

AGENTS ANSWERS

Inland Revenue's tax agents' update

Issue No 119 • November 2009 • IR 787

2009 income tax filing season

Filing of 2009 income tax returns is now well under way. Having the right return information and the sections on the return completed correctly means a quicker turnaround time for you and more accurate data held by us for your clients.



Here are some hints and ideas to help speed up the process and ensure we record your clients' details correctly:

- Use the 2009 version of the return since the key points change from year to year.
 - Make sure losses carried forward are correctly entered.
 - Complete an IR 4S for details like losses or shareholder salaries on IR 4 returns.
 - Put staples in the left-hand side not the top middle (data can't be easily read when the staples are in the middle).
 - Only losses can be negatives.
 - Show the client's valid IRD number on all returns.
- All accounts should be attached to the inside of the return.
 - All correspondence should be attached to the outside of the return. This includes special transfer requests, provisional tax elections and loss letters.
 - Don't show your agency's street or postal address on the return, as we may accidentally overwrite the correct details on your client's account.
 - Changes to agent linking/delinking can be done using "Client maintenance" online, by calling 0800 456 678, or the tax agents' 0800 number, or filling in an IR 795 form.



Inland Revenue
Te Tari Taake

Welcome to Agents Answers

In this issue: 2009 income tax filing season, L letter availability, major tax bill passed, reducing paper statements and notices, UOMI rates current and past, GST returns filed online and refund transfer requests, Online tools - "Tool for business", "Payroll giving" – a new initiative, NZICA road show at a town near you, student loan interest write-offs for those studying from 2000 to 2005.

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



Reminders

Legislation enacted

The following legislation has now been enacted:

- Student Loan Scheme (Repayment Bonus) Amendment Act 2009
- Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 covering:
 - tax rules relating to offshore income of controlled foreign companies
 - taxation of the life insurance business
 - tax rules of petroleum mining
 - payment of relocation and overtime meal allowances
 - introduction of payroll giving scheme
 - definition of "associated persons".

L letter availability

We'll be turning off L letters on Monday 15 February 2010. This means that from this date until early August 2010 you won't be able to request an L letter be sent to your client.

If you have any clients who haven't given you their records and you would like us to send them an L letter before 15 February 2010, you can request one by phoning 0800 456 678. Remember when phoning you don't need to wait for the voice prompts before you move on to the next step.

By issuing an L letter, the client is removed from your performance statistics until the return is filed.

Major tax bill passed



The Taxation (International Taxation, Life Insurance, and Remedial Matters) Bill has now been enacted. This new omnibus tax Act gives effect to a number of business tax reforms. They include the reform of the tax rules relating to the offshore income of controlled foreign companies, reform of the taxation of the life insurance business,

introduction of a payroll giving scheme for charitable donations, updating the petroleum mining tax rules, clarifying the law relating to employer payments for relocation and overtime meal allowances, and strengthening the definitions of “associated persons” in income tax law.

We comment here on:

- changes to GST rules for exported second-hand goods
- depreciation remedial changes
- changes to the definitions of associated persons
- changes to non-disclosure rules
- tax recovery arrangements
- tax treatment of relocation payments and overtime meal allowances
- tax treatment of reimbursements and honoraria paid to volunteers

Changes to GST rules for exported second-hand goods

Previously exports of second-hand goods were subject to GST at the standard rate of 12.5% if the exporter, or an associate of the exporter, had claimed a second-hand goods input tax deduction.

The new Act includes amendments to the GST Act 1985 to allow exported second-hand goods to be zero-rated if the:

- goods are entered for export
- goods leave New Zealand within 28 days of the time of supply
- recipient provides a declaration (for example, in the sale and purchase agreement or other sales document) at or before the time of supply that neither they nor an associated person will cause the goods to be re-imported to New Zealand in the same condition in which they were exported.

GST must still be charged if all of the following have taken place:

- the exported goods were previously zero-rated
- the goods are subsequently imported into New Zealand
- the goods are re-acquired by the exporter in a condition that is substantially the same as when the goods were zero-rated

- the exporter had claimed a second-hand goods input tax deduction in connection with the original export of the goods.

