

Community-Wise

Inland Revenue's community update

How do KiwiSaver changes affect you?

The Government introduced changes to KiwiSaver that apply from 1 April 2009. If you are a KiwiSaver member, or thinking about joining KiwiSaver, how will the changes affect you?

At the moment, if you're a member, you may be contributing 4% or 8% of your gross pay to your KiwiSaver scheme. From 1 April 2009, the minimum employee contribution drops to 2%.

If you'd like to reduce your employee contribution to 2%, please complete a *KiwiSaver deduction form* (KS 2) and give it to your employer. You can find all our forms at www.ird.govt.nz under "Forms and guides" on the right-hand side. There's no need to contact us.

If you're happy to continue paying 4% or 8%, you don't need to fill out a form, or take any action at all. Your employee contributions won't change after 1 April 2009.

If you join KiwiSaver after 1 April 2009 your employer will automatically deduct employee contributions from your salary or wage at a rate of 2% unless you arrange to save a greater amount.

The member tax credit won't change.

Every year, some time after 30 June, the Government adds the member tax credit to your KiwiSaver account. This matches your employee contributions up to a maximum of \$1,042.86 (about \$20 a week).

Although the member tax credit is unchanged, you'll miss out on the maximum credit if you reduce your contribution rate to 2%, and you earn an annual income of less than \$52,000. If you'd like to receive the maximum tax credit, you need to make voluntary contributions to bring your annual savings up to at least \$1,042.86.

From 1 April 2009, your employer will increase their contribution to your KiwiSaver scheme—from 1% of your gross pay to 2%. There will be no further increases in future years. You don't need to do anything to receive the 2%—it will happen automatically.

If your employer contributes more than the compulsory 2% to your KiwiSaver account, from 1 April 2009 they'll have to pay tax on the portion of the contributions above 2%. This means there'll be less money going into your KiwiSaver account.

There used to be a \$40 annual subsidy from the Government to help you pay for the fees charged by your scheme provider. The subsidy was removed on 1 April 2009.

To find out more about the fees charged to your KiwiSaver account, you should check directly with your scheme provider or seek independent financial advice. The Retirement Commission's website has a KiwiSaver fees calculator (see www.sorted.org.nz).

Our online service "Manage my KiwiSaver" at www.kiwisaver.govt.nz lets you view your transactions with us any time, day or night. You can keep track of your contributions, get details of any interest credited to your account, see when we transfer the money to your scheme provider, and a whole lot more.

Enrolling in KiwiSaver now? Please note that the changes to the law were only passed recently, so some KiwiSaver guides may not yet reflect the 1 April 2009 changes. If you're planning to enrol in KiwiSaver, or if your employer is going to automatically enrol you, make sure you're aware of the latest rules before you make any decisions.

More detailed information is available at www.kiwisaver.govt.nz

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Independent earner tax credit

A new tax credit—the independent earner tax credit—came into effect on 1 April 2009.

From 1 April 2009, some of you may qualify for the new independent earner tax credit (IETC).

Who qualifies?

The IETC is for individuals (not companies, partnerships or other organisations) who earn an annual income of between \$24,000 and \$48,000, and are not eligible for working for families tax credits (either personally or through their partner) or receiving:

- an income tested benefit
- New Zealand Superannuation
- a veteran's pension
- or the foreign equivalent of any of these payments.

How much is it?

People earning between \$24,000 and \$44,000 can claim the maximum IETC of \$10 a week, or \$520 a year. The tax credit reduces by 13 cents for every dollar over \$44,000. This means people earning \$48,000 or more won't qualify.

How do you claim the IETC?

If you want to receive your IETC through your pay, you'll need to give your employer a completed *Tax code declaration (IR 330)*, showing one of the new IETC tax codes.

What are the IETC tax codes?

Employees who are eligible for the IETC use the ME tax code, or the ME SL tax code if they have a student loan. They can start using the new tax codes from any pay period that ends on or after 1 April 2009.

What do you need to do as an employer?

The introduction of the IETC shouldn't affect you too much. Your only obligation is to update your employee's tax code if they provide you with a new *Tax code declaration (IR 330)*, and change the amount of PAYE deducted. The PAYE tables and online calculators have been updated to reflect the new PAYE deduction rates.

Updated IR 330s are now available and you can get copies at www.ird.govt.nz (under "Forms and guides"), or by calling 0800 257 773.

Need more information?

Full details about the IETC are available at www.ird.govt.nz/ietc/. Employees can also find out if they're eligible by phoning 0800 257 700.



Donation tax credit thresholds have increased

The threshold for donation tax credits (formerly donation rebate) increased on **1 April 2008**.

Individuals

An individual can now claim one third of all qualifying donations up to their taxable income for the year ending 31 March 2009. Previously an individual could claim back one third of all qualifying donations up to a maximum of \$630.

