

CORPORATES CONTACT

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Our survey results

Last year we asked more than 5000 people working in large corporates, government departments or special industries how you preferred us to update you on tax-related matters.

We were delighted with the response and nearly 700 people returned our questionnaire. The majority of respondents represent a wide cross-section of New Zealand industry and business and are employed in reasonably senior positions in their organisation.

Nearly two thirds of respondents (61%) indicated that e-mail was the preferred option for receiving information updates from Inland Revenue. When we probed further, over half of respondents (56%) told us you would like to receive tax-related information as an attachment to an e-mail, with just over a third (38%) preferring a bulleted e-mail with hotlinks to a website. Less than one in five respondents (17%) wanted only a printed newsletter.

We also received useful feedback on the kind of information you would like to read about in future issues. Top of the list was receiving updates on legislation that affects you. Other topics of interest include common mistakes when preparing returns, audit discrepancies and Use-of-Money interest updates.

Corporates Contact newsletter has been re-formatted in line with your feedback. You now receive it as an attachment to an e-mail but from the next issue will also have the option of reading it on-line or searching for a topic on our website. We'll ensure that the contents are in line with your expectations.

Thanks again to everyone who took the time to participate in our survey. Enjoy the first electronic issue and please forward it to any colleagues or friends who you think may find it useful.

Max Carr



National Manager
Corporates

Employer Monthly Schedules IR File (or IR 348)

Only a few weeks remain until your employees will be receiving a Summary of Earnings or a Personal Tax Summary for the year ended 31 March 2001. The successful and correct issue of these forms is dependent on the accuracy of the PAYE system as returned by all employers and payroll bureaux. Currently we are experiencing problems with a number of monthly schedules, and we are communicating with your payroll people concerning these issues.

However, we would like to take this opportunity to seek your co-operation in ensuring that all outstanding issues are attended to immediately and resolved by the final payment date for 2001, i.e. 5th April 2001 (for all bi-monthly employers).

All referrals cause re-work for your staff and all staff are very busy at this time of the year, with the end of the financial year. It is also anticipated that staff may be involved with extra work this year because of FBT and ACC payments both being due on 31 May 2001.

If you require additional help with reconciling your employer's taxes accounts please telephone our enquiry line on 0800 443 553 or contact your own Personal Business Services Account Manager.

Fringe benefit tax update

As you are aware, there have been significant changes to fringe benefit tax (FBT) rules with the enactment of the FBT multi-rate option last year. The fourth quarter / annual return that will be issued in the next couple of months will require additional calculations if the multi-rate option is elected. We would like to highlight the information that will be distributed, the options that employers will have available to them, and where to go to for more information.

Fourth quarter or annual FBT return mailout

The fourth quarter or annual FBT return mailout will contain the following information:

- an updated FBT return incorporating the multi-rate option
- an updated taxable value calculation sheet
- an IR 425 returns guide, and
- a multi-rate calculation sheet.

This pack will be distributed in mid-April – which is slightly later than previous years.

The returns guide IR 425 has been written to help you calculate the fringe benefit tax payable. It explains the multi-rate calculation process, including how to complete the multi-rate calculation sheet.

Due dates

The due date for filing the fourth quarter FBT return for the period 1 January to 31 March has changed from 20 April to 31 May 2001. The due date for annual FBT returns remains 31 May.

Return versions

It is important, given the changes, that you use the correct FBT return version. For example several different versions of the quarterly FBT return were used in the 2000 calendar year, and a new generic return will be used from the March 2001 quarter. If you are filing returns covering a previous period please make sure you go through the correct process of ordering and filing the relevant return version.

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Filing choice - 64% flat FBT rate or multi-rate option

Quarterly filers who paid FBT at the 64% flat rate in the last three quarters (periods ended 30 June 2000, 30 September 2000 and 31 December 2000) now have two choices in the fourth quarter (period ending 31 March). They can pay FBT at the flat rate of 64% or apply the multi-rate calculations.

If FBT was paid at the rate of 49% in quarter three, the multi-rate calculations are used in the fourth quarter. However there is a top-up provision available if employers do not have the necessary systems in place or records available to carry out the multi-rate calculations. See top-up provision for quarterly filers below.

Annual filers either apply the flat FBT rate of 64% or the multi-rate calculation. Our pamphlet "Fringe benefit tax – Choosing the right option for you (IR 424)" was sent out in January and outlines what to consider when choosing an option. This is also available on Inland Revenue's website.

Top-up provision for quarterly filers

If FBT was paid at the flat rate of 49% in quarter three for the 2000/2001 year, a top-up provision is available should the necessary records or systems not be in place to complete the multi-rate calculations. For the current year only, an election to top-up to 64% the FBT payable on the taxable value of all benefits provided during the year may be available. This will give the same result as paying FBT at a flat rate of 64% in all four quarters of the 2000/2001 filing period. More information will be available in the returns guide that will be issued in mid-April.

And finally, Inland Revenue's website (www.ird.govt.nz) now has an FBT webpage that links to an FBT multi-rate calculator, FBT related publications and related reference material. The multi-rate calculator will work out on an employee by employee basis the FBT to pay, based on the employee's cash remuneration / attributed fringe benefits.

