

Annual information and returns

This article is to remind you of the options available to obtain information about your clients for the 2003 annual return season.

IR 3 taxpacks

We will be issuing IR 3 taxpacks from 17 April 2003.

From 1 April 2003, you can also request IR 3 taxpacks by phoning INFOexpress.

Summaries of earnings

From 16 May 2003, we will be sending out summaries of earnings to tax agents for all clients who had salary, wages or withholding income.

You can request summaries of earnings by phoning INFOexpress from 1 April 2003 but any requests will be held until the end of May. Summaries of earnings cannot be made available any earlier because of the filing requirements of employers. We need to ensure that we have received all PAYE details from employers for the 2003 year and the latest date they have to file these returns is 20 April. We then need to process these details before sending summaries of earnings to you.

Personal tax summaries

Automatically issued personal tax summaries (PTSs) will be sent to you from 29 May to 30 June 2003.

From 1 April 2003, you can request PTSs by phoning INFOexpress but any requests will be held until the beginning of July. Again, we need to ensure that we have received all PAYE details from employers for the 2003 year and we will wait until the automatically selected PTSs have been issued.

Resident withholding tax (RWT) certificates from Inland Revenue

This month we will begin to progressively send out the tax deduction certificates showing the RWT deductions made from credit use-of-money interest during the 2002–2003 income year.

These will be issued for clients whose total RWT deductions for the year is \$20 or more. For clients who are not automatically issued a certificate you can request one by contacting us on the tax agents' freephone number.

We will also send out a letter, where necessary, advising of any adjustments made during the year which relate to a previous year's interest calculation.

PTS only for salary or wage earners

Please do not file an IR 3 individual tax return for clients who are salary or wage earners. If these clients need or want an end-of-year tax square-up, a personal tax summary (PTS) must be requested if one is not automatically issued.

You may experience delays if an IR 3 return is filed for a salary or wage earner. Instead of processing the IR 3, we will issue your client with a PTS. This requires manual intervention and slows the processing time.

If an IR 3 is received but a PTS has already been issued, and the additional information does not change their entity type to that of an IR 3, we will add the newly supplied information from the IR 3 to the PTS and issue an amended PTS. However, an amended PTS will not be issued if the original PTS has become a formal assessment. In this case, you must follow the disputes process to make any changes.

Inland Revenue's peak season advertising

As in previous years, we will be running extensive advertising this year to inform taxpayers about personal tax summaries (PTSs), rebate claims, summaries of earnings and IR 3 income tax returns. Following is some background information in case the advertising prompts some of your clients to contact you.

The advertising will run from April through to July carrying several different messages about what people can expect to receive from us, telling them what they need to do, and reminding them about claiming refunds.

This month we will be letting people know when we will be sending out PTSs, IR 3 income tax returns, summaries of earnings and rebate claim forms.

This will be followed up in May with messages for people who have to file an IR 3 income tax return. This will include details of who needs to file an IR 3 and when they should be filed by.

Advertising in June and July will set out who needs to contact us to request a PTS. This will either be because they must request a PTS or because they may be due a refund.

This will be followed up later in July with a further reminder to those who may have overpaid their tax during the year. We will be telling them about the PTS calculator on our website that they can use to see if they are due a refund.

Our messages this year will be run in all of the major daily newspapers, including the *Sunday News* and the *Sunday Star Times*. The last ad in July will also appear in the community newspapers.

Industry Partnership updates

The findings of recent surveys of the Master Painters Association members and the Electrical Contractors Association members have given us a better understanding of the difficulties members of these organisations face in meeting their tax obligations.

Some difficulties can be resolved through education. For example, responses to the surveys highlighted the problems that painters and electricians are having in paying tax on time when their customers are late in paying for work. One particular area mentioned was having to pay GST before they receive payment for the work. Changing from the invoice basis to the payments basis to account for GST may address this.

We have started to provide targeted information through industry publications and additional updates to help these businesses. Articles have covered topics such as:

- the ability to file GST returns online
- new rules for taxpayer financial relief when in debt with Inland Revenue
- the options for accounting for GST
- the options for valuing small amounts of trading stock at the end of the income year.

Many of these businesses have a tax agent so we have suggested that they consult their agent when considering these options.

New relationships formed

We have recently formed industry alliances with the New Zealand Fruitgrowers Federation and Home Business New Zealand Limited. Our aim is to work with businesses in the fruitgrowing sector and with home businesses to help them with their tax obligations.

The New Zealand Fruitgrowers Federation represents the interests of over 3,600 fruitgrowers. Its role is to tackle key generic issues for the benefit of fruitgrowers and their industry. By working with them, Inland Revenue can reach many people, both fruitgrowers and people working closely with the fruitgrowing industry. We plan to consult regularly with the Federation. In doing so, we will identify any tax issues and look at how they may be addressed.

