

America's Cup 2003

The 2003 America's Cup commences with the challenger series in October 2002. Many syndicates will be in New Zealand over the summer of 2001–2002.

You may become an agent for a challenging syndicate, an individual syndicate team member, or another person involved in the America's Cup.

We have identified that certain tax obligations may arise and have developed a leaflet to assist participants and visitors in complying with these obligations. The *America's Cup 2003 (IR 245)* booklet is available through INFOexpress and can be viewed on the America's Cup page on our website at www.ird.govt.nz/promotion/americascup.html. This site also provides contact details for any further queries you may have and has links to the **Non-resident entertainers** and **Non-resident contractors** pages.

Inland Revenue website enhanced

Recently, we made significant changes to the Inland Revenue website at www.ird.govt.nz. The major changes relate to layout, navigation, and the inclusion of additional content. This is a first step in our progressive approach to maximise internet-based technology. It also demonstrates our commitment to finding better ways to give you advice and information.

Tax professionals will continue to have a dedicated page containing information relative to specific requirements, including the addition of information currently contained in the CD Rom.

If you have not visited our site recently, we encourage you to do so, in order to familiarise yourself with the new layout.

Over the coming months we will be determining the next set of service-related options, building on discussions with agents to date. The current site and its infrastructure provides a good foundation that will enable us to more efficiently increase the range of service options.

We would also appreciate your comments regarding the ease of access and information contained on the site. You can provide this by email through the link within the agents' page, or direct to the webmaster@ird.govt.nz

Company imputation accounts

Feedback received suggests there is misunderstanding about the application of the imputation credit account (ICA) system.

Since 1988, most New Zealand resident companies, unit trusts, producer boards, and cooperatives are required to maintain an imputation credit account (subpart ME of the Income Tax Act 1994) and file an *Annual imputation return (IR 4J)*. The aim of these provisions was to eliminate double taxation that occurred when profits of a company, that had already been taxed, were taxed again on distribution to shareholders.

The ICA account records income tax paid, or refunded, during the year as well as details of imputation credits attached to dividends paid or received by the company.

Before any overpaid income tax can be refunded, or transferred to another revenue or taxpayer, there must be sufficient credit balance in the ICA account at 31 March immediately preceding the year in which the refund request is received.

For example, if a company applies for an income tax refund during the year ending 31 March 2002, the company must have an IR 4J filed for the year ended 31 March 2001, showing a credit balance of at least the amount of the refund. The filing requirement for the IR 4J will no longer be affected by the date the refund request is processed.

If there have been additional credits in the ICA account since the previous 31 March, the company may file an interim IR 4J to update the closing ICA balance held by us. For example, if a company receives imputed dividends after 31 March 2001 and files an interim IR 4J for the year ended 31 March 2002, we will use the ICA balance shown in the interim IR 4J.

Our booklet *Imputation (IR 274)* contains more information. You can view the December 1997 version on our website at www.ird.govt.nz/library. This booklet is currently being reviewed and an updated version will be available in the near future.

Confirming a PTS with INFOexpress

Previously, if a PTS with a child rebate was confirmed using INFOexpress, the child rebate was overlooked by the system.

This problem has now been resolved and you are encouraged to use INFOexpress to confirm PTSs in all cases.



Just checking ...

Call centre staff have noticed an increased number of tax agents phoning to check the progress of income tax returns. Many of these enquiries are about returns filed only a few days before. If you would like to check the progress of a return, we encourage you to use INFOexpress. This will mean we will be available to answer your other queries on the tax agent line.

We aim to process:

- 80% of all income tax returns within six weeks of receipt and the balance within ten weeks.
- 95% of all GST returns within four weeks of receipt and the balance within eight weeks.

You can use INFOexpress to find out:

- whether we have received a GST or income tax return
- the likely length of time before a GST or income tax refund is made, if you are expecting one.

Follow these simple steps:

Phone 0800 456 678.

Enter your tax agent IRD number and press #.

For client enquiries press 1, enter your regular PIN and press #.

Press 2 for return and account information.

For	Press
GST refund details	1
Income tax refund details	2

Follow the voice prompts.

