



## Final reminder

### 2000 income tax returns – late filing penalty and EOT removal

Tax agents who have 2000 year returns outstanding for their clients are reminded that late filing penalties will be applied on 25 May 2001.

Section 139A(5) of the Tax Administration Act 1994 (TAA) requires the Commissioner to give not less than 30 days notice of his intention to impose a late filing penalty. Warning letters were issued to affected taxpayers from **12 April 2001** to advise that the 30 day period has commenced.

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

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 \$1million (inclusive) | \$250              |
| Above \$1million                             | \$500              |

Inland Revenue strongly recommends that returns are filed before the late filing penalty is applied because we have limited discretion to remit late filing penalties once they are imposed. The AMBR 1001 "Outstanding Returns" report, issued at the end of April 2001, details by year and return type those clients with income tax returns not filed.

**If a late filing penalty is applied to your client, the extension of time arrangement will also be withdrawn for the 2001 IR 3 or IR 4 return.**

If we withdraw the extension of time, both the return and any tax payable will be due earlier:

- The return will be due by 7 July 2001 (unless your client has a non-standard balance date ending in April to September, then the due date will be the 7<sup>th</sup> of the month, four months after balance date).
- The terminal tax due date will revert from 7 April to 7 February (unless your client has a non-standard balance date ending in October to February, then the due date will be the 7<sup>th</sup> of the month, 11 months after the balance date).

The extension of time and terminal tax date will be reinstated for the 2002 return provided both the 2000 and 2001 IR 3 or IR 4 returns are filed prior to the application of the 2001 return late filing penalty (or the 2000 return is filed, and it is demonstrated that it is not possible for subsequent returns to be filed by the standard filing date).

## Tailored services for tax agents

Inland Revenue is identifying groups of tax agents who have similar needs so we can tailor our service to match those needs. As part of this service we wish to gather information on the types of business you are involved with.

The *Application to be a tax agent or agency (IR 791)* and *Tax agent or agency maintenance (IR 792)* forms have been redesigned to assist us in obtaining this information.

The following additional fields have been added:

**Professional member:** Has the following options –

- Institute of Chartered Accountants of New Zealand
- Tax Institute of New Zealand
- Law Society
- Other, and
- None.

**Public practice certificate:** If you hold a public practice certificate issued by the Institute of Chartered Accountants of New Zealand tick "Yes", otherwise tick "No".

**Return for employers:** If you are employed as an in-house accountant and prepare the income tax returns of the employer, tick "Yes", otherwise tick "No".

**Return for others:** If you complete income tax returns for clients outside your employment, or are in business as a tax agent, tick "Yes", otherwise tick "No".

**Agent email address:** Inland Revenue is developing various ways of communicating information to tax agents. If you wish to receive reports and information electronically, please provide your email address.

Please destroy any old copies of the *Application to be a tax agent or agency (IR 791)* and *Tax agent or agency maintenance (IR 792)* and request new forms through INFOexpress.

## Feedback on INFOexpress

In the April 2001 edition of *AGENTSanswers* we provided details of the services provided by INFOexpress. We are interested in your opinion regarding these services and how they can be improved. In particular we would like to hear from you in regards to the use and format of the "L letter" and the account period information faxback.

A number of agents have suggested that the date shown on the account period information faxback should be the effective date rather than the process date. A modification is being made and will be implemented as soon as possible.

If you have any suggestions you can contact Andrew Bell by email at [andrew.bell@ird.govt.nz](mailto:andrew.bell@ird.govt.nz) or write to him at Inland Revenue National Office, PO Box 2198, Wellington.



## Fringe benefit tax (FBT) update

There have been a number of changes to fringe benefit tax rules with the enactment of legislation on 27 March 2001. In this edition of *AGENTSanswers* we highlight some of the key information published in our March edition, update the remedial changes and tell you where you can find more information.

