

2000/2001 extension of time agreement

Inland Revenue and the Institute of Chartered Accountants of New Zealand have recently completed extension of time negotiations for the 2000/2001 year.

This year's extension of time targets for filing clients' tax returns have been reduced as a result of the removal of IR5s and the reduced time available to file IR3s because of the new Summary of Earnings process.

The standard targets are:

- 40% of clients' returns filed by 15 September 2000
- 60% of clients' returns filed by 17 November 2000
- 80% of clients' returns filed by 16 February 2001
- 100% of clients' returns filed by 31 March 2001.

The agreement – previously the IR 9XA – prepared by Inland Revenue in consultation with the Institute of Chartered Accountants of New Zealand was signed by both parties and includes details of applying an automatic extension of time to tax agents.

Inland Revenue applies this agreement to all tax agents regardless of whether they are members of the Institute of Chartered Accountants of New Zealand.

The arrangements and procedures in the agreement can be found on the tax agents' page of Inland Revenue's web site and will be included in the next edition of the tax agents' CD-ROM.

Please note the agreement (IR 9XA) will not be posted this year. If you have any questions please contact your agent account manager.

ir-File and future developments with Internet filing

As part of the department's strategic vision on electronic commerce, we are enhancing the current ir-File service used by tax agents, payroll bureaux and employers to file employer monthly schedules electronically via the Internet. This will provide us with the framework and infrastructure to be able to offer future electronic interactions with our customers beyond the filing of employer schedules.

The enhanced service will remove the need for employers - including tax agents - to download ir-File software and digital certificates to their computer, and add the feature of choosing to compress all clients' schedules into one transmission. These changes will further simplify the use of electronic filing for PAYE, further reduce compliance costs and open up opportunities to expand electronic filing to other transaction types in the future.

The employer monthly schedule files prepared by commercial payroll software products will not change as a result of the enhancements we will be making. Specifications will remain as set out in the *Payroll Specification Document 1 April 2000 to 31 March 2001* issued earlier this year.

Inland Revenue will manage and support the service in the future – including the delivery of the help desk service.

Employers using ir-File prior to enhancements

To ensure we deliver what employers want, consultation with employers began last month with focus groups discussing the new screen designs.

Inland Revenue has developed a test service, which will be used by a sample group of employers to send dummy schedules over a four-week period. This is likely to commence in mid-July 2000. After the results are analysed the test services – including any changes – will be considered by a focus group of employers with a view to incorporating any changes.

Inland Revenue will then run a pilot of the test service for a targeted group of employers over an eight-week period likely to commence in mid-October 2000. During this time the final product will be fine-tuned before being introduced to a wider group of potential users.

Employers using the existing ir-File service will be brought over to the new service after the pilot results have been analysed. During the consultation phase these employers will be asked how they would like the conversion process to proceed to ensure that compliance costs are minimised.

Student loan repayments

Inland Revenue has a new service aimed at helping student loan holders save interest on their student loan. A loan calculator has been developed to assist them in planning early repayment of their loan. If you or your client has a student loan you can call Inland Revenue who will calculate repayment rates.

By entering loan and income details, we can tell you the amount required to meet the annual repayment obligation allowing loan holders to decide any extra amount they can afford to repay. Inland Revenue will give you the expected term of the loan and the estimated interest saved by making extra voluntary repayments.

Please note that base interest write-offs are not included in the calculations. Any entitlement to base interest write-offs, will reduce the interest charges and term of the loan.

Contact the call centre on the tax agent's freephone number between 8 am and 8 pm Monday to Friday or 9 am to 1 pm on Saturday.

BRIEFS

New standard practice statement

Draft statement

ED 0014 Offsetting and transferring refunds

The deadline for comment on this draft standard practice statement has been extended from 31 May to 30 June 2000.

This draft standard practice statement states the Commissioner's practice on the way Inland Revenue offsets and transfers refunds to accounts, whether they be to another period within the same revenue, to another revenue, or to another taxpayer.

A full version appears on Inland Revenue's web site at www.ird.govt.nz/rulings/index.htm. Comments can be e-mailed to Inland Revenue from that page or posted to The Manager, Field Liaison & Communications, Adjudication and Rulings, National Office, Inland Revenue, P O Box 2198, Wellington.

Errors in IR 3 returns

Two errors have been identified in the ACC calculations in the IR3 tax return recently sent out by the department.

The errors occurred when converting percentages to a decimal value. In two cases when the amounts were converted a "0" was left out of the decimal value.

