

# C O R P O R A T E S   C O N T A C T

## N U M B E R   T W E L V E   ~   N O V E M B E R   2 0 0 1

### Website

Have you visited our website at [www.ird.govt.nz](http://www.ird.govt.nz) recently?

We have redesigned our website to make it easier for you to:

- access the information you need, and
- navigate around the site.

In keeping with our philosophy of continuous improvement, we will be making more changes in the future.

You may be interested in:

- the **library** (where our publications and forms, can be accessed online)
- subscribing to **Tax Information Bulletins**
- subscribing to your own copy of **Payroll News, GST News** and/or **AGENTSanswers**.
- accessing government tax and social services **policy documents**
- keeping up-to-date with the changes to our site – you can do this by viewing or subscribing to the **what's new** page.
- **Corporates Segment** information at [www.ird.govt.nz/aboutir/structure/corps/](http://www.ird.govt.nz/aboutir/structure/corps/)

Our homepage will feature articles to update you on major events or changes at Inland Revenue.

We welcome your **feedback** about the information on our website and the ease with which you can access it. We also would like to hear about any suggestions you might have for additional information or services. You can e-mail the [webmaster@ird.govt.nz](mailto:webmaster@ird.govt.nz).

### Use-of-money interest rates down

The Government recently announced a decrease in the use-of-money interest rates on underpayments and overpayments of tax and duties.

From 8 November the rate for underpayments has decreased to 11.93% and that for overpayments to 4.83%.

### Electronic Transaction Bill

The Electronic Transactions Bill is expected to become law before the end of the year.

It is intended to facilitate the use of electronic technology and reduce the uncertainty regarding the legal effect of electronic information, and the time and place of dispatch and receipt of electronic communications.

Inland Revenue has a dedicated project team that is presently working on impacts of the ETB including electronic copying of paper records and the consent rules for electronic communications to and from the department.

We will provide you with further details in the next edition of *Corporates Contact* released in March next year.

#### Reminder – Trade Names and GST

Have you registered your GST trade name with us? If not, please phone us on 0800 443 773 so we can update your details

### Electronic Payments

You may have received statements of account with tax to pay, when payment has already been made.

In many cases, this is due to delays in the processing of electronic payments caused by incorrect or insufficient information provided. Attention is drawn to the particulars under REFERENCE, which should be the tax period end-date. Print the period which the payment is for, not the date you are making the payment or the payment due date. The period must show the day, month and all four digits of the year, not just the last two.

For the full guidelines for electronic payments, please refer to the IRD leaflet, **Making Payments (IR 584)**, which you can get from our website or by phoning InfoExpress on 0800 257 777. For further information phone us on 0800 443 773.

## Direct credit of refunds to bank accounts

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Do you get your refund direct credited to your bank account? To speed up the receipt of any expected refunds, we suggest you register your bank account(s) with us. You can do this by completing our form **Fast refunds – Direct credit authorisation (IR 587)** which you can access from our website or by phoning INFOexpress on 0800 257 777. Alternatively you can provide the details by writing or faxing to us. For security reasons a bank account cannot be loaded from a phone call.

If you change your bank account or think you may have an out of date bank account registered with us, please telephone us on 0800 443 773 so we can immediately stop refunds being direct credited to an incorrect account. You will then need to advise us in writing of the new details.

## Insurance premiums paid to an overseas insurer

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There are special rules that apply to companies who pay a premium, including a reinsurance premium, to a non-resident insurer.

If you are paying a premium to a non-resident insurer you need to obtain a separate IRD number to account for the tax on the premium income. This is because you are deemed to be the insurer's agent.

You will need to file an IR 4 return under this separate IRD number and declare total gross premiums paid as the only income received. Only 10% of the premiums paid are subject to income tax.

If you do not intend to pay any further premiums to a non-resident insurer, please advise us so we can close the account.

You can write to:

Steve Kiteley – Team Leader  
Banking and Insurance Sector  
Corporates Segment  
Box 39984  
Wellington

For further information please phone Corporates on 0800 443 773.

