

Use-Of-Money Interest project complete

All the changes that the Use-of-Money Interest (UOMI) project team set out to achieve have been successfully completed, with the final work undertaken in November 2000.

The project was established 18 months ago to address a number of issues raised by the Institute of Chartered Accountants, and other tax agents. As well as correcting 23 system issues, the project implemented a number of outstanding legislative amendments into the system. There were four deliverable dates, namely December 1999, March 2000, June 2000, and November 2000.

Post implementation review

A full review of the effectiveness of the changes will be undertaken in June 2001. This is part of the department's standard project methodology and is designed to identify how procedures can be further improved. Agents will be asked for feedback on whether they are satisfied the changes have been implemented correctly.

Thanks

Jeff Owens and Aylton Jamieson from the Institute of Chartered Accountants provided considerable input both prior to, and during the course of the project. Their feedback and comments added value to the process and provided another perspective from which to consider issues. Inland Revenue would like to formally acknowledge and thank both Jeff and Aylton for their assistance.

Family Assistance refunds

A number of tax agents have requested that the family assistance credit be refunded even though there is a current year income tax debit.

Section KD 4(2)(f) of the 1994 Income Tax Act specifies that the family assistance credit is first applied to the income tax liability for that year. This applies even if the due date has not passed and only the surplus is refunded.

Your co-operation in ensuring this procedure is followed is appreciated.

UOMI Purification

Inland Revenue has completed the changes to the Use-of-Money Interest (UOMI) processing and successfully installed them into the FIRST system.

Any open accounts (ie. accounts with a current balance) will have already been updated with the changes, or will be updated when any activity occurs in the account.

We are now going back and looking at all closed accounts from the 1998 tax year forward, where the UOMI calculation may have been disadvantageous to the taxpayer. Where we identify these, we will automatically recalculate the interest. If the resulting credit is \$5.00 or more, a refund will be issued. Smaller credits will remain in the affected account and agents will be advised by way of statements of account.

We expect approximately 24,000 refunds will be issued and a further 11,000 small credit balances will be created.

A flyer is being produced which will be included with all statements. This flyer will explain that the credit results from modifications and corrections to the UOMI calculation process.

We expect to be able to complete this by the end of February 2001.

Linking clients – IRD number errors

Tax agents are asked to confirm that they are using their client's correct IRD number when linking clients to an agency list through INFOexpress.

There have been instances where taxpayers have used an interest advice notice as the source of their IRD number and given their tax agent the bank's IRD number in error.

We suggest that you ask your client for some form of correspondence issued by the Inland Revenue that shows their IRD number, or at least confirm that they have not inadvertently used a bank IRD number.



E-File information

Linking clients

The autolinking facility allows new clients to be linked automatically when tax agents file their new client's returns. However, in many cases an agent will want to link in advance of filing a return – eg. to access client information or to secure EOT for filing a return.

Until a client is linked you can not access their tax information via INFOexpress or the tax agents' line. Mail will be directed to the previous tax agent's address or to the client. Extension of time (EOT) arrangements, including adjusted filing and tax payment dates will be applied to your client based on their status before being added to your agency list, until such time as they are linked to your agency list. If there was no previous EOT clients may therefore have a 7 July due date for returns. EOT will not be granted retrospectively.

Please advise us as soon as any new client engages your services and link them to your agency list by phoning the tax agents' toll-free number, using INFOexpress or E-File TAMS. You may also complete a client *Linking/delinking form (IR 795)*.

Ordering stationery

A reminder that all tax agents with E-file are able to order stationery through E-file TAMS. All tax agents may also use our web based stationery express service. If you would like more information on this, please call our dedicated help desk at 0800 101 035.

Correspondence attached to returns

In our September 2000 edition of *AGENTSanswers* an article on **Transfers of Rebate claims** discussed attaching correspondence to both the return form and rebate claim form when requesting a transfer. Correspondence received with a return stops processing of the return until the correspondence is actioned. It is important that only correspondence relating to the return be attached. If you are sending correspondence that does not relate to a return do not send it attached as this will hinder processing of the return.

PACNET

PACNET is a service provided by Telecom through which communication with the E-File machine is made. The majority of tax agents who enrol for E-File also register with Telecom to use the PACNET facility.

PACNET have advised us that they have two contact numbers:

0800 505 012 – PACNET should be used for enrolment and account queries only.

125 should be used to report line problems or faults.

If PACNET faults have occurred, please use 125 rather than ringing your software developer or Inland Revenue.

Students sign up

In accordance with new legislation, over 65,000 students have contacted Inland Revenue requesting that interest on their student loans be written off.

At least a quarter of these requests were made on-line through the Inland Revenue website.

The department sent students an information pack at the end of October 2000 and radio and print advertising has reminded them that they should contact us if they qualify for an interest write-off. More information is planned this month when Work and Income NZ send out final loan statements to 180,000 registered student borrowers. Further advertising, media releases and an on-campus presence have also been planned.

