



Due date reminders

Third return filing date – 20 February 2004

The third extension of time (EOT) filing target date for clients' returns falls on 20 February this year. The percentages due to be filed by this date are:

Standard target	80%
E-File target	78.5%
Late balance date target	75%

You can view the 2003–2004 EOT agreement on our website at www.ird.govt.nz/library/publications/taxagents/ir9xa.pdf

If you have any concerns about meeting your filing targets or about your client list, your agent account manager will be happy to discuss these with you.

Provisional tax due date – 7 March 2004

For clients with a standard balance date of 31 March, this is a reminder that 7 March 2004 is:

- the due date for payment of their 2004 provisional tax, and
- the last opportunity for clients to estimate (or re-estimate) their provisional tax for 2004.

Income thresholds for student loan repayments and interest write-offs to rise

Income thresholds for student loan repayments and interest write-offs will rise from 1 April 2004.

The income level at which borrowers must begin to repay their loans will rise from \$15,964 to \$16,172. The maximum income level for a full interest write-off for part-time or part-year students will rise from \$25,909 to \$26,140. (The student loan repayment threshold is aligned with the domestic purposes benefit paid to people with two or more children.)

Borrowers whose income is below the repayment threshold will not have to make repayments on their loans and a large portion of their interest will be written off.

Full-time, full-year students will continue to receive a full interest write-off while they are studying, regardless of their income.

Use-of-money interest changes in client's accounts

Just before Christmas last year we sent out a *Breaking News* bulletin about an issue with use-of-money interest (UOMI) calculated for certain new provisional tax payers for the 2001, 2002 and 2003 income years.

This issue affects a small number of new provisional tax payers in the three relevant years, whose residual income tax was \$30,000 or less and who did not change their balance date. Income tax statements for the affected taxpayers have been halted until the accounts have been corrected.

Section 120K(3) of the Tax Administration Act 1994 was amended, effective from the 2001 income year, to make these taxpayers subject to use-of-money interest (UOMI) from the first provisional tax instalment date that falls more than 30 days after their first business day. However, in these cases UOMI has been calculated from the terminal tax due date instead.

We identified that the legislation amendment had not been implemented when we were changing our systems to apply the new \$35,000 residual income tax threshold from April 2004.

Our calculation process has been corrected so that the UOMI calculates from the correct date and we have updated any UOMI in the affected accounts.

Where the 2003 income tax period is affected, you will have received a statement of account showing any new UOMI for clients affected, which should be paid by 7 April 2004.

As most accounts where the 2001 or 2002 UOMI is affected will have already been finalised, we have decided that these taxpayers will not be asked to pay any additional UOMI. Any additional UOMI will be remitted under the appropriate authority.

Where credit UOMI has been underpaid, we have updated the additional UOMI on the accounts and issued a statement for all three years.

If you have any questions about this issue, phone the tax agent's 0800 line or your agent account manager.



Transferring income equalisation deposits to tax accounts

Taxpayers who use the Income Equalisation Reserve Scheme are now able to have income equalisation deposits transferred to a tax account, rather than having to request a refund and then pay that refund back to Inland Revenue for tax.

Written requests to transfer income equalisation deposits to a tax account can be sent to:

Income Equalisation Reserve Scheme
PO Box 39010
Upper Hutt
Wellington

The request should identify the deposit (amount and deposit date) to be transferred and the details of the tax account to which it is to be transferred.

It is possible to transfer part of a deposit and have the balance refunded. The letter needs to clearly set out what amount should be transferred and what amount should be refunded. This will avoid refunds being issued for an incorrect amount, eg refunding the balance of the account instead of the balance of the deposit.

As this will not be a transfer of overpaid tax, the deposit will be credited to the tax account at the date the request for the transfer is processed.

Interest will still be paid on the deposit in the income equalisation reserve account up to the date it is transferred (if the deposit has been in the account for at least 12 months). The transfer request should also stipulate what should happen with this interest. It can also be transferred to a tax account or it can be refunded.

