

## Community-Wise

### Inland Revenue's community update

#### Interest free student loans

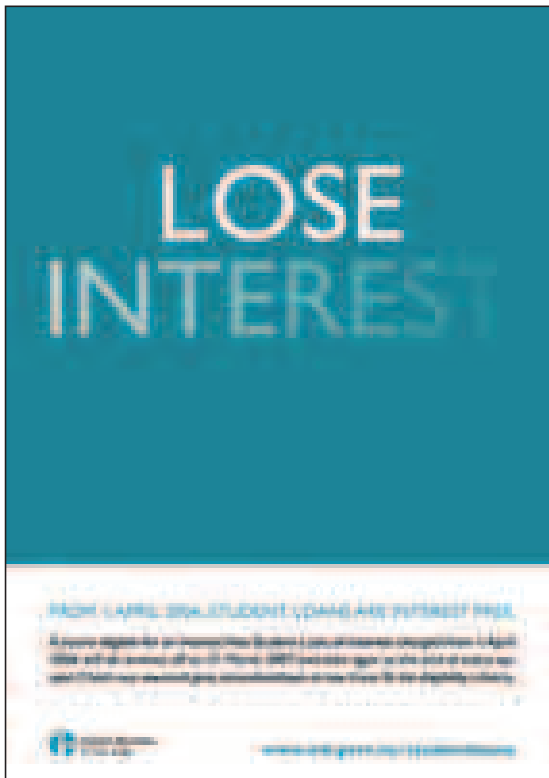
Student loans are interest free from 1 April for borrowers living in New Zealand.

Eligible borrowers will be entitled to a write-off of all the interest charged on their loan from 1 April 2006.

"Generally, to be eligible for an interest free student loan, you'll need to have lived in New Zealand for 183 or more consecutive days (about six months)," Andrew Minto, Inland Revenue National Manager, says.

"You'll continue to see interest charged on your Inland Revenue and StudyLink student loan statements. However, as long as you're eligible for an interest free student loan then all the interest that's been charged from 1 April 2006 will be written off after the end of each tax year (31 March)," Mr Minto says.

"It's important to remember that only the interest charged from 1 April 2006 will be written off—interest free student loans do not cover interest charged before this time."



#### Key points

- From 1 April 2006, student loans are interest free for borrowers living in New Zealand for 183 or more consecutive days (about six months)—whether they are studying or not.
- You'll continue to see interest charged on your student loans statements sent to you by Inland Revenue and StudyLink.
- If you're eligible for an interest free student loan, you don't need to do anything. All interest charged from 1 April 2006 will be written off automatically after 31 March 2007 and then again at the end of every tax year.
- Even if you don't satisfy the 183 day requirement, you could qualify for an exemption, which would also make your loan interest free. You'll have to meet certain conditions and provide proof to support an exemption application.
- Interest free student loans do not cover interest charged before 1 April 2006.
- The first interest write-offs will happen in April 2007.

For more information, check out [www.ird.govt.nz/studentloans](http://www.ird.govt.nz/studentloans)

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## New postcards for CLOs

Look out for the postcards our new community liaison officers are using to introduce themselves to people in the community, or to thank people they've worked with in the past.

Community liaison officers work with government agencies, community groups and organisations to help educate and raise awareness of child support.

You can contact our community liaison officers for free advice and information on child support issues on 0800 221 221.

**Thank you for your ongoing support**

**From your community liaison officer**



Child Support  
Tarihi Tamariki  
To contact Child Support you can call us on  
0800 221 221 or visit [www.ird.govt.nz/childsupport/](http://www.ird.govt.nz/childsupport/)

## Changes to child support legislation

The Child Support Amendment Bill (No 4) was reintroduced into Parliament on 24 November 2005.