Partnership income – ACC residual claims levy – classification by partners

There has been a change in the way partners in partnerships can now be classified for ACC purposes.

With effect from 2001 income tax returns, partners are able to classify themselves for residual claims levy purposes on their share of partnership income according to the activity personally performed for the partnership.

Previously each partner was required to use the classification that reflected the business activity of the partnership, regardless of the duties personally performed.

For further information regarding this policy change, refer to *Tax Information Bulletin (TIB)* Vol 13, No 3, which is available on our website at www.ird.govt.nz/library/newsletters/tib/vol13

Provisional tax – trust with distributions to minor beneficiaries

When trustees make a distribution to a minor beneficiary, they are required to withhold tax on the distribution at a rate of 33%. The tax withheld on this income must be included in their provisional tax calculation. If the trustee underpays their provisional tax, use-of-money interest (UOMI) will apply.

Trustees who have estimated the trust's provisional tax, and have not taken into account any planned taxable distribution to a minor, may wish to reconsider the estimation.

Also where a trustee has made taxable distributions to minor beneficiaries, and is using the standard option, the trustee may wish to make voluntary provisional tax payments to avoid the imposition of UOMI.

Transfers of overpaid tax to a period of nil liability – proposed amendment

Legislation has been added to the Taxation (Annual Rates, Taxpayer Assessment and Miscellaneous Matters) Bill to remove uncertainty over the law relating to transfers of overpaid tax.

The proposed amendment will allow transfers to periods of no liability, and will do so retrospectively where certain criteria are satisfied.

This includes requests for a transfer to a period of nil liability, if the request was received prior to 21 April 2001, or it is a transfer of a credit resulting from an assessment or reassessment issued after 21 February 2001 (irrespective of what year the assessment relates to).

Current policy

Our policy on the current law is outlined in the operational circular O/C 95/2. This is available on our website at www.ird.govt.nz/taxagents/creditransfer

Until the proposed legislation is passed we must follow the current law. Requests for a transfer to a period with no liability will be held until the legislation is amended.

We will advise you when the new legislation has been passed in our breaking news email facility. Further information will be published in the *Tax Information Bulletin (TIB)*.



Reasons for returns going into error

Listed below are the main reasons why returns for the 2001 year are going into error and require manual intervention before they can be processed. These errors are largely due to incorrect or missing information. If boxes are left blank, processing will be delayed while we contact you to verify the amount.

To speed up the processing of returns, please check for the following:

Rebate claims form (IR 526)

- Invalid or incomplete rebate transfer details. All or part of a rebate can be transferred to another income tax account for the same taxpayer, or another taxpayer. However Boxes 7A, 7B, and 8 must all be completed. If you would like the credit transferred to any other tax type you'll need to request this separately.

Company income tax return (IR 4)

- A mismatch of figures between:
 - loss attributing qualifying company amount allocated at Box 22B with the attributed losses at Box 39B.
 - net losses at Box 26 with the loss offsets at Box 39F.
 - total earnings liable for residual claims levy at Box 32E with the shareholder details at Box 39C.
- Missing residual claims levy information. All residual claims levy calculation boxes must be completed. Many returns are falling into error because no ACC classification unit number is given at Box 32G.

Estates or trusts income tax return (IR 6)

- Missing or incorrect total tax credit figure at Box 15A.

Partnerships income tax return (IR 7)

- Missing or incorrect total income or loss after expenses figure at Box 20.

Individual income tax return (IR 3)

- No ACC liable earnings at Box 37A. If a client's liable earnings is nil, the amount shown in Box 37A should be either 0.00 or "nil".
- No ACC classification unit number at Box 37D.
- Total family assistance from Department of Work and Income mismatch. This error occurs when the figure entered at Box 11 doesn't match the figure held by the Department of Work and Income. Please ensure the family assistance figure given on the summary of earnings is used, or a letter is attached explaining why there is a difference.
- Partners return not filed. If your client is a family assistance recipient and is required to file an IR 3, we are unable to process their return until their partner (if applicable) has either filed an IR 3 or requested a PTS.

GST on fringe benefits

As a result of legislation enacted on 27 March 2001, we are making changes to the way we collect GST on fringe benefits. These changes will make it easier for employers to make this adjustment.

