



Remember

Tax due 7 April

Your clients with a 31 March balance date and an extension of time to file their tax returns need to pay their 2008 end-of-year income tax by 7 April 2009.

If you think any of your clients may have difficulty paying their tax, please ask them to contact us as soon as possible, preferably **before** 7 April. In most cases, your client will qualify for an instalment arrangement that lets them pay their tax over a period of time.

By contacting us before 7 April they'll be charged the 1% late payment penalty but won't be charged incremental penalties, if they keep to the terms of the arrangement.

Deadline for ratio option elections

We need to receive elections for the ratio option by **31 March 2009** for your clients who have a 31 March balance date and want to use this method of calculating their provisional tax during 2009–10.

As at **15 December 2008**, 3,515 people will be using the ratio option for the 2009–10 year.

Please note we can't process any elections for using the ratio option for a particular tax year if we receive them after it's already started.

Get it done online

Does your client have six or more employees? Do they realise they could be saving time and money if they file *Employer monthly schedules (IR 348)* and *Employer deductions (IR 345)* forms electronically using ir-File?

More and more employers are using Inland Revenue's online services to reduce compliance costs and free up valuable time. Filing online is easy, secure and accurate. Any employer can register to use ir-File.

Your clients can view an online demonstration of ir-File at www.ird.govt.nz/help/demo/. It takes them through the process so they know how it works and what to expect. ir-File doesn't require any additional software—they simply register online. When set up, they can file employer monthly schedules and employer deductions, and make payments online. We'll confirm each transaction.

For further information about ir-File, tell your clients to talk to their payroll provider or go to www.ird.govt.nz/online-services

Australian share exemption

Recent changes to the foreign investment fund (FIF) rules introduced the "Australian share exemption". This means shares held in Australian companies that meet specific criteria are exempt from the FIF rules.

To help investors determine whether an Australian company satisfies the exemption criteria, we'll provide a list of companies from the ASX All Ordinaries index, which we believe qualify for the exemption from the FIF rules.

You can find the current list under "**Work it out**" at www.ird.govt.nz

Investors with the standard balance date will be able to rely on the list and treat the investment as subject to tax under the general rules. We'll treat any investor who relies on the list as having taken reasonable care in taking their tax position and they won't be subject to any shortfall penalty if the shortfall arises from errors in our list.

The list of exempt companies will be issued annually in May for the previous income year and will apply to taxpayers who have an income year ending 31 March (ie, most individuals).

Investors will be able to rely on the list, if they:

- own shares in the company on 1 April in that income year, or
- first acquire a share during the income year while the company is still on the All Ordinaries index, or
- first acquire a share in a company that has been added to the list during the year, on or after the date it was added, or
- don't hold a share after the date it no longer meets the residence or no-stapling criteria. This date will be noted on the list.

Please note this may not be a complete list of the companies which qualify for exemption and investors aren't required to rely on the list.





Improvements to eGST

We've made some improvements to our eGST service, in response to customer feedback.

You may have noticed a new response when you file an eGST return. The original message "Submitted" created some uncertainty with our customers.

The new message "Received" confirms your return is safely in our system.

We've also reduced the eGST electronic receipt from four pages to two. This should help reduce compliance costs and paper wastage.

Election not to depreciate an asset

Do you have clients who are considering electing not to depreciate a property or asset? If they are, we need to be able to identify the asset and apply the election correctly. Information that will help us to do this includes:

- a description of the asset the election is being made for (if it's a building, include the address)
- the purchase date of the asset or property
- the income year the election is being made for
- whether the asset has been newly acquired or its use has changed
- if the election is for retrospective depreciation.

Background

Any election for a property or asset to not be depreciable takes effect from the income year the election is made for, and for all later income years until the asset is disposed of. If a retrospective election is approved, it takes effect from the income year they acquire the property in, all intervening income years until the year they make the election, and all later income years until the item is disposed of.

- An election to not depreciate is made when an asset is newly acquired or when an asset's use changes.
- Elections to not depreciate can also be made retrospectively, providing no depreciation has been claimed for the asset in any previous year.

Qualifying companies and loss attributing qualifying companies (QC/LAQCs)

With 31 March fast approaching here are a few reminders to ensure we accept your QC/LAQC elections:

- For existing companies, valid elections must be filed before the beginning of the tax year.
- For new companies, we need to receive a valid election on or before the due date for their first return.
- If the election is not valid we won't accept it. No grace period will be granted for invalid elections.
- We have no discretion to allow a late election. There's no extension of time beyond that granted to an agent, which is 31 March.
- If the company has a trust as a shareholder we require all trustees and *sui juris* beneficiaries to make the election. Make sure you include the names of the trustees and beneficiaries on the election.
- Complete the election in time to file the return. We can't fast-track elections so income tax returns can be filed to meet the due date.
- Confirm the company holds QC/LAQC status before filing the income tax return, otherwise processing the return may be delayed. You can do this through Account look-up on our website.
- Confirm with new clients that the company holds QC/LAQC status and the shareholding is the same.
- Ask your clients to tell you about any change in shareholdings as they happen—don't wait until you prepare the annual accounts.