Some students have contacted Inland Revenue to establish if we have written off their interest. We are not able to do this yet, but students will receive confirmation when we send a statement in May 2001.

Agents are asked that if any clients fit the criteria for an interest write-off, that you please encourage them to contact Inland Revenue as soon as possible. They can do this on-line (www.ird.govt.nz), by using Infoexpress (0800 257 999), by phoning us (0800 377 778) or by simply returning the form they received in the post.



School students on employer monthly schedules

If you employ primary or secondary school students and their total earnings from all employment are less than \$20 per week, they do not have to complete a *Tax code declaration (IR 330)*. Do not deduct PAYE from their earnings and do not include them on your employer monthly schedule. You must still keep wage records for them.

If their weekly earnings are more than \$20, but their annual earnings are not expected to be more than \$1,040, the student does not need to complete an IR 330. Do not deduct PAYE from their earnings and do not include them on your employer monthly schedule.

However, if the student working for you earns more than \$20 a week, and expects to earn more than \$1,040 a year, they must complete an IR 330.

Deduct PAYE or withholding tax from the full payment and include all details on your employer monthly schedule. Remember, if the student has not given you a valid IR 23 certificate do not show the STC code on your employer monthly schedules. Show the tax code they have selected on their IR 330.

Note:

Children are entitled to a rebate of \$156 each year if their total annual income is over \$1,040. If their total annual income is less than \$1,040, the rebate is 15% of the income. If a child has completed a *Tax code declaration (IR 330)*, reduce the PAYE to be deducted by \$3 each week.

If you employ university, polytechnic or other tertiary students you need to deduct PAYE in the normal way and show details on your employer monthly schedule. Your employee must complete a *Tax code declaration (IR 330)*.

Extension of time filing percentages – all is not lost

Good news—If you haven't met your targets so far this year, all is not lost. There is an opportunity to catch up in February.

It was recognised that tax agents would find it difficult to achieve the previously agreed targets due to the removal of the requirement to file IR 5s for the 2000 year, and the significant impact of summaries of earnings not being issued until the end of May. So, in agreement with the Institute of Chartered Accountants of New Zealand, targets one, two and three were reduced by a 5% margin.

However, the number of returns filed to date (target one 40%, filed 37.57%; target two 60%, filed 54.64%) have fallen short by even more. We realise that there are a number of factors that continue to contribute to a low percentage of returns being filed. These include losing experienced staff or concentrating on providing the financial implications of businesses changing their entity types.

The third target presents an opportunity for Inland Revenue and tax agents to work together. We recognise though there may be genuine situations where you will not be able to meet this target percentage. The authority to negotiate filing targets lies with your Agent Account Manager and Corporate Account Manager prior to the target date. If necessary please make contact now to discuss your circumstances. An adjustment to your expected filing target will prevent any unnecessary contact from Inland Revenue.

From mid-January you will be able to send a letter (L letter), automatically using INFOexpress to those clients who have not yet provided you with information needed to prepare their return. Last year the AAMs carried out this function manually.

Remember that clients who do not file their return and receive a late filing penalty will lose extension of time for their 2000/01 return, which will become due 7 July 2001.



Late provision of information (L Letter)

We mentioned in the last issue of *AGENTSanswers* that if a client is late providing you with all the necessary information to complete their returns, you can remind them by sending the 'L Letter' through INFOexpress. The letter will be on Inland Revenue letterhead, ie. attributed to Inland Revenue rather than the agent. This service is planned to be available from 15 January 2001.

The L Letter advises clients they have not provided their tax agent with enough information to file a return, and that shortly after 31 March, 30 days notice of the following will be given:

- Imposition of a late filing penalty
- Prosecution action for failure to furnish may be undertaken
- Withdrawal of next year's extension of time so that:
 - If your client has an October to March balance date the return of income due date will revert to 7 July, or if your client has an April to September balance date the return of income due date will be the 7th of the month, four months after the client's balance date;
 - If they have a standard or late balance date the client's terminal tax date is 7 February, or if they have an early balance date (in the months of October to February) the client's terminal tax date is the 7th of the month 11 months after balance date.

It is a simple process to issue the L Letter using INFOexpress.

1. Phone 0800 456 678, enter your tax agent IRD number and press #
2. Press 1, enter your regular PIN and press #
3. Press 2 for Return & Account Information
4. Press 5 for "to issue an L Letter"

Please ensure you have on hand your client's correct IRD number and their current postal address. If we do not hold a valid address for your client you will be given the opportunity to change the address.

If your client has lodged an income tax return for the period you will be advised. The L Letter will be issued to your client within five working days of your request and you will receive a copy.

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:

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AGENTSanswers is also on our website:
www.ird.govt.nz/business/tax_agents/index.htm