



2004 annual returns

We intend to send you the 2004 annual returns for your clients on the following dates:

31 March to 6 April 2004

Claims for personal tax rebate (IR 526)

7 April to 14 April 2004

Company income tax returns (IR 4)

Estate or trust income tax returns (IR 6)

Partnership income tax returns (IR 7)

Māori authority income tax returns (IR 8)

Club or society income tax returns (IR 9)

Registered superannuation fund income tax returns (IR 44)

13 April to 15 April 2004

Resident withholding tax on interest reconciliation statements (IR 15S)

Non-resident withholding tax reconciliation statements (IR 67S)

23 April to 26 April 2004

Family assistance end-of-year statements (IR 541)

17 May to 21 May 2004

Summary of earnings (IR 544)

Additional summaries of earnings for clients who are not required to file an IR 3 will be issued in June 2004.

15 April to 3 May 2004

Individual tax returns for use by tax agents (IR 3A)

Non-resident individual taxpayer income tax returns (IR 3NR)

Individual tax returns (IR 3) will also be issued on this date

4 June to 2 July 2004

Personal tax summaries (IR 537) and (538)

Imputation account balances

With 31 March 2004 approaching, now is a good time to check company imputation account balances.

If a company's imputation credit account balance is in debit at 31 March they will be required to pay further income tax equal to the debit balance and will also be charged imputation penalty tax.

The penalty tax can be avoided by paying income tax by 31 March, sufficient to clear the imputation account debit balance.

A new image, the same return

This year you'll notice that some of our returns, including the IR 3 and IR 4, look different. The changes have been made to ensure that the returns can be processed using imaging technology that will be introduced.

Imaging technology relies on the clarity of each character entered on the return. You can help ensure faster processing by noting the following:

- Individual boxes have replaced the old data entry fields. Only one character can be entered in each box.
- If a figure is a loss, instead of showing it in brackets, please put a minus sign in the final box of the keypoint. Where the figure can only be a negative, for example, a loss brought forward, the minus sign has been preprinted on the return.
- Please don't write anything outside of the boxes.
- If you need to provide additional information, please do so on a separate piece of paper, clearly indicating the section of the return it relates to, and attach it to the return.

As well as the new look of the forms, bar codes have been introduced which identify the type and year of the return as well as basic name and address information etc of the taxpayer to process the return quicker.

There's also an additional bar code to the left of page one of the annual returns which is used to ensure that taxpayers receive all the forms that they need in their taxpack.

The wording in the returns and guides has also been amended where necessary to reflect the changes made to the returns.

If you have any questions about the new look return, please phone us on the tax agents' line. If you need a replacement 2004 return, you can order one by phoning INFOexpress on 0800 257 773.

Inland Revenue Individual tax return
Te Tari Taake for use by tax agents

Injury Prevention, Rehabilitation, and Compensation Act 2001 • Income Tax Act 1994 • Tax Administration Act 1994

IRD number
IR 3A 2004

1 April 2003 to 31 March 2004

If your name, IRD number and postal address are shown correctly above, go to Question 4.

1. If your IRD number is not shown above, print it in Box 1. **1**

2. If your correct name is not shown above, print it in full in Box 2. **2** Mr Mrs Miss Ms

Please put first names above and surname below

3. If your correct postal address is not shown above, print the full address in Box 3. Do not print your tax agent's address here. **3**

Please put street address or PO Box number above and suburb, box lobby or RD and town or city below

4. If your correct home address is not shown below, print it in full in Box 4. **4**

Please put street address above and suburb and city below

5. If your correct date of birth is not shown below, print it in Box 5. **5** Day Month Year

6. If your self-employed business has changed, or is not shown below, print it in Box 6. **6**

7. If your correct daytime phone number is not shown below, print it in Box 7. **7** Phone number

8. If your correct bank account number is not shown below, print it in Box 8. **8** Bank Branch Account number Suffix

● If your suffix has only two numbers, enter them in the first two squares of the suffix box.
● If your account number is for a building society, read page 14 in the guide.

