



Excess imputation credits received by shareholders

The treatment for excess imputation credits for individuals and unincorporated clubs and societies changed from the 2005/06 income year. They are now carried forward rather than converted to a deemed loss—see the February 2006 edition of *AGENTSanswers*.

Required to file

Clients with excess imputation credits carried forward from a previous year are required to file an income tax return. For individuals, who are resident for all or part of the year, this means filing an IR 3.

New return keypoints for excess imputation credits brought forward

New keypoints have been added to the 2007 IR 3 and IR 9 income tax returns to enable excess imputation credits brought forward from the 2006 year to be claimed against tax payable.

If a client has excess imputation credits to claim, we notified you of the amount to bring forward on:

- the loss/excess imputation credits carried forward letter which we sent you after the 2006 year notice of assessment; or
- page 1 of their *Personal tax summary* for 2006.

If your client has subsequently had all or part of their excess imputation credits extinguished due to a tax write-off, you should also have received a letter confirming the tax write-off and advising the new amount carried forward.

Non-resident individuals

Non-resident individuals are entitled to claim any excess imputation credits carried forward from when they were resident in New Zealand.

However, since fewer than 100 individuals are impacted by this, we haven't included a new excess imputation credits brought forward keypoint on the IR 3NR income tax return.

For these individuals, please attach correspondence to the return stating the amount brought forward. We will ensure the credits are included when calculating your client's tax liability and will inform you of any remaining credits to carry forward.

Checks during return processing

While processing IR 3, IR 3NR and IR 9 returns, we will check that the amount being claimed as brought forward agrees with the amount recorded as carried forward for the previous year.

If the amounts differ, we will treat this as a mistake and will automatically correct the brought forward amount being claimed.

If the previous year return has not been filed, we will be unable to complete this check. Processing the current year return will be delayed while we wait for the outstanding return.

KiwiSaver

With the 1 July start date approaching, here is a summary of what has happened so far and what is planned for the immediate future.

What has happened so far?

- In December 2006 the default scheme providers were named:
 - o AXA
 - o AMP
 - o ING
 - o ASB
 - o Tower
 - o Mercer

Where an employee doesn't choose a savings scheme provider, we'll allocate them to a default provider's scheme.

- All specified superannuation contributions an employer makes on behalf of an employee to either a KiwiSaver scheme or an approved superannuation fund, may be exempt from specified superannuation contribution withholding tax (SSCWT). This exemption from SSCWT is subject to a cap of the lesser of the employee's contribution to the scheme, or 4% of the employee's gross salary or wages and will apply from 1 July 2007.
- Last year you received a letter and some introductory information on KiwiSaver. In January we sent a leaflet to employers giving them a brief overview of the KiwiSaver scheme and the different options for them to consider. If you would like more leaflets please email communications@kiwisaver.govt.nz
- The payroll specifications were sent to payroll providers and payroll software developers in January. The payroll specifications incorporate the SSCWT and KiwiSaver changes applying from 1 April 2007 and 1 July 2007. These are also available on www.ird.govt.nz/payroll-employers/software-developers/software-specs

What's happening next?

From mid-May we'll start mailing out:

- the comprehensive *KiwiSaver employers guide (KS 4)* which will provide more information on employers' responsibilities and obligations
- an initial supply of *Employee information packs (KS 3)*.

You may receive them as an employer but we'll also be sending copies to all tax agents.

For more information about KiwiSaver

- For employers see: www.ird.govt.nz/kiwisaver/employers/
- For employees see: www.kiwisaver.govt.nz
- The Tax Information Bulletin: www.ird.govt.nz/aboutir/newsletters/tib/vol-19/no 1





New tax rules for investment income

Taxation of shares in offshore investments

The new tax rules intend to ensure a reasonable level of tax is paid by direct investors who have substantial share portfolios outside Australia. They don't apply to a natural resident person other than a trustee who holds attributing interest in foreign investment funds of less than \$50,000, where income has arisen from that interest.

A detailed overview of the tax rules changes will be online from April 2007.

Portfolio investment entity

Applications to become a portfolio investment entity can only be made via www.ird.govt.nz from April 2007. You will also be able to find a detailed overview of the tax rules and obligations of a portfolio investment entity from then.

More information

Our website—under News and updates—contains an article on the above and details what types of operational support we'll provide. You can also contact us with any questions at questions@ird.govt.nz

General depreciation rates (IR 265)

We've updated the *General depreciation rates (IR 265)* guide. This is now available under the Forms and guides section of our website, or copies can be ordered through StationeryXpress or by phoning INFOexpress on 0800 257 773.

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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