## CD Rom Version 4

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Development is underway of version 4 of Inland Revenue's CD Rom. If you would like to make any suggestions or see additional information on the CD Rom please e-mail [agentcd@ird.govt.nz](mailto:agentcd@ird.govt.nz)

## Computer Tax Audit

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Computer Tax Audit (CTA) is a small unit within the Corporates segment. We usually work in conjunction with Corporates investigators. One of our main tasks is reviewing computerised accounting or payroll systems. These reviews are known as "Systems Audits".

### Why do a Systems Audit?

We do systems audits to gain assurance that a system is providing accurate and timely financial information. The results of a systems audit enable Corporates investigators to concentrate on areas where errors are more likely to occur and reduce or eliminate testing and queries in areas where the system is working well. The aim of a systems audit is to reduce the amount of time spent on an audit.

### How long will it take?

CTA staff are generally on site for no longer than a week. How long the audit takes will depend on the complexity of the system, the timely provision of the information and the location and availability of key staff.

### What do we do?

We generally begin our review by talking with staff who are familiar with the technical aspects of the system e.g. IT staff.

While we discuss the system, we will be drawing up flowcharts to "map out" how the system operates. We then talk to selected users of the system. This lets us see controls that exist outside the computer system.

We assess the controls that exist in the system and identify perceived weaknesses. We then discuss our findings with the business being reviewed (typically on the last day of the systems audit). A letter detailing our findings will also be sent.

### What happens next?

If our analysis has identified areas that require further testing, we may ask for some data from the computer system being reviewed. We test this data to quantify any errors that may have occurred.

If you have any queries about the work CTA does, please email us at [cta@ird.govt.nz](mailto:cta@ird.govt.nz).

## FBT Returns – Multi-Rate Issues

A new Fringe Benefit Tax return was introduced from the 31 March 2001 period. This return is now a generic return and can be used at any FBT quarter.

The return requires you to indicate whether it is for Quarter 1, 2 or 3 or for Quarter 4.

- At Quarter 1, 2 and 3 you need to select whether you will be paying FBT at 64% or 49 %. (This is indicated at Box 6)
- At Quarter 4 you need to select whether you will pay FBT at 64% or use the Multi-rate option. (This is indicated at Box 7)

For example, when a return is filed for quarter 2 (1 July to 30 September) only Box 6 should have a selection made. We have found errors on recent returns where selections were made at both Box 6 and Box 7.

This impacts on the processing of the return, in that your account cannot be finalised. If the error is made in Quarter 4, any refund due under the multi-rate option will also be held up.

For information relating to the completion of the FBT return, please refer to the **FBT Guide**, IR 409, which you can access on the website in the publication library or through INFOexpress 0800 257 777.

We have also developed a **FBT multi-rate calculator** which is available on our website at [www.ird.govt.nz/fringebenefittax/calculatingfbt/multiratecalculator.html](http://www.ird.govt.nz/fringebenefittax/calculatingfbt/multiratecalculator.html) to help you with your calculations.

## GST on fringe benefits

As a result of legislation enacted in March 2001, we are making changes to the way we collect GST on fringe benefits. These changes will make it easier for employers to make this adjustment.

Currently, if an employer provides fringe benefits, they may be required to make an adjustment for GST on fringe benefits in their GST return. The GST adjustment is payable to Inland Revenue in the GST return period that the FBT payment falls due. Because this is always at a later date, it is easy for employers to forget to make this adjustment in their GST return.

For GST due after 1 January 2002, the adjustment for GST on fringe benefits will be made in the FBT return instead of the GST return. The first FBT return to show the new adjustment box will be for the quarter or year ended 31 March 2002 for quarterly and annual filers, and for the 2000–2001 income year for income year filers.

We'll be providing more information about this change to employers by sending letters with the quarterly, annual and income year FBT returns. We'll also be putting information about the change on our website and updating our FBT and GST guides.