

AGENTS ANSWERS

Inland Revenue's tax agents' update

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Making the L letter fit the bill

Businesses constantly strive to be both more cost and time efficient. We recognise the time you spend complying with our requirements. That's why we're constantly looking at ways to make all aspects of dealing with us simpler. The way we communicate with you is no exception.

Feedback from you and your clients helped us understand how to improve the L letter and make it easier to understand. After consultation with NZICA we have produced a new version of the L letter.

The key differences are:

- a shorter, clearer letter
- the removal of balance date information
- the removal of terminal tax date information.

We hope these changes will encourage your clients to act promptly and provide the data you need to finalise their tax returns. As with any new changes, we're keen to make sure they work as intended. Please pass on to your agent account manager any feedback you receive from your clients about the new letter.

You can view a sample of the new letter at www.ird.govt.nz (keyword: INFOexpress-agents) or request one from INFOexpress.

Changes to the student loan packet cover page

We're moving our student loan products to a new print platform. As a result we've had to make some changes to the information we've previously given agents on the first page (cover page) of each packet.

Previously when you received student loan products from us by mail there was a covering page with:

- the agency name and address details
- a list of customers included in the packet
- details of the number of pages for each client



All student loan products printed from 19 October 2009 onwards will have a different cover page. Due to system limitations we've had to remove the client-specific information from the cover page.

The new cover page will simply show the agency's name and address details and the number of pages in the packet.



Inland Revenue
Te Tari Taake

Welcome to Agents Answers

In this issue: Making the L letter fit the bill, changes to student loan cover pages, client maintenance, enhancements to online services for tax agents, recent tax determinations, return and correspondence service levels, encouraging debt reduction, clients' tax returns affected by the new foreign investment fund (FIF) rules, student loan write offs, validity of disputes documents.

If you have any suggestions for topics you'd like covered in this newsletter, email agents.answers@ird.govt.nz



Reminders

Filing dates

November 13 guidelines:

- 60% of clients under standard guidelines/targets
- 57.5% of clients under E-File
- 50% of clients with late balance dates.

These dates are filing guidelines in most cases. They're only a target or monitored if you're currently being monitored by your agent account manager. If you're having difficulty maintaining a reasonable level of return filing, call and discuss solutions with your agent account manager. They're here to help.

FBT quarterly returns:

20 October – FBT return (IR 420) for the second quarter is due.

Using our online services

We're keen to save you time when interacting with Inland Revenue and our online services are there to do just that. We've been profiling these services in this newsletter to make sure you know about them and how to use them. This month we look at client maintenance.

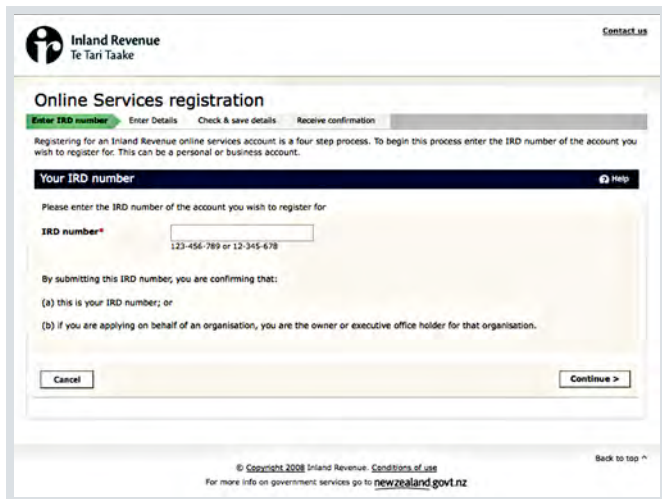
Client maintenance

If you're still phoning or writing to us about linking or delinking your clients from your client list there's a more efficient way to do this—using our client maintenance service.

This service allows you to:

- add a client to your tax agency client list or add an additional tax type for an existing linked client
- remove a client from your tax agency client list.

This service is located on a secure part of our website to prevent unauthorised interception.



What you will need

To use this service you need a userID and password. To get a userID and password you need to register for an Online Services account.

If you haven't yet registered, please contact your agent account manager.

Once registered for Online Services, you also need to be registered to use the Look at Account Information service.

If you've registered and applied for the Look at Account Information service but haven't applied for the Client Maintenance service, you need to do so at www.ird.govt.nz (keywords: client maintenance).

After applying for the client maintenance service you'll need to log out of Online Services. The next time you log in to Online Services, the client maintenance service will be available for you to use.