Currently, if an employer provides fringe benefits, they may be required to make an adjustment for GST on fringe benefits in their GST return. The GST adjustment is payable to Inland Revenue in the GST return period that includes the date the FBT payment falls due. Because this is always at a later date, it is easy for employers to forget to make this adjustment in their GST return.

For GST due after 1 January 2002, the adjustment for GST on fringe benefits will be made in the FBT return instead of the GST return. The first FBT return to show the new adjustment box will be for the quarter or year ending 31 March 2002 for quarterly and annual filers, and for the 2000–2001 income year for income year filers.

We'll be reminding employers about this change over the next six months by sending letters with the quarterly, annual and income year FBT returns. We'll also be putting information about the change on our website and updating our FBT and GST guides.

Standard practice statement GNL 170 – release of information

This standard practice statement provides guidelines for dealing with requests for information made under the Official Information Act 1982 and the Privacy Act 1993. This statement also explains the relationship of these Acts with the Tax Administration Act 1994 and how the secrecy provisions in the Tax Administration Act 1994 and Child Support Act 1991 will be applied.

This standard practice statement can be found in *Tax Information Bulletin (TIB)* Vol 13, No 9, which is available on our website at www.ird.govt.nz/library/newsletters/tib/vol13

Debt deduction notices

We are receiving calls from irate taxpayers who are unaware that we have issued compulsory deduction notices on their employers or banks to collect arrears. Most of these calls have come from clients of tax agents.

The first arrears notice is issued to the tax agent. If the amount remains outstanding, a copy is sent to the client ten days later. Any subsequent notices, for example debt deduction notices, are sent to the tax agent only.

If you receive a copy of a notice to deduct amounts owed to Inland Revenue, please pass this information on to your client.



Recently updated publications

The following publications have recently been updated. They are available from our website at www.ird.govt.nz/library or they can be ordered through INFOexpress or StationeryXpress.

Clubs and societies (IR 254)

A tax guide for clubs, societies, non-profit bodies, associations and other groups.

Trusts and estates (IR 288)

This guide provides information on the different types of trusts and estates and how they are taxed. The latest version is dated July 2001 and takes into account legislation changes regarding minor beneficiaries.

Employer's guide (IR 335)

This guide explains the tax obligations of anyone who employs staff.

Please note on page 47 the address to return bond applications incorrectly states **Private Bag 2198**. This should be **PO Box 2198**. We apologise for any inconvenience.

Approved issuer levy (AIL) – payer registration (IR 396)

Use this form to apply for approved issuer status and to register the first security. An approved issuer is anyone who has been granted approval by Inland Revenue to pay interest to non-residents at a zero rate of non-resident withholding tax (NRWT). Approved issuers must pay a levy calculated at a rate of 2 cents for every \$1 of the leviable value of the registered security.

Application to register security or securities for approved issuer levy (AIL) (IR 397)

Only securities that have been registered with Inland Revenue qualify for a zero rate of NRWT. Use this form (previously the IR 67RB) to register securities. Complete a separate form for each security, or class of securities you want to register.

Foreign loss election or revocation (IR 444)

This form (previously the IR 4PF) may be used by the shareholders of a loss attributing qualifying company to make an election for the company to retain foreign losses, or to revoke an election made previously.

Resident withholding tax – interest payer registration (IR 450)

Use this form (previously the IR 15R) to register an interest payer.

Resident withholding tax – refund request (IR 454)

Use this form (previously the IR 15F) to apply for a refund of resident withholding tax (RWT) if your client holds a certificate of exemption from RWT.

Out of date publications

The following publications are out of date and have been removed from our stationery warehouse and website:

- *Approved issuer levy (IR 291A)*
- *Charitable organisations (IR 255)*
- *Controlled foreign companies (IR 275)*
- *Foreign dividend withholding payments (IR 274A)*
- *Foreign investment funds (IR 275B)*
- *Gaming machine duty (IR 680A)*
- *Grants and subsidies (IR 249)*

Please do not rely on information in copies of these publications held in your office or contained on the tax agents' CD Rom.

These publications are currently being reviewed.

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
AGENTSanswers
Inland Revenue
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