

C O R P O R A T E S C O N T A C T

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Upcoming GST changes

On 16 May 2000 the Government introduced the Taxation (Annual rates, GST and miscellaneous provisions) Bill. The Bill contains a number of policy changes and remedial amendments including significant changes that affect the Goods and Services Tax Act 1985. The Bill is yet to be passed and is subject to change. The following is a brief overview of the proposed changes:

The main proposed GST changes would affect:

- the secondhand goods input tax credit
- the valuation rules for deregistration
- deferred settlement arrangements
- the general anti-avoidance provision; and
- GST adjustments for changes in use.

These changes are pending submissions. They are expected to take effect from the date the legislation is enacted, around mid-October 2000.

Important amendments (if passed):

- to limit the input tax credit available for changes from non-taxable to taxable use will apply on and after 1 October 1986 unless the Commissioner has agreed, in writing, to the input tax credit claim before 16 May 2000.
- from 1 July 2001, local authorities will no longer be able to account for GST using the payments basis if their annual turnover exceeds \$1.3 million. They will be required to account for GST on an invoice basis.

Changes that are proposed to be effective from 1 October 2000 have also been made to the following thresholds in the Goods and Services Tax Act:

- the registration threshold will increase from \$30,000 to \$40,000.
- the payments basis threshold will increase from \$1 million to \$1.3 million.
- the abbreviated tax invoice threshold will increase from \$200 to \$1,000.

For more information about GST changes or other aspects of the Bill refer to the *Commentary on the Bill – Taxation (Annual Rates, GST and Miscellaneous Provisions) Bill*. This is available from Bennetts bookshop or on Inland Revenue's website at: pad/external/publications/files/html/gstreview2.html

Changes within Corporates

Our Corporates Segment has reconfigured its teams from eight portfolios into six industry sectors, streamlining work and relationships with clients. As of 1 July the sectors are:

- Manufacturing Sector** – Manager: Mike Spelman
Team Leader: Hilary Wylde
- Services Sector** – Manager: Mark Bell
Team Leader: Joanne Sanders
- Resources Sector** – Manager: Dave Kelly
Team Leader: Maria Morrison
- Crown Sector** – Manager: John Moreno
Team Leader: Vicki Kennedy
- Banking Sector** – Manager: Pat Horan
Team Leader: Steve Kiteley
- Insurance Sector** – Manager: Patrick Goggin
Team Leader: Steve Kiteley

Manufacturing and Services Sectors are headquartered in Auckland. Resources, Crown, Banking and Insurance are in Wellington.

"After working for six years with the large corporate taxpayers, we found that we knew more about their business, and our associated workloads, so it made sense to align our teams with those things in mind," said Corporates National Manager Max Carr.

"This change has gone very smoothly and was made after working with the businesses since 1994 and getting to understand which companies would need more work," Max said.

Register here

This will be the last printed copy of Corporates Contact that will be sent directly to you. Future editions will be available on our website www.ird.govt.nz/sgments/corps/index.htm, quarterly on:

- 20 November
- 20 February
- 20 May
- 20 August

Alternatively, we will email copies to you. Please register your email address at Corporates@ird.govt.nz for this service.

Personal Tax Summary/ Summary of Earnings

You may have been receiving queries from your employees about what they should do if they have received a Summary of Earnings or Personal Tax Summary with incorrect information on it. If so, you should advise them to contact Inland Revenue on **0800 227 774** if they received a Personal Tax Summary or **0800 377 774** if they received a Summary of Earnings. Please ensure that your payroll records contain the correct details, and that you have let Inland Revenue know of any changes to your EMS schedules.

Remember, if your EMS schedules are incorrect or incomplete, your employees may have received incorrect Summary of Earnings or Personal Tax Summaries. This will generate extra work for you as you deal with their queries.

Late payment penalties, interest and late filing penalties for PAYE

Because of penalties and interest that are payable, we felt it an appropriate time to remind you of the correct due dates for payments and employer monthly schedules ("EMS").

An employer is regarded as a **small employer** until the total PAYE they pay in any 12-month period exceeds \$100,000. Please note that this includes all locations or branches of an employer's payroll. Once the PAYE goes over the \$100,000 threshold they are regarded as a **large employer** and must meet the correct due dates. A **small employer** is due to file PAYE payments and the employer monthly schedule (EMS) by the 20th of the month following deduction, that is, PAYE deducted in August 2000 is payable and the EMS is due by 20th September 2000.

As a **large employer** you are required to pay PAYE on the 20th of the month in which it is deducted and 5th of the month following deduction. For example, PAYE deducted between 1 and 15 August 2000 is due 20 August 2000 and PAYE deducted between 16 and 31 August 2000 is due 5 September 2000. The EMS for the whole of August 2000 is due 5 September 2000. As a large employer you are also required to file your EMS electronically unless you have obtained an exemption from Inland Revenue.

Any payments received after the due dates will attract a late payment penalty of 5% and interest, calculated on a daily basis, currently 10.84%. If the EMS is received late we may charge a late filing penalty of \$250. You may also be charged a non-electronic filing penalty if you are not electronically filing your EMS and have not received an exemption from Inland Revenue. The penalty will be the greater of \$250 or \$1 for each employee employed during the month the electronic EMS was required.

Email policy

Inland Revenue has been reviewing its use of email for both receiving and sending information and a developed draft internal policy. To assist us with this we are seeking your feedback on the use of email for replying to your tax queries. Specifically, we would like your views on:

- Ease of access
- Security of confidential tax issues discussed through email
- Expectations of response time
- Whether email contact would be in addition to, or instead of, contact you already have with us by telephone and correspondence

If you would like to use this opportunity to provide us with your ideas please send these to:

E-mail Policy
The Editor
Corporates Contact
P O Box 2198
Wellington

or, alternatively, you can email us at CorpsUser@ird.govt.nz

Questions we've been asked

Disputes procedure's "response period" commencement and expiry dates

An item issued in the June 2000 *Tax Information Bulletin* clarifies when the last day falls for responding to a *Notice of proposed adjustment (NOPA)* issued by the Commissioner as part of to the disputes resolution process.

Although the question raised in the item is specifically in relation to the issue of a NOPA, the article will apply to any of the notices within the disputes resolution process.

The item applies to all notices issued on and after 1 September 2000.

Deduction of withholding tax

An item regarding the deduction of withholding tax from commissions paid to independent financial advisors in relation to the sale of products provided by a funds management company was included in the July 2000 *Tax Information Bulletin*.

You can see the item on Inland Revenue's web site at: wcpp211/technicalstand/QWBA/commissions_paid_to_independent_.html

Transfer of credits

There have been some recent concerns raised by ICANZ about incorrect application of policy in applying transfers of credits. Analysis of the cases supplied by ICANZ showed that there was inconsistency in Inland Revenue application of this policy.

As a result, the existing policy on transfers of credits has been published on our website at: www.ird.govt.nz/sgments/corps/index.htm

Where taxpayers consider that they have been disadvantaged by an inconsistent application of this policy they should contact Inland Revenue to review the situation.