

Community-Wise

Inland Revenue's community update

New name for Family Assistance

Family Assistance is now called **Working for Families Tax Credits**. Some of the payments have been renamed too:

- Family tax credit** – is the new name for family support.
- In-work tax credit** – is the new name for in-work payment.
- Minimum family tax credit** – is the new name for family tax credit.
- Parental tax credit** – has not changed.
- Child tax credit** – has not changed.

The new names won't affect the way payments are worked out – only the names have changed.

We are phasing in the new names over the next year, so some of the old names, like family assistance, may still appear in some letters from Inland Revenue. Customers do not need to contact us when this happens.

For more information on these changes visit www.ird.govt.nz/wff-tax-credits

Increase to family tax credits

From 1 April 2007, the rate of family tax credit (formerly family support) goes up by \$10 per week, per child.

See inside for more information about...

New name for Family Assistance	1	IR 3 Individual tax returns	6
Increase in family tax credits	1	Charitable donations, childcare and housekeeper rebates	6
Release of information	2	Inland Revenue's guide to Staying Square	7
Changes of circumstances	3	Student loan repayment threshold increase	8
Annual assessments	3	No interest	8
The Child Support Act – penalty write-offs	3	What tax code	9
End of tax year – who, what, when?	4	Changes to the Charities Act	10
Personal tax summaries	4	9-digit IRD/GST numbers	10
The end result – refund or tax to pay	5	Contacting our liaison officers	11
		Key dates and events	12

Release of information

At Inland Revenue, the confidentiality and privacy of our customers is very important to us. As a Child Support customer, especially if you are a new customer, you may be wondering what sort of information we can or can't pass on.

During the registration process there is certain information we have to tell or confirm with the person paying child support. This includes:

- the name of the person who is applying for child support (the custodian)
- the name of the children listed on the application
- that the application has been accepted by us
- when the payment of child support will start and when their child support payments are due (usually the 20th of the month)
- how the assessment is calculated
- the criteria for shared care
- their rights and obligations, including the right to authorise someone else to make child support payments on their behalf
- if they are on a benefit that their payments will be deducted from their benefit
- a Notice of Assessment will be issued to the paying parent confirming the assessment details.

We will also need to get their contact and employment details, IRD number, benefit details if applicable and their preferred payment method.

What we won't do is give out any information that might indicate where the custodian and children live or any personal details such as a phone number or benefit status. To make sure we don't give out any details by mistake we will avoid mentioning which office we are calling from and will take out any details in letters that might identify which office is process the application. Our staff are also trained to be careful when answering paying parents questions to make sure they don't inadvertently give away any details about the custodian's circumstances.

Example

Fred, a new paying parent, believes that the money he pays should go directly to the children. He rings us and asks if the custodian Maxine is on the DPB. Our child support officer explains to Fred that we cannot give him this information but can tell him how his payments may be allocated. For example, if Maxine is on the DPB any money he pays will go to the Government to help pay for the benefit that supports his children. If Maxine is **not** on the DPB money collected from him will go directly to her. The exception would be if his payments are higher than the benefit rate, then the extra amount will go directly to Maxine.

Changes of circumstances

For many of our customers a new year can mean changes—parents reconcile or get a new partner, a child gets a job or leaves home to live with the other parent.

For the majority of these changes the process is relatively simple. All you need to do is contact us and tell us the date for example, you reconciled with the paying parent or the child went to live with the other parent. If you are a paying parent and have a new partner, you will need to tell us this in writing. The other change we need to know about is when a child becomes “financially independent”.

Financially independent generally means someone who is in full employment, that is they work a minimum of 30 hours a week. So if your child was working at least 30 hours a week over the school holidays you will need to give us the details so that we can adjust the amount of child support the paying parent has to pay. If the child stops working after the holidays and returns to school then you will need to reapply for child support.

If a child starts studying at a university or polytechnic and receives a student allowance they are also seen as being financially independent and no longer qualify as a child for child support purposes.

If you are not sure whether your change in circumstances mean a change in your payments or entitlement please call us and we will help you sort it out.

Annual assessments

Each year, in February and March, Child Support customers are sent information about their new child support assessment and entitlement. These notices of assessment advise the paying parents what they need to pay in the coming year.

For most salary and wage earners the amount is calculated from their previous year's income using the ten months of income details that we know they have received and an estimated amount for the last two months.

Every year around July we carry out a reconciliation to compare the amount of income used in the assessment with the actual income earned during the previous year. A new assessment is issued if the paying parent's actual income differs from the income we used by more than \$500. The new assessment is backdated to 1 April, the start of the Child Support year. The custodian then gets told that the amount they will be receiving will change. If you have over paid for the first few months or the year, you need to contact us to see if you are entitled to a refund of the amount. If you have underpaid for those months you will have 30 days to pay the extra amount.

