

C O R P O R A T E S C O N T A C T

N U M B E R T W E N T Y T W O ~ J U N E 2 0 0 4

Comments from Group Manager

Welcome to this edition of *Corporates Contact*.

Corporates continues to be fully committed to ongoing audits of companies and related groups.

Over the past nine months we have conducted over 300 audits with identified tax discrepancies in excess of \$200 million. This excludes any audit of the structured finance sector recently commented on in the financial press.

Of this discrepancy, just over 40% is due to accounting or technical errors identified during the audits or subject to voluntary disclosures. We are reviewing the nature of these errors and will comment on these in future reports. If a common factor is evident we will give consideration to whether we should widen review activity in areas giving rise to these errors.

Additional funding provided to us in the 2003 budget has enabled us to:

- create three principal advisor positions, (Mergers and Acquisitions, Financial Products and International) to provide expertise and assistance to the audit team in these areas
- establish a Risk and Intelligence Unit to help identify tax risk and trends to enable more focused tax audits to be undertaken.

Discussion of these positions will be provided in future *Corporates Contact* releases.

Corporates continues to work on binding rulings and some capacity to do this is now available.

A manager from Inland Revenue's Policy Advice Division (PAD) has now joined us for a six-month secondment as we work to better co-ordinate the work programme of PAD with the issues identified by Corporates from its fieldwork.

Particular focus in the coming months will be given to following up returns that have not been filed on time and recruiting further investigators and senior investigators. If you have any queries or concerns about issues raised with you by any of the Corporates Team, please feel free to raise them with your account manager, or email me directly.

Spyros Papageorgiou
Group Manager
Corporates

Corporates celebrates 10 years

Corporates has achieved a lot in its 10 years of existence.

As the unit marked its tenth anniversary on 1 March, staff in Auckland, Hamilton, Wellington and Christchurch all took the chance to celebrate and reminisce.

Corporates is a specialised group within Inland Revenue, that works with large companies that have, in the main, an annual turnover in excess of \$100 million, or whose industry is governed by specialised tax legislation, or large entities that have non-resident ownership.

Auckland Corporates Manager Mike Spelman reflected on the early days.

"The group has moved from 130 people with little 'large' audit experience, to a highly skilled group of professionals, some 270 staff, with a unique culture of service and specialist audit," said Mike.

In Wellington, Case Management Project Manager John Moreno recounted many successes over the years including improved taxpayer relationships through account managers, close working relationships built with units such as Policy Advice Division, Litigation Management and Adjudication and Rulings, and the unit's industry specialisation and tax risk analysis techniques.

Group Manager Spyros Papageorgiou attended anniversary functions in Auckland and Wellington, where he shared his vision for the next 10 years—"the way to real-time audit".


"The biggest change will be in how we interact and communicate with each other, with greater transparency, and enhanced staff development through training, succession planning, secondments and rotation to develop management skills," said Spyros.

Payroll adjustments

If you need to make an adjustment to an employer monthly schedule (EMS) you have already filed, you can call us on 0800 443 553 or complete an *Employer monthly schedule amendment (IR 344)* form. This is available on our website or you can order it through INFOexpress.

The following is a guide to completing the IR 344:

- Complete the *Employer monthly schedule amendments (IR 344)* form as soon as you know one is required. This can be done before the next EMS is ir-Filed.
- Complete a separate IR 344 for each month involved.
- Complete it for the actual month that requires adjustment— **this is very important for negative adjustments**
- The top entries for each employee must match the original details filed. If the employee was not on the EMS for that month, leave the top line blank.
- The second line of entries should be the details of the employee’s earnings and deductions after adjustments.
- If the adjustment results in a credit on the employer’s account complete the panel at the bottom by:
 - requesting a transfer, or
 - requesting a refund.
- If the adjustment results in a debit on the employer’s account, give us your payment details. Please note that a debit adjustment of over \$2,000 may be subject to shortfall penalties in addition to late payment penalties and use-of-money interest.



Employer monthly schedule amendments

IR 344
June 2003

IRD number: **11 222 333**

For the period ending: **31 01 2004**

Stamp cheque here

Employer's name:

Please read the notes on the back of this form.
 If details for more than 3 employees need amending for this period, attach additional amendment forms and show the period ending date on each form.
 Use a separate form for each period that needs amendment.

| Employee details | | Employment start and/or finish date | Gross earnings and/or withholding payments | Earnings and/or withholding payments not liable for ACC earners' levy | Tick if lump sum payment made and taxed at lowest rate | PAYE and/or withholding tax deductions | Child support deductions | Student loan deductions |
|-----------------------|---|-------------------------------------|--|---|--|--|--------------------------|-------------------------|
| | | Day Month Year | | | | | | |
| Original details sent | Surname: <u>Madoff</u> First name(s): <u>Bill</u> Full name: <u>Madoff Bill</u> Start: <u>24 02 03</u> IRD number: <u>12 345 678</u> Tax code: <u>M</u> Finish: <u>30 01 04</u> | | \$ <u>6,000.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>1,653.41</u> | \$ <u>.00</u> | \$ <u>.00</u> |
| Changed to | Surname: _____ First name(s): _____ Full name: _____ Start: _____ IRD number: _____ Tax code: _____ Finish: _____ | | \$ <u>4,347.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>1,241.63</u> | \$ <u>.00</u> | \$ <u>.00</u> |
| Original details sent | Surname: _____ First name(s): _____ Full name: _____ Start: _____ IRD number: _____ Tax code: _____ Finish: _____ | | \$ <u>.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>.00</u> | \$ <u>.00</u> | \$ <u>.00</u> |
| Changed to | Surname: _____ First name(s): _____ Full name: _____ Start: _____ IRD number: _____ Tax code: _____ Finish: _____ | | \$ <u>.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>.00</u> | \$ <u>.00</u> | \$ <u>.00</u> |
| Original details sent | Surname: _____ First name(s): _____ Full name: _____ Start: _____ IRD number: _____ Tax code: _____ Finish: _____ | | \$ <u>.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>.00</u> | \$ <u>.00</u> | \$ <u>.00</u> |
| Changed to | Surname: _____ First name(s): _____ Full name: _____ Start: _____ IRD number: _____ Tax code: _____ Finish: _____ | | \$ <u>.00</u> | \$ <u>.00</u> | <input type="checkbox"/> | \$ <u>.00</u> | \$ <u>.00</u> | \$ <u>.00</u> |