Just to recap, the written request should clearly state:

- the deposit (amount and deposit date) to be transferred
- the tax account to which it is to be transferred
- what amount should be transferred and what amount should be refunded
- what should happen to any interest.

Standard practice statement PRC-101: Tax payments – when received in time

This standard practice statement (SPS) sets out the Commissioner's practice for accepting tax payments as having been made in time and includes:

- payments by post
- electronic payments
- physical delivery
- post-dated cheques
- weekends and public holidays
- tax pooling, and
- tax transfers.

The SPS applies from 19 December 2003.

You'll find the SPS in the *Tax Information Bulletin*, Vol 15, No 12 (December 2003) on our website at www.ird.govt.nz/library/newsletters/tib/vol15/tib15-12.pdf

GST on property transactions

We commonly encounter mistakes in the treatment of GST on property transactions.

It's important to ensure that property transactions are treated correctly (especially in terms of timing) because, due to the high dollar values involved, errors can result in considerable shortfall penalties for your clients. This is particularly relevant in light of recent changes to the provisions of an unacceptable tax position taken on or after 1 April 2003. (For more information on the provisions, see the *Tax Information Bulletin*, Vol 15, No 5, which you can find on our website at www.ird.govt.nz/library/newsletters/tib/vol15/tib15-05.pdf)

It would seem that these errors often result from a lack of or misunderstood communication between taxpayers and their agents or solicitors. In some cases, clients of agents have filed the GST returns incorrectly themselves without seeking advice from their agent.

You may like to remind your clients that it is in their best interests to seek advice on the treatment of property transactions before filing their GST returns.



Changes to the IR 901C payment slips

The IR 901C payment slip is carbonised and sprocket-fed. Four payment slips per client are issued automatically each year to tax agents who have requested them, preprinted with the name, address and IRD number of the client.

The technology used to print the client details on the carbonised sprocket-fed paper is out of date and is becoming difficult to maintain. Because of this, we are going to stop producing the IR 901C on carbonised sprocket-fed paper later this year. Instead you will receive IR 901Cs printed on paper for laser printers.

What will change

The laser version of the payment slip will be renamed the "IR 901CL" to differentiate it from the carbonised version.

Because A4 laser pages are longer than an impact page, the height of each payment slip will be adjusted so that three IR 901CL payment slips fit an A4 page.

Currently, as the IR 901C is carbonised, the agent receives a duplicate copy of each slip preprinted with the client details. When the payment amount is written on the top slip, it is copied onto the slip behind so that the agent (or client) has a copy of every slip they complete.

When the IR 901C is converted to laser, it will no longer be produced in duplicate as laser printers are unable to create an impact of printed material onto a carbonised page.

We apologise if this causes any inconvenience. If you do need to keep a copy for your files, you may like to photocopy the slip instead.

Other than these changes, the payment slips will be issued in the same way as they are now.

When this will happen

We don't yet have a definite timeframe for when we will start issuing the laser IR 901CL payment slips instead of the sprocket-fed IR 901Cs. We'll let you know when we know more.

Signing returns on behalf of clients

Last month we highlighted the importance of tax returns being signed before they are sent to Inland Revenue. We pointed out that it is acceptable for agents to sign tax returns on behalf of their clients.

This month we would like to discuss some issues you need to consider before signing a client's tax return.

Specific written authority

Inland Revenue will accept a tax return signed by an "agent" under the rules on general agency. This means that the agent must hold specific written authority from the client to sign tax returns on their behalf.

Being authorised by your client as a "tax agent" to have access to information held by Inland Revenue and to assist with the client's tax affairs is not sufficient authority to sign a tax return on their behalf.

You should also be aware that signing a tax return under a general agency authority may expose the signatory to any penalties that may arise in relation to that return.

Where a return is signed by someone other than the client or an agent who holds specific authority from the client to sign the tax return, we may not accept that return as meeting the general requirements for returns set out in the Tax Administration Act 1994—we may not consider the return to have been filed.

Disclaimers

Another point to remember if you're signing a return on behalf of a client is that Inland Revenue will not accept a return if a disclaimer has been added. Tax returns with disclaimers, will not be recorded as having been filed. This may result in late filing penalties for your client and may have consequences for your return filing statistics.