Remember, you must hold signed authority to act from your client authorising you or your agency to discuss specific tax matters with us. We can't display details about tax types or activities for a client unless they have authorised you or your agency to have access to that tax type or activity.

Before you delink a client or a tax type please confirm with your client the address to which they want us to send correspondence.

After you've registered

When you link a client you'll be able to view the tax types you are linked for online immediately.

When you delink a client you'll no longer be able to view their tax types online.

Enhancements to online services for tax agents



Our e-services for tax agents are now being looked after by a project team within Inland Revenue. Over time a range of new services will be introduced but initially the team will focus on payment and credit transfers.

We've found the tax agent community very willing to carry out their tax activities online rather than call or write to us. Enhancing our current e-services will help streamline those activities even more, making e-services the channel of choice for tax agents.

Encouraging debt reduction

In the July issue of *AGENTSanswers* we ran an article on managing tax debt.

In this article we spoke of a tendency for businesses to push tax payments down the list of priorities and the role you play in encouraging your clients to comply. We also outlined the options available to your clients when they experience difficulty in paying their tax or in fact go into debt.

We'd like to thank those of you who took up the challenge in this message and have encouraged your clients to enter into instalment arrangements.

If you didn't see the July article you can read it on our website www.ird.govt.nz under "Newsletters and bulletins". You can also find more information on debt repayment options by searching using the keywords: financial difficulty.

Return and correspondence service levels

There's been an increase in the number of times you contact us to find out details of timeframes for processing returns and other enquiries. Not knowing when you can expect a response or action can be very frustrating. So we thought it might be useful for you to know our service timeframes. This way you'll know when you should have an outcome.

Timeframes for completion once received at Inland Revenue

Type of return	% processed	% remaining
Income tax returns	80% within 4 weeks	18% within 10 weeks
GST and FBT returns	95% within 3 weeks	5% within 6 weeks
EMS (employer monthly schedules)	95% within 3 weeks	5% within 6 weeks
Tax credits	90% within 3 weeks	10% within 6 weeks

What to expect

- Timeframes may vary during peak times.
- Outside peak times our target is to answer correspondence within 15 working days (3 weeks) of receipt.
- During peak times it will take between one and two months for correspondence to be actioned.

Clients' tax returns affected by the new foreign investment fund (FIF) rules

We've identified several issues in some software used by tax agents to prepare their client's income tax returns.

This means that under the new FIF rules, tax calculations of some clients who have:

- FIF income, and
- foreign tax credits, and
- excess imputation credits

might not be correct and the assessments you receive will differ from the returns you filed.

The reason for this is that some losses carried forward were calculated incorrectly, and we'll have to manually clear all the affected returns.

Find out more about software issues and FIF rules at www.ird.govt.nz (keywords: fif software).

Validity of disputes documents

In the October 2008 *AGENTSanswers* we discussed the High Court decision in *Alam and Begum v Commissioner of Inland Revenue* (2008) 23 NZTC 22,006. The case was a judicial review of a decision by the Commissioner to reject a Notice of Response ("NOR") provided by a taxpayer as part of a dispute. In finding for the taxpayer his Honour Woodhouse J concluded:

- the Commissioner does not have the authority to reject a NOR; and
- the NOR filed by the taxpayers was valid.

The Commissioner has successfully appealed this decision (*Alam and Begum v Commissioner of Inland Revenue* [2009] NZCA 273). On appeal the Commissioner argued that judicial review wasn't the right way to resolve the validity of a NOR.

The Court of Appeal agreed but they also confirmed that the Commissioner doesn't have the power to determine the validity of a NOR. The Court clarified that the Commissioner could however take a view on whether a NOR meets its statutory requirements, and then proceed in reliance on that view.

Recent tax determinations

Determination DET 09/03

DET 09/03: *Amount of honoraria paid to members of the Royal New Zealand Plunket Society (Inc) that shall be regarded as expenditure incurred in the production of payment*

This determination sets out the amount regarded as expenditure incurred in the production of schedular payments (formerly withholding payments) when those payments are honoraria paid to members of the Royal New Zealand Plunket Society (Inc) ("Plunket").

You can read the full narrative in the *Tax Information Bulletin* Vol 21, No 6 (August 2009) or at www.ird.govt.nz (keywords: other determination).

Determination DEP 71

DEP 71: *Tax depreciation rates general determination number 71*

This determination applies to taxpayers who own items of depreciable property under the general asset class of firewood processors and log splitters that have been acquired on or after 1 April 2008.

For more on this determination go to www.ird.govt.nz (keywords: DEP 71).