9. Entitled to family assistance but did not receive any payments? **9** Tick 9 and we will send you an FS 1 registration pack.

10. A non-resident of New Zealand for tax purposes? **10** No Go to Question 11.
 Yes You may need to complete an IR 3NR return.



E-Filing over the internet

For some time now E-File software providers and Inland Revenue have been working together to remove the need for tax agents to have to pay to use PACNET to E-File returns.

A facility to securely E-File returns over the internet is available and all E-File software providers are committed to providing packages to allow you to make use of this facility, and to take advantage of the improved level of service it offers.

With the removal of the need to pay for a PACNET connection to E-File returns, we are now looking to turn off the facility to E-File returns through PACNET **from July 2004**.

If you are not E-Filing your clients' returns through the internet already, you may want to approach your software provider about when you can start using the internet option.

Clients who are unable to file their return by 31 March

If you haven't done so already, now is the time to contact your agent account manager about any clients who you think will be unable to file their income tax returns by 31 March because of circumstances outside their control. In these cases we can defer taking action for these returns by recording a D status for the client.

Circumstances where a client may qualify for a D status include:

- 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 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).

These criteria will also be taken into account if they affect a related entity and you expect flow-on effects.

You should contact your agent account manager or corporates account manager if you have clients whose circumstances you feel may qualify them for D status.

Clients who do not file their 2003 income tax return by 31 March and who are charged a late filing penalty will lose their extension of time (EOT) for their 2004 return. In these cases they will need to file their 2003 and 2004 income tax returns by 7 July 2004 to get their EOT reinstated for 2005.

New option for taxing specified superannuation contributions

Contributions by employers to superannuation funds for the benefit of their employees are generally subject to specified superannuation contribution withholding tax (SSCWT) at a flat rate of 33%. This flat rate over-taxes the retirement savings of employees earning less than \$38,000.

To prevent this, there will be a new option available from 1 April 2004 for taxing specified superannuation contributions. This new option allows a lower tax rate to be applied to employer contributions for some employees.

How does it work?

The new option is voluntary and can be used at the discretion of the employer. The rate of SSCWT to be deducted from current year contributions will be based on the annual salary or wages paid to the employee in the previous tax year. The rate of SSCWT to be deducted is calculated at the start of each year that contributions will be made.

Under this option the SSCWT rate for employees with salary or wages in the previous income year totalling:

- less than \$9,500, will be 15%
- more than \$9,500 and not more than \$38,000, will be 21%
- over \$38,000, will be 33%.

If an employee was not employed by an employer for all of the previous tax year the employer can estimate the total amount of salary or wages that the employee will earn in the year to come and determine the appropriate SSCWT rate from that estimate.

There is no requirement to adjust the rate during any year if an employee's salary or wages increase or decrease. If their salary or wages do change during the year affecting the applicable rate, a new rate will apply from the following year.

If an employer does not choose to use the new option for determining individual SSCWT rates, then the existing options, as outlined in the *Employer's guide (IR 335)* apply.

More detailed information about the new option can be found in the *Tax Information Bulletin* Vol 16, No 1 (February 2004).



Requesting reassessments

A taxpayer or their agent may request Inland Revenue to amend an assessment to correct a genuine error. Common types of errors that may be corrected in this way include arithmetic or transposition errors, and other types of errors which are clear and genuine.

A request to correct a genuine error should include all relevant information to evidence the claim, including:

- tax type and period containing the error
- amount of tax in error
- nature of the error
- how the error occurred
- how and why the error was identified
- action required to ensure correctness of the assessment.

Requests to amend an assessment can be made on the *Tax agent's request form (IR 796)*. Amended returns are not to be filed to correct an error, however you can provide an amended tax calculation in support of your request.

Where a minor error is in a GST return, you should refer to Standard Practice Statement *INV490 Tax Information Bulletins Vol 10, No 6 (June 1998 – page 13)* and Vol 11, No 2 (February 1999 – page 10) for the appropriate course of action.

