,000,000	\$500

Inland Revenue staff have limited discretion to remit late filing penalties once they have been applied. We strongly recommend that returns are filed by the due date of 31 March.



Fringe benefit tax update

As you are aware, there have been significant changes to fringe benefit tax (FBT) rules with the enactment of the FBT multi-rate option last year. The fourth quarter or annual return that will be issued in the next couple of months will require additional calculations if the multi-rate option is elected. In this edition we highlight the information that will be distributed, the options that employers will have available to them, and where to go to for more information.

Fourth quarter or annual FBT return mailout

The fourth quarter or annual FBT return mailout will contain the following information:

- an updated FBT return incorporating the multi-rate option
- an updated taxable value calculation sheet
- an IR 425 returns guide, and
- a multi-rate calculation sheet.

This pack will be distributed in mid-April, which is slightly later than previous years.

The IR 425 returns guide has been written to help you calculate the FBT payable. It explains the multi-rate calculation process, including how to complete the multi-rate calculation sheet.

Due dates

The due date for filing the fourth-quarter FBT return for the period 1 January to 31 March, has changed from 20 April to 31 May 2001. The due date for annual FBT returns remains 31 May.

Return versions

Given the changes, it is important that you use the correct FBT return version. For example, several different versions of the quarterly FBT return were used in the 2000 calendar year and a new generic return will be used from the March 2001 quarter. If you are filing returns covering a previous period please make sure you go through the correct process of ordering and filing the relevant return version.

Filing choice – 64% flat FBT rate or multi-rate option

Quarterly filers who paid FBT at the 64% flat rate in the last three quarters (periods ended 30 June 2000, 30 September 2000 and 31 December 2000) now have two choices in the fourth quarter (period ending 31 March). They can pay FBT at the flat rate of 64% or apply the multi-rate calculations.

If FBT was paid at the rate of 49% in quarter three, the multi-rate calculations are used in the fourth quarter. However, there is a top-up provision available if employers do not have the necessary systems in place or records available to carry out the multi-rate calculations. See "Top-up provision for quarterly filers" in the next column.

Annual filers either apply the flat FBT rate of 64% or the multi-rate calculation. See our pamphlet *Fringe benefit tax – Choosing the right option for you (IR 424)*, which we sent out in January, for what to consider when choosing an option. This is also available on Inland Revenue's website.

Top-up provision for quarterly filers

If FBT was paid at the flat rate of 49% in quarter three for the 2000–2001 year, a top-up provision is available should the necessary records or systems not be in place to complete the multi-rate calculations. For the current year only, an election to top-up to 64% the FBT payable on the taxable value of all benefits provided during the year may be available. This will give the same result as paying FBT at a flat rate of 64% in all four quarters of the 2000–2001 filing period. To find out how to take advantage of this option more information will be available in the returns guide that we will be issued in mid-April.

And finally, if you have access to Inland Revenue's website (www.ird.govt.nz) we now have an FBT webpage that links to an FBT multi-rate calculator, FBT-related publications and related reference material. The multi-rate calculator will work out on an employee-by-employee basis the FBT to pay, based on the employee's cash remuneration and attributed fringe benefits.

Rebate claim form

Legislation has been passed that allows tax agents to file a rebate claim form claiming donations without the need to include donation receipts.

As a tax agent you must sight the receipts as evidence, and the taxpayer is required to retain the receipt for four income years after the income year to which the claim relates. The change applies retrospectively from the 1999–2000 year and effectively legislates for an administrative process previously allowed for and outlined in technical rulings. The change also supports the E-File process for rebate claim forms.

This legislation has made a clear distinction between donation receipt rules applying to tax agents and taxpayers. In order to avoid the need to send letters to tax agents requesting receipts, a system change for the 2000–2001 year has been introduced to identify taxpayers who have the "REB" tax type linked to a tax agent. Where a taxpayer is linked to a tax agent, the letter "A" will be printed on the rebate claim form directly in line with donations keypoint 3. This will appear on rebate claim forms from the 2001 year onward.

Tax agents are asked to clearly note "receipts sighted" on any rebate claim forms where the "A" is not present. If you omit to certify the form, Inland Revenue will issue a request for the receipts, delaying the processing of the claim.



Draft Standard Practice Statement ED-0016

Release of information

This Draft Standard Practice Statement sets out the Commissioner's practice on responding to requests for official information under the Official Information Act 1982 and the Privacy Act 1993. It further summarises the relationship between these Acts and the Tax Administration Act 1994.

The deadline for comment is 31 March 2001.

This exposure draft is available on Inland Revenue's website at www.ird.govt.nz/arweb/draft/draft.shtml
Comments can be emailed to the website or posted to:

The Manager (Field Liaison)
Adjudication & Rulings
National Office
Inland Revenue Department
PO Box 2198
Wellington

Please include your name and the name of your organisation where appropriate.

Draft Standard Practice Statement ED-0019

Arrangements for payment of tax debt

This Draft Standard Practice Statement sets out the Commissioner's practice on providing relief by way of an arrangement where taxpayers are in debt with Inland Revenue.

Once finalised, it will replace Standard Practice Statement RDC 6 – Instalment arrangements for payment of tax debt, which has been updated to incorporate recent legislation changes to the relief provisions contained in the Tax Administration Act 1994.

The deadline for comment is 31 March 2001.

This exposure draft is available on Inland Revenue's website at www.ird.govt.nz/arweb/draft/draft.shtml
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Please include your name and the name of your organisation where appropriate.

INFOexpress transaction detail fax

We are pleased to advise that this facility is now available, and it will also provide financial transactions for a client's account.

The transaction detail fax is a new addition to the account balance fax and the penalty and interest fax. The fax will show all active transactions of the period, if the period has been finalised. When a period is not finalised we will provide the following transaction information:

- payments
- transfers
- refunds.

To request the transaction detail fax, you should:

- ring the agents' INFOexpress number (0800 456 678)
- enter your agency IRD number
- select either "1" for client enquires or "2" for master account enquires (only if you are enquiring on the agency number)
- enter your PIN
- select "4" for a fax printout
- select "3" for a transaction detail fax.

Voice prompts will guide you.

Full details and a copy of the call flow can be found on the Inland Revenue tax agents' site at:

www.ird.govt.nz/business/tax_agents/index.htm

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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PO Box 2198
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Email: agents.answers@ird.govt.nz

AGENTSanswers is also on our website:
www.ird.govt.nz/business/tax_agents/index.htm