In March we also send out new employer deduction notices. These are sent out each year to inform employers of the new amount they need to deduct from the salary and wages of their employees. We also tell the paying parent of changes to this amount.

The Child Support Act – penalty write-offs

The Child Support Amendment Act 2006 was passed on 25 September 2006. One of the major changes in the Act was the introduction of an incentive for paying parents in the form of penalty write-offs. If a paying parent who has stopped making regular payments enters into an agreement with us to start the payments again (and they keep to the agreement), then we can write-off some of the penalties they owe.

“Penalty write-offs will give those parents who have stopped paying an incentive to start again” says Nigel Birch, Business Team Leader, Child Support. “Sometimes people get overwhelmed by the amount they owe and do nothing but if they ring to arrange payments and stick to it we can help them by writing-off some of their debt.”

The write-offs are for 2% payment penalties only and paying parents will still have to pay all the non-penalty debt and 10% penalties they owe. For more detail of the changes visit the Policy Advice Division website.

End of tax year - who, what, when?

Most people pay the correct amount of tax throughout the year 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 Individual tax return (IR 3). The tax year ends on 31 March 2007.

Personal tax summaries

A personal tax summary shows how much employment, pension or benefit income a person has received for the year, and how much tax was deducted from this income. It also shows whether a person has underpaid their tax and has tax to pay, or whether they've overpaid and are due a refund. Some people are required to request a PTS while others may want to request one as they may be eligible for a refund.

The following outlines the three different groups.

People automatically receive a PTS in June and July if:

- they and/or their partner received Working for Families Tax Credits (previously known as family assistance) from us
- they and/or their partner received family tax credits (previously known as family support) from Work and Income and their total family income was over \$35,000 for the 2007 tax year
- they have a student loan with an interest bearing portion and are entitled to an interest write-off
- they have used a special tax code during the year
- 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
- they are an IR 56 taxpayer who doesn't receive any IR 3 income (eg rental, self-employed or business income)

People must request a PTS if:

- their total income was between \$38,000 and \$60,000 and they received more than \$200 of interest taxed at less than 33%
- their total income was over \$60,000 and they received more than \$200 of interest or dividends taxed at less than 39%
- their total income was over \$38,000 and they received 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 \$17,160 and received more than \$200 of interest, dividends or taxable Māori authority distributions.

Those who are required to request a PTS can request one through our website or call our automated phone service on 0800 257 444 (they'll need to have their IRD number handy).

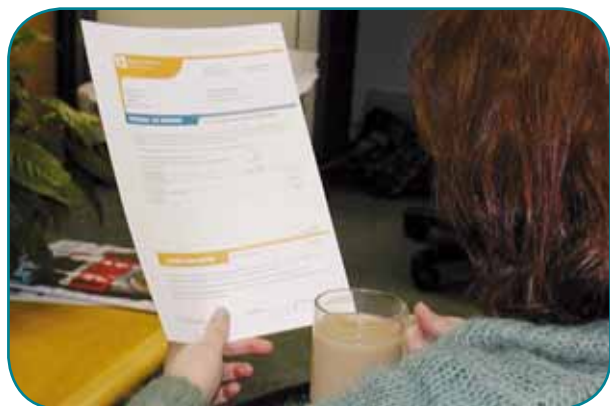
People should request a PTS (because they might be due a refund) if:

- they can 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 in income and received dividends
- they didn't work a full tax year (1 April 2006 to 31 March 2007)
- they had more than one job during the year
- they can 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 under “Work it out” or call INFOexpress, our automated phone service, on 0800 257 773 to request a *Personal tax worksheet (IR 746)*.

Anyone who earns a salary, wage, benefit or pension, who isn't included in these lists and who hasn't been contacted by us – there's no need to get in touch with us.



The end result - refund or tax to pay

A personal tax summary will show if there is a refund due or tax to pay.

Refunds

Up to \$200: refunds under \$200 will automatically be paid within 15 days of the personal tax summary being issued.

\$200 or more: refunds of \$200 or more will be paid once a person has confirmed their personal tax summary is correct.

Important note: if a person has any overdue debt which is not under an instalment arrangement, their refund may be used to pay this debt.

If a person has any arrears in child support their refund will be used to pay this regardless of any instalment arrangement. Any remaining credit will then be refunded.

Tax to pay

If there is tax to pay, it must be paid by:

- 7 February 2008 for those without a tax agent,
- 7 April 2008 for those with a tax agent who has an extension of time.

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)*.

If a person who needs to file an IR 3, also received income from salary, wages or withholding payments, a summary of earnings will automatically be sent to them in May. This summarises the amount of income received from these sources and how much tax was deducted from this income. Earnings information can be also viewed online under our "Look at account information" service. To register for this service follow the steps under "Get it done online". They'll need to have their IRD number handy.

