

Are you connected?

Version four of the *Tax Agents' CD Rom* was issued to tax agents in the first week of April 2002. The *Tax Agents' CD Rom* is included in the new *Are you connected? (IR 780)* pack. This pack combines the CD Rom, the *Electronic interfaces (IR 788)* pamphlet and the *How to contact Inland Revenue (IR 709)* pamphlet.

The IR 788 is a new pamphlet that contains the CD Rom instructions and short descriptions of Inland Revenue's other electronic services including E-File, ir-File, Inland Revenue's website, INFOexpress and StationeryXpress.

The IR 709 contains our contact details. These details have been included for tax agents to give to their customers so non-tax agents do not phone the tax agents' line.

The CD Rom contains over 400 key Inland Revenue publications, including tax returns and guides. This service is intended for tax agents, corporates or solicitors, but is available to any taxpayer who wishes to order one. This can be ordered by requesting the IR 780 through INFOexpress, StationeryXpress or by phoning us. Please note that this ordering procedure has changed from previous years.

Since the release of the CD Rom we have been asked:

● How do I copy the CD Rom to a network or hard drive?

Instructions are contained in the Frequently Asked Questions (FAQ) section on the CD Rom. This is as simple as copying the complete website directory from the CD Rom to your network or hard drive and creating a shortcut to the index.html file within the website folder.

● What do I do if any fill-in forms are not modifiable?

These are now on the web updates page (link from the CD Rom to Inland Revenue's website). Instructions on downloading these updates are in the FAQ section on the CD Rom.

If you have any further queries regarding the CD Rom, please email them to agentcd@ird.govt.nz

Give your client list a warrant of fitness!

- Is the person listed still a client?
If not – delink.
- Is the balance date recorded correctly?
If not – tell us.
- Are the tax types that the client is linked for still appropriate?
If not – tell us.
- Is a tax return still required?
If not – tell us why before 31 March.
- Got some questions?
Contact your Agent Account Manager.

2001 income tax returns – late filing penalty and EOT removal

Tax agents who have 2001 year returns outstanding for their clients are reminded that late filing penalties will be applied in May.

Section 139A(5) of the Tax Administration Act 1994 (TAA) requires that the Commissioner give not less than 30 days' notice of his intention to impose a late filing penalty. Warning letters were issued to affected taxpayers in mid-April to advise that the 30-day period had commenced.

For income tax purposes, Inland Revenue's current practice is to limit late filing penalties to IR 3 and IR 4 returns.

The following late filing penalties apply to taxpayers' annual income tax returns:

Net income	Late filing penalty
Below \$100,000	\$50
Between \$100,000 and \$1 million (inclusive)	\$250
Above \$1 million	\$500

We strongly recommend that returns are filed before the late filing penalty is applied because we have limited discretion to remit late filing penalties once they are imposed. The AMBR 1001 outstanding returns report, issued at the end of April 2002, details by year and return type those clients with income tax returns not filed.

If a late filing penalty is applied to your client, the extension-of-time arrangement will also be withdrawn for the 2002 IR 3 or IR 4 return.

If we withdraw the extension of time (EOT), both the return and any tax payable will be due earlier:

- The return will be due by 7 July 2002 (unless your client has a non-standard balance date ending in April to September, then the due date will be the 7th of the month, four months after balance date).
- The terminal tax due date will revert from 7 April to 7 February (unless your client has a non-standard balance date ending in October to February, then the due date will be the 7th of the month, 11 months after the balance date).

The EOT may be reinstated for the 2003 year if:

- the 2002 return and the current outstanding 2001 return are filed before the imposition of the late filing penalty after 7 July, or
- it is unrealistic to expect the taxpayer to file their 2002 return (or a return for any future year) before a late filing penalty is applied. Approval may be given to reinstate the taxpayer's EOT provided the taxpayer concerned has assessed and remedied the reasons why their 2001 return was not filed by 31 March, and given a written undertaking to Inland Revenue that their 2003 return will be filed by 31 March.