### Key information

- The due date for filing fourth quarter or annual returns is 31 May 2001. Some returns were issued showing an incorrect due date of 20 April—we apologise for this. The covering letter and guide sent with the returns gave the correct due date of 31 May 2001.
- Several new FBT returns have been implemented over the last twelve months to reflect the FBT changes. It is important that the correct return versions are used when filing back-year or current period FBT returns. Please make sure you go through the correct process of ordering and filing the relevant return version.
- Employers can use the multi-rate calculations, or the 64% flat rate.
- Quarterly filers may have the option of using the top-up provision for the 2001 year. A *Fringe benefit tax returns guide (IR 425)*, distributed in April with the fourth quarter/annual FBT returns, outlines the process employers must follow if they want to take advantage of this option.

### Use-of-money interest removed from annual and income year returns from 1 April 2001

A letter has been sent to quarterly filers, telling them that use-of-money interest charged on yearly returns has been removed from 1 April 2001. They may be able to file annual returns in the future if annual gross tax deductions are \$100,000 or less. The letter tells them what to do if they want to make the change.

### Legislation changes

Since our last update new FBT legislation has been passed. Here are some key changes that have been made to the fringe benefit tax rules that apply from 1 April 2000.

#### ● Shareholder-employees' cash remuneration

There may be a timing conflict in determining a shareholder-employee's total remuneration. If any of the income is unknown at the time the return is due to be filed there are options available—these are explained on page 5 of the IR 425 returns guide.

#### ● Income attributed under the attribution rules

Cash remuneration now includes any amount of income attributed under the attribution rules. For more information on attributed income and the FBT rules see Inland Revenue's FBT webpage. If any of the income is unknown at the time the return is due to be filed, there are options available—these are explained in the IR 425 returns guide.

#### ● Low-interest loans provided by life insurers

Low-interest loans provided by life insurers to policyholders are now deemed to be non-attributed benefits and are taxed at the flat rate of 49%.

#### ● Non-resident employees

If remuneration is paid to a non-resident employee, the calculation of the deemed amount of tax payable on the remuneration includes any rebate of tax as if the non-resident was a resident in New Zealand for the full income year.

#### ● Associated persons receiving benefits

Fringe benefits provided to an associate of an employee are to be taxed in the hands of the employee rather than the associate.

#### ● Subsidised transport

The subsidised transport exception allowing employers to pool benefits at the flat rate of 49%, if all employees have the same or similar entitlement, now includes employers who are close companies.

### New "short form" multi-rate calculation option

From 1 April 2001 an additional multi-rate calculation option is available. This streamlined option allows all attributed benefits to be taxed at the flat rate of 63.93% and all non-attributed benefits to be taxed at the flat rate of 49% (or 64% on all fringe benefits provided to major shareholder-employees).

### Remember...

Inland Revenue's FBT webpage links to an FBT multi-rate calculator, FBT-related publications and related reference material—see [www.ird.govt.nz/business/fbt2/main4.htm](http://www.ird.govt.nz/business/fbt2/main4.htm)

The FBT calculator works out the FBT to pay for an employee based on the employee's cash remuneration and attributed fringe benefits. This site also contains new information on shareholder-employee and attributed income calculations.

## Recently updated publications

A number of publications have been updated by Inland Revenue recently. Most are available on our website ([www.ird.govt.nz](http://www.ird.govt.nz)) or can be ordered through INFOexpress or StationeryXpress.

### **2002 Extension of time (EOT) arrangements (IR 9XA)**

The agreement is available on Inland Revenue's website at [www.ird.govt.nz/business/tax\\_agents/index.htm](http://www.ird.govt.nz/business/tax_agents/index.htm) and on the Institute of Chartered Accountants of New Zealand website [www.icanz.co.nz/tax](http://www.icanz.co.nz/tax) under the link "other". This publication is not available in paper copy.

It contains details of the arrangements and procedures in the agreement, which is prepared annually by Inland Revenue in consultation with the Institute of Chartered Accountants of New Zealand.

