

1999 Income Tax Returns – Late Filing Penalty

A final reminder to tax agents who have return filing responsibilities for clients 1999 income tax returns that late filing penalties will be applied and this will occur on 26 May 2000.

Tax agents should be aware that the Tax Administration Act 1994 requires the Commissioner to give not less than 30 days notice of his intention to impose the late filing. Warning letters were issued to affected taxpayers from 13 April to advise that the 30 day period has commenced.

The AMBR 1001 report sent at the end of April 2000 details your clients with income tax returns not filed by year and return type.

Filing clients' tax returns before the late filing penalty is applied is strongly recommended because of the limited discretion available to Inland Revenue staff to remit late filing penalties once they have been imposed.

Late filing penalties are applied to IR 3 and 1998 and 1999 IR 5 tax returns for individuals and IR 4 tax returns for companies. The following late filing penalties apply to taxpayers' annual tax returns:

Net income	Late filing penalty
Below \$100,000	\$50
Between \$100,000 and \$1,000,000 (inclusive)	\$250
Above \$1,000,000	\$500

In accordance with the extension of time agreement between Inland Revenue and the Institute of Chartered Accountants if a late filing penalty is applied then the extension of time arrangement for your business clients will be withdrawn for the 2000-year IR3 or IR4 return.

If the extension of time arrangement is withdrawn, tax returns will be due by 7 July 2000, unless their balance date ends from April to September when it will be due on the 7th of the month, four months after the balance date.

Any tax payable will also be due earlier – by 7 February – or if their balance date ends from October to February the due date will be the 7th of the month, eleven months after the balance date.

Extension of time arrangements will be reinstated for the next tax return period – 2001 year – provided both 1999 and 2000 IR 3 and IR 4 tax returns are filed before the year 2000 tax return late filing penalty is applied. Further information about the updated reinstatement process will be provided in June's *AGENTSanswers*.

Printing Rebate Claim Forms from tax agents' CD-ROM

Tax agents are sending to Inland Revenue *Rebate Claim Forms (IR526)* printed from the tax agents' CD-ROM.

The covering letter and booklet included with the CD-ROM reminds users these forms – including the Rebate Claim Form – should be used for training and record keeping purposes only and will only be accepted for return filing in exceptional circumstances.

The current filing of a printed Rebate Claim is not considered an exceptional circumstance.

In addition, copied Rebate Claim Forms cannot be processed as quickly as the colour-coded pre-printed forms as they are not as easily identified.

This form can be requested via INFOexpress or the tax agents' freephone number, and should be received within five days. As this is a personalised form it cannot be requested via StationeryXpress or bulk ordered.

Taxpayer amendments to tax returns

A reminder that the standard practice statement INV 500, which took effect from 1 December 1999, states the department's operational practice when taxpayers want to make adjustments to their tax returns.

In future amended income tax returns or "second" returns will be returned to tax agents or taxpayers.

Where the income tax effect of the adjustment is \$500 or less per return period and a correction of error is required – such as the transposition of numbers or arithmetical mistakes – the error can be corrected in the following return period (provided the following return has not already been filed), by calling the tax agents' freephone number or by writing to the department.

This also applies when an adjustment results in an increase in tax to pay, reduction of a refund, a decrease in the amount of net loss or a decrease in tax to pay of \$500 or less.

Where the income tax effect is a decrease in tax to pay of more than \$500 the request must be made in writing.

Where a proposed adjustment has a tax effect of \$2,000 or more or where the issue involves contestable interpretation of a tax law, the request must be made on the prescribed notice of proposed adjustment (NOPA) form. All other adjustments can be corrected by calling the tax agents' freephone number, or in writing.

Issues concerning amended GST returns and employer monthly schedules continue to be addressed by the department. Details will be included in the June 2000 issue of *Payroll News* and GST return mailout.



Investing in Australian property – Non Resident Withholding Tax issues for New Zealand residents

Inland Revenue has been aware that promoters have sold holiday and investment properties in Australia to New Zealand residents. Included in their presentations is the promotion of the tax benefits of “negative gearing” where investors fund the purchase through Australian financial organisations usually with minimal deposit. Inland Revenue considers that these promoters have until recently generally not advised the investor of liability for New Zealand non resident withholding tax (NRWT) on the interest payments.

