

C O R P O R A T E S C O N T A C T

NUMBER EIGHTEEN ~ JUNE 2003

Max on Tax

The calendar year is flying by and I thought it appropriate to comment on a few things.

I have been visiting the major corporates, and it is pleasing to hear that Corporates Segment is highly regarded by most corporates. I appreciate the feedback, which I have passed on to the staff concerned.

There has been some constructive feedback about the time delays on a couple of audits, the difficulty in getting timely binding rulings and some issues in the government policy area.

We are now ready to start to take on some of the binding rulings for corporate taxpayers. The requests will be phased in over several years and will be a new challenge for Corporates Segment.

Income tax return filing by the larger corporate taxpayers showed that 86% of the 2002 returns were filed by 31 March 2003, with over 50% filed on the actual due date. I intend to look at options for next year to have some of these returns filed earlier.

Our level of taxpayer services' correspondence on hand is still good, and response times are acceptable.

We currently have 735 pieces on hand, compared to 785 at the same time last year and 1,130 back in 2000. We have now actioned over 26,500 pieces of correspondence since 1 July 2002.



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Tax bill passed

The *Taxation (Annual Rates, Maori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Act 2003* was given Royal Assent on 26 March. Note that all the legislative changes are covered in detail in the May *Tax Information Bulletin (TIB)* Vol 15, No 5.

Amendments particularly relevant to corporate taxpayers include:

Compliance and penalties changes

These changes encompass a reduction of penalties for previous behaviour, the introduction of promoter penalties, changes to the unacceptable interpretation shortfall penalty and the introduction of a cap on shortfall penalties.

Donation and rebate changes

The maximum deduction thresholds for donations by a company have been simplified, with just one threshold of 5% of net income calculated before taking into account the deduction. This change is effective for the 2002–2003 income year.

Changes also mean close companies can now qualify for the deduction, providing they are listed on the official list of a recognised exchange like the NZSE.

Provisional tax pooling

Legislation has been passed which allows for the establishment of provisional tax pooling accounts.

Provisional tax pooling allows taxpayers to pool provisional tax payments, offsetting underpayments by overpayments within the same pool, thereby reducing their use-of-money interest exposure. The pooling arrangement is made through a commercial intermediary, who will arrange for participating taxpayers to be charged or compensated for the offset.

More information about provisional tax pooling can be found in *Tax Information Bulletin* Vol 15, No 5 (May 2003) on our website at www.ird.govt.nz

Inland Revenue has approved the following provisional tax pooling intermediary:

Tax Management New Zealand Ltd (TMNZ)
PO Box 25 050
Auckland
Ph 64 9 575 9105
Fax 64 9 575 9115
Email admin@taxmanagement.co.nz
www.taxmanagement.co.nz

Tax Information Bulletins (TIBs)

While we are on the subject of *TIBs* it is a good opportunity to remind you of the type of information published in these each month. The categories may include, where appropriate:

- binding rulings
- interpretation statements
- new legislation and determinations
- standard practice statements
- legal decisions, and
- regular features such as due date reminders.

TIBs are available online at www.ird.govt.nz/library/newsletters You can also subscribe to receive email notification when each issue is published.

General depreciation determinations

New general depreciation determinations have been published in the January 2003 and March 2003 editions of the *Tax Information Bulletin (TIB)*.

They refer to the following assets:

- prints (including limited edition prints), paintings and drawings – DEP 48.
- compact disc players, digital versatile disc players, video games players and related assets – DEP 49.

The rates for these assets are available on our website which is always up-to-date with the latest depreciation determinations. You can find them through the depreciation rate finder.

You can also calculate depreciation using the online calculator.

Inland Revenue ceasing ACC business

As you will be aware, ACC now bills levy payers for both cover and residual claims levies on a single invoice. From the 2001–2002 income year, Inland Revenue no longer collected returns-based ACC levies for employers and self-employed.

ACC has requested Inland Revenue to close its ACC processes by 30 June 2003. We have been working with ACC over recent months to achieve this and a phased approach has been agreed.