Example

Kath donates \$10,000 to donee organisations during the year ended 31 March 2009. Her taxable income for that year is \$40,000.

Previously, Kath would have only been entitled to claim \$630.

With the increase in the threshold, Kath will be able to claim \$3,333 (one third of \$10,000).

What is a donation?

A donation is an unconditional gift of money made voluntarily to a "donee organisation", where there is no identifiable direct benefit to the donor, or the donor's family.

What is a donee organisation?

A donee organisation is an entity or trust whose activities aren't carried out for the profit of any individual and whose funds are used mainly for charitable, benevolent, philanthropic or cultural purposes. You can check the list of approved donee organisations at www.ird.govt.nz/donee-organisations/

Who can make a claim?

Individuals who have made a qualifying donation and have a valid receipt can claim a tax credit if they:

- earned taxable income for the relevant year and
- were in New Zealand at any time during that tax year (includes non residents).

Donations to schools

Parents and caregivers may be able to claim back part of their donations paid to schools or parent teacher associations as a donation tax credit.

Donations to state and state-integrated schools, and schools approved as donee organisations, can be claimed. Payments for school camps, exams and extracurricular activities or those with a take-out/home component (such as woodwork) are not included.

Payments for tuition and exams, or tertiary education (eg university, polytechnic) fees, **can't** be claimed.

How to make a donation tax credit claim

Fill out a tax credit claim form (IR 526), attach the donation receipt/s and send it to Inland Revenue.

How to make a claim

We will send a form in April to people who made a claim last year. A form can be downloaded from www.ird.govt.nz (keyword IR 526) or call INFOexpress on 0800 257 777 – you'll need your IRD number when you call.

The person who makes a claim will receive a notice outlining the amount of their donation tax credit within **six** weeks.

For more information visit: www.ird.govt.nz/income-tax-individual/end-year/dch-rebates/

Companies and Māori authorities – claiming deductions for donations

The 5% limit on deductions that companies and Māori authorities can claim for cash donations was removed for the **2008–09** income year.

If a company or Māori authority makes a donation to a donee organisation it can claim a deduction. The maximum amount it can claim is limited to its net income, calculated before the donation deduction is taken into account.

The ability to claim donation deductions has been extended to close companies (companies with five or fewer shareholders), who are not listed on any recognised stock exchange.

Note: Companies need to show the donations amount in their IR 4.

Visit www.ird.govt.nz/business-income-tax/paying-tax/rebates/ for more information.

Refresh for Inland Revenue website

The Inland Revenue website has a fresh new look. One of the more obvious differences on the homepage is the “advertising” block in the centre of the page. This area highlights important information for customers and leads them directly to the information they need. They can then easily work out if, and when, they need to do something or find out more information if necessary.

The colours have been updated and the information made clearer and easier for customers to find. The flexible page layout automatically adjusts to different screen resolutions and is accessible to screen readers. Line spacing has been increased and the links are a darker colour with a slight underline to make them stand out from the text.

The homepages for the four main customer groups have also been updated. Unnecessary content has been removed and the topics have been grouped into themes. This makes it easy for customers to pick and choose what interests them. For example, on the “Businesses & employers” homepage, content has been grouped into different aspects of business operations with content specific to the business lifecycle and industry made more prominent.

The website refresh was undertaken in response to customer feedback. Research was also undertaken to see how customers were using the site and where they were experiencing difficulties.



One million members for KiwiSaver

As of 31 March 2009 KiwiSaver had one million members.

The number of KiwiSaver members has continued to exceed forecasts. In the 2007 Budget, KiwiSaver was forecast to have 346,000 members by the end of the first year, but the actual figure was 716,637.

Opting-in via a provider and automatic enrolment continue to be the dominant methods of enrolment, with opting-in via employer much lower now than in the early stages of KiwiSaver.

The gender breakdown of members is evenly split between men and women.

Tax returns – who, what, when?

Most people who earn salary and wages pay the right amount of tax and don't need to do anything at the end of the tax year. However, depending on your income and situation during the tax year, you may need a personal tax summary (PTS) or to file an *Individual tax return* (IR 3).

Personal tax summaries

A personal tax summary shows your income and tax deduction details for the year. These details are based on the employment, pension or benefit information provided to us each month by your employer. It also shows whether you've overpaid your tax and are due a refund, or underpaid your tax and have tax to pay.

If we know you'll need to tidy up your taxes we'll send you a PTS in July. Some people will need to request a PTS, while others may want to find out if they are eligible for a refund.

The following outlines the three different groups. Anyone not included in these groups and who has not been contacted by us can relax—there is no need to get in touch with us.

