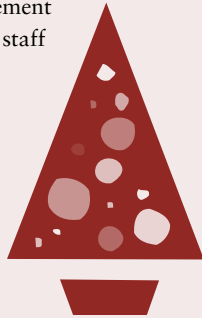


C O R P O R A T E S C O N T A C T

NUMBER TWENTY ~ DECEMBER 2003

Max on Tax

On behalf of the management team and all Corporates staff I wish you all a Merry Christmas and a Happy New Year.



Another year has almost gone. It is a year that has seen Corporates handle many issues. There have been new ventures, such as the work done in the High Wealth Individuals Unit and the Screen Production Industry Desk, and we have continued with the account management role. This calendar year we have actioned over 29,000 pieces of correspondence, handled 28,000 telephone calls and assisted with 400 advisory visits. It's pleasing to note that with all these functions, you as our customers have given positive feedback on our performance—over 90% satisfaction.

As some of you will know, I am moving on from Corporates to do other things and as I leave it is great to look back over the ten years I've been with Corporates and see the good work that my staff have done. We started with a strong audit focus, but soon realised that we needed to help business more, so we dedicated staff to handle the service, return and debt management work. The industries-based structure has benefited both us and our customers. We have become more efficient in our audit work, both in terms of being risk-focused and getting the audits more up-to-date, although there are still challenges in this area.

In this issue of *Corporates Contact* there is an article on further enhancing Corporates capability. I am confident this will be beneficial to both taxpayers and Inland Revenue.

I hope all readers have a good break over the holiday and come back refreshed for 2004.

Regards

Max Carr
National Manager Corporates
Email max.carr@ird.govt.nz

Corporates capability

As you may be aware, in this year's Budget Inland Revenue was given increased funding to ensure that we are better able to apply the law and propose changes to the law as needed, particularly where this relates to large companies and the financial sector. Part of this funding will be used to further develop and strengthen the technical expertise of our Corporates staff, and enhance our capacity to identify risks to the revenue base and analyse intelligence.

Over the past few months, we have had a team look at ways we can increase Corporates capability. The team recommended a number of strategies including increasing our focus on the early identification of risks, changing some internal processes to improve our response speed and recruiting several senior people, some of whom will concentrate on risk and intelligence.

Following this we have advertised several senior roles in both the national and international media. These roles include:

- Manager, Risk and Intelligence
- Principal Advisors
- Group Tax Counsel
- Senior Tax Counsels
- Senior Human Resources Advisor
- Senior Risk Advisors
- Intelligence Analysts
- Senior Solicitors
- Senior Investigators

Bringing some more senior people with specific technical skills on board is the first step in our overall strategy to enhance our delivery. Other areas we will be working on with the new appointees include building closer relationships and improving intelligence (both within Inland Revenue and with our clients), improving our processes and further developing our team in areas such as tax risk assessment.

Banking and Insurance Sectors

Customers of the Banking and Insurance Sectors cover a diverse range of entities in the financial services industry, including specific taxpayer types and groups with turnover in excess of \$100 million. Our customers include:

- New Zealand-registered banks
- large finance and investment companies
- large building societies
- credit unions
- unit trusts
- group investment funds
- superannuation schemes
- life insurance companies
- general insurers
- re-insurers.

The Sectors are responsible for providing the full range of audit, return management, debt management and service information to our customers. The Sectors' large customers have been assigned account managers who are responsible for coordinating compliance work and responding to technical correspondence.

The Sectors also regularly address operational tax issues for the financial services industry in cooperation with the relevant industry associations. For example, banking industry issues are often discussed with the New Zealand Bankers' Association, managed funds and life insurance industry issues are raised with the Investment Savings and Insurance Association and general insurance industry issues are raised with the Insurance Council of New Zealand.

The Sectors consist of four industries:

- banking
- general insurance
- life insurance
- investment.

