

Requesting annual information and returns

We are now in the peak of our busy season for salary and wage earners so we'd like to remind you of the options available to obtain information about your clients.

Our website and INFOexpress give you immediate access to a range of automated services specially designed to help with the enquiries you make most often. These allow you to obtain information outside our normal office hours.

New services, including online requests for information and taxpacks, are available on our website at:

www.ird.govt.nz/otherservices/online.html

Returns and information requested this way will be posted to you within 10 working days from the date of the request.

INFOexpress operates between 6 am and 12 midnight, 7 days a week. The phone number to ring is 0800 456 678. To help you use this service, a one-page INFOexpress calling aid has been included with this issue of *AGENTSanswers*. This calling aid is also available from our website at:

www.ird.govt.nz/library/publications/taxagents/infoexpress.pdf

IR 3 taxpacks

If you have not received an IR 3 taxpack for a client, you can request one using our website or INFOexpress.

Summaries of earnings

We began sending out summaries of earnings for IR 3 customers in mid-May. They can also be requested using our website and INFOexpress.

Personal tax summaries

Key information:

- Automatically issued personal tax summaries will be delivered to you from 29 May to 7 June.
- If a client does not receive an automatically issued PTS, but they would like a square-up, a PTS can be requested from July onwards. Please note, that if a PTS is requested and it is a debit, it must be paid.
- Our press advertising in July will highlight those people who must request a PTS and those who may be eligible for a refund.
- A PTS can be requested using INFOexpress. In late June you will also be able to request a PTS on our website.
- A PTS can be confirmed using INFOexpress for those clients who have a tax refund of \$50 or more.

Advertising to support the peak season

We will be using radio and daily newspapers to advise people who must request a PTS and those who should request one as they may be eligible for a refund. This will take place from 2 July to 10 July.

Between 24 July and 27 July we will again place advertisements in the press focusing on those people who should request a PTS (as they may be eligible for a refund). These include people who:

- are entitled to the child or under \$9,880 rebate
- earned less than \$38,000 and were paid dividends
- had more than one employer during the year
- have worked for less than a full income year
- have expenses to claim against income.

E-File billboard

If you are an E-Filing agent you will already be familiar with our billboard message facility. This is where we place messages of particular interest or importance to E-Filing agents, such as target date reminders, planned outages and helpdesk numbers. It's vital that you read these messages regularly to ensure you don't miss out on any important information.

Slight improvement in return filing for 2001 income year

As at 18 April 2002, clients of agents had 100,859 returns outstanding for the 2001 income year.

The overall percentage of returns filed at 31 March 2002 has improved from last year to 90.48%.

2003 EOT agreement

The following should be noted for this year:

- Interim percentages remain the same as last year
 - 40% returns filed by 20 September 2002
 - 60% returns filed by 22 November 2002
 - 80% returns filed by 21 February 2003
 - 100% returns filed by 31 March 2003.
- Tax agents whose business does not suit the target percentages are encouraged to negotiate new percentages with their agent account manager.
- The filing performance percentage for which tax agents may lose their EOT has changed from less than 70% to less than 80% for two consecutive years.

The agreement is available on Inland Revenue's website at www.ird.govt.nz/library/publications/taxagents/ir9xa-2002.pdf and from the Institute of Chartered Accountants of New Zealand on their website at www.icanz.co.nz/tax under "other issues". This publication is not available in paper copy.



Provisional tax calculation reminder

This is just a reminder about the options available to you when calculating your client's provisional tax for 2003.

Please note however that this article only covers clients who have a standard balance date of 31 March and does not cover the rules for new provisional tax payers. For the rules applying to clients who have a balance date other than 31 March, and new provisional tax payers, please refer to the *Provisional tax (IR 289)* booklet.

Where a client's 2002 return is filed on or before 7 July 2002

If your client's 2002 income tax return is filed on or before 7 July 2002, you can either:

- Calculate their provisional tax for 2003 using the standard option, or
- Estimate their provisional tax for 2003.

Under the standard option, simply add 5% to your client's 2002 residual income tax liability to arrive at their provisional tax amount payable for 2003.

Where a client's 2002 return will not be filed on or before 7 July 2002

If your client's 2002 income tax return is not filed on or before 7 July 2002, you can either:

- Calculate their provisional tax for 2003 using their 2001 residual income tax liability, or
- Estimate their provisional tax for 2003.

If your client's residual income tax (RIT) for 2001 is \$2,500 or more, you can calculate your client's provisional tax by simply adding 10% to their RIT for 2001. Refer to the table below.