People **automatically** receive a PTS in July if they:

- and/or their partner received working for families tax credits from Inland Revenue
- and/or their partner received family tax credits from Work and Income and their total family income was over \$35,914 for the 2009 tax year
- have a student loan and have not had enough money deducted from their salary, wage or benefit income
- have used a special tax code during the year
- used the wrong tax code
- used a CAE (casual agricultural employee) or EDW (election day worker) tax code and earned more than \$200 from that source
- are an IR 56 taxpayer who doesn't receive any IR 3 income (eg rental, self-employed or business income).

People **must** request a PTS if they:

- received income between \$40,000 and \$70,000 and they received more than \$200 of interest taxed at less than 33%
- received income over \$70,000 and they received more than \$200 of interest or dividends taxed at less than 39%
- received income over \$40,000 with more than \$200 of taxable Māori authority distributions
- paid child support through Inland Revenue and received more than \$200 of interest, dividends or taxable Māori authority distributions
- have a student loan, earned over \$18,148 and received more than \$200 in interest, dividends or taxable Māori authority distributions.

To request a PTS you can call INFOexpress on 0800 257 773 (have your IRD number handy) or request one at www.ird.govt.nz.

People **should** request a PTS if they:

- can claim either the child tax credit or the tax credit for those who received salary and wage income of less than \$9,880
- did not work a full tax year (1 April 2008 to 31 March 2009)
- had more than one job during the year
- can claim expenses against their income.

If you think you may be entitled to a refund we recommend you use our personal tax summary calculator or worksheet to work it out before you request a PTS. If you request a PTS and there is a tax bill you will have to pay it.

You'll need your income details for the year to use the calculator.

You can use our personal tax summary calculator at www.ird.govt.nz or call INFOexpress on 0800 257 773 to request a personal tax worksheet.

IR 3 individual tax returns

If you receive income from self-employment, a rental property, a partnership, or schedular payments* you must file an IR 3.

In May we'll send a summary of earnings (showing income information for the tax year) to people who file an IR 3 and also received income from salary, wages or schedular payments.

If you don't have a tax agent or an extension of time your IR 3 is due to be filed by 7 July 2009. If you can't file your return by 7 July 2009 and don't have a tax agent or an extension of time you'll need to contact us.

If circumstances have changed and you no longer need to file an IR 3 call INFOexpress on 0800 257 773 so we can update your records.

If you haven't received an IR 3 tax pack, or aren't sure if you need one, visit www.ird.govt.nz/income-tax-individual/end-year/ir3/ for more information.

The end result – refund or tax to pay?

A personal tax summary will show you if you will get a refund or have tax to pay.

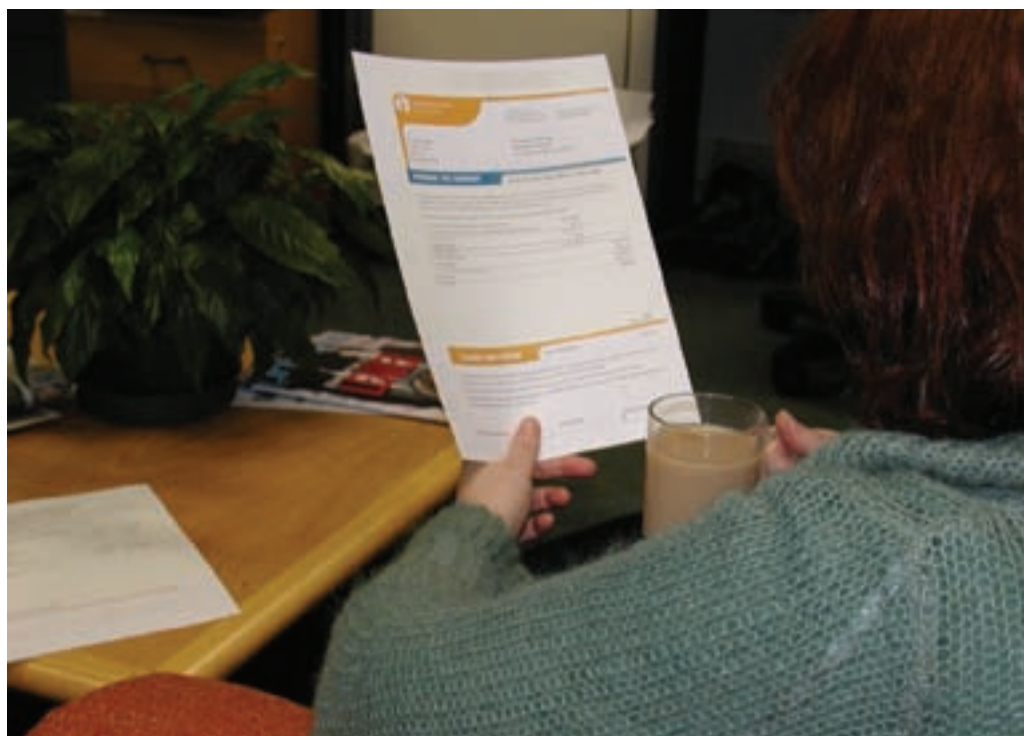
Refunds **under \$200** will be automatically paid 15 days after the date of the personal tax summary.

