

Seasons greetings

My first Christmas as the new National Manager is drawing closer and I have been reflecting on the improvements made this year to enhance the service Inland Revenue provides tax agents.

The most notable change has been the introduction of the new Agent Account Manager Service. Feedback from those of you in the South Island and Takapuna, who now have full-time dedicated AAMs, have certainly been very positive. Many of you are saying this work is being reflected in Inland Revenue's attitude towards tax agents. Much of the tax agent's frustration with Inland Revenue is now being replaced by a much better working relationship. The second phase will see the roll-out of the new service to the rest of the country next year.

Other important events this year have been:

- the automation of issuing the "L" Letter through INFOexpress
- the introduction of the new faxback service that provides detailed account information including imputation accounts and periods not yet finalised
- the continuing improvement to the service provided by the call centres
- the finalisation of the tax agents' Top 10 issues including use-of-money interest problems
- E-File changes made by software developers to prevent returns falling into error after they reach Inland Revenue
- the introduction of the "Breaking News" service providing timely information to tax agents on important matters affecting your business
- version 3 of the Tax Agents' CD Rom continues to receive favourable comments and work has started on version 4, which will be due for release in early April 2002.

We could not have successfully developed these products and services without your involvement and I wish to thank those of you who gave up your valuable time to assist us. Without your assistance and that of the Institute of Chartered Accountants and the Tax Institute of New Zealand, it would be a much more difficult task.

Inland Revenue would like to extend seasons' greetings to all readers. We wish you all a safe Christmas and prosperous New Year.

Best wishes



Andrew Minto

National Manager
BusinessLink/Corporates Design



Receive AGENTSanswers electronically

We now have a facility that lets you receive *AGENTSanswers* electronically. This means that you'll receive it quicker and be able to email it to others in your workplace who might be interested in it.

If you use this facility, you will receive a monthly email that has:

- an electronic version of the latest *AGENTSanswers* attached, and
- a hyperlink to the newsletter on our website (from here you can navigate to past issues of *AGENTSanswers*).

You can subscribe to receive *AGENTSanswers* electronically at: www.ird.govt.nz/subscriptions/agentsanswers.html

Simply give us your email address in the box provided and click the "OK" button.

If you have an email address but do not have internet access, email us on agents.answers@ird.govt.nz and we will subscribe you.

E-File availability over the Christmas break

Please note that the E-File system will be unavailable from midnight 22 December to 8 am 7 January 2002. You will not be able to E-File during this period. We apologise for any inconvenience this may cause you. This downtime is to allow annual maintenance to take place.

E-Filed returns lodged on 8 or 9 October 2001

Due to system maintenance the E-File system was unavailable from noon 5 October to 9 am 8 October. In response to concerns from tax agents, we gave everything E-Filed on 8 and 9 October a 7 October lodgment date.

However, this could have a negative impact on a small group of taxpayers with a non-standard balance date.

If you E-Filed a return on either 8 or 9 October, and you would like the lodgment date to remain as 8 or 9 October, please contact the tax agents' line.



Transfers to a nil period

Legislation has been passed requiring the Commissioner to transfer excess tax paid by a taxpayer to a period in which there is no outstanding tax liability (a nil period) if the taxpayer requests this.

The effect of the legislation is that certain transfers previously declined can now be requested again.

The new provisions apply only to excess income tax, which includes provisional tax and tax that is withheld and credited in satisfaction of residual income tax (such as resident withholding tax).

A full explanation of the legislation can be found in *Tax Information Bulletin (TIB)* Vol 13, No 11. We recommend you read the *TIB* article, as this item is only a guide to the procedures you should follow when requesting a transfer.

Procedures

We have put in place amended procedures to action your transfer requests.

(a) Transfers requested before 21 April 2001

In the situations listed below, you can request that a transfer be actioned in accordance with the original transfer request.

Excess tax paid in or before the 2000–2001 income year if, before 21 April 2001, one of the following occurred:

- the taxpayer, or their agent, requested the Commissioner in writing to transfer the excess tax to the nil period, or
- the taxpayer, or their agent, orally requested the transfer but the Commissioner notified them in writing that he declined their request to transfer the excess tax to the nil period, or
- the Commissioner issued to the transferee a statement of account, or other notice in writing, which reflects the transfer to the nil period (whether or not the transfer was subsequently reversed).

We would appreciate you contacting us in writing with the following information:

- the date of the original written request
- the name and IRD number of the taxpayer
- the income tax period from which the transfer of excess tax was to have been made
- the destination period of the transfer
- the amount to be transferred
- if the transfer was to be made to another taxpayer, the name, IRD number and income tax period to which the excess tax was to be transferred.

(b) Any assessment or reassessments issued after 21 February 2001 for income years prior to the 2001–2002 income year

Where the Commissioner makes an assessment or reassessment, on or after 21 February 2001 (in relation to an income year prior to the 2001–2002 income year) and this gives rise to excess tax, you can request the excess tax to be transferred by contacting the tax agents' line.

(c) Excess tax arising in the 2001–2002 income year

You can request excess tax arising in the 2001–2002 income year to be transferred by contacting the tax agents' line.

If you have already contacted us in anticipation of the legislation change, and we have lodged the request, you do not need to contact us again as we will now action your request.

Late provision of information – “L” letter

If a client is late providing you with all the necessary information to complete their returns, you can remind them by sending the “L” letter through INFOexpress. The letter will be on Inland Revenue letterhead that is attributed to Inland Revenue rather than to the agent.

The L letter advises clients they have not provided their tax agent with the information necessary to file a return and that shortly after 31 March, a 30-day notice of the following will be given:

- imposition of a late filing penalty
- prosecution action may be undertaken for failure to file
- withdrawal of next year's extension of time.

