



Fair dividend rate rules

We issued a number of determinations in 2008 to help clarify the rules on taxing dividends from foreign investment. The most recent being DET FDR 2008/13 on 8 September 2008.

Commentary as recent as April this year highlights confusion around how individual investors in overseas companies should be taxed using the new fair dividend rate (FDR) rules that came into force in 2007.

Deemed reasonable yield

The FDR rules ensure offshore investments are taxed on a deemed reasonable dividend yield of 5% of their value. This means individual investors in overseas companies are taxed on a maximum of 5% of the value of their investments in good years, when they increase in value.

Example

An individual with portfolio investments of \$100,000 that increase 10% in value will be taxed on deemed income of \$5,000. For someone on a 38% top tax rate, tax owing on the \$5,000 will be \$1,900. In bad years, when there is an investment loss, the individual investor pays no tax on the investments.

New rules v old

Under the new rules, if things go badly, no tax is required on these investments, even if they receive a dividend. Under the old rules, individuals paid tax on their dividends even if their investments went down in value.

Example

Someone whose \$100,000 investments went down 10% in value but who received a \$3,000 dividend yield from the investments had to pay tax on that \$3,000. Under the FDR rules, that individual pays nothing.

Managed fund investments

Investment in overseas companies through managed funds such as KiwiSaver, the investment income is taxed on 5% of its value in both good and bad years. Although for managed funds the new rules don't distinguish between years of increase or loss in value, investors in managed funds have the advantage of being taxed at a maximum rate of 30%.

More information

Our booklet *A guide to foreign investment funds and the fair dividend rate (IR 461)* covers who qualifies to use these rules and how they work. You can find this booklet at www.ird.govt.nz "Forms and guides".

New business industry codes

The "nature of business code" has been replaced with the Business Industry Activity Code. This seven-character alphanumeric code is needed when completing a GST registration form.

To find the correct code to use you can:

- go to www.businessdescription.co.nz and use the search function
- download the ACC410 booklet *Determining your business industry description and code*.

All staff and agents who complete a GST registration request on behalf of a business need to use the updated codes. These codes are also used on annual tax returns.

Balance dates

From time to time letters are received from agents saying they thought an entity has a non-standard balance date. They have been filing to this assumed date and now want to know if we can backdate the balance date to reflect this.

The Commissioner's policy is not to allow a taxpayer to carry a known income or loss into a prior income year. This would happen when a taxpayer applies for a new balance date after the anniversary of the old one, and requests the new balance date to be effective from the previous income year. The Commissioner will not agree to a change to a balance date which is earlier than the date of the application.

How to check a client's balance date

The client list report (AMBR1000) is sent out to tax agents regularly during the year or can be ordered from your agent account manager.

The balance date for each entity is printed in the third column after the IR number and the name.

If a new client informs you that they have a non-standard balance date this is one way of checking if the information is correct.





Inland Revenue publications

Do you have the latest version?

If you keep our publications on hand, this is a good time to check they are up to date. Just look for the version date under the booklet reference number (this is usually at the top on the front cover, as shown below).



Viewing online rather than holding actual publications is always the preferred option as this guarantees you are viewing the most recent version.

New INFOexpress card

Tax agents have consistently told us *Tax agents' guide to using INFOexpress (IR 355)* needs reviewing. Feedback suggested deleting the booklet altogether in favour of the INFOexpress calling aid, as a stand-alone card.

As a result of your feedback the IR 355 will be replaced with the IR 358 (see below). This calling aid can be ordered by calling 0800 456 678 or ask your Agent Account Manager.

INFOexpress calling aid Phone 0800 456 678

IR 358 April 2009

Enter your tax agent IRD number and press #

For client enquiries, press 1, enter your regular PIN and press #

For master account enquiries, press 2, enter your master PIN and press #

Press 1	Press 2	Press 3	Press 4	Press 5
Account balances	Returns and account information	Brochures or forms client printouts, new PIN, client linking, delinking	Faxback	Personal tax summary, summary of earnings
Specific revenue balances (1)	GST refund details (1)	Brochures or forms (1)	Accounts balance fax (1)	Request summary of earnings (1)
Total arrears balances (2)	Income tax refund details (2)	Printout of current clients (2)	Penalties and interest report (2)	Request a personal tax summary (2)
Provisional tax payments to date (3)	Ordering account statements (all other tax types your client is liable for) (3)	Changing your PIN (by master account only) (3)	Transaction detail fax (3)	Confirm a personal tax summary (3)
PAYE running totals (total gross & PAYE) (4)	Issue an L letter to your client (4)	To link or delink clients (4)		Māori authority credit (4)
Student loan balances (5)				Update interest (5)
				Update dividends (6)
				Provide rebate information (7)

Important keys to remember

To talk to a customer service representative — Press 0

To return to the main menu — Press ** (see back)

To make another enquiry — Press 7

Entry completed (sig halt — press this after entering your IRD number, PIN or data) — Press #

To repeat a message — Press 8

To disconnect — Press 9

Time saving tips

1. Ensure you select the correct initial option and proceeding number choice.
2. Set up a speed dial to go directly to your preferred option.
3. Before commencing to use your speed dial check you have loaded the correct path.