Depreciation remedial changes

A number of remedial changes regarding the tax depreciation rules have been made; most are of a minor or administrative nature. Many of these changes clarify law from previous periods.

The changes include:

- giving the Commissioner power to withdraw both provisional determinations and economic rate determinations
- an annual rate for depreciable property—including references to special rate and provisional rate.

In addition, two categories are being added to the list of depreciable land improvements in Schedule 13 of the Income Tax Act 2007:

- pipes (applies from 1993–94 income year)
- purpose-built surfaces for sports facilities.

Changes to the definitions of associated persons

The associated persons rules have been strengthened and rationalised. A full commentary on the changes is available in a special report: “New definitions of ‘associated persons’” available at <http://taxpolicy.ird.govt.nz> and in the *Tax Information Bulletin* Vol 21, No 8 (October/November 2009).

The reforms generally apply (excluding those applying for the land provisions) for the 2010–11 and later income years.

Transactions involving land apply earlier:

- for a person and persons associated to a person involved in a building business for land on which improvements are begun on or after 6 October 2009
- for other persons and associated persons for land acquired on or after 6 October 2009.

Changes to non-disclosure rules

The Tax Administration Act 1994 (TAA) provided for non-disclosure of tax advice documents given to or issued by the Commissioner of Inland Revenue at the investigation or disputes phase. This non-disclosure did not, however, extend to documents during litigation.

The legislation has now been amended to allow an authorised tax advisor to claim non-disclosure over certain documents right through the investigation, dispute and litigation processes.

The amendment will allow the Courts to have access to the facts (the tax contextual information), but not to the tax advisor’s view of the facts.

The right also extends to certain documents created by taxpayers for the purpose of seeking tax advice from tax advisors.

The change applies to all challenges commenced on or after Royal Assent to the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act

2009 except where the challenge has not held a case management conference or directions hearing or there is a direction not to hold the conference or hearing.

Tax recovery arrangements

A clarifying amendment has been made to the Tax Administration Act 1994 to ensure charges, such as interest, administrative penalties and costs, may be collected under New Zealand's tax recovery arrangements.

To date, New Zealand has entered into tax recovery arrangements only with Australia, the Netherlands, Poland and the United Kingdom. The administrative details for these arrangements have now been finalised and New Zealand has potentially been able to receive requests for assistance from 1 April 2008. The clarifying amendment therefore applies from that date.

Tax treatment of relocation payments and overtime meal allowances

Amendments to the Income Tax Acts 1994, 2004 and 2007 specifically ensure that payments by employers when relocating their employees, and/or providing employees with overtime meal or sustenance allowances, are tax-free to the employee provided certain conditions are met. The application date for these amendments is from the 2002–03 income year.

(Legislative reference: Section 45 of the Taxation (International Taxation, Life Insurance and Remedial Matters) Act 2009 amends section CW 17B of the ITA 07.)

Relocation payments

Work-related relocation payments made by employers to relocating employees are exempt income of the employees providing all of the following conditions are met:

- The employee's relocation is required as the result of:
 - taking up new employment with a new employer, or
 - taking up new duties at a new location with their existing employer, or
 - continuing in their current position but at a new location.
- The employee's existing home is not within reasonable daily travelling distance of the new workplace (unless accommodation is provided as an integral part of the job).
- The expense is on the list of eligible relocation expenses.
- The payment is no more than the actual expenditure incurred.
- The expenditure is incurred to the end of the tax year, following that in which the employee relocates.

Overtime meal allowances

For these payments to be exempt income of the employee, all of the following conditions must be met:

- Either the employee's employment contract must specify that the employee is eligible for a payment in relation to overtime hours worked, or an employer must have a policy or practice of paying an overtime meal allowance.
- The amount paid must be the actual cost incurred by the employee, with receipts/invoices for amounts over \$20 per meal, or a reasonable estimate of the expenditure likely to be incurred by the employee.
- The employee must have worked at least 2 hours overtime on the day of the meal.

(Legislative reference: Section 45 of the Taxation (International Taxation, Life Insurance and Remedial Matters) Act 2009 amends section CW 17C of the ITA 07.)