### **Conversion of overseas income to New Zealand currency (IR 270)**

This form contains a table of conversion rates to help convert overseas investment income to New Zealand currency when completing a New Zealand tax return for the income year ended 31 March 2001. You can use these rates in all cases where the



income was not sent back to New Zealand. Alternatively you can use the actual applicable rate available at any trading bank at the time the income was paid or otherwise credited.

#### **Resident withholding tax on dividends (IR 284)**

A guide for companies, telling them how to deduct resident withholding tax (RWT) from the dividends that they pay to their shareholders.

#### **Consolidation (IR 493)**

A guide for companies, telling them about the consolidation rules, which allow a group of companies owned by the same shareholders to be treated as a single economic entity (previously the IR 4E).

#### **Election to form a consolidated group (IR 494)**

A group of companies that wish to consolidate must give written notice of their election on an IR 494 (previously IR 4EF).

#### **Consolidated groups – general elections (IR 495)**

If a consolidated group wishes to change its nominated company, it must notify us on an IR 495 (previously IR 4EG).

#### **Taxes and the taxi industry (IR 272)**

Information about tax issues for taxi drivers, and owner-operators.

#### **Application for a higher maximum pooling value (IR 719)**

The maximum pooling value is \$2,000. This means you can only pool assets that each have an adjusted tax value of \$2,000 or less. However, you may wish to apply for a higher maximum pooling value by completing the IR 719 (previously IR 260C).

#### **Application for a deduction for an asset no longer used (IR 720)**

Use this form (previously the IR 260D) to make an application to claim a deduction for an asset that is no longer used but has not been disposed of.

#### **Qualifying companies (IR 435)**

A guide to qualifying company tax law.

#### **Qualifying company or loss attributing qualifying company elections (IR 436)**

This form incorporates both director and shareholder elections. The IR 436 replaces the:

- *Qualifying company elections (IR 4PE)*
- *Loss attributing qualifying company elections (IR 4PL).*

#### **Revocation of qualifying company or loss attributing qualifying company election (IR 437)**

A form to advise us that the elections of the directors' have been revoked or that a shareholder has made a voluntary revocation. This form replaces the:

- *Revocation of qualifying company election (IR 4PR)*
- *Revocation of loss attributing qualifying company election (IR 4PA).*

## **Third version of the tax agents' CD Rom**

If you have not yet received a copy of the third version of the tax agents' CD Rom, or require additional copies, you can order these by phoning (04) 498 5752 (leave a message) or by emailing [agentcd@ird.govt.nz](mailto:agentcd@ird.govt.nz)

The CD Rom issued to all tax agents in April 2001 has been designed specifically for tax agents and contains electronic copies of key Inland Revenue forms, booklets and information relevant to tax agents. All items contained on the CD Rom are current as at 1 April 2001.

You are able to view the information using your Netscape or Microsoft browser software. We have also included browser software with the CD Rom. In conjunction with the development of the CD Rom, we are currently redesigning the tax agents' page on the Inland Revenue website. This will be available by June 2001. The intention is to give users quicker and more up-to-date access to Inland Revenue forms, guides and information.

To ensure both the CD Rom and the tax agent site provides the information needs for end-users, we require your feedback. If you'd like to provide feedback or have any questions please contact us on (04) 498 5752 (and leave a message) or send an email to [agentcd@ird.govt.nz](mailto:agentcd@ird.govt.nz)

## **Non-resident individual income tax returns (IR 3NR)**

### **Do you need to file an IR 3NR if your client's only non-resident income is interest and/or dividends?**

This depends on whether the correct amount of non-resident withholding tax (NRWT) is being deducted at source by the bank or financial institution.

If the payer of the non-resident withholding income is deducting NRWT at the correct rate there is no need for an IR 3NR to be filed. NRWT is a final tax in some cases.

For the correct NRWT rates please refer to the *IR 290 – Non-resident withholding tax (NRWT) rates and country codes*. You may view it on our website at [www.ird.govt.nz/resource/publicat/publicat.htm#resident](http://www.ird.govt.nz/resource/publicat/publicat.htm#resident) or you can order a copy by phoning INFOexpress on 0800 257 773.

