



Annual information and returns

This article is to remind you of the options available to obtain information about your clients for the 2005 annual return season. All these forms are available on the "Forms and Guides" section of our website. You can also file most of the returns electronically.

IR 3 taxpacks

We will be issuing *Individual tax return (IR 3)* taxpacks from 14 April 2005.

From 1 April 2005, you can also request IR 3 taxpacks by phoning INFOexpress.

Summary of earnings (SOE)

From 18 May 2005, we will be sending SOEs to tax agents for all clients who are required to file a return.

You can request SOEs by phoning INFOexpress from 1 April 2005, but any requests will be held until the end of May. SOEs 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 2005 year and the latest date the employers have to file these returns is 20 April. We then need to process these details before sending SOEs to you.

Personal tax summary (PTS)

Automatically issued personal tax summaries (PTSs) will be sent to you from 2 June to 30 June 2005.

From 1 April 2005, you can request a PTS by phoning INFOexpress, but any requests will be held until the beginning of June. Again, we need to ensure that we have received all PAYE details from employers for the 2005 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 RWT deduction certificates showing deductions made from credit use-of-money interest during the 2004–2005 income year.

These will be issued for clients whose RWT deductions for the year total \$20 or more. For clients who are not automatically issued a certificate you can request one by contacting us on the tax agents' 0800 number.

We will also send out a letter, where necessary, advising you 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 *Individual tax return (IR 3)* for clients who are salary or wage earners only. If these clients need or want an end-of-year tax square-up, a PTS should be requested if one is not automatically issued.

You may experience delays if an IR 3 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.

Processing standards

These are the processing standards we aim to achieve for the following returns. Please do not contact us unless the timeframe shown has passed:

Return type	From receipt at a processing centre
*Income tax returns	6 – 10 weeks
Income tax refunds	6 – 10 weeks
Imputation returns	6 – 10 weeks
Employer monthly schedules	6 weeks
GST returns	4 – 8 weeks
GST refunds (non-queried)	Within 15 working days
GST refunds (queried)	4 – 8 weeks
Correspondence	Within 15 working days

*There are no separate standards for E-Filed or internet-filed returns.

Interim imputation returns (IR 4J)

Any IR 4 returns resulting in a refund, for the year ending 31 March 2004 that were not filed by 31 March 2005 will require an interim IR 4J for 2005 to be filed for the refund to be released. The refund will be released once the IR 4J has been processed.



Timing of late filing penalties

Clients with an outstanding 2004 income tax return at 31 March 2005 will be issued a letter during April advising them that their return(s) is outstanding. This letter also advises them that they have 30 days from the date of the letter to organise the filing of their outstanding return(s). After that time, a late filing penalty may be charged.

Clients who do not file their 2004 income tax return by 31 March 2005 and who are charged a late filing penalty will lose their extension of time (EOT) for their 2005 return. In these cases they will need to file their 2004 and 2005 income tax returns by 7 July 2005 to have their EOT reinstated for 2006.

Do you have a non-resident contractor working for you?

From 1 April 2005, anyone employing a non-resident contractor, who is entitled to a certificate of exemption but has not applied for one and has not deducted non-resident contractors' withholding tax, may have a \$250 shortfall penalty imposed. This penalty is capped at \$1,000 per employer monthly schedule.

New Zealand employers are required to deduct non-resident contractors' withholding tax (NRCWT) from contract payments made to non-resident contractors.

We can issue a certificate of exemption to cover this situation, but sometimes obtaining the certificate may be overlooked by the non-resident contractor. If this occurs withholding tax must be deducted at the appropriate rate.

The following are not considered withholding payments and are not subject to NRCWT.

92-day de minimus rule

If a non-resident contractor is from a country that New Zealand has a double tax agreement (DTA) with and is in New Zealand for 92 days or less in total in any 12-month period, NRCWT is not required to be deducted (subject to the DTA). For this de minimis to apply, questions must be asked of the non-resident contractor to determine if the contractor meets this requirement.

Payment threshold

In a 12-month period a non-resident contractor can receive contract payments up to (and including) \$15,000 without there being a requirement for withholding tax to be deducted by the payer. The contractor will not have to produce an exemption certificate for this to be effective.

2005 extension of time agreement

There are a few changes from last year's agreement. The following points should be noted:

- Interim percentages are:
 - 40% returns by 16 September 2005
 - 60% returns by 18 November 2005
 - 80% returns by 17 February 2006
 - 100% returns by 31 March 2006.
- If your business does not suit the targets above, please negotiate new percentages with your agent account manager.
- You may lose your EOT if your filing performance percentage is less than 80% for two consecutive years.

The agreement is available on our website:

www.ird.govt.nz/taxagents/forms-guides/keyword/individualincometax/ and from the Institute of Chartered Accountants of New Zealand (ICANZ) website. This publication is not available as paper copy.