Sustenance allowances

For sustenance allowances to be exempt income of the employee all of the following criteria must be met:

- The employer has an established policy or practice of paying sustenance allowances.
- The employee must work a minimum of seven hours a day.
- Their employment requires them to:
 - work outdoors and away from their employment base for most of the day, and
 - undertake a long period of physical activity in travelling through a neighbourhood or district on foot or by bicycle.
- It's not practicable for the employer to provide sufficient sustenance on the day for the period when the employee is working outdoors.
- The allowance recognises:
 - the demanding physical nature of the employee's work, and
 - that the employer would normally provide tea, coffee, water, or similar refreshments at the employment base in the course of their business.

You may have clients who have paid PAYE on relocation payments, overtime meal allowances or sustenance allowances in the past. Where this has occurred anytime from 1 April 2002, the employer will be entitled to a credit for overpaid PAYE. Similarly, where these payments have been claimed as a business expense for income tax purposes, an adjustment will be required in the corresponding income tax returns.

The PAYE credits can be claimed by completing an *Employer monthly schedule amendments (IR 344)* form for the return periods affected. Advice in writing will also be required in respect of adjustments required for the PAYE expense claimed for income tax purposes.

(Legislative reference: Section 45 of the Taxation (International Taxation, Life Insurance and Remedial Matters) Act 2009 amends section CW 17C of the ITA 07.)

Tax treatment of reimbursements and honoraria paid to volunteers

Now that specific tax rules for the tax treatment of payments that reimburse expenditure incurred in undertaking voluntary activities have been enacted; the following rules will apply from 1 April 2008.

- Reimbursements for actual expenses incurred during volunteer activities are exempt income of the volunteer. These reimbursements may be based upon actual expenditure or a reasonable estimate of the amount likely to be incurred.
- Where the payment is a combination of honoraria and reimbursement of expenses incurred, and the honoraria and the reimbursement portions are clearly identified and recorded, the honoraria will be taxable and the reimbursement will be tax exempt.
- If there's no distinction between the honoraria and the reimbursement then the entire payment is an honorarium and subject to tax as a schedular payment.

Note: For the purpose of these rules, a volunteer is someone who freely undertakes an activity in New Zealand, chosen either by themselves or by a group of which they are a member, who benefits others without pecuniary gain for themselves.

Reducing paper statements and notices

To help improve your experience as a customer with us, we're going to reduce the number of contacts and the volume of paper we send out.

For example, statements and notices will no longer be issued:

- when they show a \$0.00 balance
- when statements have less than \$5.00 credit
- for credit transfers
- for refunds of manual direct credits.

We're also switching from open to bank-style statements to reduce the number of pages and we won't send paper-based responses to e-Filers (since we can communicate electronically with these customers).

Don't worry, we're not turning any customer information off. Your clients can still view account transactions at any time through our online service "Look at Account Information".

We encourage your clients to self-manage and do business with us electronically by registering for this service. Customers can still contact us to request paper-based information, however, "Look at Account Information" is the most efficient way to check account details.

UOMI rates current and past

You've told us it's difficult to find UOMI interest rates on our website. It may be helpful to refer to this table of current and past rates, as at August 2009.

Period	Debit rate	Credit rate
From 29 June 2009	8.91%	1.82%
From 1 March 2009	9.73%	4.23%
From 8 March 2007	14.24%	6.66%
From 8 March 2005	13.08%	5.71%
From 8 November 2001	11.93%	4.83%
From 8 November 2000	12.62%	5.74%

Because interest rates are updated regularly our website is the best way to stay current, go to www.ird.govt.nz (keywords: interest rates, uomi, use of money interest).

GST returns filed online and refund transfer requests

You've been asking why some transfer requests aren't being actioned when GST returns are filed online. This happens when the correct option on the GST return is not selected.

The solution is easy. When you're prompted to add any information about the GST return, there are four options:

1. Transfer any refund to other tax owing.
2. Cessation of your business/final return information on change of business.
3. Financial details about this return.
4. Other tax issues not related to this return.

For all transfer requests, you must select the first option 'Transfer any refund to other tax owing' by placing a tick in the box. If any other boxes are ticked, the transfer request won't be actioned and the refund will be issued.

Please talk to your agent account manager if you're unsure about this process.

Online tools – "Tool for business"

Our "Tool for business" is an interactive online tool to help businesses understand business tax and our requirements. It's a useful resource for small businesses and staff new to tax agency work.