Also, a reminder that in 2009 we'll be taking a closer look at LAQC shareholders who may be living in an LAQC-owned property and continuing to claim what would otherwise be private expenses. You'll find more information in our *Revenue Alert RA 07/01*, issued in October 2007.



Employees exempt from automatic enrolment in KiwiSaver

We've found some employers are automatically enrolling all their employees in KiwiSaver. There are some employees who are exempt from the automatic enrolment rules.

Here's a quick refresh for your clients. Employees are exempt if they:

- are under 18 years old (but they can join voluntarily)
- are casual agricultural workers, election day workers or private domestic workers who pay their own PAYE
- are employed on a temporary employment contract of 28 days or less
- are on paid parental leave or ACC
- stay on the same payroll (and not a school employee)¹:
 - when a business is taken over or amalgamated, or
 - if they relocate with the same employer
- only receive schedular payments²
- aren't New Zealand residents
- don't normally live here (unless working overseas as a government employee)
- aren't required to have PAYE deducted from their salary or wages
- are over the New Zealand Superannuation qualification age, currently 65
- revert to an employer from whom they were seconded, straight after that secondment.

¹ School employees—for the purpose of KiwiSaver, the Board of Trustees is the employer for employees in a state or integrated school. If an employee changes schools, they are treated as starting new employment and should be automatically enrolled even through they stay on the same payroll.

² Formerly withholding payments

Request for "D" List status for 2008 income tax returns (large enterprises)

Do you need an extension of time to file your clients' 2008 income tax returns beyond 31 March 2009?

The *Tax agents' extension of time agreement (IR 9XA)* sets out the requirements.

Applications must be in writing and give full details of the reasons and the expected date the return will be filed. Individual applications may be made, but often bulk applications are made for groups of companies or entities which we receive through your agent account manager (AAM). To process your applications by the last working day of March (Tuesday 31 March in 2009) we need to receive them by **Friday 20 March 2009**.

Local sites can't process large enterprise clients, nor can your AAM. Send your application to the following addresses:

By mail

Crown, Finance or Resources clients
P O Box 2198
Wellington 6140

or

Services (including high wealth and manufacturing clients)
P O Box 5542
Wellesley Street
Auckland 1141

By email

Send these to the appropriate team leader here—
www.ird.govt/aboutir/who-we-are/structure/corporates/

By fax

Send these to the appropriate team.





KiwiSaver changes

From 1 April 2009 some changes are being made to KiwiSaver.

- The **compulsory employer contribution (CEC)** will increase to 2% and won't increase further in future years. Employers will need to increase their contribution rate to 2% from the first full pay period after 1 April 2009 and are not required to calculate a part period at two rates.
- The minimum employee contribution rate will reduce to 2% of a member's gross pay. Existing KiwiSaver members can reduce their contribution by advising their employer in writing. New employees who sign up after 1 April 2009 and don't indicate a deduction amount will have the new default rate of 2% applied. This reduction to 2% may affect the amount of member tax credit the KiwiSaver member gets.
- The \$40 annual fee subsidy will be removed from 1 April 2009.
- The **ESCT employer superannuation contribution tax** exemption will be capped at the compulsory employer contributions of 2% from 1 April 2009. Any employer contributing more than 2% will have to pay ESCT.
- The employer tax credit (ETC) will be removed. The employer will no longer be able to claim this from the first full pay period after 1 April 2009.
- The KiwiSaver Act will be amended and the Employer Relations Act amendment relating to KiwiSaver will be repealed. This means an individual's gross pay can't be reduced if they join KiwiSaver.

For more information on these changes please read the February 2009 issue of *Payroll News* or KiwiSaver changes from 1 April 2009 under **news and updates** on our website.

PAYE deduction tables from 1 April 2009

Because personal income tax rates are changing, we'll soon be sending out updated 2010 PAYE deduction tables:

- Weekly and fortnightly (IR 340)
- Monthly and four-weekly (IR 341)

These new tables will apply for pay periods ending on or after 1 April 2009.

Independent earner tax credit

From 1 April 2009, eligible taxpayers earning between \$24,000 and \$44,000 will be entitled to an extra \$10 each week. For eligible tax payers earning over \$44,000, the independent earner tax credit decreases by 13 cents for every additional dollar earned up to \$48,000.

It will be up to employees to work out whether they will be eligible for the tax credit.

To receive the tax credit through their pay employees will need to choose a new tax code and let their employer know so they can deduct the right amount of tax from the employee's salary or wages. Employees can only use this new tax code for their main job or source of income.

The new tax code is ME, or ME SL for people with a student loan.

Further information will be provided to all employers later this month and updated *Tax code declaration (IR 330)* forms will be available from March 2009.

Note from the editor

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

The Editor
AGENTSanswers
Inland Revenue
PO Box 2198
Wellington 6140

Email: agents.answers@ird.govt.nz