



## First return filing target 14 September 2001

The first extension of time (EOT) filing target for clients' returns is fast approaching. The percentages due to be filed by 14 September 2001 are:

● Standard target	40%
● E-File target	37.5%
● Late balance date target	20%

Full details are in the EOT agreement available from Inland Revenue at [www.ird.govt.nz](http://www.ird.govt.nz) through the tax agents' link, or from the Institute of Chartered Accountants of New Zealand at: [www.icanz.co.nz/StaticContent/StaticPages/AGS/Tax\\_Other.cfm](http://www.icanz.co.nz/StaticContent/StaticPages/AGS/Tax_Other.cfm)

The EOT agreement allows for a 5% buffer. We do not intend to take any action if you do not meet your interim targets, unless your EOT is being supervised.

There may be genuine reasons why you will not be able to meet this first target percentage. You can negotiate filing targets that will better suit your business with your agent account manager or your corporate account manager. If you anticipate that you will not be within 5% of this first target we encourage you to contact your account manager prior to the target date. An adjustment to your expected filing target percentage will ensure that there is no unnecessary contact from us.

Having unnecessary returns showing as being required when they are not has disadvantaged the EOT filing results for some agents in the past.

We suggest that you review your client list, and advise us of those clients who either are not required to file a 2001 income tax return, or who should be deleted from your client list.

Your client list contains a lot of information and a regular review of that information can only be beneficial to you and us.

We encourage you to carry out maintenance on your client list before the target date—the first time might be time-consuming, but future reviews will be easier as a result.

If you have any queries about this, please contact your account manager.

## Breaking news

On 21 August, an email was sent to all of you who had successfully registered for our new "breaking news" email facility. If you did not receive the confirmation message and would like to receive breaking news emails when they are sent, please send an email to [tax.agent@ird.govt.nz](mailto:tax.agent@ird.govt.nz)

This facility will be used to communicate urgent issues quickly. All staff in your office who will benefit from these updates may register.

## CD Rom questionnaire

We are about to start the development of version 4 of the *Tax agents' CD Rom*. To ensure that we have a product that is helpful and provides the correct information for tax agents it is vital that we receive feedback from you.

Attached to this issue of *AGENTSanswers* is a short questionnaire. We ask that you complete it and send it back (postage is prepaid) to us by the end of September.

Remember that this is your product and to improve it we need your feedback!

## E-File correspondence destination codes

In the April 2001 issue of *AGENTSanswers* we introduced new destination codes for E-File correspondence. The reason for the change was to ensure that correspondence is correctly directed to the appropriate area of Inland Revenue for actioning.

The "COR" code is being used as a catch-all code, incorrectly assuming it stands for correspondence. This code should be used for corporate client correspondence only. When used incorrectly delays are caused as the correspondence is redirected to the appropriate place for action.

You may view the list of destination codes on the tax agents' CD Rom or on our website at [www.ird.govt.nz/business/tax\\_agents](http://www.ird.govt.nz/business/tax_agents) under the link "E-File". If you require additional printed copies phone 04 802 6078 or email [agents.answers@ird.govt.nz](mailto:agents.answers@ird.govt.nz)

## E-File system will be unavailable

E-File tax agents will experience two large outages over the next couple of months. These outages are required to upgrade the E-File server and relocate it.

This means that the E-File system will be brought down for the following periods:

- 12 noon Friday 14 September – 9 am Tuesday 18 September
- 12 noon Friday 5 October – 9 am Tuesday 9 October

All E-Filed returns will be transferred to FIRST prior to the server being brought down. Any changes to this schedule will be advised by smartfax to tax agents who E-File.

Please ensure that these dates are taken into consideration if you are filing any returns around these periods.



## Requesting and confirming a PTS

If a client hasn't already been sent a personal tax summary (PTS) or is not required to request one, we cannot advise you over the phone whether they will have a debit or credit outcome. Instead we can send you a summary of earnings (SOE) and a worksheet that you can use to calculate whether a debit or credit is likely to result.