As with any new product we're keen to get your feedback, so please take the "Tool for business" tour and let your agent account manager know what you thought. You'll find it at www.ird.govt.nz (keyword: tfb).

Once you've used it, we're sure you'll want to promote it to your staff and clients.

“Payroll giving” – a new initiative

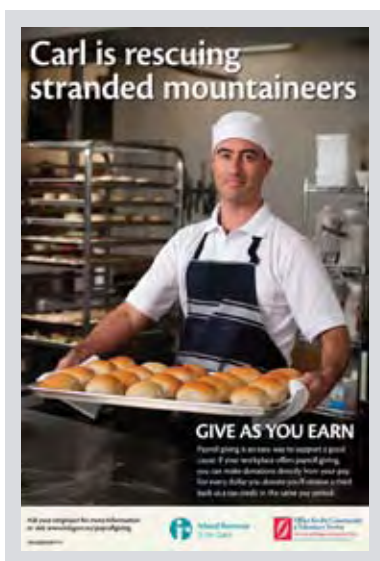
A new initiative coming out of the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 allows employees to donate to donee organisations and receive immediate tax credits for payroll donations of 33¹/₃ cents for each dollar they donate.

More detailed information, including the effective date, is available on our website, but these are the key points:

- From 6 January 2010, employers can choose to offer payroll giving to their employees.
- Only employers who file both their employer monthly schedule (EMS/IR 348) and employer deduction form (EDF/IR 345) using ir-File can offer payroll giving to their employees.
- If you're registered for Online Services as a tax agent you can file EMS/IR348s and EDF/IR345s electronically for yourself and your clients.
- Payroll giving is voluntary. Employers can choose to offer it to their employees, who can in turn choose to donate using the offered payroll giving scheme.
- Donations are collected by the employer and passed directly to the employee's chosen donee organisation.
- Donations can only be made to approved donee organisations. A list of these donee organisations is on our website at www.ird.govt.nz (keyword: donee).
- If employees choose to donate through payroll giving, they can't claim additional tax credits for these donations using the tax credit form IR 526.
- The IR 526 will still be available for people who donate to donee organisations directly and not through a payroll giving scheme.

Note: When someone makes a combination of donations, some by payroll giving and some straight to an approved donee organisation, the IR 526 can be used to claim tax credits for the non-payroll giving donations (ie, those made straight to the approved donee organisation).

For more information go to www.ird.govt.nz (keywords: payroll giving.)



NZICA road show at a town near you

The theme of the NZICA road show this year is “Topical tax and ACC updates”. See the table to find a venue near you.

Day	Date	Place
Monday	2 November	Whangarei
Monday	9 November	Lower Hutt
Tuesday	10 November	Masterton
Wednesday	11 November	Palmerston North
Thursday	12 November	Wanganui
Friday	13 November	New Plymouth
Monday	16 November	Napier
Tuesday	17 November	Gisborne / Invercargill / Queenstown
Wednesday	18 November	Auckland / Dunedin
Thursday	19 November	Hamilton / Tauranga / Oamaru / Timaru
Friday	20 November	Rotorua / Christchurch
Monday	23 November	Wellington
Tuesday	24 November	Greymouth
Wednesday	25 November	Nelson / Blenheim

For registration details and times, please email cpd@nzica.com

Student loan interest write-offs for those studying from 2000 to 2005

If you have clients who were studying between 2000 and 2005 they may not have received their full interest write-off if they didn't put their IRD number on their course enrolment form/s. We've identified these people and updated their student loan accounts. As a result, their student loan balance will have reduced and it will show on their student loan statement.

The interest write-off will appear on a student loan statement as “Interest write-off” or “Interest write-off adjustment”. The year the write-off applied to will also show, eg, “Interest write-off 2006”.

Refunds resulting from the interest write-offs

If an interest write-off means your client's student loan is paid off, or if they've already paid it off, we'll send a refund of any balance—they **don't need to do anything**.

Not sure if they're entitled?

Your clients will need to file an IR 3 to receive any interest write-off they're entitled to.

Go to www.ird.govt.nz/slwo for more information on interest write-offs for the years 2000–2005.