



## Multi-registration form update

Some time ago we were asked to consider creating an online multi-registration form that would allow you to register your clients for multiple tax types such as GST and PAYE on the one form.

Recently we have had queries from some of you asking how far we have progressed with the online multi-registration form and when it will be completed.

We've had to put the production of this form on hold, due to system limitations preventing us from progressing any further.

We understand the benefit this form would provide to you and are currently looking for ways around these system limitations.

## Extra money for your clients

We will shortly be inviting customers who receive their family assistance as a lump sum payment to confirm their eligibility for the new in-work payment.

The two main parts of family assistance are now family support and in-work payment. From 1 April 2006, in-work payment replaced and pays more than the child tax credit component of family assistance for working families.

Eligible working families can receive an in-work payment of up to \$3120 a year (or \$60 per week) if they have up to three children and up to a further \$780 a year (or \$15 a week) for each additional child. Eligibility is based on a family's income, the number of children and the hours they work. These are:

- a **two parent family** where one of both parents normally work **30 hours or more a week** between them, or
- a **single parent** normally **working 20 hours or more a week**.

As well as the new in-work payment, the income levels for family assistance under working for families have increased to include families with higher incomes. Families can now receive more before their payments start to reduce and may wish to consider switching to regular weekly or fortnightly payments.

We will be sending those of you with clients who receive their family assistance as a lump sum letters and brochures about in-work payment to:

- pass on to your clients, and/or
- respond on their behalf.

Please encourage your clients to confirm their working hours by visiting [www.workingforfamilies.govt.nz](http://www.workingforfamilies.govt.nz)

## 9-digit IRD/GST numbers update

As you know, we're moving to a 9-digit format for IRD/GST numbers as we are coming to the end of the valid eight digit numbers available.

If your client has an 8-digit number, there will be no change when completing a form or return with nine boxes—just leave the first one blank.

- All current 8-digit IR/GST numbers remain unchanged (12-345-678).
- In the future, new customers will be issued with a 9-digit number (123-456-789).

You'll need to check with your provider that the software/systems you use to complete your business can accept the extended 9-digit GST and IRD numbers as well as the existing 8-digit range.

We'll make the new E-File and ir-File specifications available before 1 April 2007 so you can download the relevant, up-to-date files. We'll let you know when they are available from our website.

In the meantime, you'll need to be aware of the following:

- We will be progressively updating our forms with the new IRD number format.
- When you provide clients who have an 8 figure IR/GST number with advice on how to complete our forms with 9 boxes, please advise them to leave the first box blank.
- All our systems will be able to accept both 8 and 9-digit numbers from 1 April 2007.
- If your client has an 8-digit GST number they only need to display the current GST number. If they set up a new company or subsidiary and get a 9-digit GST number, they will need to display this.

If you have any enquiries or questions, please email us at [number.extension@ird.govt.nz](mailto:number.extension@ird.govt.nz)





## KiwiSaver—a new work based savings initiative

The government recently passed legislation with the aim of encouraging employees in New Zealand to save, particularly for retirement.

While KiwiSaver is voluntary, from 1 July 2007 (previously 1 April 2007) all new employees aged 18 to 65 years will be automatically enrolled in a new work-based savings initiative called KiwiSaver—unless they opt out or the employer has an existing work-based scheme that is 'exempt' from the automatic enrolment rules. Existing employees, self employed and beneficiaries can also join by opting in.

As an Agent you have a key role to help explain to your clients the impact of KiwiSaver on them and their obligations. You may also have obligations as an employer in your own right and will have to be conversant with the new rules.

We have been actively working with employer groups to work through design and implementation issues to ensure the processes are workable and costs to employers are minimised. From late October 2006, we will be sending employers more information about the initiative including what they will need to do and when.

### Key features of KiwiSaver

- New employees over 18 and under 65 will be automatically enrolled when they start a new job.
- New employees won't be automatically enrolled in workplaces where the employer is already running a work-based scheme, provided the employer has been given an exemption by the Government Actuary.
- Employees with a contract for 28 days or less are exempt from automatic enrolment.
- Limited to NZ citizens ie not international visitors or those on temporary work permits.
- Contributions at either 4% or 8% start from the first pay and are "locked in" until 65 or after you've been in the scheme for five years if you are over 60 when you join, whichever is the longer period (although there are some exceptions for significant financial hardship, serious illness or permanent emigration).
- New employees have 6 weeks to opt out – from the end of week two to week eight, although contributions are deducted from the employees first pay.
- Opt out forms can be given to either the employer or Inland Revenue.
- Any contributions already deducted will be refunded where opt

out occurs.

