

Improve your filing performance

The filing performance reports take into account clients who have been sent an L letter and have not yet furnished their returns (L EOT) and also those who will have their policing deferred (D EOT). Those clients who have either L EOT or D EOT status are not included in the outstanding return percentage.

● L letter

Issue an L letter through INFOexpress by 31 March 2002 to all clients who have not provided you with all the information necessary to complete their return.

● Deferred policing

Some clients are unable to file their returns by 31 March through no fault of their own. In these cases we can defer policing action (D status). You should contact your agent account manager or corporate account manager if you have clients whose circumstances qualify them for D status.

Here are some examples of circumstances where clients may qualify for D status:

- difficult personal circumstances involving the client (for example, serious illness)
- unavoidable difficulty or delays in obtaining third party information
- pending legal proceedings
- ongoing investigation into unresolved tax matters from a previous year(s) that affect the year to be filed
- other non-personal circumstances beyond the client's control where the client's records are damaged or destroyed (for example, major computer systems failure, major fire or flood).

We will also take the above criteria into account if they affect a related entity and you expect flow-on effects.

Clients who do not file their 2001 returns and are charged a late filing penalty will lose their EOT for their 2002 return. In these cases the 2002 return filing date will become 7 July 2002.

L letter unavailability

You will not be able to issue L letters to your clients from 1 April 2002 until 30 June 2002. During this time we will be updating the system to include a number of enhancements.

Less Taxing Tax initiatives

We have been working on a number of tax simplification measures for individuals and businesses that were outlined in the Less Taxing Tax discussion document released in September 1999.

Changes to late payment penalties

Legislative amendments have been made to section 139B of the Tax Administration Act 1994. The new rules for penalties and instalment arrangements will apply from 1 April 2002. The aim is to reduce the penalties imposed on taxpayers who pay just a few days late.

The key changes are:

- Staggered application of the initial late payment penalty.

An initial 1% late payment penalty will be charged on the day after the due date. Any amount of unpaid tax (including penalties) outstanding at the end of the seventh day from the due date will be charged a further 4% initial penalty.

- No incremental late payment penalties on debt under an instalment arrangement.

The 1% incremental late payment penalty will not be imposed if the taxpayer has met their monthly obligations.

These changes are in line with our strategic direction and demonstrate our commitment to good service as outlined in our charter.

Taxes affected

The staggered application of the initial late payment penalty will apply to clients who have taxes due to be paid on or after 1 April 2002. In particular:

- Income tax returns for 31 March 2001, due for payment on 7 April 2002.
- GST returns for 31 March 2002, due for payment on 30 April 2002.
- PAYE returns for 31 March 2002, due for payment on 5 April 2002 for large employers and 22 April 2002 for small employers.

The non-application of incremental late payment penalties will apply to all arrangements entered into on or after 1 April 2002. The authority to cancel late payment penalties under section 183B of the Tax Administration Act 1994 will also be repealed from 1 April 2002.

Further changes

A discussion document, *Taxpayer compliance, standards and penalties: a review*, was released in August 2001. It included a proposal to change the debt and hardship rules. The proposed changes are aimed at correcting deficiencies in the current legislation and providing guidance to both Inland Revenue and taxpayers on the appropriate treatment of a person in debt. This would change the way we administer our debt recovery.

If the proposed legislation is passed, the changes will apply to tax that is outstanding at 1 July 2002. Over the next few months we will provide more information about the changes in *AGENTSanswers*. Keep an eye out for this information and consider whether your clients meet the criteria. In the meantime, if you would like to discuss a client's debt payment options, please phone us on the tax agents' toll-free number.



Are you receiving AGENTSanswers electronically?

Since the December 2001 issue, we have been sending this newsletter electronically to those of you who have successfully registered for our AGENTSanswers email facility. If you have registered but are not receiving the emails, please let us know by sending an email to agents.answers@ird.govt.nz

The electronic version is distributed one week before the printed copies are available. If you would like to receive this information earlier and be able to email it to others in your workplace, you can subscribe at www.ird.govt.nz/subscriptions/agentsanswers.html

Simply give us your email address in the box provided and click the "OK" button.