Requesting *Resident withholding tax (IR 15) certificates*

In late March or early April you will be receiving your clients' *Resident withholding tax on interest reconciliation statement (IR 15S)*. This is a reminder that you will need to request any IR 15 RWT certificates you require for your clients as we do not automatically issue these forms.

You can get these from our website www.ird.govt.nz or by phoning INFOexpress on 0800 257 773.

If you are filing more than 1,000 certificates, we prefer you to provide IR 15 details electronically by disk (including CD or DVD).

Specifications are available on the Software Developer's page on our website:

www.ird.govt.nz/taxagents/working-ird/c-series-returns/

or by contacting the Magmedia Team at:

Email	magmedia@ird.govt.nz
Telephone	0800 433 453
Fax	04 803 1764

Late filing of GST returns

We are becoming concerned by the increased number of GST returns not filed by their due date. GST accounts for 35% of the returns issued each year and 22% of the revenue collected on an annual basis. GST returns have the second highest volume of returns outstanding and account for approximately 25% of the returns not filed.

Please ensure that you or your client continue to file all GST returns by the due date as required by law. It is also important to ensure that any clients who have ceased trading have their GST registration ceased. This will mean that no further returns are issued. The majority of cessations can now be actioned over the phone.

If you have any questions please contact us on the tax agents' 0800 number.

New disputes rules (transitional issue) GST periods commencing before 1 April 2005

The new disputes rules apply from 1 April 2005 and specific details about these can be found in the February issue of the *Tax Information Bulletin (TIB)* Vol 17, No 1. Standard practice statements on the disputes resolution process commenced by the Commissioner and by the taxpayer are also due to be published in a future *TIB*.

Generally, the new disputes rules apply for GST periods commencing on or after 1 April 2005. The two-month response period for a taxpayer's notice of proposed adjustment (NOPA) still applies to any dispute commenced from 1 April 2005 that relates to a GST period commencing before April 2005. In this case, taxpayers have two months to file their NOPA from the day immediately following the due date for the filing of that GST return. For example, if a taxpayer files a six-monthly GST return for the taxable period commencing on 1 January 2005 and wishes to issue a NOPA on that return, the NOPA must be issued to us no later than 29 September 2005 (being two months from the day immediately following the due date for filing that return).

In most other cases, a four-month response period will apply for taxpayer NOPAs issued from 1 April 2005 (eg relating to revenues other than GST regardless of return period, as well as GST return periods commencing on or after 1 April 2005). If you are issuing a NOPA in relation to a disputable decision (not being an assessment) the response period for this, under the new disputes rules, will remain at two months from the date of issue of that decision.

A further legislative amendment has been proposed in the drafting of the next taxation Bill, to allow a taxpayer a four-month response period to issue a NOPA for a disputable decision that is not an assessment.



Student loan interest rate

The total interest rate for student loans for the 2005—06 income year is to remain at 7%.

The total rate is made up of the base rate, which has decreased from 5.5% to 4.2%, and the interest adjustment rate, which has increased from 1.5% to 2.8%.

The interest adjustment rate is based on the consumer price index (CPI) for the December 2004 quarter and reflects the increase in the between that and the December 2003 quarter.

The rate for the year beginning 1 April 2005 was set by Order in Council on Monday 21 February.

Tax agents' CD Rom

Version 7 of the above product will be automatically issued to you in May. We apologise for the delay in getting this to you this year. The CD Rom contains electronic copies of our current returns, forms, booklets and other relevant information.

All the information provided on the CD is available on our website at www.ird.govt.nz/taxagents/

Visit our new look website— www.ird.govt.nz/taxagents

Our new look website has now been launched. Use the tax agents' area to find resources, tools and services to help you deliver timely and accurate services to your clients.

The search engine has been customised so that you will not see tax agent specific forms when you search in the general part of the website. If you are looking for an agent specific form, such as the IR 795, you can find this by searching from the tax agents' area.

E-File reminders

If you are E-Filing returns to us or making payments for IPS, AIL, NRT, RWT, PAY or GST, please ensure that your client is registered for the relevant tax type. If they are not registered please make sure that you send in a registration form with the payment or return. This will stop delays in posting payments of returns because your registration has not been updated for a particular tax type.

Part-year returns

Please remember that if you are E-Filing us a part year return, you need to also send a separate piece of E-Filed correspondence explaining reasons and dates around the part-year return.

Note from the editor

If you have any suggestions for future topics, please send an email to agents.answers@ird.govt.nz

If you would like to register someone to receive, or stop receiving the electronic version of *AGENTSanswers*, please either subscribe or unsubscribe through the tax agents area of our website at www.ird.govt.nz/taxagents/newsletters/ta-subscriptions-forms.html

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www.ird.govt.nz/library/newsletters/aanswers/