

Late filing penalty and the removal of extension of time

Late filing penalties have been imposed on just over 37,000 taxpayers who did not file their 1999 IR 3, IR 4 or IR 5 income tax returns. Of these, approximately 32,000 IR 3 and IR 4 taxpayers have now had their extension of time removed for the 2000 income year.

Extension of time arrangements will only be reinstated for the next tax return period – 2001 year – if **both** 1999 and 2000 IR 3 or IR 4 tax returns are filed before the year 2000 tax return late filing penalty is applied. The warning letter advises that the 2000 late filing penalty will be applied in not less than 30 days unless the return is received. This is expected to be issued during August.

For this year tax agents will need to contact their agent account manager to have their 2001 extension of time reinstated. Extension of time arrangements will only be reinstated after the two returns have been filed for these clients.

Products and services for tax agents

A folder containing information about a number of solutions to help tax agents give fast and efficient service to their clients was issued to all registered tax agents in the first week of July. Newly registered tax agents will be sent a copy once their registration is processed.

Details of how to obtain tax information quickly using Inland Revenue's web site and the tax agents' CD-Rom is included along with information on using the tax agents' freephone service for further advice. The folder's information explains how to order tax products using INFOexpress or StationeryXpress and includes details of how to send tax information electronically using E-File.

A new development in the production of the folder was the creation of an icon, which will be placed on all tax agent products for easy identification.



Personal Tax Summary distribution

From mid-July those salary and wage earners who require an end of year square up will begin receiving their new Personal Tax Summaries.

Where a taxpayer is linked to a tax agent for income tax, the Personal Tax Summary will be sent direct to the agent. As the Personal Tax Summaries will be issued over a five day period from 17 to 21 July, you may not receive all the forms in one mailing.

Further details about the Personal Tax Summary can be found in the May issue of *AGENTSanswers* and also on Inland Revenue's web site www.ird.govt.nz.

Year 2000 personal tax process

In June, Inland Revenue sent a letter to tax agents outlining several issues in connection with the personal tax process and the tax simplification changes.

Earner premium for IR 3 filers and others

The letter advised that the amount described as total PAYE deductions on the Summary of Earnings includes both PAYE and earner premium. Tax return filers are required to calculate their earner premium themselves and deduct it from the total to establish the amount of tax deducted.

Claiming a child rebate

The IR 3 guide incorrectly states Personal Tax Summary clients must use an IR 3 tax return to claim this rebate. The child rebate should instead be claimed on the Personal Tax Summary or by phoning INFOexpress with the details.

Urgent refunds

This year the mail-out of Personal Tax Summaries occurs from mid July. Next year we expect this date to be in mid June. This timeframe will become the future Personal Tax Summary issuing cycle.

To ensure taxpayers in need are not unduly disadvantaged we can manually assess and issue a refund. You can apply for an urgent refund for a client who genuinely requires this by calling the tax agents' 0800 number.

Inland Revenue does not recommend an IR 3 return be completed for Personal Tax Summary clients as a way of fast-tracking the Personal Tax Summary process. This will lead to your client being issued with an IR 3 next year and, if for some reason not returned, may have a late Filing Penalty applied.

Family Assistance – no more end of year statements

Family Assistance recipients no longer need to complete an end of year statement (FS 2). Instead we use the details we already have on record to calculate the Family Assistance end of year entitlement.

The details on record were provided to the IR 3 taxpayer or their tax agent on the new *Family Assistance* (IR 541) form, issued in May. Any changes to the information provided should be made on this form and returned with the IR 3 tax return.



New Zealand tax residents – income earned while overseas

Taxpayers classified as New Zealand residents for tax purposes who earn income while working or living overseas, must file an IR 3 tax return including their world wide income. Details of this income must be returned in the tax year in which the income was received, along with any income they earned in New Zealand.

The department calculates tax on overseas income according to New Zealand tax laws. If tax is paid on the overseas income a tax credit is usually allowed up to the New Zealand equivalent of tax payable on that income.

If for example the country in which the income was earned had taxed this income at a higher rate than would apply in New Zealand, tax credits would be limited to the amount of New Zealand tax payable. Records that show the overseas tax paid will need to be provided.

Overseas income may need to be apportioned to fit the New Zealand tax year – 1 April to 31 March the following year.

Student loan borrowers

Student loan repayment obligations for New Zealand tax residents that have overseas income are the same as other resident borrowers.

If student loan holders have earned income overseas, the repayment obligation is calculated on their world wide income. As repayment deductions are not made from overseas income, the borrower is likely to have a student loan end of year repayment calculated for the year. This will take into account New Zealand income earned and any repayments they have made. If the residual repayment is greater than \$1,000, they will be assessed with an interim repayment obligation for the following year.

De-linking clients

Tax agents that know a client is transferring to a new tax agent are not required to use INFOexpress to delink the client from their agency list.

The computer system will automatically transfer the client's details to their newly elected tax agent once the new tax agent has linked the client to them and it will automatically delink the client from your agency details at this time.

Following this process will save you time and ensure the client doesn't receive two letters for transfers between tax agents in the same place of business.

CD-Rom forms

We have received enquiries from tax agents following the May issue of the *AGENTSanswers*, which contained information about using forms printed from the tax agents' CD-Rom.

The CD-Rom makes the distinction between using return forms and other forms.

We encourage you to use the CD-Rom and print out forms other than returns. There are a selection of forms available for you to complete online from the "Fill in forms" option or these can be printed out in black and white, completed and returned to Inland Revenue.

Forms such as the IR 3 and Rebate Claim Form however are intended for reference and internal training purposes. They should be sent to Inland Revenue in exceptional circumstances only. Any return form printed from the CD-Rom and sent to Inland Revenue will experience delays in processing as they are not easily identifiable.

Versions of return forms you have created yourself cannot be processed and you will be contacted to send in an appropriate version of the form. This will further delay the processing of the return for your client.

Disputes procedures "response period" commencement and expiry dates

An item issued in the June edition of the *Tax Information Bulletin* clarifies when the last day falls for responding to a Notice of Proposed Adjustment (NOPA) issued by the Commissioner pursuant to the Disputes Resolution Process.

Although the question raised in the item is specifically in relation to the issue of a NOPA, the article will apply to any of the notices within the disputes resolution process.

The item applies to all notices issued on and after 1 September 2000.

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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Agents Answers is also on our website:
www.ird.govt.nz/business/tax_agents/index.html



Electronic *AGENTSanswers* questionnaire

Inland Revenue is looking at improving the way you receive *AGENTSanswers* to help tax agents give faster and more efficient tax service to their clients. To ensure you have up to date tax information we are aiming over the next six months to bring you *AGENTSanswers* as an electronic newsletter either through e-mail, via our web site or other electronic media.

We hope that this will provide you with information more quickly and in a flexible format that will allow you to search and find information of relevance to you and your clients.

We are interested in your feedback about receiving *AGENTSanswers* in an electronic format.

If you have any comments or feedback use this section to tell us your views.

We currently send, in general, one copy of *AGENTSanswers* to each tax agency.
How many staff in your office would prefer to receive this publication electronically?

Complete and send your responses by return freepost or fax on (04) 802-7206.

Thank you for taking the time to respond to us.

If you would like to be contacted again, to provide further feedback in our electronic communications development process please tick this box

Your contact details are:

Name



Organisation

