



Information for the new tax year

The new tax year has arrived. Following is some useful information to make things easier for you and your clients.

Summary of earnings:

We cannot send out a summary of earnings until May as we do not have your clients' earning information for March, until April. It takes us around four weeks to fully process and balance this information. All clients who are required to file returns should receive their summary of earnings by the end of May. For other clients who are not required to file an individual tax return we will send their summary of earnings to you from 28 June. Refer to "Breaking News" item.

INFOexpress

Don't forget our automated INFOexpress service can provide you with your clients' details without having to contact a call centre. Account balances can be spoken back to you within seconds of using the service, and if you request a faxback of your clients' details, the fax will arrive in your office within 30 minutes!

Did you know all the following services are available from INFOexpress just by ringing **0800 456 678**?

- account balances
- return and account information
- brochures, forms, linking and delinking
- personal tax summary requests and confirmations, and summary of earnings requests
- faxback of information.

Processing standards

Income tax returns

Inland Revenue aims to process income tax returns (and imputation returns) within six to ten weeks of receipt at a processing centre.

There is no separate return processing standards for E-Filed returns. Inland Revenue receives them sooner and is able to process these faster in the majority of cases.

Employer monthly schedule

Inland Revenue aims to process the employer monthly schedules within six weeks.

GST returns

Inland Revenue aims to process GST returns within four to eight weeks of receipt at a processing centre. We also aim to issue all non-queried GST refunds within 15 working days of receipt at a processing centre.

Correspondence

Inland Revenue aims to answer correspondence within 15 working days of receipt.

Filing requirements

If a taxpayer is a beneficiary of a trust, a partner in a partnership or a shareholder in a company, and has received no income allocation from these entities, the return for the related entity must be filed before Inland Revenue can record that the taxpayers return is not required.

Website

Check out our website at www.ird.govt.nz to get information, forms, stationery, tax returns and to calculate tax online.

Flexibility for helping flooded businesses with tax issues

Recent legislation changes will allow Inland Revenue to cancel use-of-money-interest on tax payments that are late as a result of the taxpayer being significantly affected by flooding. Inland Revenue already has the discretion to cancel penalties for late payments and has already said that it will use this discretion for those unable to make payments on time as a result of the recent flooding.

This concession includes taxpayers who have had their records destroyed in the flooding, or who still cannot access their records.

Changes will also allow Inland Revenue to accept estimates or re-estimates of 2004 provisional tax for those taxpayers significantly affected by the flooding, after the deadline of 7 March 2004. If your client is a provisional tax payer with a 31 March balance date, their third instalment of provisional tax would normally be due on 7 March. This is also the last date to revise provisional tax. Your clients will now have until 31 March 2004 to estimate or re-estimate their provisional tax.

If you have clients in this category and you think their income for the year will be reduced because they have been significantly affected by the recent flooding, you can estimate or re-estimate a reduced payment for their third instalment of provisional tax. They may even be entitled to a refund if the re-estimate results in overpaid provisional tax in the first and second instalments.

Flexibility of deadlines

Inland Revenue will consider each taxpayer's case individually. However, in general terms, most affected taxpayers should be able to meet a 31 March deadline for paying any tax due, or for estimating or re-estimating provisional tax. We will work with taxpayers who have lost business records or who may still not be able to access the information they need to deal with their taxation issues, or who have significant clean-up activity to attend to, to agree a date that is suitable to us and them.

Criteria for being treated with increased flexibility

Taxpayers must:

- have been significantly affected by the flooding
- apply for the tax relief available.

How to apply

Please ring Inland Revenue on the tax agents' freephone line, weekdays from 8am to 8pm, and Saturdays from 9am to 1pm.



Balance date applications

We have been receiving a number of applications for taxpayers to adopt a non-standard balance date that do not follow the guidelines set out in *Tax Information Bulletin* Vol 5, No 11 Appendix B (April 1994).

The adoption of a non-standard balance date will be approved where:

- the nature of the taxpayer's business makes a 31 March balance date inappropriate, or
- a subsidiary wishes to align its balance date with its parent company, or
- an estate wishes to adopt the deceased's date of death, or
- a shareholder-employee, who is a major shareholder and the company is their main source of income, wants the same balance date as the company.

There are a small number of industries where we recognise that a 31 March balance date is not appropriate, for example farmers. An application for a taxpayer who is involved in one of these industries, to adopt a non-standard balance date should include the taxpayer's details, the industry they are in, and the balance date they wish to adopt.