This approach is outlined as follows.

• 30 April 2003

This is the last day Inland Revenue will issue any ACC or SEA assessments for:

- returns filed late for the 2001 or earlier years (IR 68A returns for employers, IR 3 returns for self-employed, IR 4 returns for close companies with annual shareholder-employee salaries paid)
- audits or investigations.

This means previous years' IR 3 and IR 4 returns that would otherwise have had an SEA assessment will not be billed. IR 68A returns received after 30 April 2003 will be forwarded to ACC for processing.

If an ACC or SEA refund needs to be made, an application in writing with full details and supporting evidence should be made to ACC. Send it to:

ACC Business Service Centre
PO Box 795
Wellington

• 31 July 2003

Processing of any ACC or SEA payments will cease. If Inland Revenue receives any ACC or SEA payments after this date, they will be refunded.

After 31 July, all Inland Revenue's ACC-related collection systems will be switched off and the business processes will cease. Data will still be able to be viewed, but no modification to the records will be possible.

Inland Revenue will continue to be responsible for the collection of employee earners' levies as a component of PAYE deductions.

Want your refund faster?

Direct credit refunds will reach your bank account sooner than a cheque through the post.

Complete our form *Fast refunds – direct credit authorisation (IR 587)* and send it to us. If we already hold your bank account details for one tax type, eg GST, we can add it for another tax type, eg income tax over the phone.

Electronic payments – correct tax type codes

In the past we have encouraged you to make payments electronically (see the *October 2002 Corporates Contact* for more detail). While paying this way is becoming more popular we note that some of you have problems deciding which tax type code to use. Here is a list of common codes and when to use them:

- DED = use this code for payments made for any combination of PAYE, child support employer's deductions (CSE) student loan employer deductions (SLE) and specified superannuation contribution withholding tax (SSC)
- IPS = RWT on interest, paid on an IR 15P
- NCP = child support payments for non-custodial parents
- NRT = non-resident withholding tax, paid on an IR 67P
- PAY = PAYE deductions only (without CSE, SLE or SSC)
- RWT = RWT on specified dividends, paid on an IR 17P
- SLE = student loan deductions by an employer from an employee's normal wages/salary
- SLS = this is student loan repayments made by individuals for their own personal loans, or for section 157 (arrears deductions) from an employee's pay.

A full list of the tax type codes is available in our booklet *Making payments (IR 584)*.

FDWP returns (IR 4Fs)

If you pay foreign dividend withholding payment (FDWP) please check that you are using the most up-to-date version of the return (IR 4F). We continue to receive old versions of this form which give a return address of Box 39090, Upper Hutt. The correct version is available on our website *Foreign dividend withholding payment (FDWP) return (IR 4F) – Dec 2002*, and should be sent to Box 3752, Christchurch.

eGST – common questions

We have had a great response to the recent launch of electronic GST return filing—*eGST*.

We are taking this opportunity to address a couple of the common eGST queries we receive.

Q What is a DLN?

A A document locator number is the fourteen character number printed at the top of your paper return for the GST period. It will have 12 numeric characters, an alpha character and then a numeric. All IRD Corporates Segment taxpayers will have the letter "C" as their alpha character. This alpha character will be different if you are filing an eGST return for another Inland Revenue segment, such as the Non-resident Centre.

Q What is a "period end" date?

A Please use the last day of the GST return period, not the due date for payment. For example, the GST return for the period ending June 2003 is due on 31 July 2003. The end date for eGST purposes is **30 June 2003**.

Q What options do I have for making payments?

A Currently ANZ, Kiwibank and Westpac have electronic tax payment facilities through their websites. Links are provided at the end of the eGST return if you want to make use of this facility.

You can also pay by cheque. Remember you only need to send in the pay-in-slip at the bottom of your paper GST return—there's no need to send us the whole return.

We hope this helps—if you are still experiencing difficulties you can call us on 0800 443 773.