The Bill contains a number of proposed amendments to the Child Support Act 1991, but is not a total re-write of the legislation. Instead it contains a number of provisions aimed at improving compliance and helping customers who have a child support debt to pay it off more easily. The changes include:

- Introduction of an incentive for paying parents who have stopped paying child support to start making regular payments again. If they agree to keep up their payments, and stick to the agreement, some of the late payment penalties they owe will be written off. However, they will still have to pay all the non-penalty child support they owe.
- Inland Revenue will be able to initiate reviews of paying parents' financial affairs when their assessed income does not match their suspected ability to pay.
- An exemption from paying child support for victims of sex offences, on the grounds that they should not be further victimised by having to pay child support for children conceived as a result of the crime.
- A temporary exemption for paying parents under the age of 16 who do not have sufficient income to meet even the minimum payment level. This exemption is for a limited period

while the paying parent may not be earning income and is still in the compulsory education system.

- The order in which late payments are allocated is to be changed. Money owed for periods when a custodian wasn't on a benefit (and therefore entitled to receive the payment) will take precedence over periods when the custodian was on a benefit (when the money is paid to the Crown rather than to the custodian).

Other changes in the Bill are remedial in nature. They are intended to make the child support scheme work better for everyone involved in it.

More information on the contents of the Bill can be found in its commentary. This can be accessed electronically at [www.taxpolicy.ird.govt.nz/publications/files/childsupport.doc](http://www.taxpolicy.ird.govt.nz/publications/files/childsupport.doc)

A copy of the Bill can also be found at the tax policy site [www.taxpolicy.ird.govt.nz](http://www.taxpolicy.ird.govt.nz) or can be bought from Bennetts Bookshops.

The Bill is currently before the Social Services Committee which needs to report back to the House by 5 June 2006. The select committee can recommend changes to the Bill. Parliament will then consider the Bill and can also make changes.

We'll report again in *Community-Wise* on what's happening with the Bill. In the meantime, the progress of the Bill can be tracked at [www.clerk.parliament.govt.nz/](http://www.clerk.parliament.govt.nz/)

## Payments and entitlements for 2006/2007

Child Support customers will now have received information about their new child support assessment and entitlement amounts.

Approximately 246,000 notices were sent to customers in February and March. Paying parents received a notice of assessment advising the amount of child support they need to pay in the coming year (1 April 2006 to 31 March 2007). Custodians received a notice of entitlement advising them the amount of child support they can expect to receive in the coming year.

Around 85,000 employer deduction notices were also sent out. These are sent annually to inform employers of the new child support amounts they need to deduct from the salary or wages of their employees.

Paying parents have also been sent the IR 176 flyer which explains that an assessment can change during the year.

“To calculate an assessment, we usually use a paying parent’s previous year’s income,” says David Udy, Child Support, National Manager. “In some cases, we won’t know the person’s exact income until later in the year so we carry out a reconciliation in July to compare the amount of income used in the assessment and the actual income earned over the 12-month period”.

A new assessment is issued if the paying parent’s income changed by more than \$500 and is backdated to 1 April—the start of the new child support year. Child Support will send a new notice of assessment if there’s a change, and if there’s a credit or extra to pay, this will be indicated on the statement. Custodians will be sent a new notice of entitlement if there’s a change to the amount they are to receive.

Customers who pay their child support by automatic payment need to notify their bank of the new payment amount before the first due date, 20 May 2006.

## Changes to child support assessments

As at 1 April, the new minimum child support rate payable will increase from \$58.90 per month (or \$707 per year) to \$60.85 (or \$730 per year).

Changes have also been made to the maximum assessable income and living allowances used in the standard formula to assess the amount of child support payable in the coming year.

The rate changes are set out in Child Support legislation to ensure payments stay in line with inflation. All customers were advised in February and March about their new assessments.

“The amount a paying parent needs to pay is worked out based on their income. The highest taxable income we use is based on 2.5 times the average New Zealand income. This year, this has been increased from \$97,167 to \$100,157, says David Udy, National Manager Child Support.

“Our objective is to ensure that children receive financial support from parents who no longer live with them, so even if the paying parent does not receive an income they still need to pay a minimum amount to financially assist with raising their child”.

The first payment based on the new assessments is due by 20 May 2006. Paying parents who pay their child support by automatic payment have been sent a reminder to alter the amount payable.

## Tax returns – who, what, when?

Most people pay the correct amount of tax and don't need an end-of-year tax square-up. However, depending on how a person earns their income and their situation during the tax year, they may be required to receive a personal tax summary (PTS) or file an *IR 3 Individual tax return*.