Provisional tax payments for the 2003 income year	1st instalment (P1) due on 07/07/2002	2nd instalment (P2) due on 07/11/2002	3rd instalment (P3) due on 07/03/2003
The 2002 tax return is filed after 07/07/2002 but on or before 07/11/2002	2001 RIT plus 10% divided by 3	2002 RIT plus 5% divided by 3 multiplied by 2 less (P1)	2002 RIT plus 5% less (P1 + P2)
The 2002 tax return is filed after 07/11/2002 but on or before 07/03/2003	2001 RIT plus 10% divided by 3	2001 RIT plus 10% divided by 3	2002 RIT plus 5% less (P1 + P2)
The 2002 tax return is filed after 07/03/2003	2001 RIT plus 10% divided by 3	2001 RIT plus 10% divided by 3	2002 RIT plus 5% less (P1 + P2)

If your client's RIT for 2001 is less than \$2,500, they do not have to make any provisional tax payments until such time as their 2002 return is filed, if their 2002 RIT is \$2,500 or more. Your client's 2003 provisional tax payments can then be based on their RIT for 2002 plus 5% and the number of provisional tax instalments remaining. Refer to the table below.

Provisional tax payments for the 2003 income year	1st instalment (P1) due on 07/07/2002	2nd instalment (P2) due on 07/11/2002	3rd instalment due (P3) on 07/03/2003
Their 2002 tax return is filed after 07/07/2002 but on or before 07/11/2002	Nil	2002 RIT plus 5% divided by 2	2002 RIT plus 5% divided by 2
Their 2002 tax return is filed after 07/11/2002 but on or before 07/03/2003	Nil	Nil	2002 RIT plus 5%
Their 2002 tax return is filed after 07/03/2003	Nil	Nil	2002 RIT plus 5%



Uplift rates for 2003 year

It has been brought to our attention that some agents are calculating their client's provisional tax for 2003 using rules that last related to the 1999 income year.

The particular provisions in question [MB 2(1)(aa) and MB 2(1)(ab)] allowed you to calculate provisional tax for 1999 on 100% of the residual income tax for 1998 or 105% of the residual income tax for 1997 (if a 1998 income tax return had not been filed by the first or second instalment dates).

Please be aware that these provisions cannot be used when calculating your client's provisional tax for 2003.

Option to elect to be a provisional tax payer

Taxpayers have the option to elect to be provisional tax payers if their residual income tax is less than \$2,500, but they paid provisional tax. This allows them to get the benefit of credit interest on any overpaid tax.

If a taxpayer wishes to make an election for the 2002 year, it must be made when filing the 2002 income tax return. This can be done by sending E-File correspondence with an E-File return or by attaching a note to a paper return stating they wish to elect to be a provisional taxpayer for the 2002 year.

The criteria for election to be a provisional tax payer are:

- on or before the third instalment date, the tax payer has paid provisional tax of \$2,500 or more, and
- on the day on which the first payment of provisional tax was made for the year, the taxpayer had a reasonable expectation of being a provisional tax payer in that year, other than by making an election.

Remember, natural persons who are entitled to elect will only receive interest from their first instalment date if they estimated their provisional tax for the year (refer to section 120K, subsection 4 of the Tax Administration Act 1994).

Refer to section MB 2A of the Income Tax Act 1994 for further information.

As there was some confusion about elections for previous income years, we are accepting late elections for the 1999, 2000 and 2001 income years, where a taxpayer met the criteria to elect to be a provisional tax payer but did not do so.

Incorrect due date

Examples have been received recently where clients of tax agents had their payment due date updated as 7 February 2002 instead of 7 April 2002 for the 2001 income year. This affected clients who had L EOT at Target 4 and filed their 2001 return after 13 April 2002.

A fix is in place to stop this occurring and any accounts that had been given an incorrect due date have now been corrected.

Standard practice statement

INV-251 – Voluntary disclosures

This standard practice statement establishes guidelines for making a voluntary disclosure, the timing of notification, minimum details required and what constitutes a voluntary disclosure.

This standard practice statement applies from 1 May 2002 and replaces standard practice statement INV-250 published in *Tax Information Bulletin (TIB)* Vol 10, No 3.

INV-251 is available on our website at:

www.ird.govt.nz/library/newsletters/tib/vol14

Debt deduction notices

We will soon be issuing deduction notices to banks and employers to collect outstanding tax arrears. Once a deduction notice has been received, the employer or bank is legally required to deduct money from the salary, wages or bank accounts of the taxpayer.

The first arrears notice is issued to the tax agent. If the amount remains outstanding, a copy is sent to the client 10 days later. Any subsequent notices, for example statements or debt deduction notices, are sent to the tax agent only.