Please ensure the correct NRWT rate is being deducted from your client's non-resident withholding income. This will stop the need for your clients to file an IR 3NR and you can remove them from your agency list.

Please also tell us about these cases so that we can update our records so that a return is not expected for the current and future years. To do this fax your list of clients to the Dunedin Non-Resident Centre on (03) 467 7083.



## Inland Revenue phone numbers

We have a special tax agents' freephone number (0800 377 779) so that we can:

- give your call a higher priority than non-tax agents, and
- put your call through to staff with the right skills to answer your enquiry.

This number is for tax agents only—if your clients need to contact us they should call one of these standard numbers:

### Business enquiries

|                                  |              |
|----------------------------------|--------------|
| Employers                        | 0800 377 772 |
| GST                              | 0800 377 776 |
| Overdue tax and returns          | 0800 377 771 |
| Income tax and general enquiries | 0800 377 774 |

**Student loan enquiries** 0800 377 778

### Personal enquiries

|                                  |              |
|----------------------------------|--------------|
| Overdue tax and returns          | 0800 227 771 |
| Family assistance                | 0800 227 773 |
| Income tax and general enquiries | 0800 227 774 |

**Child support** 0800 221 221

### Corporate enquiries

|                               |              |
|-------------------------------|--------------|
| Corporate employer enquiries  | 0800 443 553 |
| All other corporate enquiries | 0800 443 773 |

**Duties** 0800 105 654

### Overseas taxpayers

|                                  |               |
|----------------------------------|---------------|
| Overseas Child Support customers | 64 7 834 0022 |
| Other overseas taxpayers         | 64 4 801 9973 |

**Deaf or hearing impaired customers** Fax 0800 447 755

Please do not give your clients the 0800 number dedicated for tax agents. If people other than tax agents use your dedicated number, fewer specialised staff will be available for tax agents, and it will take longer to answer your phone calls.

## Standard Practice Statement RDC 6.1

### Arrangements for payment of tax debt

This 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. It replaces Standard Practice Statement RDC 6 – Instalment arrangements for payment of tax debt. The Standard Practice Statement has been updated to incorporate recent legislation changes to the relief provisions contained in the Tax Administration Act 1994.

This Standard Practice Statement can be found in *Tax Information Bulletin (TIB)* Vol 13, No 4 (April 2001) and is also available on Inland Revenue's website at [www.ird.govt.nz/tib/index.htm](http://www.ird.govt.nz/tib/index.htm)

## Standard Practice Statement GNL 120

### Non-standard balance dates for managed funds and "as agent" returns

This Standard Practice Statement extends operational practice relating to consent for the use of non-standard balance dates to recognise special taxpayer or administrator situations.

Indicative example situations are provided where Inland Revenue may consent to applications by taxpayers to adopt non-standard balance dates for managed funds (unit trusts, group investment funds and superannuation funds) and agents for non-resident insurers (in respect of "as agent" returns).

## Delinking clients

Where a client is transferring to a new tax agent, the previous tax agent is not required to use INFOexpress to delink the client from their agency list.

The computer system will automatically transfer the client's details to their newly elected tax agent once the new tax agent has linked the client. It will also automatically delink the client from your agency details at the same time.

Following this process will save you time and ensure the client doesn't receive two letters for transfers between tax agents.

## Returning a remission of debt

It has been brought to the attention of the Commissioner that the policy in regards to debt remissions or cancellations was incorrect. The policy, as set out in *TIB* Vol 8, No 9 (November 1996), stated that a remission of debt was returned as gross income in the year it was cancelled. The Commissioner now considers the correct interpretation of the legislation is that the gross income is attributable to the year in which the deduction was made. A statement correcting the previous *TIB* item has been published in *TIB* Vol 13, No 3 (March 2001).

### 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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[www.ird.govt.nz/business/tax\\_agents/index.htm](http://www.ird.govt.nz/business/tax_agents/index.htm)