



First return filing target 16 September

The first extension of time (EOT) filing target for clients' returns is fast approaching. The percentages due to be filed by 16 September 2005 are:

Standard target	40%
E-File target	37.5%
Late balance date target	20%

There may be genuine reasons why you will not be able to meet this first target percentage. You can negotiate filing targets that will better suit your business with your agent account manager or your corporate account manager. If you anticipate that you will not meet this first target we encourage you to contact your account manager prior to the target date. An adjustment to your expected filing target percentage will ensure that there is no unnecessary contact from Inland Revenue.

Having unnecessary returns showing as being required when they are not has disadvantaged the EOT filing results for some agents in the past.

We suggest that you review your client list, and advise us of those clients who either are not required to file a 2005 income tax return, or who should be deleted from your client list.

We encourage you to update your client list before the target date. Your client list contains a lot of information and regular reviews of that information will benefit you.

If you have any queries about this, please contact your account manager.

IRD number applications for trusts

When sending an *IRD number application (IR 596)*, for a trust there is no need to include a copy of the entire trust deed. The documentation required with the application must include the following information:

- A copy of those pages of the trust deed showing the name of the trust, the date it was formed, and the trustees' signatures
- Each trustee's name and personal IRD number
- Beneficiary details
- Property connected with the trust
- Trustee's obligation to deal with the trust property for the benefit of the beneficiaries.

WHAT'S TAX?

In August we launched a new website called "What's Tax?"

It is a new Inland Revenue website specifically developed for young people who are beginning to think about starting full or part-time employment.

It tells them the basic information they need to know about tax, including:

- what an IRD number is and how to apply for one
- what a tax rate is and why you need to select the right code
- how taxes fund services provided by the government.

The site has also been promoted to employers through our newsletter *Payroll News*.

Check out "What's Tax?" at www.whatstax.govt.nz

We'd like to know your view on the site so feel free to send us your feedback using the link on the site.

CD Rom questionnaire

We are about to start the development of version 8 of the Tax Agents' CD Rom. To ensure that we have a product that is helpful and provides the correct information, it is very important that we receive feedback from you.

We have provided a short questionnaire which we ask you to complete and send back (postage is prepaid) by the end of September.



TAMS reports calendar

Below are the expected dates that TAMS reports are scheduled for the 2005-06 filing period. Once these reports are produced they are automatically issued to you. You can also find this under the "Reports" section of our site:

www.ird.govt.nz/taxagents/working-ird/tams-reports/

Report	Description	Estimated run dates
AMBR1000 <i>Client listings</i>	<p>A list of the clients of a tax agent divided into two parts. The first part is divided into separate sections for each income tax return type. These provide information about clients linked for tax types that include income tax.</p> <p>Details are provided for each client's:</p> <ul style="list-style-type: none"> • return types linked, and • extension of time status. <p>The second part of the report provides details of clients linked for tax types other than income tax.</p>	<p>15/10/05</p> <p>15/04/06</p>
AMBR1001 <i>Outstanding returns</i>	<p>A list of overdue income tax returns for the previous four years (not including the current year). This information is divided into those clients:</p> <ul style="list-style-type: none"> • with an extension of time • with no extension of time, and • with a deferred extension of time • with R EOT (two or more years outstanding). 	<p>15/10/05</p> <p>22/04/06</p>
AMBR1002 <i>Filing statistics</i>	<p>A summary of client income tax return filing statistics for a specific year for each income tax return type. Totals include only those clients who are linked for income tax. This report provides the total returns required, total returns lodged and percentages filed for standard, early and late balance dates, and clients' EOT status.</p>	<p><i>Approximately five days after each target date.</i></p> <p>24/09/05</p> <p>26/11/05</p> <p>26/02/06</p> <p>15/04/06</p>
AMBR1003 <i>Filing statistics summary</i>	<p>A summary of total lodgement performance for all return types for a particular target period or for the year-to-date. The information is divided by clients:</p> <ul style="list-style-type: none"> • balance dates, and • extension of time status 	<p><i>Approximately five days after each target date.</i></p> <p>24/09/05</p> <p>26/11/05</p> <p>26/02/06</p> <p>15/04/06</p>
AMBR1004 <i>Current year returns</i>	<p>A summary of the current year returns required and still unfiled for clients of tax agents. This information is divided into those clients:</p> <ul style="list-style-type: none"> • with EOT • with D EOT • without EOT • with R EOT 	<p>25/02/06</p>
AMBR1005 <i>Provisional tax listing</i>	<p>Details of transactions on a client's account for a provisional tax year.</p>	<p>22/04/06</p>
AMBR1006 <i>Activity report</i>	<p>A list of clients that have been linked, delinked, transferred, had their EOT withdrawn or issued with an L-letter.</p>	<p><i>Issued weekly</i></p>



Companies Office and Inland Revenue

A new initiative has been launched which allows applicants, including tax agents, to apply online for company IRD numbers at the same time as they incorporate a company. This is a collaborative initiative between the Companies Office and Inland Revenue.

The online service is hosted on the Companies Office website and can be accessed when incorporating the company with the Companies Office.

Now, as tax agents, when you complete the online registration process for your client, you will be able to apply for an IRD number at the same time if you wish. The information from your company registration forms will be transferred automatically to Inland Revenue, creating a seamless process.