In this situation NRWT applies under Section OE 4(1) (n) of the Income Tax Act 1994. Here the interest paid on money loaned outside New Zealand is deemed to have a source in New Zealand. Under Part NG of the same Act the interest payments may meet the definition of non resident withholding income and be liable for NRWT.

The New Zealand investor may therefore be required to deduct non resident withholding tax from the interest and return it to Inland Revenue in New Zealand.

There is no requirement for NRWT to be paid if the loan is from a bank or other financial institution, that operates in New Zealand, through a fixed establishment that is operating in Australia with a branch in New Zealand.

The Reserve Bank of New Zealand’s web site shows these banks currently are: ABN AMRO, AMP Bank, Bank of Tokyo-Mitsubishi (Australia), Bank Nationale de Paris, Citibank, Deutsche Bank, Hongkong and Shanghai Bank, Kookmin Bank, PIBA, Rabobank and Westpac.

If the loan is obtained in New Zealand from a New Zealand incorporated bank including ANZ Banking Group NZ Ltd, ASB Bank, Bank of NZ, BNZ Finance, Rabobank NZ Ltd, The National Bank of NZ, TSB Bank, or a New Zealand financial institution, the interest is not liable for NRWT.

Investors may instead choose to pay approved issuer levy at the rate of two percent (whereupon the rate of NRWT reduces to zero percent). It is important to note that this only applies after the loan is registered with Inland Revenue and Inland Revenue has granted approved issuer status – ie the application cannot be backdated.

A taxpayer may apply for approved issuer status by sending an *Approved issuer levy - payer registration form (IR 396)* and *application form (IR 67RB)* to the Non Resident Centre, Inland Revenue, Private Bag 1932, Dunedin.

Investors who are liable for NRWT will be assessed on back periods. Late payment penalties and interest will be applied however Inland Revenue recognises investors may have been unaware of their obligation to deduct and pay NRWT and will consider written requests for remission of the late payment penalty.

Interest is applicable unless it can be shown in terms of section 183D of the Tax Administration Act 1994 that the late payment of the tax was due to incorrect advice given by the department resulting in NRWT being paid after the due date.

Inland Revenue is currently contacting known investors to advise them of their possible NRWT obligations as well as contacting other interested parties.

Maintaining your client list

A reminder to advise us as soon as any new client engages your services and to link them to your agency list by phoning the tax agents’ toll-free number, using INFOexpress or E-File TAMS, or completing a client *Linking/delinking form (IR795)*.

Once your client is linked you can access their tax information via INFOexpress and mail will be directed to the address you nominate instead of the previous tax agent’s address or the client.

Extension of time (EOT) arrangements will be applied to your client including adjusted filing and tax payment dates. Tax returns filed will be credited to your EOT agreement filing performance statistics rather than no credit recorded or credits being applied to your client’s previous tax agent.

When a tax agent telephones to request linking of a new client, staff will require the client’s name, IRD numbers and address and will ask whether you hold signed authority to access the clients records.

The Privacy Act 1993 and the Tax Administration Act 1994 prevents Inland Revenue staff from providing information about a person or organisation unless the tax agents holds signed authority for each tax type you administer. Authority from your client to access their records should therefore be obtained before requesting new client linking.

When your client’s address changes, use the tax agents’ toll free number to advise of their new details immediately so tax returns and letters sent to them directly can be forwarded to their new address.



Returned rebate claim forms

A process where rebate claim forms are returned by NZ Post to Inland Revenue as "returned mail" has been finalised.

Rebate claim forms were sent to over 600,000 taxpayers at the end of March, including those who are linked to a tax agent for completion of income tax returns.

When rebate claim forms are received by the department as "returned mail", Inland Revenue staff will check the taxpayer's records and the electoral roll, to locate a new address. If found, the taxpayer's records will be updated and the form reissued.

If this is unsuccessful, Inland Revenue will attempt to telephone the customer and if a new address is confirmed records will again be updated and the form reissued.

When a new address cannot be found, the taxpayer's records will be checked to see if they are linked to a tax agent and a form will be faxed to the taxpayer's agent asking them to provide updated address information – if known – as soon as possible.

Rebate claim forms must be filed within six months of a customer's balance date, in most cases 30 September. This process therefore has been developed to give taxpayers maximum opportunity to claim their rebates even when mail has been returned. Extension of time arrangements do not extend to rebate claims.

Updated client information including addresses can be provided to the department at any time by calling the tax agents' freephone number.