Staff are based in Auckland, Wellington and Christchurch. There is also a Business Services area which primarily handles correspondence, return and debt management issues and works closely with the industry desks. The contact details for the Sectors are:

Manager, Banking and Insurance Sectors

Patrick Goggin
Phone 04 802 6059
Email patrick.goggin@ird.govt.nz

Banking Industry Desk

John McArdle
Senior Investigator
Phone 04 802 7204
Email john.mcardle@ird.govt.nz

Life Insurance Industry Desk

Grant Peat
Senior Investigator
Phone 04 802 6034
Email grant.peat@ird.govt.nz

Investment Industry Desk

John Trezise
Senior Investigator
Phone 03 363 4448
Email john.trezise@ird.govt.nz

General Insurance Industry Desk

Greg Bennett
Senior Investigator
Phone 09 367 1304
Email greg.bennett@ird.govt.nz

Team Leader, Business Services

Steve Kiteley
Phone 04 802 6061
Email steve.kiteley@ird.govt.nz

Payments – another hint

Income tax payments are always credited to a 31 March year, irrespective of the entity's balance date. For example, transactions paid electronically should read:

IRD number	Tax type	Period
99999999	000 TAX INC	31032004

Non-resident companies who have non-standard balance dates

Companies that do not have a fixed establishment in New Zealand and are not deemed to be resident in New Zealand are required to pay their terminal tax on:

- 7 February in the next income year, or
- 7 April in the income year following the next income year, if the company's return of income giving rise to the terminal tax liability was linked to a tax agent who has an extension of time.

This rule applies even if the company has a non-standard balance date and includes companies that act as an agent for a foreign insurer.

There are cases where our system does not recognise this rule and will provide a different due date depending on the non-standard balance date. If you are affected by this rule, please bear this in mind and contact us if you believe we have given an incorrect terminal tax due date. We apologise for any inconvenience caused.

Student loan repayment calculators

We have developed a new loan repayment calculator for student loan borrowers who are overseas or are considering going overseas. Visit the student loans website at owezero.org.nz for both the resident and overseas repayment calculators.

More electronic services to make contacting us easier

We've developed two ways you can contact us to ask us questions using the internet. These electronic services don't replace our existing services, they just offer an alternative avenue for contact.

Online Correspondence

The Online Correspondence Service is a new secure internet-based service that allows you to send us questions about your tax accounts or technical issues and receive our responses securely and confidentially.

By using the Online Correspondence Service, you aren't constrained by having to ask your questions during business hours and you don't have to be in the country to ask a question. It is also often easier to give us detailed information in writing than by phone and you can be confident that we have received the information as you have set it down.

To ensure your correspondence is handled by your Corporates account manager, please select "Corporates, Wellington" or "Corporates, Auckland" as your nearest office when you compose your online correspondence. Show your IRD number and the name of your account manager at the top of your email.

Once we have received your query, we will apply the same performance standard and turn around time as for regular mail. However, it's quicker than conventional paper mail because it cuts out the postal times on either side.

We will email you directly to tell you when we have sent a response, so you don't have to log-on to the service every day to check for one.

You can't send attachments using Online Correspondence—if you want to send returns electronically, you'll need to use the online forms on our website at www.ird.govt.nz/otherservices/online/filereturn.html

Online Correspondence is for queries only and can't be used:

- for disputing or objecting to an assessment or determination made by Inland Revenue, or
- as a method for the service of any legal or court documents.

Registering for Online Correspondence

You can register to use the service at:

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

You'll need your company's IRD number to register. Staff in your company can each have an Online Correspondence account by registering using the company's IRD number but with their own name and contact details. This could include your accountant(s), plus any staff who deal with payroll, FBT, GST, NRT and so on.

When you register, you will be issued with a user-ID immediately—just note it down or print the screen. We will send your password by post. Once you have these you are able to start using Online Correspondence.

Note

If you already have an ir-File account, you don't need to register for Online Correspondence—you can use your ir-File user-ID and password.