Where	As printed	Should be
Under the heading "All other cases."		
Text on page 78 of the guide regarding earners' account levy.	Multiply Box 37A by 0.019 (0.19%)	Multiply Box 37A by 0.0019 (0.19%)
Please note that the amounts shown in the calculation table on page 79 are correct.		
Instruction for Box 4 in the "Worksheet for earner premium" on page 16 of the guide.	Multiply Box 3 by 0.14 (1.4%)	Multiply Box 3 by 0.014 (1.4%)

These errors will be picked up during the processing of returns but if there is any doubt about the correctness of an assessment taxpayers or tax agents should call the department.

Changes to the 2000 year IR4 returns

This year's IR 4 tax return has changed in the section where information about "making or receiving subvention payments", or "transfer losses between group companies", is provided.

New questions – at keypoints 39F and 39G – have been introduced to capture information about losses and subvention payments for each group company. These will assist in making any future adjustments.

Please note there is a wording error in question 39G, including the CD Rom version of the form.

Where	As printed	Should be
Question 39G	Subvention payments received should be shown in brackets. Subvention payments made should be shown without brackets.	Subvention payments received should be shown without brackets. Subvention payments made should be shown in brackets.

Our processing systems should pick up any discrepancy but the return will need to be corrected manually which could cause a processing delay. You can assist us by ensuring the returns are completed with the brackets in the correct order.

A reprinted *Shareholder details form* (IR 4S) with the correction is included in this issue of *AGENTSanswers*.

TAMS automatic letters

New versions of the tax agents' linking, de-linking and transfer letters have been updated on FIRST and tax agents and their clients were sent these letters from 3 May 2000. TAMS transfer letters and extension of time letters sent to tax agents have also been updated for use after the end of May.

Tax agents now receive a copy of the linking and de-linking letters. The letters show the taxpayer's name and the tax agent's address and have "agent copy" clearly marked at the top of the letters.

After consultation with tax agents and staff it was considered that the principle name of the tax agency rather than the name of the tax representative would be most appropriate to show on the letters.



Use of money interest issues update

The vast majority of issues relating to use of money interest (UOMI) have been fixed with effect from 5 April 2000 or earlier. The remaining issues are due for completion by 30 June.

The only major issue that remains outstanding is the calculation of use of money interest on trusts. We are working through some legislative issues regarding trusts and will keep you informed about timing for implementation.

Following these changes, Inland Revenue will progressively fix taxpayers' accounts to calculate use of money interest correctly.

The background and critical information about these changes can be found in *AGENTSanswers*, in particular October 1999 issue, the *Journal of Chartered Accountants of New Zealand* October 1999 (page 51) and February 2000 (page 56) issues and *Tax Information Bulletin* Volume 12, No.2 dated February 2000. The latter article outlines key issues in respect of the allocation of income tax payments to tax and UOMI, changes to the rules and examples of how they impact on taxpayers' accounts.

Purification

Purification of each of the UOMI issues will begin as soon as practicable after the relevant change has been updated in the production system. As each return period is updated by some form of financial activity, the purification will occur.

The first round of purification took place in early April 2000 just after 7 April terminal tax payments. All return periods not updated in this way – largely 1997/98 and 1998/99 accounts with nil balances and no recent activity – will be selected progressively for update from August 2000.

If you receive a statement of account that shows a small credit balance resulting from these changes normal processing procedures will apply. If you would like this amount refunded contact the call centre to request this.

Adjustment request form number

During the national roadshow to tax agents in April and May an incorrect form number was provided for the *Adjustment request form*. The correct number is IR 796.

Using these forms ensures adjustment information is provided in a consistent format and is more readily identifiable than adjustments sent by letter. This allows for more accurate and timely actioning of adjustments.

If you currently request this form you may receive a form showing the old number – IR960A – until the updated forms are printed.

These forms are produced in pads of 50 sheets and you can order a maximum number of five pads per order.

Issuing statements

Recently statements have been issued showing incorrect late payment penalties. The incorrect penalties have been applied to credit interest that has been refunded and transferred. This is clearly incorrect in the vast majority of cases.

A system fix occurred in for May and statements issued after that time will be adjusted as part of the purification process.

If you continue to receive statements with penalties incorrectly applied as a result of these changes after June, contact your agent account manager.

The new Family Assistance process

The process for claiming Family Assistance has been simplified by removing the need for recipients to file the annual registration form (FS 1) as well as the declaration form (FS 2).