Underpayment or overpayment (see notes on back)

Underpayment (please send payment)

Cheque attached

Paid electronically

Overpayment


Transfer to PAYE period ending 31 3 2004

Transfer to other tax type (complete panel on back)

Refund

Daytime phone number: (09) 8114456

Contact person's name (please print): J Smith

Signature:  Date: 16 02 04

Declaration I declare that the information given is true and correct.

Fax numbers for Corporates sectors

| | |
|---|-------------|
| Resources (Wellington), (includes Computer Tax Audit (Wellington), Overseas Contractors and International Audit) | 04 384 5883 |
| Banking and Insurance (Wellington) | 04 802 6192 |
| Crown (Wellington) | 04 802 7207 |
| Services (Auckland), includes Wellington sector staff based in Auckland | 09 377 1159 |
| Manufacturing (Auckland), includes Computer Tax Audit Auckland, and Transfer Pricing and Non-resident Entertainers | 09 367 1397 |

International information exchange

As a trading nation, extending and maintaining New Zealand's network of double tax agreements with other countries is a priority. We currently have 27 such agreements, which are designed to not only reduce tax impediments to cross-border trade and investment but also prevent avoidance and evasion through exchange of information.

This year will see significant progress. Our double tax agreement with South Africa is close to conclusion. At the same time, we will be giving legal effect in New Zealand to our double tax agreements with Chile, our first with a Latin American country, and with the United Arab Emirates, our first with a Middle Eastern jurisdiction. Protocols to agreements with the Netherlands, the United Kingdom and the Philippines are expected to be updated. Negotiations will also begin with Austria.

Furthermore, Australia and New Zealand have agreed to jointly negotiate tax information exchange agreements (TIEAs) whenever practical. These agreements with jurisdictions, which we have described in the past as "tax havens", will enable both countries to obtain key financial details that will help protect the integrity of our tax systems. To date, TIEA negotiations have been held with four countries.

New Zealand wholeheartedly supports the work of the OECD in facilitating international cooperation. Last month we hosted the OECD Tax Inspectors Meeting in Auckland, the first time such a meeting has been held outside Paris. This involved representatives from 27 countries and had a central focus on increasing exchanges of information relating to cross-border tax schemes and identification of aggressive tax avoidance arrangements.

Inland Revenue endorses the fundamental principles of transparency and effective exchange of information, and will continue to actively explore ways of sharing intelligence with our growing treaty network.

Binding rulings capacity

As previously indicated Inland Revenue has expanded its capacity to handle binding rulings applications by allowing Corporates to issue binding rulings. The purpose of this expansion is to facilitate the more timely allocation and consideration of ruling requests. Corporates has been developing its expertise in this area and as from 1 July 2004 ruling applications from corporate taxpayers may be allocated to Corporates according to allocation guidelines www.ird.govt.nz/otherservices/adjudicationrulings/allocationguidelines.pdf

In general, Corporates will focus on applications dealing with more straightforward (operational) arrangements whereas Adjudication and Rulings will continue to complete the

more complex (transactional) applications. Binding rulings provide taxpayers with certainty about the tax implications of business decisions and assist taxpayers to comply with the law. If you are keen to talk about requesting a binding ruling, please contact your account manager.

Changes to the eGST return

A "text box" has been added at the end of the electronic (eGST) return so that you can provide additional information about the return at the time of filing.

The enhancement has resulted from taxpayers and staff providing feedback about the ease of using the eGST return.

The "text box" (Number 16) asks if you want to add any information about the return. The option will always default to "No", but if you click on "Yes", it will bring up the following options:

1. Transfer of refund
2. Financial details about this return
3. Change of business or business cessation/final return details
4. Any other taxation issues not related to this return.

You then select any of the above options and complete a brief description in the text box. The information you provide will be automatically lodged in our correspondence system and the return will be processed as usual.

Updated depreciation guides

The *Depreciation (IR 260)* guide has been updated and divided into three new publications which are now available on the internet.

The IR 260 contains an overview of depreciation and how it works. It does not include the depreciation rates. The depreciation rates are now in two new publications, *General depreciation rates (IR 265)* and *Historic depreciation rates (IR 267)*.

The printed versions of the IR 260 and the IR 265 were made available through StationeryXpress and INFOexpress in early May. The IR 267 will only be available on our website www.ird.govt.nz

All back orders of the IR 260 have been cancelled. This was done because there are a large number of duplicate requests for the book and now that the publication has been split, the old IR 260 may not be the publication that is required.

Please review your requirements.