Refunds of **\$200 or more** will be paid after you have confirmed your personal tax summary is correct.

Note: if you have any overdue debt, not under an instalment arrangement, your refund may be used to pay it. If you have any child support arrears your refund will be used to pay this regardless of any instalment arrangement you may have. Anything remaining after this is paid will be refunded to you.

If there is tax to pay it must be paid by:

- 7 February 2010 (if you don't have a tax agent)
- 7 April 2010 (if you have a tax agent and have an extension of time).



*Formerly withholding payments

Contacting our community relationship advisors

Our community relationship advisors are responsible for educating customers on entitlements and compliance obligations. Check the table below to find the community relationship advisors in your area.

Area and name	Contact number
Wellington	
Brian Woolford	04 890 1037
Iriea Williams	04 890 3294
Tracey Taylor	04 890 1153
Ruta Wright (Kaitakawaenga Māori)	04 890 1169
Luke Schaumkell (Kaitakawaenga Māori)	04 890 1009
Nelson	
Kaye Latham	03 989 6000
Margaret King	03 989 6158
Dayveen Stephens (Kaitakawaenga Māori)	03 989 6146
Christchurch	
Mary Jane Heu ((Kaitakawaenga Māori)	03 968 0792
Nicole Manawatu (Kaitakawaenga Māori)	03 968 0648
Christchurch/Timaru	
Don Amyes	03 968 0488
Annie Light	03 956 7020
Dunedin	
Cindy Henry	03 951 2011
Kiwhare Mihaka (Kaitakawaenga Māori)	03 951 2087
Greymouth	
Juliette Henry	03 906 0317
Whangarei	
Angela Pearson	09 986 6000
Luana Poata	09 986 6028
Leanne Hohaia (Kaitakawaenga Māori)	09 986 6007
Takapuna	
Nicola Sharp	09 984 1641
Linda Fawcett	09 970 6041

Area and name	Contact number
Manukau	
Helen Lisiua	09 984 2230
Kevin Mascarenhas	09 984 2254
Paul Tuisaula	09 984 2343
Sophie Chungson	09 984 2332
Christina Fifita	09 984 2376
Hamilton	
Chris Novak	07 959 0267
Moana Ratima (Parental leave until 12/04/09)	07 959 0266
Maureen Thornton (Kaitakawaenga Māori)	07 959 0238
Wiremu Panapa (Kaitakawaenga Māori)	07 959 0690
Palmerston North	
Philippa McNae	06 953 3096
Charmaine Ratima (Kaitakawaenga Māori)	06 953 3026
Rhys Mohi (Kaitakawaenga Māori)	06 953 3105
New Plymouth	
Naida Tuirirangi (Kaitakawaenga Māori)	06 968 4026
Napier	
Paula Nicol	06 974 6331
Nikki Harrison (Kaitakawaenga Māori)	06 974 6359
Gisborne	
Danny Fong	06 986 2003
Ian Procter (Kaitakawaenga Māori)	06 986 2028
Rotorua	
Nikki Emery (Kaitakawaenga Māori)	07 921 3809
Edward Nathan	07 921 3824
Tauranga	
Lorraine Morten	07 927 5361
Tania Faulkner (Kaitakawaenga Māori)	07 927 5226

Key dates and events

Date	Event
1 April – Student loans	The student loan repayment threshold for 2009–10 increases to \$19,084 (\$367 per week).
April – Student loans	Overseas, non-resident student loan borrowers will receive their notice of assessment for the 2009 tax year (1 April 2008 – 31 March 2009). This shows how much they need to pay towards their student loan for the year.
April – Personal tax season	Tax credit (formerly rebate) claim forms are sent to customers who claimed donation, childcare or housekeeper tax credits last year.
April – Personal tax season	IR 3 income tax return packs are sent out.
April – Working for families	Change of circumstances letters are issued to business and self-employed Working for families customers. They show all the family and income details we hold and customers need to confirm they are correct.
May – Personal tax season	Summary of earnings are sent to taxpayers who are required to file an IR 3 income tax return.
July – Personal tax season	Personal tax summaries are sent to taxpayers who are required to have an end of year “square-up”.
June/July – Student loans	All student loan borrowers are sent their student loan statement.
August – Personal tax season	Customers who did not receive a personal tax summary can request one.