### People automatically receive a PTS in June and July if:

- they and/or their spouse or partner received family assistance from us
- they and/or their spouse or partner received family support from Work and Income and their total family income was over \$20,356 for the tax year
- they qualified for a student loan interest write-off other than the full interest write-off for students who are studying full-time
- they have used a special tax code during the year, or we contacted them because they appeared to be using an incorrect tax code
- they used a CAE (casual agricultural employee) or EDW (election day worker) tax code and earned more than \$200 from that source.

### People must request a PTS if:

- their total income was between \$38,000 and \$60,000 with more than \$200 of interest taxed at less than 33%
- their total income was over \$60,000 with more than \$200 of interest or dividends taxed at less than 39%
- their total income was over \$38,000 with more than \$200 of taxable Māori authority distributions
- they paid child support through us and received more than \$200 of interest, dividends or taxable Māori authority distributions
- they have a student loan, earned over \$16,588 and received more than \$200 in interest, dividends or taxable Māori authority distributions.

## Personal tax summaries

Those people who we know need an end-of-year tax square-up will automatically receive a PTS in June and July. Some people are required to request one while others may want to request one as they may be eligible for a refund.

The following outlines the three different groups.

Those who are required to request a PTS can request one through our website at [www.ird.govt.nz](http://www.ird.govt.nz) or call our automated phone service on 0800 257 444 (they'll need to have their IRD number handy).

### People should request a PTS if:

- they are able to claim one of two low income rebates. These are the child rebate or the rebate for those who received salary and wage income of less than \$9,880
- they received less than \$38,000 and received dividends
- they didn't work a full tax year (1 April 2005 to 31 March 2006)
- they had more than one job during the year
- they are able to deduct expenses from their income.

If a person thinks they may be entitled to a refund we recommend that they use our personal tax summary calculator or worksheet to work it out before they request a PTS. If they request a PTS and there is a tax bill they will have to pay it.

People can use our personal tax summary calculator at [www.ird.govt.nz](http://www.ird.govt.nz) or call INFOexpress, our automated phone service, on 0800 257 773 to request a *Personal tax worksheet (IR746)*.

Anyone not included in these lists and who haven't been contacted by us can relax—there's no need to get in touch with us.

## IR 3 Individual tax returns

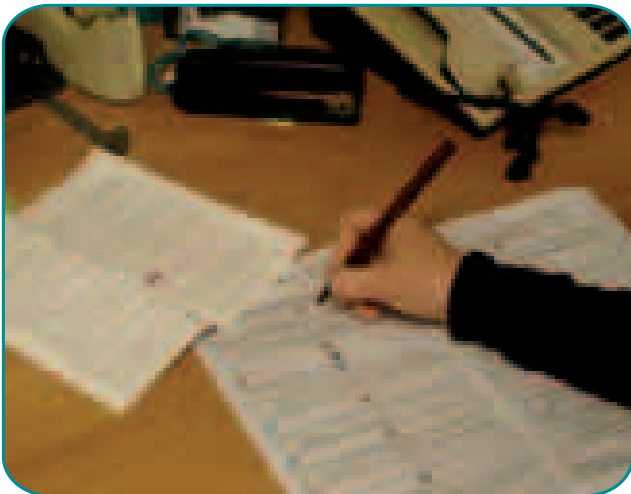
Anyone who receives income from self-employment, a rental property, a partnership, or withholding payments must file an *Individual tax return (IR 3)*.

A summary of earnings showing income information for the tax year will automatically be sent in May to those people who file an IR 3 and also received income from salary, wages or withholding payments.

IR 3 returns are due to be filed by 7 July 2006 for those taxpayers who don't have a tax agent or an extension of time. Anyone who doesn't have a tax agent or extension of time and can't file their return by 7 July 2006 will need to contact us.

If a person's circumstances have changed and they no longer need to file an IR 3 they should call us on 0800 227 774 so we can update their records.

Anyone who has not automatically received an IR 3 tax pack, or isn't sure if they need one, should visit our website [www.ird.govt.nz](http://www.ird.govt.nz) for more information, or call us on 0800 377 774.



## Charitable donations, childcare and housekeeper rebates

*Rebate claim forms (IR 526)* will automatically be sent to people who claimed for charitable donations, childcare and housekeeper rebates last year. These should arrive by the end of April.