Fringe Benefit Tax

The majority of corporate customers have payroll figures of PAYE & SSC exceeding \$100,000.00 per annum, or belong to a group of companies who exceed \$100,000 p.a. for PAYE & Specified Superannuation Contributions.

Such companies do not qualify for annual or income year returns for FBT purposes. When applying for a new company IRD number (form IR 596) clearly show whether the new company needs an IR 420 for quarterly FBT returns, or elects to be on an Annual Nil Basis. These are the only two options available to most corporate taxpayers. (Sections ND 3(2) & ND 4(2) of the Income Tax Act 1994 refer).

The same rule is relevant when applying for a new employer account on form IR 334.

Alternatively, you may wish to make use of our FBT election form IR 414.

Form IR 596 is on our website (www.ird.govt.nz) but the IR 334 and IR 414 forms are available by phoning Infoexpress Stationery Service on 0800 257 777.

Mileage allowances

We regularly receive enquiries regarding the most recent mileage claim rates.

The previous system, known as the Public Service Mileage Rates, has ceased. An updated reference to the current system is located in the Department's Tax Information Bulletin (TIB) Volumes 7:1:1 and 7:8:27.

Other relevant information can be found in the TIB by clicking on the hyperlink.

<http://www.ird.govt.nz/tib>

Buyer created invoicing or GST self billing

Sometimes the value of the supply is determined by the person who receives the goods as they are in a better position to provide the necessary information on the invoice. For example, a freezing works issues tax invoices to farmers who supply stock.

This issue is covered on pages 21 & 22 of the GST Guide (IR 375) available on Inland Revenue's website (www.ird.govt.nz). However, approval is required before this system is commenced. Points to note are:

- Approval is only given in respect of named suppliers.
- To make a request you need to send the following information:
 - (i) A list of contractors for whom you wish to generate buyer created invoices for, showing name, address and IRD/GST number.
 - (ii) Whether the company, as recipient, in whole or part, determines the consideration for the supply.

- (iii) Whether the company as applicant currently uses buyer created invoicing in the course of normal business practice.
- (iv) Whether the granting of the request would assist both the recipient and the supplier in complying with the Act. Full details as to why and how should be supplied please.
- (v) Confirmation that the contractors listed have agreed that the supplier will not issue a tax invoice in respect of that supply.

In addition, a copy of the proposed invoice must be forwarded, to ensure it complies with the Act. Please note the department does not grant retrospective approval.

Inactive companies

To reduce compliance costs, non-active companies or shelf companies may qualify for completion of our form IR 4NA. This then cancels the obligation to file an annual Income Tax IR 4/4J return for the period of inactivity.

After filing the IR 4NA, the company needs to file a Non Active Company Reactivation form IR 4NC, at the time it resumes activity.

Less Taxing Taxes

The Taxation (GST and Miscellaneous Provisions) Act 2000 was passed late last year. The new legislation implements several of the tax simplification and compliance cost recommendations made by the Finance and Expenditure Committee inquiry, and discussed in the Government discussion document "Less Taxing Tax".

This is a reminder of the changes that are effective from 1 April 2001:

- **Incremental penalty for late payment of tax reduced**

Incremental late payment penalties imposed on and after 1 April 2001 will be applied at the new rate of 1%. Previously this rate was 2%.

- **Grace period for use-of-money interest**

The use-of-money interest grace period given to taxpayers who receive a statement of account for overdue tax has been increased from 15 days to 30 days. This change applies to statements issued on or after 1 April 2001.

While the grace period applies to use of money interest, any incremental penalties imposed during the grace period will remain payable.

- **Changes to the relief provisions**

The serious and financial hardship relief provisions have been extended to include all tax types except the approved issuer levy, child support obligations and student loan repayment obligations. Also, Inland Revenue will now be able to apply these provisions to amounts over \$50,000 where previously it had to obtain the approval of the Minister of Finance.

The changes to the serious hardship provisions apply on 1 April 2001, and the changes to the financial hardship provisions apply to applications received on or after 1 April 2001.

The *Debt Options* products (IR 582 booklet and IR 592 information sheet) and the *Taxpayer obligations, interest and penalties booklet* (IR 240) are all being updated to reflect the changes. The updated publications will be available from our website, at www.ird.govt.nz from 1 April 2001.

Correspondence, IRD number applications and registrations for all corporate clients

A general reminder that the addresses for the above are as follows:

Postal Address Private Bag 39984
Wellington Mail Centre
Fax Number 04 384 5883

Overseas Contractors Address

Postal address PO Box 2198
Wellington
New Zealand
Phone Number 04 802 6056
Fax Number 04 384 5883

Services and Manufacturing and Non Resident Entertainers

Postal Address PO Box 5542
Wellesley Street
Auckland
Fax Number 09 377 1159

Please send all returns and payments to the appropriate processing centre.

Auckland Corporates to PO Box 1535, Hamilton.

Wellington Corporates to PO Box 39050, Upper Hutt.

All RWT, NRWT, AIL (irrespective of sector) to
PO Box 3754, Christchurch.

Further information is available on our website at:

www.ird.govt.nz