Home Business New Zealand is a privately-owned business. It provides information to home businesses through its website, HomebizBuzz. There are an estimated 200,000 home businesses in New Zealand, all involved in a variety of activities: trades, crafts, personal services and professional services. By working with Home Business New Zealand we can reach many diverse businesses.

2002 income tax returns – late filing penalties and removal of client's EOT

Taxpayers whose 2002 income tax return has not been filed by 31 March 2003 may be subject to a late filing penalty.

In accordance with the Tax Administration Act 1994, this month we will issue a 30-day notification of the intention to impose a late filing penalty for those returns that remain outstanding. If the return is still not filed after this period, a late filing penalty will then be charged.

If a late filing penalty is charged, the taxpayer's extension-of-time (EOT) for the 2003 income tax return will be withdrawn so that:

- their 2003 return will be due by 7 July 2003, unless their balance date falls in April to September. In that case, the due date will be the 7th of the month, four months after their balance date.
- their terminal tax due date will revert to 7 February, unless their balance date falls in October to February. In that case, the due date will be the 7th of the month, 11 months after their balance date.

The amount of the late filing penalty is determined by the taxpayer's net income for the 2002 income year.

Net income	Late filing penalty
Below \$100,000	\$50
Between \$100,000 and \$1 million inclusive	\$250
Over \$1 million	\$500

Tips for using INFOexpress

When using the INFOexpress service, please remember to call the 0800 number dedicated to tax agents (0800 456 678).

You have been issued with two PIN numbers so remember:

- If you want to enquire about a client's details, select 1 for client enquiries and enter your **regular PIN** number.
- If you want to enquire about your own agency tax details or change your PIN number(s), select 2 for master account enquiries and enter your **master PIN** number.

Some tax agents have been issued with a separate IRD number for their client list. This number is different to the IRD number under which the agency's tax details are recorded. You need to enter the appropriate IRD number when enquiring about your agency's tax details. If the client list IRD number is entered, no agency tax records will be found.

To help you use INFOexpress, use the *INFOexpress calling aid (IR 358)*. The IR 358 summarises the main menus and has been designed as a handy information card to be kept by your phone. If you do not already have one, or if you would like additional copies, you can order them through StationeryXpress or by phoning your agent account manager.



IRD ceasing ACC business

As you will be aware, ACC now bills levy payers for both cover and residual claims levies on a single invoice. From the 2001–2002 income year, Inland Revenue no longer collected returns-based ACC levies for employers and self-employed.

ACC has requested Inland Revenue to close its ACC processes by 30 June 2003. We have been working with ACC over recent months to achieve this and a phased approach has been agreed.

This approach is outlined below.

● 30 April 2003

This will be the last day Inland Revenue will issue any ACC or SEA assessments for:

- returns filed late for the 2001 or earlier years (IR 68A returns for employers, IR 3 returns for self-employed, IR 4 returns for close companies with annual shareholder-employee salaries paid)
- audits or investigations.

This means previous years' IR 3 and IR 4 returns that would otherwise have had an SEA assessment will not be billed. IR 68A returns received after 30 April 2003 will be forwarded to ACC for processing.

If an ACC or SEA refund needs to be made, an application in writing with full details and supporting evidence should be made to ACC.

ACC Business Service Centre
PO Box 795
WELLINGTON

● 31 July 2003

Processing of any ACC or SEA payments will cease. If Inland Revenue receives any ACC or SEA payments after this date, they will be refunded. However if the taxpayer has any other debts with Inland Revenue, the payment will be applied to that debt.

After 31 July all Inland Revenue's ACC-related collection systems will be switched off and the business processes will cease. Data will still be able to be viewed, but no modification to the records will be possible.

Inland Revenue will continue to be responsible for the collection of employee earners' levies as a component of PAYE deductions.

Charities Commission

The new Charities Commission is expected to be operational next year. It will be responsible for registering organisations seeking charitable status, monitoring their activities, receiving annual returns, providing advice and support to the sector and advising government on charity-related issues.

It will be a Crown agent and will have statutory independence in relation to registration decisions but will operate under the Ministries of Commerce and Economic Development.

The commission developed out of a recommendation from the charities working party in their report to Finance Minister Michael Cullen last year.

Tax Agents' CD Rom

You can look forward to receiving the 2003 *Are you connected?* (IR 780) pack in the mail in early April.

The pack includes version 5 of the *Tax Agents' CD Rom* containing electronic copies of the most recent Inland Revenue forms, booklets and other relevant information. The CD Rom also has many helpful links to other websites like ACC and the Institute of Chartered Accountants. All the features from version 4, such as fill-in forms, calculators and web updates, have been kept and enhanced or updated.