Previously, the following forms needed to be completed manually in a separate application process for a company IRD number:

- *IRD number application – non-individual (IR 596)*
- *Client linking or de-linking (IR 795)*
- *Elect someone to act on your behalf (IR 597)*

The information required for these forms has been integrated into this new service.

The company IRD number will be sent in the mail.

Benefits of using this process include:

- making the process quicker. By applying for an IRD number and linking your new client at the same time as you apply for incorporation with the Companies Office, you are able to undertake other work without having to remember to apply for an IRD number and link at a later point in time.
- making the process cheaper. It reduces the compliance costs for your client as less data is entered and only once rather than filling out the same information in a number of forms at various times.
- making the process simpler. It will eliminate the need for you to deal with two separate government agencies during the incorporation process and reduce the chance of error when completing various forms.

Remember—this is a start and other changes may be made at a later date to make the process even quicker and easier.

Changes to the disputes resolution procedures

You will be aware that amendments have been made to the disputes resolution procedures. The changes apply to disputes commenced under Part IVA of the Tax Administration Act 1994 on or after 1 April 2005.

The amendments give effect to proposals outlined in the government discussion document *Resolving tax disputes: a legislative review*, which was released in July 2003. More information about the legislative changes can be found in the *Tax Information Bulletin* Vol 17, No 1 (February 2005).

The implementation of the amended disputes procedures will have an impact on the way we manage the audits of taxpayers.

The following standard practice statements set out the Commissioner's practice in respect of the disputes process generally commencing on or after 1 April 2005:

- *05/03 Disputes resolution process commenced by the Commissioner of Inland Revenue, and*
- *05/04 Disputes resolution process commenced by a taxpayer*

We have already moved to earlier and better identification of risk through our Compliance Risk Analyst functions. We will now also need to be more efficient and timely when gathering information and enter into the formal disputes process earlier to ensure that the full disputes process can be completed before the statutory time bar date.

What does this mean for you as a tax agent?

You will notice some changes to our procedures, for example:

- we will initiate audits and investigations earlier
- we will work with you to set timeframes for all information requests
- there will need to be less flexibility given to delays in providing information
- "issues papers" will be used less as a way of raising and discussing Inland Revenue's position on potential discrepancy items
- we will enter into the formal disputes process earlier
- time bar waivers may need to be requested at an earlier stage in the process.

By working together we can ensure that any disputes identified during an audit or investigation are resolved in a timely manner through the formal disputes procedures.





Making tax easier for small businesses

As part of our commitment to making tax easier for small businesses and reducing compliance costs, we have undertaken research to measure how much it costs small and medium sized enterprises (SMEs) to comply with their tax requirements.

Recently, Colmar Brunton sent out surveys to 4,848 SMEs. 2,353 businesses completed the survey, resulting in a response rate of 49%.

This research is the first of its kind to be undertaken in New Zealand in 12 years. It comprehensively measures actual tax compliance costs, giving Inland Revenue hard data to help evaluate the impact of compliance on SMEs.

The research showed that the average annual cost of tax compliance for SMEs is just over \$4,000, ranging from almost \$3,000 for businesses with no employees to just over \$7,500 for those with between 20 and 50 employees.

The research will contribute to the effort to reduce compliance costs by helping Inland Revenue to quantify the impact that new initiatives and legislative changes will have on businesses' costs.

Further surveys will be carried out to measure the success of future compliance simplification initiatives.

For a summary of the survey results, please contact us at corpcomms@ird.govt.nz

CD ROM orders – 2005 version

We have had enquiries about the availability of this product through StationeryXpress. The planning around this tool is that every agent is sent a copy and additional copies are kept on hand for new agents registering during the year.

It has come to our attention that multiple reordering is taking place and as a result the extra supply in stock is diminishing quickly.

The "Frequently asked questions" section on the CD Rom provides details on copying the CD Rom onto hard drive and a network. You can also make your own copies of this CD as it is not subject to copyright. These options might be useful alternatives to ordering extra copies of this product.

If your office does not use the CD Rom it would be appreciated if you could return it to your AAM to help replenish our stocks.

Transfer requests near the due date

We have received feedback about instances where credit transfers have been requested on a return but have not been actioned prior to the issue of a debt letter to the person who is to be the recipient of the credit transfer.

In general this occurs when the credit return has been filed close to the due date. To avoid this occurring we suggest that you attach correspondence to the recipient's return advising that a credit transfer is requested to clear the debt.

Taxing casual agricultural workers

Agricultural contractors are subject to withholding tax. Farmers who employ these workers must ensure withholding tax is deducted from any payments made to them.

Casual agricultural workers have been removed from the Withholding Payments Regulations and made subject to PAYE.

Casual agricultural workers are people who are engaged in casual seasonal agricultural work:

- on a day-to-day basis
- for up to three months.

They are taxed through the PAYE system at a flat rate and use the tax code CAE on their *Tax code declaration (IR 330)*. For the rate, see the current *Weekly and fortnightly PAYE deduction tables (IR 340)* or *Four-weekly and monthly PAYE deduction tables (IR 341)*.

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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AGENTSanswers is also on our website:

www.ird.govt.nz/taxagents/newsletters/agents-answers