Taxpayers have been sent rebate claim forms directly this year, but can request their tax agent complete the rebate claim form on their behalf. Once a client is linked to their tax agent for the Personal Tax Rebate (REB) the tax agent will receive any future rebate claim forms or correspondence directly.

Note: the Institute recommends that in general agents encourage clients to handle rebate claims directly.

Operational issues update

Roadshow

Managers from the project visited tax agents in main and provincial centres throughout New Zealand in April and early May.

The presentation included issues relating to use of money interest, resident withholding tax deduction certificates and other operational issues and provided tax agents and Inland Revenue staff with an opportunity to ask questions about the changes.

Attendees were provided with a detailed info pack including speakers' notes, use of money interest examples, a relevant *Tax Information Bulletin* article and a tax simplification fact sheet.

If you were unable to attend the roadshow and would like a copy of the info pack, contact Helena Stratford on (04) 498 5775 or helena.stratford@ird.govt.nz.

Issuing Inland Revenue's Resident Withholding Tax certificates for UOMI

The 2000-year Resident Withholding Tax deduction certificates for use of money interest paid by Inland Revenue were successfully printed at the end of March and progressively issued from 17 April 2000.

Inland Revenue eliminated the distribution of unnecessary certificates which resulted in only 51,152 certificates being issued. This compares to around 300,000 certificates issued in 1999.

As mentioned in last month's *AGENTSanswers*, unless requested, certificates were not issued to taxpayers who receive gross interest under \$20, unless resident withholding tax deducted exceeds \$3.90, to deceased persons, bankrupt persons or struck off companies. They were not issued to holders of *RWT Certificate of Exemptions (IR 15C)* unless resident withholding tax deducted exceeds \$3.90.

"What's New" on our Website?

A reminder to Inland Revenue's web site users that all new items are initially posted to the "What's New" page of the site, which can be accessed from the main homepage.

In addition you can register with Netmind at the bottom of the "What's New" page, which will send you an e-mail message every time a new item is posted to the site.

This proactive service allows you to keep up to date on new policy, legislation and other developments within the department without having to visit the site first.



Tax simplification update

Tax agents have been contacting Inland Revenue with various questions about tax simplification. Some of the most commonly requested information is provided below.

Rebate claim forms

Rebate claim forms have been sent directly to taxpayers who claimed a rebate in the last two years, including those linked to a tax agent. Personalised rebate claim forms can be ordered through INFOexpress and the tax agents' freephone number if not received automatically.

Some taxpayers have not received rebate claim forms as address details held are incorrect. Tax agents can assist by ensuring clients' updated postal addresses are provided. Refer to the *Returned rebate claim forms* article for further information.

Claiming rebates

A taxpayer must have received at least as much taxable income as they have paid in donations, housekeeper or childcare payments to claim a rebate.

Where taxable income is below the amount claimed, the rebate will be reduced according to the amount of taxable income earned.

Claiming rebates if an IR 3 filer

Childcare, housekeeper and donations rebates are no longer claimed as part of the IR3 return. Clients who file IR3 returns need to complete the new rebate claim form.

A reminder that extension of time provisions do not apply to the rebate claim form. For most taxpayers the final date for filing will be 30 September. For IR 3 taxpayers with a late balance date it will be six months from their balance date. The filing due date will be shown on the form.

New income and family assistance information for IR 3 filers

IR 3 filers who earn salary, wages or withholding payments will be sent a Summary of Earnings by the end of May. Those who receive Family Assistance will also receive the new *Family Assistance form (IR 541)* in early May.

Summary of Earnings will be sent collectively to tax agents for all clients presently linked for income tax or can be requested through INFOexpress from the beginning of June.

The Summary of Earnings replaces the IR 12 and IR 13 tax deduction certificates. It shows information previously shown on these forms such as gross earnings and tax deductions, but for all employers. Each income payer's name for salary, wages, withholding payments, benefits or pensions will also be shown. The form does not include other sources of income such as interest and dividends.

Summary of Earnings details are taken from the monthly PAYE schedules sent in by employers throughout the year. While the great majority of employers have supplied the correct information, there may be instances where corrections are required. Additions or corrections can be made on the Summary of Earnings and returned with the IR 3 tax return.

The new Family Assistance form shows the taxpayer's family details they supplied on the Family Assistance registration form and during the year. These details will be used to calculate their own – and if applicable their partner's – total Family Assistance entitlement for the year once their return has been filed.

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