People who haven't received their form by then, or didn't claim last year but believe they're entitled to this year, can obtain the IR 526 by visiting our website [www.ird.govt.nz](http://www.ird.govt.nz) or calling our automated phone service on 0800 257 773— they will need to have their IRD number handy.

People may apply for a rebate if they earn a taxable income (eg salary, wages, benefit, self-employed income) and:

- have donated money to a charitable organisation; or
- have paid school fees (please note, tertiary education related costs such as university or polytechnic fees cannot be claimed); or
- have paid for childcare as a working parent; or
- have paid for a housekeeper, where they (or their partner) were disabled or physically unable to do housework.

An individual can claim back one third of the amount of their receipts for charitable donations up to a maximum of \$630 (for receipts totaling \$1,890 or more), while a family can claim up to \$310 for childcare/housekeeper rebates (for receipts totaling \$930 or more).

The relevant receipts must be included with all claims.

# INLAND REVENUE'S GUIDE TO STAYING SQUARE

	REBATE CLAIMERS	IR 3 FILERS	SALARY & WAGE EARNERS
APRIL	<p>If you claimed donations, child care or housekeeper rebates last year, we will automatically send you a rebate claim form.</p> <p>If you haven't received a form by the end of April and want to make a claim, visit our website or call our automated telephone service on 0800 257 773.</p>	<p>If you received income from self employment, a rental property, withholding payments or a partnership, you need to complete an IR 3 tax return. We'll be sending these out during April and May. Visit our website to file your return online.</p>	<p><i>Breakfast in bed</i></p>
MAY	<p><i>Relax</i></p>	<p>If we sent you an IR 3 and you have income from salary, wages or withholding payments, we will send you a summary of earnings.</p>	<p><i>Read the paper</i></p>
JUNE	<p><i>Walk the dog</i></p>	<p><i>Channel surf</i></p>	<p>If you received salary, wages or benefit income and we think you need an end of year square-up, we will send you a personal tax summary.</p>
JULY	<p><i>Sleep in</i></p>	<p><i>Put your feet up</i></p>	<p>If you think you need an end of year square-up and haven't received a personal tax summary, visit our website or contact us for more information.</p>

It's easy to keep your tax matters squared up, just follow our simple 2006 guide.



[www.ird.govt.nz](http://www.ird.govt.nz)

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## Three out of four families will benefit from *Working for Families*

The latest changes under *Working for Families* will increase income levels for family assistance tax credits. This means up to 85,000 more families became eligible from 1 April 2006.

Almost all working families earning under \$70,000, many families earning up to \$100,000, and some larger families earning more will qualify for family assistance tax credits from April 2006.

The combined impact of all *Working for Families* changes to family assistance will benefit three quarters of all families in New Zealand. For example, previously a family with three children earning \$52,000 a year gets \$44 a week in family assistance. From April 2006, this increased to \$160 a week. Another family with two children and an income of \$60,500 a year became eligible for family assistance for the first time and from April 2006 will qualify for \$80 a week.