Transfer of tax credits

We have added a brief statement to our website, on the tax agents' page, regarding the transfer provisions included in the December 2001 bill. This can be viewed at:

www.ird.govt.nz/taxagents/creditransfer

Also included in this statement is a copy of instructions that have been issued to staff regarding transfers between taxpayers.

Payments and returns – received on time policy

The Commissioner applies administrative rules for the receipt of payments and returns. A payment and/or return will be accepted as being received on time if:

- it is physically deposited in an Inland Revenue office drop-box or at a WestpacTrust branch by the close of business on the due date, or
- it is mailed and postmarked on or before the due date. For Rural Delivery customers, where collection times may be irregular, this does not mean being placed in their personal mailbox. The payment and/or return must actually be received by the postal service on or before the due date.

Weekends and public holidays

If the due date for a return or payment falls on a weekend, New Zealand public holiday or anniversary day, the payment and/or return will be deemed to be received on time if placed in an Inland Revenue drop-box or postmarked the next business day.

However, this is not relevant to GST as it is due on the **last working day** of the month, except for any periods ending November. These are due on 15 January. If 15 January falls on a weekend, public holiday or anniversary day, the return and any payment will be accepted as being on time if placed in an Inland Revenue drop-box, or postmarked the next business day.

Overseas currency converter

New on our website is an interactive overseas currency converter. It provides the mid-month exchange rates to convert investment income from most other currencies to New Zealand dollars for the last three income years. These conversion rates can be used in cases where the income was not sent back to New Zealand.

You can also use this tool to enter overseas currency amounts and have the conversion calculated for you.

See the overseas currency converter at:

www.ird.govt.nz/cgi-bin/form.cgi?form=currency

Electronic commerce guide

A *Guide to tax consequences of trading over the internet* has just been released on our website at:

www.ird.govt.nz/library/ecommerce

It covers general issues in a question and answer format, income tax and GST-specific issues and details Inland Revenue's involvement internationally, particularly with OECD.

We are interested in any feedback you have in terms of content and useability of the information. You can email Gary Morton at gary.morton@ird.govt.nz or write to him at Inland Revenue, PO Box 1247, Dunedin.

New process for issuing summary of earnings

Summaries of earnings will be issued to tax agents progressively from 14 May 2002 and should be received by 4 June 2002.

Because of some issues last year with physical addresses being incorrect in FIRST, this year they will be sent to tax agents' PO Boxes, except where there are more than 1,200 summaries.

Approximately 30 tax agents will have their clients' summaries of earnings sent to their bulk mail address instead of their PO Box. If you believe that you will be one of these, you may like to ensure that we have your correct physical address.

Filing performance reports AMBR 1002 and AMBR 1003

After each target date we send you reports detailing your overall filing performance and a breakdown by return type. You can use these reports to verify that your own statistics are correct.

Under the extension-of-time agreement, we will adjust the filing performance to exclude those clients with outstanding returns who have D status, or who have been sent an L Letter.

In the past, filing performance reports did not correctly reflect those clients who received an L letter and were yet to file a return.

The filing performance reports have now been altered and those issued in April 2002 correctly take these clients into account.

Examples of these reports will be available on the tax agents' page of our website in the near future.



Processing of payments being delayed

Some agents are creating their own versions of the IR 901 forms, which is delaying the processing of payments. Other agents are using our IR 901 forms but are completing them incorrectly.

Our forms are specially designed to set specifications that allow them to be processed smoothly through our image capturing technology. Any non-Inland Revenue forms we receive are rejected by our payment processing machines. This causes delays as we have to manually enter the details into our system, or in some cases complete a new payment slip.

Please use the IR 901 forms we send you or simply request additional copies through StationeryXpress or by phoning INFOexpress or your tax agents' freephone number.

Below is an image of an IR 901DL form illustrating common errors. These are some of the reasons that are slowing down the processing of your payment slips.

Inland Revenue
Te Tari Taake

Payment slip **B & Co Bloggs & Co** IR 901DL
March 2002

Name: Joe Bloggs IRD number: 12-345-678

Address: 10 Nowhere Road Wellington

Use of money interest: - \$650.00

	Year	Code	Amount paid
End-of year tax INC	2001	900	\$ 5,005.00
Provisional tax INC	2002	900	\$ 3,000.00
Total amount			\$

Include extra charges such as use-of-money interest or additional tax, in the total for that payment type.