Standard Practice Statement *INV 510 Requests to amend assessments* sets out the circumstances when we may exercise the discretion to amend an assessment to ensure its correctness. This Standard Practice Statement can be found in *Tax Information Bulletin Vol 14, No 8 (August 2002 – page 12)*.

We will amend an assessment when it is considered that all of the following are met:

- the request is clear
- all information has been provided
- we have verified the error
- the amendment is within the time limits set out in the relevant legislation
- none of the other limitations set out in the Standard Practice Statement apply.

If we are not satisfied that a genuine error exists or we consider that a limitation applies, the assessment will not be amended. Where such a decision is made, we will advise you of the decision and the reasons for declining your request.

Provisional tax options and elections

Provisional tax options

When completing an income tax return which results in a residual income tax liability of \$2,500 or more, it is important to correctly indicate on the return which option the provisional tax for the next year will be paid under. This includes where the income tax return is E-Filed.

The two options available are:

S	Safe harbour	We will calculate the provisional tax as 105% of the residual income tax.
E	Estimate	We will record the amount of provisional tax you show on the return as the estimated provisional tax.

Where no option is shown on the income tax return, we will calculate the provisional tax under the safe harbour option.

If a provisional tax estimate is made on an income tax return, you cannot subsequently choose to pay provisional tax under the safe harbour option. However the provisional tax can be re-estimated at any time up until the last provisional tax instalment date for the year.

Provisional tax payer elections

Where the criteria in MB 2 A of the Income Tax Act 1994 are met, you can elect for the tax payer to be a provisional tax payer for that income year. You need to notify us that you wish to make an election.

How to make an election

You should make an election at the time you file the income tax return for your client or your own business. If you think you meet the criteria, attach a note to the front of the tax return for the relevant year, stating you wish to make an election to be treated as a provisional tax payer for that year. If you have already filed your return for 2003, you can still elect to be a provisional tax payer by writing to us.

If you put "E" in the provisional tax option section on an income return, we will treat this as a **provisional tax estimate, not as a provisional tax payer election**.

Showing the correct provisional tax option on the return and informing us of a provisional tax payer election separately will avoid any confusion and delays in paying any credit interest.



Client contact details

When completing a *Client linking or delinking (IR 795)* form, please complete the clients contact details. There will be some occasions when we will want to contact your client directly. For example, when you link a client we need to send them a letter to ensure that they know we will provide you with their tax information.

National standard costs

The national standard costs for specified livestock determination 2004 are available on our website
www.ird.govt.nz/library/publications/taxagents.html

This determination is made in terms of section EL 3A of the Income Tax Act 1994. It applies to any specified livestock on hand at the end of the 2004 income year, where the taxpayer has elected to value that livestock under the national standard cost scheme for that income year.

Cancellation of GST registration over the phone

Section 52 of the Goods and Services Tax Act 1985 has been amended to enable requests for cancellation of GST registration to be made over the telephone instead of having to apply in writing. This amendment applies where the registered person has ceased to carry out a taxable activity or where taxable supplies no longer exceed the registration threshold. All other requirements relating to the cancellation of a GST registration remain the same.

Clubs and societies booklet

Clubs and societies booklet has been withdrawn and is currently being reviewed to bring it up to date with current legislation.

Correction to "Returns for deceased taxpayers"

In the January 2004 *AGENTSanswers*, we advised that from the 2002-03 income year the non-filing provisions had been extended to include IR 6 estate income tax returns as well as returns filed on behalf of deceased taxpayers by executors and administrators. These provisions only apply to date of death returns, including those filed by executors and administrators, but do not include IR 6 returns. IR 6 returns are still required to be filed.

Donee organisations

The following organisations have been added to the donee organisations list on the website.

Books for Africa
Help a Child Foundation New Zealand
Greater Mekong Subregion Tertiary Education Consortium Trust
The Sir Edmund Hillary Trust
Cheboche Area Trust Inc
Sampoerna Foundation Limited
Surf Aid International Incorporated
Plan New Zealand
St Stanislas Charitable Trust of New Zealand.

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:

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