Conditions apply to the use of this service. A link to these can be found on the registration page and should be read before you register.

Once you have registered, you can access your Online Correspondence account by clicking "Send/receive online mail" on the left-hand side of the Inland Revenue homepage at www.ird.govt.nz

Online Correspondence helpline

If you need technical help, you can call the Online Correspondence helpline on 0800 473 249 between 8 am and 8 pm, Monday to Friday, and 9 am and 1 pm Saturday.

General enquiry web-form

Customers have been able to contact us by email for a number of years now. However, email isn't a secure method of communication. Instead you can use our secure general enquiry web-form to send us non-account specific questions.

The form can be found under "Email" on the left-hand side of the Inland Revenue homepage or at www.ird.govt.nz/contacts/email.html

There are two options for receiving our response. You can:

- have it sent directly to an email address, or
- have a hard copy sent to a postal address. You will need to supply the name and postal address if you choose this option.

If you use the general enquiry web-form, you'll receive our response more quickly than for account-specific enquiries sent through Online Correspondence.

This service is only for general questions and the queries are answered by our processing centres. If you want to ask about your tax account details or you want your Corporates account manager to respond to your query, you'll need to register to use Online Correspondence.

Changing your payroll?

The beginning of a new financial (payroll) year is often the time when companies or employers consider changes to their structures. When changes are made, please let us know as difficulties can result for both the employer and the staff if changes are made without notifying Inland Revenue.

To avoid problems, please consider the following points when planning changes.

- If a new IRD number is required, either for a new company or a new branch, application forms must be completed and sufficient time allowed for us to process the application (if GST is involved, time must be allowed for the new IRD number to appear on invoices).
- The bank account details we hold may become invalid and you may need to provide us with new bank account details for any new IRD number(s).
- If you are decentralising your payroll and getting more IRD numbers for branches, you'll need to consider the FBT implications. Individual FBT returns for each branch may not be the most cost-effective option for your company.
- The best time to cease a payroll is the end of the financial year on 31 March, but this may not be the company's balance date or when the restructuring or amalgamation takes place.

If the cessation date is other than 31 March, you need to consider how and when to advise your staff. They may think they are still working for the same firm, but will receive a summary of earnings showing more than one employer. You also need to consider what trade names are used, as this will appear on your employees' summaries of earnings.

- When an IRD number is being ceased, the final employer monthly schedule for that IRD number must include an end date for all employees. If this is not done, your staff may receive notices from us suggesting they are working for more than one employer and recommending that they change their personal tax code.
- As most corporate employers file electronically using ir-File, you need to allow time to register any new IRD numbers for ir-File and receive the paperwork (14 days is usually enough).
- If you use a payroll bureau, you need to allow time for them to register as your agent.
- The first employer monthly schedule for the new employer must show a start date for all employees.
- If the restructure is major we may require new *Tax code declaration (IR 330)* forms from employees.
- Most Corporate employers are required to pay PAYE on a twice-monthly basis, so the first schedule and payment may be due on the 20th of the month of change.

- If you are splitting wages and salaries accounts, consider the timing of payments to staff as often salaries are only paid monthly and you may qualify for payment of PAYE once a month as well. (If staff are paid on a day that falls on the 1st–15th of the month, PAYE payment is due on the 20th of the same month, but if staff are paid on a day that falls on the 16th–31st of the month, payment is due on the 5th of the following month).
- If you deduct any arrears (eg for overdue tax) from any of your employees' salaries or wages, you'll need to let us know as we may need to reissue deduction letters to the "new" employer.
- If any staff have child support deductions, we require prior notification of changes (preferably several months).

Your planned changes may affect more than just payroll. If so, you may like to read our article on *Ceasing or restructuring companies or branches* in the October 2002 issue of *Corporates Contact*.

Pre-filing check

Auditors invariably carry out investigations on a historical basis. It has long been an objective of Corporates to bring audit activity up to current times.