If you have an email address but do not have internet access, email us on agents.answers@ird.govt.nz and we will subscribe you.

Emails

We are receiving an increasing number of email messages from customers as the Internet becomes more popular for business and communication.

Over the past few months we have noticed that more and more of these emails contain viruses. Although we have measures in place to protect the tax system, we would like to remind you to keep your virus protection software and procedures up-to-date to minimise the risk of your desktop becoming infected. This will protect your business records.

E-File correspondence codes

There appears to be some confusion over the correct E-File correspondence destination codes to be used when E-Filing Family Assistance correspondence. If you are E-Filing Family Assistance correspondence, please use the **PCT** code and not the **CSA** code.

The CSA code should be used for Child Support correspondence only. When used incorrectly delays are caused, as the correspondence must be redirected to the appropriate place for action.

You may view the list of destination codes on the *Tax Agents' CD Rom* or on our website at www.ird.govt.nz/taxagents/services/efile/destinationcodes.html

If you require additional printed copies, phone 04 802 6078 or email agents.answers@ird.govt.nz

Qualifying company elections

The Commissioner has recently reviewed the policy for time limits for filing a qualifying company election, where the taxpayer is a new company and also subject to an agent's extension of time arrangement. The previous policy was set out in *Tax Information Bulletin (TIB)* Vol 6, No 13 and concluded that the election had to be filed by the date upon which the company's first income tax return was filed. The *TIB* expressly rejected the proposition that such companies have until 31 March to file the election once the income tax return has been filed at an earlier date.

As a result of the review, the Commissioner now considers that new companies, subject to an agent's extension of time arrangement, who wish to elect to become a qualifying company will have until the last day allowed to file their first income tax return to make the election. In most cases that will be 31 March. This new policy will apply from the 2001 income year onwards.

We will advise you about back year elections that have been rejected once the policy has been developed.

We intend to publish a formal retraction of the old policy in the *TIB* in the near future.

Writing-off assets no longer used

From the 2002/03 income year, taxpayers are no longer required to apply to the Commissioner for permission to write-off assets that are no longer used but have not been disposed of.

A taxpayer may deduct the remaining adjusted tax value of depreciable property if:

- the asset is no longer used by the taxpayer in business or to produce income, and
- neither the taxpayer nor an associated person intends to use the asset in a business or in the future to derive gross income, and
- the cost of disposing of the asset would be more than any proceeds from disposing of the asset, and
- the asset is neither a building nor an asset being depreciated using the pooling method.

Please continue to apply for write-offs for the 2001/02 income year using the *Application for a deduction for an asset no longer used (IR 720)*.



2002 annual returns

We intend to send you the 2002 annual returns for your clients on the following dates:

27 March to 5 April 2002	<i>Claims for personal tax rebate (IR 526)</i>
9 April to 13 April 2002	<i>Company income tax returns (IR 4) Estate or trust income tax returns (IR 6) Partnership income tax returns (IR 7) Maori authority income tax returns (IR 8) Club or society income tax returns (IR 9) Resident withholding tax on interest reconciliation statements (IR 15S) Registered superannuation fund income tax returns (IR 44)</i>
19 April to 3 May 2002	<i>Individual tax returns for use by tax agents (IR 3A) Non-resident individual taxpayer income tax returns (IR 3NR)</i>
16 May to 22 May 2002	<i>Summary of earnings (IR 544)</i>
29 May to 30 June 2002	<i>Personal tax summaries (IR 537 and 538)</i>

Trusts – commencement dates on IRD number applications

All trusts requiring an IRD number must complete the *IRD number application – non-individual (IR 596)* form and attach to it the trust's deed. The commencement date recorded on the application form must correspond to the commencement date in that trust deed.

A trust should only apply for an IRD number if it is an income earning trust or has a tax obligation, for example, an RWT payer.

If a trust starts earning income after the commencement date in the deed, a letter should be attached to the IRD number application explaining the correct start date for filing income tax returns. This will prevent unnecessary filing of tax returns for the time in which the trust was not earning any income.