• Registration form (FS 1)

In January 2000 all taxpayers who currently receive Family Assistance from Inland Revenue – either as fortnightly payments or as a lump sum at the end of the year – received the new one-off registration form (FS 1). This is the only time people currently receiving Family Assistance must complete the registration form unless they stop receiving Family Assistance and reapply later.

• New Family Assistance form (IR 541)

Once the registration form has been received the new form (IR 541) will be sent to family assistance recipients at the end of each tax year. This pre-printed form will be sent to taxpayers to check the family details we've been supplied with on the registration form and during the year. Tax agents or their clients must contact us only if there are any amendments or corrections required. This information will be used to calculate the correct Family Assistance entitlement and to compare with payments made during the year.

If your client files an IR 3 tax return, you will receive their new form in May each year. Once their return has been filed, the details shown on the form (including any changes made) will be used to calculate their total Family Assistance entitlement for the year. A notice of assessment will then be issued showing your client's entitlement.

Family Assistance forms will be sent automatically along with Personal Tax Summaries in July. Both documents will show Family Assistance under or over-payments for the year.

Taxpayers whose partners file an IR 3 will receive their Personal Tax Summary and Family Assistance form once the partner's IR 3 return has been processed.



Personal Tax Summaries

Inland Revenue will automatically send a Personal Tax Summary to certain groups of taxpayers in July and student loan holders in November. They will be sent directly to tax agents when a taxpayer is linked to the agent.

Personal Tax Summaries will be sent to taxpayers that Inland Revenue knows need a “square-up” at the end of the year, including those who:

- received Family Assistance from Inland Revenue; or
- used an incorrect or special tax code; or
- received a student loan and are entitled to a base interest write-off; or
- received lump sum payments or secondary employment income taxed at the wrong rate; or
- were on a casual agricultural employee’s or election day worker’s tax code and had more than \$200 income.

The Personal Tax Summary lists the total earnings paid and PAYE deducted by each employer, and also shows whether the taxpayer has tax to pay or is due a refund.

A Personal Tax Summary which results in tax to pay becomes a formal assessment at the terminal tax date, or two months from the date of issue, whichever is later. A Personal Tax Summary which results in a refund becomes a formal assessment either 30 days after the issue date for refunds of \$50 or less, or on the day the refund is confirmed for refunds over \$50.

Some people are required to request a Personal Tax Summary, including those who:

- received income over \$38,000 with more than \$200 of interest with not enough RWT deducted; or
- received more than \$200 in interest or dividends (regardless of the tax rate used) and paid child support or have a student loan and earned over the repayment threshold of \$14,716.

The Personal Tax Summary must be requested before the terminal tax date.

From August, some taxpayers may wish to consider requesting a Personal Tax Summary as they may be entitled to a refund. This includes taxpayers who:

- have been employed or worked for only part of the income year; or
- have had a gap between employment during the income year; or
- have had income such as interest or dividends taxed above their marginal tax rate, for example because they earned below \$38,000; or
- wish to claim expenses such as income protection insurance; or
- have reason to believe their income from employment has been overtaxed, for example because of faults in their employer’s PAYE system.

In these cases tax agents should contact Inland Revenue and discuss what information, for example summary of earnings, is appropriate.

Tax agents can request a Personal Tax Summary on behalf of a client by phoning the tax agents INFOexpress line. There is now a new feature – press 5 when prompted. You will need your PIN number when you call. Individual taxpayers who wish to request a Personal Tax Summary can call 0800 227 774.

The taxpayer or their agent must check the earnings and PAYE information on the Personal Tax Summary and if incorrect, adjust it and inform Inland Revenue by phone before it becomes a formal assessment. A new one will then be issued. If the correct information isn’t known contact Inland Revenue in the first instance.

For more detail about the Personal Tax Summary refer to the fact sheet *Launching Simpler Tax* (IR 722) included in the March issue of *AGENTSanswers*. These can be ordered from INFOexpress automated phone service 0800 257 773.

Rebates paid into agents’ trust accounts

To ensure rebates can be processed quickly the new rebate claim form asks the taxpayer to check that the correct bank account number is shown on the form so this can be direct credited into their bank account.

In some cases however where a taxpayer is linked to a tax agent for income tax, the bank account number preprinted on the form may be their tax agent’s. If the taxpayer has not changed the bank account number shown on the claim form, their refund will have been direct credited to their tax agent’s account.

If a taxpayer contacts us regarding a rebate which has been direct credited, we will suggest they check with their tax agent.

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.html