Inland Revenue Te Tari Taake

The Job Support Scheme (formerly known as the nine-day fortnight)

The Job Support Scheme is administered by Work and Income to help employers retain workers who might otherwise be facing redundancy.

If you have clients who employ between 50 and 100 employees please note that the scheme has been extended. From 27 April 2009 these employers are now eligible to apply.

To find out more about the scheme go to Work and Income's website www.workandincome.govt.nz

For information on employment relations, paid parental leave, holiday entitlements, sick leave, redundancy, restructuring and the Job Support Scheme go to the Department of Labour's website www.ers.govt.nz

For information on tax obligations for employers and employees go to www.ird.govt.nz/news-updates/like-to-know-job-support-scheme

Look at account information

Please note that financial transactions for the PIE tax type can't be viewed through the "Look at account information" service. We hope to provide this service in the future so watch this space.



Filing returns with the right information for the right period

Our processing staff have noticed an increase in returns being filed with an incorrect IRD number or for the wrong period, for both paper and electronic returns. When filing a return it is important to record the period **end** date for the return, not the due date.

Example

Customer 999-999-999 files GST monthly and is filing for the month of June.

1. ● GST registration number	999-999-999	
DLN number from paper return	23232323232	
First day of GST period covered by this return	01 06 2009 Day Month Year (4 digits)	← This is the start of the June period.
2. ● Last day of GST period covered by this return	30 06 2009 Day Month Year (4 digits)	← This is the end of the June period.
This return and payment are due	28 07 2009 Day Month Year (4 digits)	← This is the date the return and payment must be in by.

What incorrect returns mean for your customers

If your customers have incorrect returns:

- their tax record at Inland Revenue will be incorrect
- incorrect debits or credits may be applied to their record
- they will receive letters advising of these debits and credits and, in some cases, penalty and interest charges.

Corrective action you can take

Agents need to check that staff preparing returns are:

- using the correct IRD number
- adding the right information for the period they are filing for
- filing all the pages of the return.

Please also mention this to clients who are filing their own returns when you meet with them.

Where to get help

For electronic filing, click on the "For tax agents" link at www.ird.govt.nz and check out "Get it done online".

For paper return filing, call 0800 377 779 or talk with your agent account manager.





Reminders

- **Foreign dividend payment return (IR 4F)** due no later than 20 July.
If you have clients who need to file an IR 4F return, our *Imputation and the company tax rate change (IR 237)* factsheet contains useful details.
This factsheet and the *Tax Information Bulletin* Vol 20, No 3, April 2008, which contains full details on tax and foreign dividends, can be found at www.ird.govt.nz
- **Imputation returns IR 4 and IR 4J** – don't forget to tick the box to indicate if the opening balance is a debit or a credit.
This is **Box 42** on the 2009 IR 4 and **Box 6** on the 2009 IR 4J.
If the return doesn't indicate a debit or credit we will automatically select a debit. This will create a debt, sometimes for very large sums. Please remind your staff and clients to select the correct option.
- **It's that time of year again** – if your agency receives tax packs for clients who no longer need to file, please let us know so we can correct our records. You can do this by using client maintenance in online services. You need to be registered to use this service.
Or you can call us on:
 - 0800 456 678 for tax agents
 - 0800 443 773 for large enterprises.

Correction

In the April *AGENTSanswers* newsletter we ran an article about KiwiSaver changes.

April 1 will see a number of changes to KiwiSaver that all employers need to know about. These are:

- The compulsory employer contribution (CEC) increased to 2% from 1 April 2009. This is now the maximum CEC.
- The maximum employee contribution rate has reduced to 2% of the employee's gross pay.

The above segment of that article wasn't correct. It should read:

- The compulsory employer contribution (CEC) increased to 2% and won't increase further in future years.
- The minimum employee contribution reduced to 2% of an employee's gross pay.

The online April *AGENTSanswers* has been corrected.

Newsletters online only

We're fast-tracking business tax information to your inbox. In the near future we'll be publishing our business newsletters online only. Subscribe at www.ird.govt.nz "Newsletters and bulletins" and you'll receive an email notification when each new issue is published.

Note from the editor

If your 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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