IR 3 returns are due to be filed by 7 July 2007 for 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 2007 will need to contact us. Visit our website under "Get it done online" to file IR 3 returns online.

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 receives income from self-employment, a rental property, a partnership or withholding payments who hasn't automatically received an IR 3 tax pack, or isn't sure if they need one, should visit our website at www.ird.govt.nz for more information, or call us on 0800 377 774.



Charitable donations, childcare and housekeeper rebates

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

- 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; or
- 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).

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).

Rebate claim forms 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. Please remember that all relevant receipts must be included with all claims.

People who haven't received their form by then, or didn't claim last year but want to claim this year, can get a *rebate claim form (IR 526)* by visiting our website or calling our automated phone service on 0800 257 773 – they'll need to have their IRD number handy.

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'll automatically send you a rebate claim form (IR 526).</p> <p>If you haven't received a form by the end of April visit our website or call our automated telephone service on 0800 257 773 to get one.</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.</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'll 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'll send you a personal tax summary.</p>
JULY	<p><i>Sleep in</i></p>	<p>Your IR 3 tax return is due to be filed by 7 July. If you're using a tax agent, your due date may be extended. Visit our website to file your return online.</p>	<p>If you haven't received a personal tax summary and think you need an end of year square-up, visit our website or contact us for more information.</p>

It's easy to keep your tax matters squared up, just follow our simple 2007 guide.



www.ird.govt.nz

TTT 000

Personal Tax

Student loan repayment threshold increase

The student loan repayment threshold has increased from \$17,160 to \$17,784, from 1 April 2007. Borrowers living in New Zealand, and earning over \$17,784 (\$342 per week) for the tax year ending 31 March 2008 must make 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/studentloans

No interest

Any student loan borrower who has been in New Zealand for 183 consecutive days or more will be eligible for an interest free student loan.

The interest charged from 1 April 2006 will still show on statements, but will automatically be written off after 31 March 2007. Only the interest charged from 1 April 2006 will be written off (unless a borrower is eligible for other interest write-offs).

They don't have to do anything to receive the write-off, no phone calls, forms or letters are needed, its all done automatically.

Confirmation of the write-off will be sent out after April 2007.

LOSE INTEREST

FROM 1 APRIL 2006, STUDENT LOANS ARE INTEREST FREE.

If you're eligible for an interest free Student Loan, all interest charged from 1 April 2006 will be written off on 31 March 2007 and then again at the end of every tax year. Check out www.ird.govt.nz/studentloans to see if you fit the eligibility criteria.



www.ird.govt.nz/studentloans

What tax code

We have put together a few guidelines that should help people choose the right tax code for them.

Income from main job (or only job)

- “M” unless one of the two following codes apply
- “ML” if income is less than \$9,880 and employee works more than 20 hours per week
- “M SL” for student loan borrowers with income over the repayment threshold (\$17,784).

Anyone receiving an income-tested benefit will be taxed using the M tax code. All other salary and wage income they receive should be taxed using a secondary tax code.

Income received from a second job:

- “S” unless one of the two following codes apply
- “SH” if total annual income is over \$38,000
- “ST” if total annual income is over \$60,000.

A student loan borrower whose income from their main job is over the repayment threshold (\$17,784) will add SL to the secondary code that applies to them for example S becomes S SL, SH becomes SH SL and ST becomes ST SL.

If a borrower’s income from their main job is under the threshold then there is no legal requirement to have student loan repayments deducted.

However if they have income from a second or third source, and the combined total of income is over the repayment threshold, they are required to start paying back their student loan.

If they used the S SL tax code for their second job they may pay back too much towards their student loan, and selecting the S tax code would result in a student loan bill at the end of the year.

In this situation we strongly recommended that they apply for a special repayment deduction rate. This is a repayment rate worked out by us that suits their individual circumstances.

Other codes:

- “WT” for withholding tax payments
- “CAE” for the earnings of casual agricultural employees
- “EDW” for the earnings of election day workers
- “STC” the special tax code.

For more information visit our website www.ird.govt.nz or call us on 0800 227 774.

Inland Revenue
Te Tari Taake

Tax code declaration

Do not send this form to Inland Revenue. You must keep this completed IR 330 with your business records for seven years following the last wage payment you make to the employee.

Employer

1 Your details

Family name: _____
 First names (as full): _____
 IRD number: _____
 If your IRD number has a 9 digit number start in the second box. If you don't have an IRD number, call us on 0800 227 774.

2 Your tax code

You must complete a separate IR 330 form for each source of income.
 Choose only ONE tax code from the list below. Tick the box that applies to this source of income. Tax code: _____

M
 ML
 M SL
 S
 SH
 ST
 WT
 CAE
 EDW
 STC

3 Your entitlement to work

I am entitled under the Immigration Act 1987 to do the work this tax code declaration refers to because: (Tick the box that applies to you)

I am a New Zealand or Australian citizen
 I hold a work permit with conditions permitting this employment
 I hold a visitor or student permit with conditions permitting this employment
 Other entitlement – please specify: _____

4 Declaration

I declare that the information I have provided is true and correct. I understand that if I provide false information, I may be liable for a fine or imprisonment.