Recently, "pre-filing checks" have been successfully undertaken by Corporates investigators on selected multinational taxpayers. The pre-filing check is carried out after the tax accounts have been completed but before the IR 4 income tax return is filed.

At the time of filing the return, the company has the option of incorporating all or any of the adjustments revealed by the pre-filing check or returning the income they have already determined. Any disputed adjustments would then proceed through the normal disputes resolution process. Issues that impinge on prior years will, as with other audits, be subject to the normal reassessment process.

The benefits of a pre-filing check favour both parties. The taxpayer receives a timely audit, which ensures a greater level of certainty on tax matters as well as lowering compliance costs in the future. From Inland Revenue's perspective, education on any issue is provided in real time, presence in the "market place" is achieved and the customer's needs are satisfied.

Full cooperation is necessary for the pre-filing check to be successful for all parties.

Corporates does not carry out pre-filing checks regularly—this type of activity can be originated at taxpayer request or by mutual consent with Inland Revenue. However, a pre-filing check will depend on the priorities and availability of Corporates resources at any particular time.

Trans-Tasman imputation legislation enacted

The Taxation (GST, Trans-Tasman Imputation and Miscellaneous Provisions) Act 2003 received Royal assent on 25 November 2003. As a result, effective for the 2004 (1 April 2003 to 31 March 2004) and future imputation years:

- eligible Australian companies may elect to maintain an imputation credit account (ICA) in New Zealand, and
- wholly owned groups of Australian and/or New Zealand companies may elect to form a group for imputation purposes only.

Details of the legislation will be published in the February issue of New Zealand's *Tax Information Bulletin*, which will be available on the Inland Revenue website at www.ird.govt.nz or visit the "Trans-Tasman imputation" page of the website for background information and details on how to elect. We'll be updating this site as more information becomes available. You can also contact us by:

- phone on 0800 443 773
- email at transtasman@ird.govt.nz

Australian rules that allow a New Zealand company to choose to enter the Australian franking system became law on 30 June 2003. The rules are contained in the Australian Taxation Laws Amendment Act (No 6) 2003 and identical application dates to the New Zealand legislation apply. More information for New Zealand companies considering election is available from the "For Businesses" section of the Australian Taxation Office (ATO) website at www.ato.gov.au. You can contact the ATO by:

- phone on 0061 13 2478
- email at transtasmanimputation@ato.gov.au

More hints and reminders on GST and FBT

Electronic filing of returns

You can now file both GST and FBT returns over the internet. You'll find the returns at www.ird.govt.nz/otherservices/online/filereturn.html

GST adjustments for entertainment expenses

If you have entertainment expenses, you need to make a GST adjustment on the non-deductible portion of your entertainment expenses once a year. When this adjustment is required depends on whether a tax agent prepares your income tax return.

If a tax agent **doesn't** prepare your income tax return, the GST adjustment is made in the GST return that covers the date your income tax return is due or filed, whichever is the earlier date.

If a tax agent **does** prepare and file your return, the GST adjustment is made in the GST return which covers the earlier of:

- the date your income tax return is filed, or
- 31 March after the due date for your income tax return.

For more information, see page 71 of the *GST guide (IR 375)* or page 18 of our *Entertainment expenses (IR 268)* booklet. You can get these from our website www.ird.govt.nz or by phoning INFOexpress on 0800 257 773.

Fax numbers for Corporates sectors

Resources (Wellington) (includes Computer Tax Audit (Wellington), Overseas Contractors and International Audit)	04 384 5883
Banking and Insurance (Wellington)	04 802 6192
Crown (Wellington)	04 802 7207
Services (Auckland) (includes Wellington Sector staff based in Auckland)	09 377 1159
Manufacturing (Auckland) (includes Computer Tax Audit (Auckland), Transfer Pricing and Non-resident Entertainers)	09 367 1397