Attach your cheque to this payment slip and return by post to Inland Revenue or pay by cash or cheque at any branch of WestpacTrust.

Joe Bloggs
10 Nowhere Road
Wellington

Keep this space blank

This area of the form must be left blank at all times. If anything is in this area, the form will read as a cheque and causes a delay in the processing of the form.

Printing too faint

To ensure your payment is processed quickly and correctly please ensure the ink quality is of an appropriate standard and easily readable.

Extra payment information

Any additional costs must be included in the total for the tax type it relates to. Please combine the figures and print the total in the amount paid box.

Please don't print company logos within the form

This causes processing errors and slows down the processing of the form.

Printing out of alignment

Please make sure your amounts line up within the correct parameters. This is a common error that slows down the processing of the form.



Recently updated publications

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

Conversion of overseas income to New Zealand currency (IR 270)

This information sheet contains a table of mid-month conversion rates for the income year ended 31 March 2002. You can use these rates to convert overseas investment income to New Zealand currency where the income was not sent back to New Zealand. Alternatively, you can use the actual applicable rate available at any trading bank at the time the income was paid or otherwise credited.

Employer's guide (IR 335)

Main changes to note since the August 2001 version include:

- ACC changes effective from 1 April 2002
- Information relating to payments to school trustees
- Changes in legislation with respect to payments to non-resident contractors and late payment penalties.

Gaming machine duty – application for registration (IR 181)

Use this form to register as a gaming machine operator.

GST guide (IR 375)

The main changes to note since the November 2000 version include:

- Information on penalties has moved from Part 1 into its own section, Part 6. It has also been updated to reflect recent changes.
- The section about GST on fringe benefits has been updated to advise that the adjustment is now made in the FBT return.
- Information about remaining on, or returning to, a six-monthly filing frequency has been updated to better reflect the standard practice statement.
- The section on gaming machines has been updated.
- Information on financial planning fees has also been updated to clarify taxable or exempt status.

IR 56 taxpayer's handbook (IR 356)

Information for part-time private domestic workers, embassy staff members, New Zealand-based representatives of overseas companies or Operation Deep Freeze workers.

New Zealand tax residence (IR 292)

Explains who is a New Zealand resident for tax purposes.

RWT on interest – payer's guide (IR 283)

Information about resident withholding tax for people and organisations who pay interest.

Smart business (IR 320)

An introductory guide for businesses and non-profit organisations.

Paid Parental Leave

Paid Parental Leave (PPL) is a government-funded payment for parents, for up to 12 weeks, when they take parental leave from their job to care for their newborn child.

The PPL legislation has been passed and parents expecting a baby on or after 1 July 2002 may be entitled to receive payments. Adoptive parents may also qualify if they adopt a child aged under five years.

The Department of Labour (DoL) administer the PPL scheme and is responsible for communicating the scheme to the general public.

Inland Revenue has been contracted as the payment agency and will process the PPL application forms and make payments to parents.

To be eligible, a parent must first qualify for parental leave from their job under the Parental Leave and Employment Protection Act (PLEPA) 1987. Parents are entitled to leave if they have worked for the same employer for 12 months. They must also have worked an average of at least 10 hours per week, including at least one hour every week or 40 hours every month, and not taken any parental leave for another child in the previous 12 months.

Self-employed parents are not eligible to apply for PPL payments.

The maximum amount a parent can receive is \$325 (gross) a week or 100% of normal gross pay, whichever is the lower.

A parent (birth mother or adoptive parent taking parental leave) can apply by completing a *Paid Parental Leave application (IR 880)* form. A parent and their employer must complete the application form. The form is available from DoL's infoline on 0800 800 863 or it can be downloaded from DoL's website at www.ers.dol.govt.nz

PPL payments are treated as normal salary and wages and will be shown on a recipient's summary of earnings and personal tax summary.

You will be able to access PPL information from Inland Revenue for your clients in the same way you access income tax information.

For further information on the PPL scheme, contact DoL's infoline on 0800 800 863.

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