If you request a PTS, you or your client must check that the information shown is correct before it can be confirmed. You are unable to request and confirm a PTS in the same phone call.

Where we have already issued your client with a PTS and you require changes to be made, we will update the changes, advise you of the final outcome and confirm the PTS in the same phone call.

## Honoraria paid to school trustees

In the August issue of *AGENTSanswers* we outlined the determination in relation to honoraria paid to school trustees for attending board of trustee meetings.

If your client's total withholding income is exempt under this determination and there is no other reason for them to file an IR 3 income tax return, please advise us. We will update our records to ensure a return is not expected for the current and future years.

However before this determination was announced, payments may have already been received after 1 April 2001 with withholding tax deducted. In these situations the trustee must submit a tax return including the withholding income that was taxed and claim as an expense withholding income up to the amount allowable under the determination.

## Avoiding toll charges

If you are asked to return a phone call to Inland Revenue you'll be given a name, office and extension number.

If the number is outside your freephone area, phone your tax agent's freephone number to avoid a toll charge. Tell the customer service representative that you are returning a phone call, who called you, and their extension number.

## Deductibility of entertainment expenditure

We have been asked to clarify the deductibility of entertainment expenditure, particularly as it relates to such matters as staff morale or goodwill activities and staff training activities, held off-site.

Both types of entertainment would meet the deductibility tests of section BD 2 of the Income Tax Act 1994 as it is accepted that they are expenses incurred in carrying on a business to derive gross income.

However, only certain types of entertainment expenditure (specified in Part B of Schedule 6A of the Income Tax Act 1994) will qualify for 100% deductibility. Otherwise the entertainment expenditure will be limited to 50% deductibility.

### Staff morale or goodwill

Food and/or beverages provided off the business premises for the purposes of staff morale or goodwill functions, including team building functions, will always be limited to 50% deductibility.

Likewise the cost of the venue itself, if applicable, is also limited to 50% deductibility.

### Staff training

Food and/or beverages provided off the business premises at a staff training course are 100% deductible, providing the training course lasts for at least four consecutive hours (excluding mealtimes).

If the training course is for less than four hours, the expenditure falls back into Part A of the Schedule and is limited to 50% deductibility.

## FBT filers' prescribed interest rate for loans

For the quarter beginning 1 July 2001 the prescribed rate of interest for calculating the fringe benefit value of low-interest loans to employees is 7.69%. This is a decrease from the previous quarter's rate of 7.95%.

### 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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Email: [agents.answers@ird.govt.nz](mailto:agents.answers@ird.govt.nz)

AGENTSanswers is also on our website:  
[www.ird.govt.nz/business/tax\\_agents/index.htm](http://www.ird.govt.nz/business/tax_agents/index.htm)

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## CD Rom questionnaire

**1** Which of the following best describes your business in which the CD Rom is used?

- Tax agent
- Corporates client
- Lawyer
- Education
- Other

**2** How often is the CD Rom used per day?

- 0 times
- 1 – 2 times
- 3 – 5 times
- 6 – 8 times
- 9+ times

**3** Do you like the current format of the CD Rom?

- Yes
- No

**4** How do you find the navigation around the CD Rom?

- Very easy
- Easy
- Acceptable
- Moderately difficult
- Very difficult

**5** Has the CD Rom enabled you to more easily fulfil your or your clients' tax obligations?

- Yes
- No

If no, please specify:

**6** Do you use the calculators on the CD Rom?

- Yes
- No

**7** Do you use the fill-in forms on the CD Rom?

- Yes
- No

**8** Please list the calculators and/or fill-in forms you would like to see developed in future enhancements of the CD Rom.

**9** Have you used the product updates page on the CD Rom?

- Yes
- No

**10** Would you like the CD Rom retained or the information on it migrated to the Inland Revenue website?

- CD Rom
- Internet
- Both

Other comments – please specify:

Please secure edges to send

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