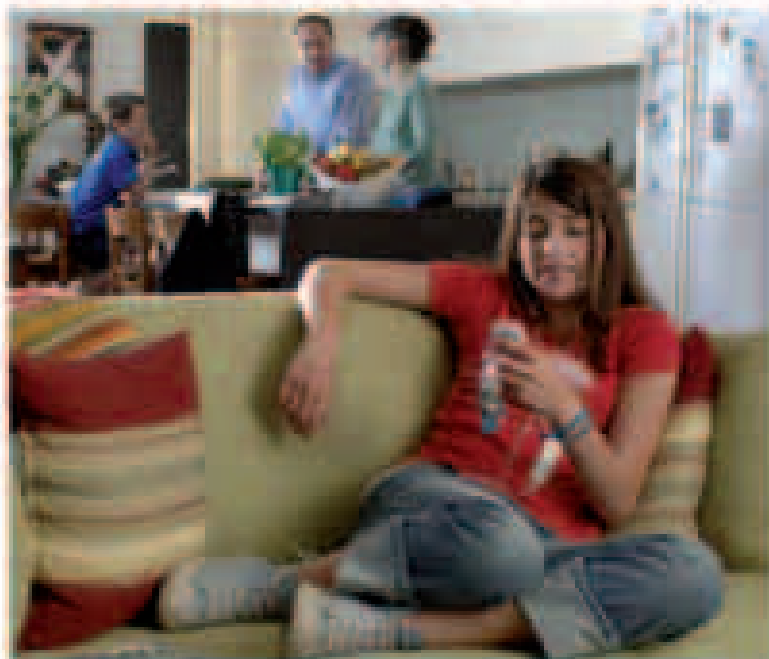


Family assistance includes four types of payments, and families may qualify for one or more depending on their circumstances. Family assistance can be paid weekly or fortnightly based on a family's estimated annual income, or in a lump sum after the end of the tax year.

Further information is available on [www.workingforfamilies.govt.nz](http://www.workingforfamilies.govt.nz) where you can also apply online, or you can call 0800 257 477 to find out if you may qualify and to request an application pack. It helps to have your IRD number handy when you call.

*Working for Families* also includes changes to childcare assistance and accommodation supplement, available from Work and Income. For more information, call 0800 774 004.

## Tax credits for working families...



Now's the time to get in touch

Visit [www.workingforfamilies.govt.nz](http://www.workingforfamilies.govt.nz) for more information.

Age of child/young person	Maximum weekly amount
0-12	\$160
13-17	\$80
18-24	\$40
25-29	\$20
30+	\$0

0800 257 477



## What are the family assistance payment types?



The four family assistance payments each have slightly different rules and we'll work out what you're entitled to from the information you give us when you register.

### Family support tax credit

This payment depends on how much you earn, the number of children you have, their ages, and your shared care arrangements, if any. We pay family support to working families, or when you receive a student allowance or NZ Super. Work and Income pays family support to families receiving a benefit.

### In-work payment

This is for families who normally work a minimum number of hours each week, as follows:

- a two-parent family where one or both parents between them normally work 30 hours a week
- a single parent normally working 20 hours or more a week.

Provided the working hours condition is met, in-work payment is also available when parents are self-employed, receiving NZ Super or a veteran's pension. It's not available to families receiving an income-tested benefit or student allowance.

People receiving paid parental leave or parental tax credit may also qualify for in-work payment provided they worked the required hours before taking parental leave.

In-work payment is available if you or your spouse or partner would normally work the required hours, but are injured and receiving accident compensation for an accident that happened after 31 December 2005.

### Family tax credit

Family tax credit is payable to families working for salary or wages earning up to \$21,658 a year before tax and ensures families have a minimum income of \$340 a week after tax. A single parent must be working at least 20 hours a week, and in a two-parent family, one or both parents between them must be working at least 30 hours a week.

You won't qualify for family tax credit for the weeks when your family income is from NZ Super, student allowance, self-employment (including one partner being employed by the other), shareholder-employee income from a close company in which you have a 10% or more shareholding, or contract payments to non-resident contractors, unless you or your spouse or partner also receive salary or wages from an employer.

You won't qualify for family tax credit at all for the weeks when your family income includes an income-tested benefit or a veteran's pension.

If you and/or your spouse or partner would normally work the required weekly hours but are injured and are paid accident compensation instead, you can still qualify for family tax credit.

### Parental tax credit

This payment is made for eight weeks after the birth of a new baby. You can receive up to \$1,200 depending on your family income.

There's no entitlement to parental tax credit for the days you receive an income-tested benefit, student allowance, NZ Super or veteran's pension during the first eight weeks after your baby arrives. If you receive accident compensation during these eight weeks it could affect your entitlement.

If you apply for parental tax credit within the first three months of your baby's arrival, you can choose to receive your payments weekly, fortnightly or as a lump sum after the end of the tax year (31 March).

If you apply after the first three months, you can still get parental tax credit, but only as a lump sum after the end of the tax year (31 March).

### Note:

You can't receive paid parental leave and parental tax credit for the same child. If you qualify for both, you'll need to decide which payment you'd like to receive. If you would like information on how to decide which payment to apply for, call us on 0800 377 777.