New contact method for the Complaints Management Service

The Complaints Management Service can now be contacted online at www.ird.govt.nz/complaints

For more information on the escalation process for agents, see the September 2003 issue of *AGENTSanswers*, which you can find on our website at www.ird.govt.nz/library/newsletters/aanswers/2003/aa49_sep03.pdf



Trans-Tasman imputation election forms

In the January 2004 issue of *AGENTSanswers* we announced that the trans-Tasman imputation legislation had been enacted (full details of this legislation will be published in the February *Tax Information Bulletin*.) Since then, the trans-Tasman imputation election forms have become available:

Trans-Tasman imputation election form (IR 488)

Use this form for Australian companies that wish to elect to maintain a New Zealand imputation credit account (ICA).

You can use the electronic election form on the "Trans-Tasman imputation" page of our website at www.ird.govt.nz/othertaxes/transtasmanimputation/australiancompanies.html or print a paper version from our website at www.ird.govt.nz/library/publications/australiancompanies.html

Due to the expected low usage of this form, it won't be available through StationeryXpress or INFOexpress.

Election to form an imputation group (IR 473)

Use this form to provide us with written notice of groups of companies that wish to elect to form an imputation group. You can print the form from our website at www.ird.govt.nz/library/publications/company.html or order one through StationeryXpress or by phoning INFOexpress on 0800 257 773.

Deadline for election

For either type of election to apply for the 2004 imputation year (from 1 April 2003 to 31 March 2004), we must have received the election form by 31 March 2004.

Dividends received from electing Australian companies in the 2004 year

If you have clients who have received dividends from electing Australian companies during the 2004 income year, the dividends may have New Zealand imputation credits attached. These credits can be claimed (subject to the usual imputation limitations) in their 2004 income tax return. You may also like to consider any potential effect on your clients' provisional tax liabilities for the 2004 year, bearing in mind the interest provisions that apply to any provisional tax estimations.

Family assistance registration correction

In the December 2003 *Agentsanswers*, we reminded you of the family assistance registration process. In that article we stated that customers whose family assistance entitlement ceased over two years ago, but who have since become eligible again will need to reapply using an FS 1 registration form. However, only those customers who applied before 2000 must use the FS 1 to reapply. All other customers can reactivate their family assistance by phoning us on 0800 227 774.

Correction to "Do you have clients who have ceased employing?"

In the November *AGENTSanswers* we stated that if you have clients who have been employers in the past and they start to employ again, you can simply contact us and we will recommence sending the IR 345 and IR 348 forms.

In fact, while you can cease your client's registration as an employer by phoning us, if they subsequently start employing again they must reregister as an employer using our online registration form at www.ird.govt.nz/otherservices/online.html or an *Employer registration (IR 334)* form. You can print the IR 334 from our website at www.ird.govt.nz/library/publications/business or order one through StationeryXpress or by phoning INFOexpress on 0800 257 773.

Updated publications

The following publications have recently been updated and are available from our website at www.ird.govt.nz or they can be ordered through StationeryXpress or by phoning INFOexpress on 0800 257 773.

- *Provisional tax: Smart business quick reference summary sheet (IR 316)*
This sheet gives a brief overview of provisional tax and helps remind you of the due dates for payments.
- *Provisional tax (IR 289)*
Tells you what provisional tax is, and how and when it must be paid.
- *Employer monthly schedule amendments (IR 344)*
This form is used to make changes to employer monthly schedules that have been filed.
- *Employer obligations: Smart business quick reference summary sheet (IR 322)*
This briefly explains the tax obligations of an employer.
- *Non-resident withholding tax (NRWT) rates and country codes (IR 290)*
An information sheet with NRWT rates for double tax agreement countries.
- *Gift duty – A guide for legal and tax practitioners (IR 195)*
Written for tax and legal practitioners to help them understand the obligations of gift transactions.

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:

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Wellington

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AGENTSanswers is also on our website:

www.ird.govt.nz/library/newsletters/aanswers/