Signature: _____ Date: _____

Please give this completed form to your employer. If you don't complete Questions 1, 2 and 4, your employer must deduct tax from your pay at the top declaration rate of 41 cents (plus earners' level) in the table. The tax rate declaration rate on withholding payments can be obtained from an Inland Revenue office or the Inland Revenue website at www.inland.govt.nz.

Changes to the Charities Act

Are you involved in running a charitable organisation? If so, have you considered applying for registration under the Charities Act? What are the benefits of doing so?

The Charities Commission began registering charitable organisations under the Charities Act on 1 February 2007.

While registration is voluntary, charitable organisations will need to register with the Commission before 1 July 2008 to continue to be eligible for tax exemptions. This includes charitable trusts, incorporated societies and companies that carry out charitable activities.

Information and support

The Charities Commission has published a registration information pack to assist with the registration process. These packs are available on www.charities.govt.nz or you can call the Commission's free information line 0508 242 748 (0508 CHARITIES) to order a copy by post.

There is a special group registration information pack for those charitable organisations who wish to register under the Charities Act with one or more organisations that are closely related and have similar charitable purposes.

Apply online or by post

Charitable organisations can apply for registration under the Charities Act online at www.charities.govt.nz or by using paper forms. Relevant forms can be downloaded from www.charities.govt.nz/news/forms or ordered by calling 0508 242 748.

Free registration workshops

The Charities Commission is currently running a series of free registration workshops throughout the country over February and March.

Each workshop is about two hours long and includes information about why, when and how to register under the Charities Act – as well as what happens after registration. There is a hands-on practical session, where participants have the opportunity to complete an application to register a case-study charity.

Visit www.charities.govt.nz/news/events.htm to review the workshop schedule.

Further information

For more information about registration under the Charities Act, visit www.charities.govt.nz or call 0508 242 748. To stay informed, subscribe to the Commission's monthly newsletter by emailing your contact details to info@charities.govt.nz

9-digit IRD/GST numbers

New Zealand's getting bigger and we need more IRD numbers, so from April 2008 all new customers will get a 9-digit IRD number. All current 8-digit numbers will remain unchanged.

Businesses need to check their payroll systems and software can accept 9-digit GST and IRD numbers, as well as the existing 8-digit range. We've been working with all known payroll and software providers, banks, and financial institutions to ensure their systems will be ready for the change.

If you have any questions about what this means for your business, please email us at number.extension@ird.govt.nz or visit www.ird.govt.nz/industry-guidelines

Contacting our liaison officers

If you would like to speak to one of our Community Liaison Officers or Social Policy Liaison Officers or if you would like them to come and talk with you (or your group), call us and ask for the CLO/SPLO in your area.

Location	SPLOs 0800 227 773	CLOs 0800 221 221
Whangarei	Luana Poata	Felicia Heape
Takapuna	Tangi Folau Nicola Sharp	Joseph Manu
Manukau	Kevin Mascarenhas Helen Lisiua	Paul Tuisaula
Hamilton	Angela Grieg Fabienne Scintu	Chris Novak
Tauranga	Lorraine Morten	Karen Burton
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	Steph Martin
Wellington	Kaisare Ierome Brian Woolford	Tracey Taylor
Nelson	Margaret King	Kaye Latham
Greymouth	Juliette Henry	—
Christchurch	Pip McArtney	Katie Collins
Timaru	Geoff Mayo	—
Dunedin	Vanessa MacDonald	Cindy Henry
Invercargill	Peter Murphy Val Smith	Mark Bell

Key dates and events

Date	Event
1 April Student loans	The student loan repayment threshold increases to \$17,784 (\$342 per week).
April Personal tax season	Rebate claim forms are sent to customers who claimed donation, childcare or housekeeper rebates last year.
April Personal tax season	IR 3 income tax packs are sent out.
April Working for Families Tax Credits (previously known as family assistance)	<p>End-of-year letters are issued to</p> <ul style="list-style-type: none"> All businesses and self-employed Working for Families Tax Credits customers. Salary and wage earners who receive Working for Families Tax Credits as a lump sum after the end of the tax year. <p>They show the family details we will use to calculate customers Working for Families Tax Credits.</p>
May Personal tax season	Summaries of earnings are sent to taxpayers who are required to file an IR 3 income tax return.
May Student loans	All student loan borrowers are sent their student loan statement.
June Personal tax season	Personal tax summaries are sent to taxpayers who are required to have an end of year "square-up".
July Personal tax season	Customers who did not receive a personal tax summary can request one.