## Student loan repayment threshold increase

The student loan repayment threshold has increased from \$16,588 to \$17,160, from 1 April 2006. Borrowers living in New Zealand, and earning over \$17,160 for the tax year ending 31 March 2007 must start making repayments to their student loan.

Borrowers who are salary and wage earners need to make repayments through their employer, by using a student loan tax code. Borrowers who are self-employed need to make repayments three times a year (interim repayments). For more information about making repayments, check out our website at [www.ird.govt.nz](http://www.ird.govt.nz)

### This may be of interest?

The student loan interest rate is changing from 7% to 6.9% from 1 April 2006. This is made up of two parts; the base interest rate (3.8%) and the interest adjustment rate (3.1%).

## Child rebate increasing from 1 April 2006

From 1 April the child rebate has increased from \$156 to \$351 a year.

School students can claim this rebate if, at any time between 1 April 2006 and 31 March 2007 they are:

- 14 and under
- 15, 16, 17 and still attending school, including schools for people with disabilities but excluding tertiary institutions
- 18 or turned 18 on or after 1 January 2006 and continued to attend school, including schools for people with disabilities but excluding tertiary institutions

and receive income other than interest, dividends and Māori authority distributions.

If school students meet the criteria to claim the child rebate, they can claim the rebate during the year. If they earn less than \$2,340 a year (\$45 a week for the whole year) they're not required to fill in a *Tax code declaration form (IR 330)*. Their employer is not required to deduct PAYE (income tax and earners' levy) from their income.

If a school student earns more than \$2,340 a year they need to fill in an IR 330. Their employer will then reduce their PAYE deductions by \$6.75 per week to allow for the child rebate (unless another employer is already reducing their PAYE deductions to allow for the child rebate).

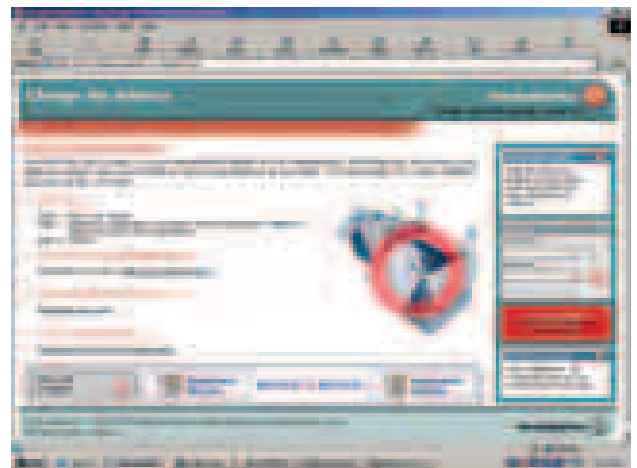
## Change my address

Inland Revenue has recently joined NZ Post's [www.changemyaddress.co.nz](http://www.changemyaddress.co.nz) pilot that enables our customers to electronically advise us and other agencies and organisations of their change of address all at the same time. This is a free, online service, and saves home movers time, money and hassle.

"This service supports our strategic direction to enhance technology capability and the delivery of electronic services for our customers," says Sue Parrott from Business Systems Management.

"Customers can change their address details for Inland Revenue as well as other government agencies like Tenancy Services, and the Electoral Commission."

The pilot finishes at the end of June 2006. At the completion of the pilot we'll consider the benefits and determine if we'll continue with the service.



## Changes to Charities Act

*If you're involved in the charitable sector, you may have heard about the Charities Act 2005 and the recent establishment of the Charities Commission. But what impact, if any, is this new legislation likely to have on your organisation?*

### In a nutshell

Existing charities and charitable groups will need to register with the Charities Commission by 1 October 2007 to continue to be eligible for tax exemption. This is when changes to the Income Tax Act 2004 and Estate and Gift Duties Act 1968 will come into effect.

Inland Revenue remains responsible for administering the revenue acts and retains the right to audit charitable entities to ensure they continue to be eligible for tax exempt status. We will also be responsible for assessing whether donations to a charity are eligible for rebates and deductions.

### More on the Charities Commission

The Charities Act 2005 established the Charities Commission as an independent body to ensure charitable organisations continue to receive public trust and support.