Also in the pack are:

- *Electronic interfaces (IR 788)* – a pocket-sized leaflet giving details about Inland Revenue's electronic products including our website, ir-File and E-File. You'll find more detailed information about these services on the *Tax Agents' CD Rom* and Inland Revenue's website.
- *How to contact Inland Revenue (IR 709)* – a handy foldout with the telephone numbers your clients can use when they phone us. Encouraging clients to use these numbers should free up the tax agents' 0800 number for use by tax agents.

You can order extra copies of the *Are you connected?* (IR 780) pack through INFOexpress and StationeryXpress.

Due to recent changes made to our website, we will be surveying agents later in the year to see if this product should continue.

ACC earners' levy rate

For the 2003–2004 income year, the ACC earners' levy rate will remain at 1.2 cents (GST-inclusive) per \$1 of earnings.

The annual maximum earnings on which earners' levy is payable has increased from \$87,185 to \$88,728. This change has been included in the 2004 PAYE tax tables and the PAYE tax deductions calculator available on our website at:

<https://www.ird.govt.nz/cgi-bin/form.cgi?form=paye2004>

Your clients may find this calculator helpful for working out how much to deduct from an employee's salary or wage.

Student loan interest rate

The total interest rate for student loans for the 2003–2004 income year is to remain at 7%.

The total rate is made up of the base interest rate, which has dropped from 5.1% to 4.2%, and the interest adjustment rate, which has risen from 1.9% to 2.8%. The interest adjustment rate is based on the Consumer Price Index (CPI) for the December 2002 quarter, and reflects the increase in the CPI between that quarter and the December 2001 quarter.

These rates were approved by Order in Council on 25 February 2003.



Clarification of standard practice statement

RDC 620 – Writing off tax debt

Standard practice statement RDC 620 – Writing off tax debt, originally published in *Tax Information Bulletin (TIB)* Vol 14, No 11, states the Commissioner's practice in relation to writing off tax debts.

Section 177C(5) of the Tax Administration Act 1994 provides that if the Commissioner writes off a debt for a taxpayer who has a net loss, all or part of the net loss must be extinguished by dividing the amount written off by 33% and reducing the net loss by that amount.

Standard practice statement RDC 620 states "If an amount is written off and the taxpayer has tax losses, all or part of the net loss will be reduced by the amount of the write-off grossed up by 33%." It has been brought to our attention that this wording may lead to an incorrect calculation of the amount of loss reduction.

The correct calculation is as follows. If the amount written off was \$100,000, divide \$100,000 by 33%, to give a loss reduction of \$303,030.30.

It is possible for this calculation to result in the amount of loss reduction being higher than the current net loss. In this situation, the net loss is to be extinguished in accordance with section 177C(5).

Standard practice statement RDC 620 continues to apply.

Fringe benefit tax review

In October last year, we asked the public which issues should be included in the review of fringe benefit tax (FBT) and how compliance costs associated with FBT could be reduced. The object was to ensure the review covers issues that are of real concern to employers and businesses. The tax treatment of motor vehicles was the main concern of those who wrote in.

The vast majority of submissions considered the FBT system to be complex and costly, and they included ideas on ways to reduce the cost of complying with the tax and simplify both the process and the rules.

For those commenting on motor vehicles, valuation for FBT purposes was the key area of concern, with many people considering it unfair for the valuation formula to be based on the original price of a vehicle. Other main concerns were home-to-work use of vehicles and work-related vehicles.

Other issues of common concern were the tax treatment of car parks, low-interest loans, low-value business assets such as laptops and cellphones, social benefits such as subsidised health insurance, and the FBT exemption for employees of charities.

The Government agrees there is scope for simplifying FBT and reducing the associated compliance costs, and we will be talking to interested groups and developing proposals aimed at doing that. The next step will be the publication in August of a government discussion document setting out proposals for change. This will be another opportunity for interested parties to ensure their views are considered.

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.

Conversion of overseas income to New Zealand currency (IR 270)

This information sheet has been updated with the mid-month conversion rates for the 2002–2003 income year.

This information sheet only gives the exchange rates for seven currencies: European Community units, Japanese yen, United Kingdom pound, US dollar, Australian dollar, Hong Kong dollar and Canadian dollar.

Available on our website is a currency converter which provides the mid-month exchange rates for 32 currencies and also calculates the conversion to New Zealand dollars. See the overseas currency converter at:

<https://www.ird.govt.nz/cgi-bin/form.cgi?form=currency>

Alternatively, you can use the actual applicable rate available at any trading bank at the time the income was paid or otherwise credited.

The end-of-month rates are also available on our website at:

www.ird.govt.nz/otherservices/currency

Foreign dividend withholding payments (FDWP) reconciliation (IR 4FR)

This form can be used to advise the actual amount of underlying foreign tax credits (UFTC) on dividends. It is not specific to any one foreign company, dividend or period.