Where a taxpayer wishes to adopt a non-standard balance date other than one of these recognised industry balance dates, the following details should be included in the application:

- taxpayer's full name and IRD number
- the industry the taxpayer is involved in
- the balance date they wish to adopt
- reasons why they want to adopt a non-standard balance date
- names of any associated businesses which already use this balance date (and their IRD number if known)
- details of actual or predicted (for a new business) cashflows, stock patterns, customer demands and seasonal patterns
- any other information to show that financial accounts prepared to the proposed balance date would be more appropriate than using a 31 March balance date.

By providing this information with your initial application, you can avoid delays in having your request considered.

When approval is granted for a taxpayer to adopt a non-standard balance date, you will receive written confirmation from us. The taxpayer's new balance date will also appear on your client list the next time it is sent to you.

Family assistance change of circumstance

A new tax year is about to start and it is time to consider if any changes have occurred that will affect your clients' family assistance entitlement. It is important to establish that your clients have not had a change in their circumstances that could affect their entitlement. Below is an indication of some of the circumstances that can lead to entitlement changes:

- a change in the type of income a client receives, for example from wages to a student allowance
- a change in the number of hours a client works each week
- an increase or decrease in a client's estimated family income
- a change in a client's marital status (this includes de facto relationships) for example a separation/reconciliation
- a change in a client's employment status
- if a client or their partner (if they have one) goes onto an income-tested benefit, student allowance, veteran's pension or accident compensation
- any child leaving a client's care
- any new children in a client's family (this also includes children returning to a client's care and new share custody arrangements)
- any of your client's children who are now working more than an average of 30 hours per week
- any of your client's children leaving school to start work
- any changes in a client's shared custody arrangements
- any of your client's children starts to receive a student allowance or income-tested benefit.


If any of your clients' family assistance details need to be amended please contact Inland Revenue on the tax agent's 0800 number, Monday to Friday 8am to 8pm and Saturdays from 9am to 1pm.

Printing from Inland Revenue website

e-Government guidelines recommend that relative sizes are always used on webpages so that users can make the text size larger or smaller as desired (primarily to meet the needs of our sight impaired users). However, because the font size is not fixed, when some people print the receipt page on IRD's returns and forms—they will use more paper than others (although the vast majority of people will see/print the page in the same way).

If this is a problem that you are experiencing—here is the solution.

- If you are using Internet Explorer, click on "View", then go down to "Text Size" and select either "Smaller" or "Smallest".
- Other browsers have similar options—but if you cannot work it out, just consult the help options or contact the software vendor.



Are any of your Industry Partnership clients having difficulty making their 7 April tax payments?

If you have clients with overdue tax and they belong to certain industry groups, Inland Revenue's Industry Partnership team would like to help them get on top of their payments.

The Industry Partnership team forms relationships with industry groups in an effort to improve compliance in the cash economy. So far, the team is working with the following industries:

- Automotive repair and services
- Electrical services
- Entrepreneurial services (home-based businesses)
- Hairdressing and beauty salons
- Long-distance bus transport
- Painting and decorating services
- Plumbing services
- Services to agriculture
- Smash repairing
- Taxi and other road transport.

We invite you to contact the team if you have a client in one of these industries who is finding it difficult paying their tax. There are a number of options available when it comes to dealing with tax debt.

Please phone the tax agent's 0800 line and ask to be put through to the Industry Partnership team. Taking early action will mean your client will pay less in penalties.

Are you filing nil FBT returns?

We've noticed a number of employers are filing nil FBT returns when they don't need to.

If employers are not providing fringe benefits they may be eligible for an exemption from filing FBT returns. To make an election not to file, go to our website at www.ird.govt.nz and click on "Other services," select "Fringe benefit tax returns" then choose the first option in panel 4.

Alternatively you can complete a *Fringe benefit tax election (IR 414)* which you can obtain from INFOexpress or StationeryXpress. Tick the "Not liable for FBT" circle on the election form and return it to us. Once we have processed your election form we will write to you telling you the date the change becomes effective. In the meantime, you will still need to file any FBT returns we have already sent you.

Tax changes around the corner for Māori authorities

Changes to the tax structure relating to Māori authorities are just around the corner.

The changes clarify the criteria around which organisations can become Māori authorities, simplify the accounting processes, reduce the historical risk of authorities being taxed twice when income is retained rather than distributed, and provide an income tax rate of 19.5% which reflects the tax rate of the majority of Māori authority members.

Election forms and information booklets have been mailed out to all currently-registered Māori authorities during February. These booklets explain the changes in detail and can also be downloaded from the IRD website at www.ird.govt.nz. All currently registered Māori authorities must elect to continue to be Māori authorities under the new system or **advise Inland Revenue that they do not want to elect to be a Māori authority**. Other organisations can elect to be a Māori authority if they meet the new eligibility criteria.

A series of regional information workshops were held during late February and early March which outlined the changes, and provided Māori authorities and other interested organisations with the opportunity to ask questions about the new tax structure.