The Commission's core functions are to provide:

- a registration and monitoring system for charitable organisations; and
- support and education to the charitable sector on good governance and management.

Registration with the Charities Commission is voluntary. The Commission will begin to receive applications for registration under the Charities Act 2005 around the middle of this year. The official opening date of the Charities Register will be widely advertised throughout community networks and on the Charities Commission's website.

Over the next few months, the Charities Commission will provide guidelines on its website to assist organisations with the registration process. To stay informed, subscribe to the Commission's monthly newsletter by emailing your name, organisation and contact details to [info@charities.govt.nz](mailto:info@charities.govt.nz)

For more information, visit [www.charities.govt.nz](http://www.charities.govt.nz) or call on 0508 242 748.

## WorkSite/PaeMahi

WorkSite/PaeMahi is an online portal to work and skills information in New Zealand found at [www.worksite.govt.nz](http://www.worksite.govt.nz)

Combining the resources of a number of Government agencies, including Inland Revenue, WorkSite/PaeMahi helps people make decisions about all matters relating to work and employment.

It provides information about education and training, career planning, finding work, tax obligations when you're working or employing someone, finding employees and establishing and operating a business as well as publications and other information about working in New Zealand. There's even an Ask an Expert tool, giving you a clever way to find answers.

WorkSite/PaeMahi is there to help if you need help finding work, help at work, help looking for staff and training.

## Update to mailing list

We want to update our mailing list and make sure we have the right information. Can you please send through any changes of address or name to [communitywise@ird.govt.nz](mailto:communitywise@ird.govt.nz) or contact your local CLO or SPLO.

## Contacting our liaison officers

Location	SPLOs 0800 227 773	CLOs 0800 221 221
Whangarei	Luana Poata	Felicia Heape
Takapuna	Shannon Brady Tangi Folau	Joseph Manu
Manukau	Kevin Mascarenhas Helen Lisiua	Paul Tuisaula
Hamilton	Moana Aperehama Diane Randell	Gail Hughey
Tauranga	Lorraine Morten	Kathy Whata
Gisborne	Kylie Low	Danny Fong
Napier	Nerissa Taurima	Sonia Cooper
Rotorua	Anna Jones	Edward Nathan
New Plymouth	Jenny Charteris	Tracey Lord
Palmerston North	Philippa McNae	Anne Lawson
Wellington	Russell Whitlock	Tracey Taylor
Nelson	Margaret King	Kaye Latham
Greymouth	Juliette Henry	—
Christchurch	Pip McArtney Heather Rush	Katie Collins
Timaru	Geoff Mayo	—
Dunedin	Nicola Rae	Cindy Henry
Invercargill	Peter Murphy Val Smith	Mark Bell

## Key dates and events

Date	Event
1 April <b>Student loans</b>	The student loan repayment threshold increases to \$17,160.
1 April <b>Family assistance</b>	The abatement levels for family assistance increase and in-work payment is introduced.
1 April <b>Child support</b>	New child support year begins and the new minimum and maximum amounts come into effect.
April <b>Personal tax season</b>	Rebate claim forms are sent to customers who claimed donation, childcare or housekeeper rebates last year.
April <b>Personal tax season</b>	IR 3 income tax returns are sent out.
April <b>Family assistance</b>	End-of-year statements are issued to business and self-employed family assistance customers. They show all the family and income details we hold and customers need to confirm they are correct.
4 - 12 May <b>Student loans</b>	All student loan borrowers are sent their April student loan statement.
May <b>Personal tax season</b>	Summary of earnings are sent to customers who are required to file an IR 3 income tax return.
20 May <b>Child support</b>	First payment due using new assessment amounts for the April 2006 – March 2007 year.
June <b>Personal tax season</b>	Personal tax summaries are sent to taxpayers who are required to have an end of year "square-up".
7 June <b>Child support</b>	First payment of new year's entitlement amount made to custodians whose paying parent has met the 20 May payment date.
July <b>Personal tax season</b>	Customers who didn't receive a personal tax summary can request one.
July <b>Child support</b>	Salary and wage income finalisation run. New notices are sent to paying parents if there's a change of more than \$500 between the income we used for the notice sent in February/March and the income actually earned for the year 1 April 2005 to 31 March 2006.