Business industry descriptions and codes

As Inland Revenue will no longer collect ACC return-based levies, we will no longer collect the ACC classification unit numbers. Instead, a new process has been established around the business industry description. The new process, while primarily established to meet ACC's needs, will also provide benefits for Inland Revenue and Statistics New Zealand.

ACC will use the business industry description to determine the appropriate classification unit for its accident compensation levies invoicing.

To support this process, the following booklets have been produced:

- *Determining your Business Industry Description and Code (ACC410).*
- *Agent's Guide to ACC – Business Industry Descriptions, Codes and ACC Levies (ACC414).* ACC will be mailing this booklet to all agents early in March 2002.

We will ask for the business industry description on the following forms:

- *IRD number application – non-individual (IR 596)*
- *GST registration (IR 360)*
- *IR 3, IR 4 and IR 7 income tax returns*
- *Client linking or delinking (IR 795)*
- *Existing client changes (IR 793).*

The IR 360, IR 795 and IR 793 forms are being updated and will be available from 18 March 2002. Please request copies of the new forms after this date and destroy any old versions held in your office.

If you are linking using INFOexpress, from 3 April 2002 you will also be asked to enter your client's business industry description code.

We ask that you ensure that this information is correct to avoid enquiries from ACC later.

For self-employed clients with two or more businesses or trades, you will need to show the description that has the highest self-employed income-related levy rate.



New tax agent report

From 12 April 2002 tax agents will no longer receive copies of L letters and letters sent to clients regarding linking, delinking and the withdrawal of extensions of time. Instead, we will send you a weekly activity report that contains the information you need.

The report is divided into four areas. The heading *Delinked for period* will follow on the same page as *Linked for period*. However, the headings *EOT withdrawn for period* and *L letters issued for period* will both start on separate pages and will be suppressed if there is no activity. You will not be sent a report if there is no activity at all.

We will retain the information for a period of two months in case you misplace it or do not receive it. A copy can be requested from your agent account manager within that period.

We will be working with software developers on an electronic version for those tax agents who are registered E-File users. Specifications are likely to be available to software developers from the middle of the year.

Other letters sent to tax agents will be replaced by the report over a period of time.

Standard practice statement

INV-170 — Timeliness in resolving tax disputes

This standard practice statement establishes administrative practices and timelines that will assist in the timely progression of cases in dispute. In particular, it sets out the steps the Commissioner will follow when a case enters the disputes resolution process.

This standard practice statement applies from 1 March 2002. It can be found in *Tax Information Bulletin (TIB)* Vol 14, No 2, which is available on our website at www.ird.govt.nz/library/newsletters/tib/vol14

Payment forms

The IR 901 payment form series was recently updated to remove reference to ACC. Please destroy any old forms held after 8 April 2002 and use the new forms for provisional and terminal tax payments.

If you automatically receive preprinted IR 901Cs, you will receive the updated forms in May.

If you receive IR 901Ds, you will receive the updated forms in the normal November delivery. If you require new forms prior to this, please order the number you require through StationeryXpress or by phoning INFOexpress on 0800 456 678.

To ensure that you receive the correct type of payment forms, please call the tax agents' toll-free number to update your IR 901C or IR 901D payment form requirements.

There are five types of IR 901 forms:

Issued automatically

- IR 901C These are sprocket-fed remittances that are preprinted with the client's name and IRD number. They are issued automatically either once or three times a year, depending on your requirements.
- IR 901D These are sprocket-fed remittances that are automatically issued in November.
- IR 901DL These are laser-type remittances that are automatically issued in November.

Issued manually through INFOexpress or StationeryXpress

- IR 901 These remittances come in pads (100 remittances per pad) and are used for one-off payments for all tax types except income tax.
- IR 901A These remittances come in pads (100 remittances per pad) and are used for one-off payments for income tax.

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:

The Editor
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PO Box 2198
Wellington
Email: agents.answers@ird.govt.nz

AGENTSanswers is also on our website:
www.ird.govt.nz/business/tax_agents/index.htm