For more information on which organisations will be eligible to become Māori authorities, visit our website on www.ird.govt.nz/māoriorganisations/māoriauthority/eligibility.html. Information will also be available on the back of all election forms.

If your client meets the new eligibility criteria and wishes to elect into the new Māori authority tax rules they will have until the end of the 2004/05 income year to make their election. The new rules apply from the start of the 2004/05 income year. This may have implications for Māori authorities who elect to change during the following 12-month period.

If an existing Māori authority elects not to come under the new structure it will be treated under the general tax rules according to what type of entity it was before becoming a Māori authority.

The new structure allows Māori authorities to opt into and out of the new rules at any time, thus giving the authority flexibility in managing the way it operates, and determining which rules suit it best at any given time.

Regardless of whether authorities decide to elect in to the new structure or not, they must notify Inland Revenue of their decision. It is vital that authorities make informed decisions so the advice of tax agents will play an important role.

Student loan interest rate

The total interest rate for student loans for the 2004/05 income year is to remain at 7%.

The total rate is made up of the base interest rate, which has increased from 4.2% to 5.5%, and the interest adjustment rate, which has decreased from 2.8% to 1.5%. The interest adjustment rate is based on the consumer price index (CPI) for the December 2003 quarter, and reflects the increase in the CPI between that quarter and the December 2002 quarter.

These rates were approved by Order in Council on 23 February 2004.



Terminal tax due date for clients of tax agents

Each year we receive a number of enquiries from tax agents regarding the terminal tax due dates for clients when they are set at 7 February instead of 7 April.

This will happen when a client's income tax return is manually filed before the client is linked to your agency list.

A client's terminal tax will be due on 7 April if:

- they have been linked before their income tax return is filed, and
- the return is prepared or filed by a tax agent, and
- the tax agent has an extension of time.

When a return is E-Filed, the client is automatically linked before the return is processed, if they are not already linked to that tax agent.

So we're reminding you to link new clients when they first provide you with their written authority to act on their behalf—especially if you don't use E-File to file income tax returns. This will also mean you will be able to obtain information about your new client straightaway.

Automated call recording for our call centres

A new automated call recording and analysis package will be introduced in all Inland Revenue call centres with a targeted go live date of 1 April. This means that all calls received into our call centres will be automatically recorded.

The purpose of automatically recording all call centre phone calls is to help ensure that consistent and accurate information is provided to customers, and to gather information on what drives customers to contact our call centres.

The introduction of all call recording will simplify our current processes and bring many benefits to both Inland Revenue and customers. For example, more meaningful information can be gathered because we'll have a broader range of calls to analyse, which ultimately means we can give better quality advice and service to our customers.

Customers will be informed that their calls will be recorded through messages on our forms, booklets and website.

Interim IR 4J

IR 4 returns for the year ending 31 March 2003, not filed by 31 March 2004 which result in a refund will require an interim IR 4J for 2005 in order to have that refund released.

Refer to www.ird.govt.nz/library/newsletters/corpcnt/2003/2003sep.html#ica

Tax Agents' CD Rom

You can look forward to receiving the *2004 Are you connected? (IR 780)* pack in the mail in early April.

The pack includes version 6 of the Tax Agents' CD Rom containing electronic copies of the most recent Inland Revenue forms, booklets and other relevant information. The CD Rom also has many helpful links to other websites like ACC and the Institute of Chartered Accountants. All the features from version 5, such as fill-in forms, calculators and web updates, have been kept and enhanced or updated.

The pack has a new leaflet:

- *Tax Agents' CD Rom Guide Version 6 (IR 804)* which gives helpful tips on using your Tax Agents' CD Rom.
- *Electronic interfaces (IR 788)* is the other leaflet in the pack which provides details about Inland Revenue's electronic products including our website.

You can order extra copies of the *Are you connected? (IR 780)* pack through INFOexpress and StationeryXpress.

Updated registration forms

In July 2003 *AGENTSanswers* we advised you of the updated *GST registration (IR 360)* and *Employer registration (IR 334)* forms. We are still receiving paper versions of the old forms. If you are using a paper form to register your clients, please use the June 2003 versions. Please dispose of any stock you may have of the previous versions of the GST and employer registration forms.

The updated *GST registration (IR 360)*, *Employer registration (IR 334)* forms and the new *IR 56 taxpayer registration (IR 359)* form can be found on our website or you can order them through StationeryXpress or by phoning INFOexpress on **0800 456 678**.

Alternatively you can **register** your clients for GST, as an employer, as an IR 56 taxpayer and for other tax types (such as RWT) on our website.

If you **register** your clients online, you can also link them to your agency at the same time.

Note from the editor

If your 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/library/newsletters/aanswers/