



The new GST and provisional tax return

Background

From the start of the 2008/09 tax year, we'll be sending out the new *GST and provisional tax return (GST 103)*.

The GST 103 combines payment of GST and provisional tax onto one return. It was developed as a result of aligning the GST and provisional tax due dates to make it easier for your clients.

We'll continue to send the GST 101 to clients who are registered for GST only and not liable for provisional tax.

If your clients are only liable for provisional tax and not registered for GST, we'll continue to send the normal reminder letters.

Key features of the GST 103

There are eight versions of the GST 103, tailored to client's circumstances and only including the fields they need to complete.

The version clients receive depends on their balance date, GST filing frequency, if they use the ratio option to calculate their provisional tax payments and whether they file GST returns for more than one location or branch.

There is also a non-tailored GST 103 version which can be downloaded from www.ird.govt.nz

Who will receive the GST 103

Clients will receive the GST 103 when they have a GST payment due, regardless of whether a provisional tax payment is due for a particular period or not.

As long as they remain registered for GST and liable for provisional tax, they'll continue to receive the GST 103 from us. However, if they're no longer liable for provisional tax (as a result of their residual income tax falling below \$2,500) we'll send them the GST 101.

The GST 103 should be received around the same time as the current GST 101, which is near the end of the taxable period for which the return applies.

Voluntary disclosure penalty reductions

Do you have a client who has made a mistake in their tax return? It may now be even easier to put things right, thanks to legislation enacted in December 2007.

If someone has a tax shortfall due to "not taking reasonable care", "making an unacceptable interpretation", or "taking an unacceptable tax position", and they make a voluntary disclosure before we advise them of a pending tax audit or investigation, any shortfall penalty can be reduced by 100%.

Previously, the maximum reduction in penalties for these types of voluntary disclosure was 75%.

And the good news continues. Voluntary disclosures that fit the above criteria and were made on or after 17 May 2007 (the date the Bill was introduced), may also be eligible for a 100% reduction in penalties.

The relevant customers will have already received a letter from us telling them the penalty would not be applied, provided the proposed law change went ahead. We're now pleased to confirm that the legislation has passed.

If this applies to your clients, please advise them they do not need to take any further action.

Penalty reductions are a good incentive for people to come forward and put their tax returns in order. If one of your clients has made a mistake, encourage them to make a voluntary disclosure and take a weight off their mind.

This change to voluntary disclosure penalties is one of a number of compliance and penalties changes which were introduced by the Taxation (Annual Rates, Business Taxation, KiwiSaver, and Remedial Matters) Act 2007. Overall, these changes are designed to:

- safeguard New Zealand's tax system
- encourage customers to work with Inland Revenue
- recognise customers who have a good tax record.

The majority of these changes will be effective from April 2008, but some apply from the date the legislation was enacted.

We'll keep you up-to-date with these changes in future issues of *AGENTSanswers*.

Phasing out the 24-hour fax service

From 1 March 2008, applications received through the 24-hour fax service will be processed with our other correspondence.

If you urgently require an IR number please use the online service at www.companies.govt.nz or alternatively, tell us on your application the reason for urgency.



Are you aware of the changes to KiwiSaver?

Compulsory employer contributions and an employer tax credit are two of the changes to KiwiSaver which became law in December 2007.

From 1 April 2008, all employers will be required to contribute to their employees' KiwiSaver scheme or complying fund¹. The level of contribution will be phased in over four years starting at 1% of an employee's gross salary or wages, rising to 4% from 1 April 2011 as shown in the table below:

	2008	2009	2010	2011
Employer	1%	2%	3%	4%
Employee	4% or 8%	4% or 8%	4% or 8%	4% or 8%

To help offset this contribution, employers can claim an employer tax credit through the PAYE system of up to \$20 a week per employee. The employer tax credit can be claimed for both compulsory and voluntary contributions to KiwiSaver and complying funds.

The following table shows the maximum annual gross salary or wages covered by the tax credit:

From	Compulsory employer contribution	Annual gross salary or wages completely offset by the value of the employer tax credit
1 April 2008	1%	\$104,000
1 April 2009	2%	\$ 52,000
1 April 2010	3%	\$ 34,667
1 April 2011	4%	\$ 26,000

If certain criteria are met, contributions made to an existing registered superannuation scheme may count towards the compulsory employer contribution and may be eligible for the employer tax credit.

To find out more about the compulsory employer contributions, employer tax credit and other changes announced, go to www.ird.govt.nz/kiwisaver

This month we'll be sending out a revised KiwiSaver employer guide further detailing these changes, along with a copy of the revised KiwiSaver employee information pack.

Don't forget you and your clients can register for regular email updates at www.ird.govt.nz/kiwisaver/employers about the changes and what you need to do.

¹ A complying fund is a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver eg KiwiSaver lock-in rules, portability.

Changes affecting tax agents

Legislation changes from December 2007 will allow a more open and improved working relationship between Inland Revenue, tax agents and the associations they belong to. The changes recognise the integral role that tax agents play in New Zealand's tax system and aim to protect the integrity of the tax system for customers' benefit.

Inland Revenue is now required to maintain a list of tax agents. Existing tax agents will not be required to reapply to Inland Revenue, but there is a requirement to provide details of key office holders for entities. Our agent account managers will be in contact with tax agents to confirm these details.

These changes are part of the Taxation (Annual Rates, Business Taxation, KiwiSaver and Remedial matters) Bill which was developed in consultation with interested individuals and groups. Processes for implementing these changes are currently being developed and will be available early in 2008.

9-digit IR and GST numbers reminder

Between April and May this year our 8-digit number range will run out and we'll begin issuing 9-digit numbers to all new customers. Our systems are ready to accept both 8 and 9-digit numbers and we've been working with all known payroll providers, banks and financial institutions to ensure their systems will also be ready.

You'll need to check the software and systems you and your clients use can also accept the extended 9-digit GST and IR numbers.

Some points to note are:

- All current 8-digit IR/GST numbers remain unchanged (12-345-678).
- Once the 8-digit number range runs out, new customers will be issued with 9-digit numbers (123-456-789).
- When you provide clients who have an 8-digit IR/GST number with advice on how to complete our forms with 9 boxes, please advise them to leave the first box blank.
- 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 or go to our website.

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 email: agents.answers@ird.govt.nz
AGENTSanswers is also at:
www.ird.govt.nz/taxagents/newsletters/agents-answers