If you receive a copy of a notice to deduct amounts owed to Inland Revenue, please pass this information on to your client. It is important that your clients are aware that their employer or bank is going to commence making deductions on behalf of Inland Revenue. This will also give your client a chance to contact us and make an alternative arrangement.

Error in IR 3 guide

The printed 2002 IR 3 guide contains an error relating to distributions of beneficiary income to which the minor beneficiary rule applies.

On page 33 it states "From the 2001/2002 income year, income distributed from a trust to a beneficiary who is a minor is taxed as trustee's income".

Unfortunately, this may cause some confusion as only those distributions of beneficiary income to which the minor beneficiary rule applies are taxed as trustee income.

The correct policy is reflected in the 2002 IR 6 guide. For information on when the minor beneficiary rule applies, please read our *Tax Information Bulletin (TIB)* Vol 13, No 5.

You can view this on our website at:

www.ird.govt.nz/library/newsletters/tib/vol13

We have advised our call centres and updated the 2002 IR 3G on our website. You can view it at:

www.ird.govt.nz/library/returns

We apologise for any confusion this may have caused.



New rules for financial relief

Taxpayers can fall behind in their tax payments for any number of reasons. The proposed legislative changes that will come into effect on 1 July 2002 are aimed at correcting deficiencies in the current legislation and providing guidance to both Inland Revenue and taxpayers. We will be making changes to our approach to debt recovery and introducing new rules for providing relief to taxpayers, who are unable to make payment by the due date and are in financial difficulty.

The intention of these proposals is to encourage taxpayers to contact us with their debt problems as early as possible, and to provide a level of certainty about how the issue can be managed.

The existing debt and hardship legislation dates back to the 1930s and was aimed at asset-rich, cash-poor farmers during the Depression period. The rules have not been reviewed since their introduction.

The 1 July 2002 changes build on the amendments to late payment penalties introduced on 1 April 2001 and 1 April 2002. All of these changes are designed to provide the right balance between providing an incentive for the taxpayer to comply, but not to the extent that it makes it impossible for them to recover, removing any chance of improving compliance behaviour.

Standard practice statements and operational guidelines for our staff will support these legislative changes. These will provide more guidance and greater flexibility to take a taxpayer's individual circumstances into account in reaching a decision, which is both right for Inland Revenue and the taxpayer's future compliance.

Next month we will be able to provide you with more information about the changes in *AGENTSanswers*.

Company shareholders' details (IR 4S)

When completing a company income tax return (IR 4), it is important that the panels at Question 39 or an IR 4S are completed. These ask for the details for all shareholders, directors and relatives of shareholders who received remuneration or loans from the company, or were attributed a loss by the company.

If you are E-Filing the company return please ensure that the relevant company shareholder details are completed on the IR 4S before submitting the return.

If the relevant information is not provided, the processing of the return is delayed.

Estimating income for child support purposes

Through your day-to-day work, you may help clients make an estimation of their income for child support purposes. Estimations allow a paying parent—a person who pays child support—to reduce their child support payments when their income has decreased.

Here are some guidelines to help you assist your client to make a valid estimation:

- The *Estimate of income for child support assessment (IR 104)* form needs to be completed.
- A paying parent can estimate their income for child support purposes if their current income has reduced by **15% or more** from the income used to work out their child support assessment.
- We need to receive the IR 104 estimation form before or during the child support year the estimation relates to. For example, it is now too late to accept estimations for the child support year ending 31 March 2002.
- In most cases, the paying parent must sign the estimation form—an agent or someone acting on the client's behalf cannot sign the form for their client. There are some exceptions to this, such as when the agent is exercising a power of attorney.
- The application should state how much the paying parent expects to earn for the current year, and be accompanied by evidence that shows the estimation is accurate. Evidence such as payslips (for salary or wage earners), a set of business accounts or financial forecasts from an accountant are acceptable.
- At the end of the child support year we will work out what the total child support payments should have been, based on the paying parent's actual income for the year. This will either be based on the tax return filed or the income information provided to us by the paying parent's employer.

Remember

- A paying parent must file a return (if required) by the due date.
- If the paying parent's income changes during the year, they may need to re-estimate their income, or revoke their estimation altogether to avoid receiving an underestimation penalty.

For more information

Refer to our booklet *Child support – estimating your income (IR 151)*, or call us on 0800 221 221, or visit our website at:

www.ird.govt.nz/childsupport

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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AGENTSanswers is also on our website:
www.ird.govt.nz/business/tax_agents/index.htm