- Employees choose a scheme fund provider or the employers' chosen scheme or Inland Revenue will allocate a default provider.
- The government contributes \$1000 to "kickstart" the members' account and contributes to scheme fees.
- Employers are responsible for deducting employee contributions and passing them to Inland Revenue with their PAYE.
- Inland Revenue will hold contributions for 3 months while member seeks financial advice and chooses a scheme provider and will pay interest on the funds held.
- Use of money interest, late payment and tax shortfall penalties do not apply where an employer fails to provide information or fails to make deductions of contributions from an employee's salary or wages or deducts an incorrect amount.
- Employers also send Inland Revenue new employee's IRD number, name and address details (to enable Inland Revenue to issue an Investment Statement).
- Employers can also contribute and their contributions may count towards the employee contribution of 4% or 8%.
- Employees can also make one off lump sum contributions.
- Employer contributions to the KiwiSaver scheme will be exempt from specified superannuation contributions withholding tax (SSCWT)—providing the employer contribution is the same as the employee's contribution or 4% of the employee's salary or wages, whichever is less.
- After three years of saving, Government will offer a first home deposit subsidy of \$1000 per year of membership in the scheme, up to a maximum of \$5000 for five years.
- Although funds are "locked in" savers can take a break for up to five years at a time by applying for a "contributions holiday". Contributions resume at the end of the holiday unless the individual applies for a further break. A member needs to have been contributing for 12 months to apply for a contributions holiday, except in cases of financial hardship.
- Employers are responsible for distributing an information pack provided by Inland Revenue to the employee.
- Existing superannuation schemes can continue or convert to KiwiSaver, or establish a KiwiSaver scheme under trust.
- Employers can seek an exemption from automatic enrolment from the Government Actuary if the existing scheme meets specific criteria.
- After 12 months employees can elect to divert part of the KiwiSaver contribution to pay off their mortgage if their scheme provider offers this option.

For further information go to [www.ird.govt.nz/kiwisaver](http://www.ird.govt.nz/kiwisaver)



## PAYE Intermediaries Subsidy

From 1 April 2004 employers have been able to voluntarily transfer their PAYE obligations to a PAYE Intermediary (PI) as part of the small business tax simplification initiative. Legislation has been passed to extend this scheme from 1 October 2006 to enable listed PI's to receive a subsidy for dealing with the PAYE component of small employers' payroll obligations. A small employer is one who pays less than \$100,000 in PAYE per annum.

### Background

This initiative is part of the Government's drive to provide a business friendly environment, support small enterprises and reduce their compliance costs.

### What's the benefit to the employer?

It is intended that this initiative will allow small employers, particularly new employers, to focus efforts on their business rather than compliance activities and for payroll service providers to use their skill, technological capabilities and economies of scale to help small employers.

### Who's eligible to receive the subsidy?

Payroll service providers, accountants or other tax professionals who are accredited PI's may apply to become listed PI's. To qualify as a listed PI you must:

- be acting as PI for a minimum of ten employers
- have your tax affairs in order
- operate a trust account
- have suitable IT systems to enable electronic interaction with Inland Revenue, eg ir-File
- meet a number of other administrative standards.

### How much is the subsidy?

The rate of the subsidy was set at \$2.00 in the May budget. It will be paid monthly at a flat rate per employee pay date for up to five employees per month for each small employer. The subsidy will be inclusive of GST and subject to income tax.

### What's the benefit to my business?

If you are currently undertaking PAYE filing and payment obligations on behalf of small employers you may wish to consider becoming a listed PI and receive the subsidy.

Alternatively, you may have clients who would benefit from handing their payroll obligations over to a listed PI and you could advise them accordingly.

### Application Date

The subsidy will apply for the pay periods beginning on or after 1 October 2006.

### For more information

For details on how to become an accredited and listed PAYE intermediary visit our website and type in the key words 'PAYE intermediary' or call 0800 443 773.

## Foreign trusts disclosure and record keeping rules

1 October 2006 sees the introduction of new disclosure and record keeping rules for foreign trusts.

If you represent a foreign trust and know these rules apply to you, you will find the *Foreign trusts disclosure (IR 607)* form and where to send it at [www.ird.govt.nz](http://www.ird.govt.nz)

If you're not sure if you are affected, see our *Tax Information Bulletin (TIB)* Vol 18, No 5 (June 2006).

If, after reading the TIB, you have any further questions please email them to [competent.authority@ird.govt.nz](mailto:competent.authority@ird.govt.nz)





## Aligning GST and provisional tax payments—Correction to September 2006 edition

In September's *AGENTSanswers* there was an article regarding the alignment of GST and provisional tax. The article advised "From 1 April 2007 this will make it easier for your clients to pay their GST and provisional tax as they'll be able to pay both at the same time".

Please note that only the due dates for GST returns and payments will change from 1 April 2007. The alignment of GST and provisional tax payment due dates for all customers and the introduction of the new option to calculate provisional tax payments for those that qualify will be introduced from the beginning of the 2008–2009 income year—for most customers this will be from 1 April 2008.

We apologise for any confusion this may have caused.

Aligning the due dates for payments will make it easier for businesses to pay GST and provisional tax payments, as these will be paid at the same time.

Provisional tax is normally paid in three instalments during the year and depends on a customer's balance date. Most customers have a balance date of 31 March, and pay their provisional tax on 7 July, 7 November and 7 March, representing the 4th, 8th and 12th months after their balance date.

For customers with a March balance date their GST and provisional tax payment due dates will be aligned from 1 April 2008. This means that their standard provisional tax payments will be 28 August, 15 January and 28 April representing the 5th, 9th and 13th months after their balance date.

The terminal tax due date won't change. For example, the due dates of 7 February and 7 April for clients of agents with a standard balance date will be the same.

For customers who are registered for GST and pay provisional tax, the new calculation option will allow them to base their provisional tax payments on a percentage of their GST taxable supplies.

These changes may also help businesses with their cash flow by aligning the payment of provisional tax more closely to when their income is earned.

Over the coming months, we'll provide you with more information about the changes. We also plan to put more information on our website, so please check back with us regularly at [www.ird.govt.nz](http://www.ird.govt.nz)

### Note from the editor

If your 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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