Direct selling (IR 261)

Tax information for people who distribute for direct selling organisations.

How to get your student loan interest written off (IR 892)

Write-off information for students in New Zealand.

Are you receiving AGENTSanswers by email?

We are sending this newsletter electronically to those of you who have successfully registered with our *AGENTSanswers* email facility. However some emails are being returned as undeliverable. If you, or someone you know, has registered but is not receiving a copy, let us know by sending an email to agents.answers@ird.govt.nz

The electronic version is distributed one week before the printed copies are available. If you would like to receive this information earlier and be able to email it to others in your workplace, you can subscribe 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.

Upcoming changes to INFOexpress

From feedback we have received about the INFOexpress service, we have made some changes to the linking and delinking process to make it more flexible.

These changes will take effect from 12 April 2003.

Address options

- For each tax type you link a client for, you will be able to choose whether the mail is to go to your agency address or to your client's address.
- While you are linking a client, you will be told when we last updated the client's address. You will then have the option of providing a new address by leaving a message. Once you have recorded the message you will be able to continue to link the client.

Tax type options

We have changed the options for linking tax types for a client so that they are more flexible. You will now be able to:

- link all tax types that the client is registered for. (**Note:** For privacy reasons we will not link child support custodian (CPR) or child support paying parent (NCP) tax types.)

- link income tax and tax types associated with income tax, and nominate other tax types as well
- link income tax and associated tax types only
- nominate other tax types you want linked (other than income tax and its associated tax types).

If you nominate a client's PAYE tax type to be linked, we will also link any associated tax types the client is registered for (see the table below for more details).

When delinking a client's tax types, you will be able to:

- delink all tax types that the client is registered for
- nominate other tax types you want delinked but leave income tax and its associated tax types linked
- delink income tax and associated tax types but leave other tax types linked.

The table below explains which tax types are associated to income tax and PAYE and which other tax types you can nominate to be linked or delinked for a client using INFOexpress.

Income tax and associated		PAYE and associated tax types		Other tax types	
INC	Income tax, and any of the following tax types if your client is registered for them:	PAY	PAYE tax deductions, and any of the following tax types if your client is registered for them:	FAM	Family assistance
				FBT	Fringe benefit tax
				GST	Goods and services tax
DWT	RWT on dividends	CSE	Child support (employer)	PAY	PAYE tax deductions
ICA	Imputation credit account	SLE	Student loan (employer)	REB	Personal tax rebate
QCT	Qualifying company election tax	SSC	Specified superannuation contribution withholding tax	SLS	Student loan borrower
SEA	ACC self-employed premium/levy				
WPE	Withholding payments elected				
WPN	Withholding payments non-elected				

To link or delink any other tax types that have not been listed above, please complete the *Client linking or delinking (IR 795)* form. It's available on our website and the *Tax Agents' CD Rom*.



Family assistance – rollover

In early March we sent letters to you or your family assistance clients to ensure, where appropriate, that they continue to receive their entitlement after 31 March. These letters contained:

- income estimates we calculated based on the information from customers' one-off registrations, or
- income estimates we calculated based on the information we received from customers' employers, and
- family details held by us from customers' one-off registrations, or any subsequent changes made.

Please check these letters, or encourage your clients to do so, to ensure the details we have are correct. If there are any changes please contact us.

Please note that recent legislation contained a number of amendments in respect of determining a customer's income for family assistance purposes (see section KD 1 of the Income Tax Act 1994). The changes take effect from the start of the 2003–2004 income year and were summarised in the January 2003 edition of *AGENTSanswers*.

Family assistance certificates of entitlement were issued on 17 and 18 March 2003, based on the information we held at that time.

For more information

If you would like further information about family assistance, please refer to the *Family Assistance guide (IR 200)* which is available on our website and the *Tax Agents' CD Rom*. Or, phone us on your tax agents' freephone number.

End-of-year family assistance square-up

Just a reminder about the *Family assistance end-of-year statements (IR 541)*. We send a family assistance square-up statement to anyone who has a current family assistance record with us.

They are issued around the same time as IR 3 income tax returns or with the customer's personal tax summary (PTS) and show all the information we hold for the customer.

If your client is required to file an IR 3, please show any amendments on the IR 541 and send it to us with the client's return.

If your client receives a PTS, you can either show any amendments on the IR 541 and return it to us with the PTS, or phone us to make any changes.

If you need an IR 541, please phone the tax agents' freephone number to request one.

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:

The Editor
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Inland Revenue
PO Box 2198
Wellington
Email agents.answers@ird.govt.nz

AGENTSanswers is also on our website
www.ird.govt.nz/taxagents