It is a simple process to issue the L letter using INFOexpress.

1. Phone **0800 456 678**, enter your tax agent IRD number and press #
2. Press 1, enter your regular PIN and press #
3. Press 2 for return and account information
4. Press 5 to issue an L letter

Please ensure you have on hand your client's correct IRD number and their current postal address. If we do not hold a valid address for your client you will be given the opportunity to change the address.

You will be advised if your client has lodged an income tax return for the period. The L letter will be issued to your client within five working days of your request.



Changes to ACC levies collection

Early last month, the Minister for Accident Insurance, the Hon Lianne Dalziel, announced changes to the way ACC levies will be collected in future.

The changes mean that from next year, employers (including close companies paying shareholder-employee salaries not subject to PAYE) and the self-employed will no longer have to file with Inland Revenue ACC levy statements.

Instead, ACC will issue employers and self-employed with a single invoice for both the accident compensation cover premium and residual claims levy. Employer invoicing will commence from July 2002 followed by self-employed invoicing from November 2002.

Inland Revenue will provide ACC with relevant information from employers' monthly PAYE schedules, and from tax returns (for the self-employed and close companies). This will allow ACC to calculate the earnings liable for the levies.

Detailed information about the changes will be provided to you in March. This will cover both the information provided by Inland Revenue to ACC and the ACC invoicing process.

ACC will issue information about the changes directly to employers and to the self-employed in March and April 2002.

Inland Revenue will continue to collect employees' earner premium through PAYE deductions.

For more information view ACC's website www.acc.co.nz under Products and Premiums/Residual Claims Levy or phone 0800 222 991 for a fact sheet.

Child support changes

Two changes to the Child Support Act 1991 that will take effect from 1 April 2002 were enacted by Parliament recently.

The first change is to increase the minimum weekly payment under a formula assessment from \$10 to \$12.75 per week. The payments will be inflation-adjusted for every subsequent year.

The second change is to increase the maximum income amount from twice the average New Zealand wage to 2.5 times the average wage.

Recently updated publications

The following publications have recently been updated and are available from our website at www.ird.govt.nz/library or they can be ordered through INFOexpress or StationeryXpress.

Application for exemption from resident withholding tax on interest and dividends (IR 451)

- This form (previously the IR 15E) is used to apply for a certificate of exemption from resident withholding tax (RWT). It also explains who may qualify for an exemption.

If a taxpayer is exempt from RWT under an Act other than the Income Tax Act 1994, they do not need to complete this form. They simply need to advise their payer under what Act they are exempt.

Approved issuer levy (IR 395)

- This guide (previously the IR 291A) explains how borrowers can pay approved issuer levy (AIL) instead of having to deduct non-resident withholding tax (NRWT). We also explain the important requirements for:
 - approved issuer status
 - registration of securities
 - payment of AIL.

How to contact Inland Revenue (IR 709) and (IR 725)

- These pamphlets can be given to your clients to help them contact us. They give the 0800 numbers, INFOexpress numbers and the Non-resident Centre contact details.

Imputation (IR 274)

- A guide to dividend imputation for New Zealand companies.

Rebate claim form fact sheet (IR 525)

- Sets out how to claim rebates for donations, childcare and housekeepers.

Visitor's tax guide (IR 294)

- A summary of New Zealand's tax laws and an explanation of how they apply to various types of visitors to this country.



Trough covers (polyethylene)

The Commissioner has issued Determination PROV 8: Tax Depreciation Rates Provisional Determination Number 8, which applies to trough covers (polyethylene). The determination is reproduced below.

Provisional Depreciation Determination PROV 8

This determination may be cited as "Determination PROV 8: Tax Depreciation Rates Provisional Determination Number 8"

1. Application

This determination applies to taxpayers in the agriculture, horticulture and aquaculture industry category.

This determination applies to "depreciable property" other than "excluded depreciable property" for the 2002 and subsequent income years.

2. Determination

Pursuant to section EG 10 (1)(b) of the Income Tax Act 1994 I hereby amend Determination DEP 1: Tax Depreciation Rates General Determination Number 1 (as previously amended) by:

- Inserting into the "Agriculture, horticulture and aquaculture" industry category, the provisional asset class, estimated useful life, and diminishing value and straight-line depreciation rates listed below:

Agriculture, horticulture and aquaculture	Estimated useful life (years)	DV banded depn rate (%)	SL equiv banded depn rate (%)
Trough covers (polyethylene)	5	33	24

3. Interpretation

In this determination, unless the context otherwise requires, expressions have the same meaning as in the Income Tax Act 1994.

This determination is signed by me on the 11th day of October 2001.

Martin Smith

General Manager (Adjudication & Rulings)

Income equalisation deposits

A number of tax agents have contacted the Institute of Chartered Accountants of New Zealand and Inland Revenue after having deposits to the income equalisation scheme declined.

We have reviewed this and found they were rejected despite our stated policy of allowing deposits up to 31 March for taxpayers with an extension of time (EOT). This should not have happened.

Staff at the Upper Hutt Processing Centre (UHPC) have been advised to accept deposits from tax agents who have an EOT arrangement up to 31 March following the end of the accounting year in which the taxpayer wishes to claim the deduction.

We are contacting those tax agents who have had applications declined by UHPC and advising them to resubmit deposits.

FBT filers' prescribed interest rate for loans

For the quarter beginning 1 October 2001 the prescribed rate of interest for calculating the fringe benefit value of low-interest loans to employees is 7.19%. This is a decrease from the previous quarter's rate of 7.69%.

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