



## Second EOT filing date: 14 November 2008

The second extension of time (EOT) filing date for 2008 income tax returns in the period 1 April 2007 to 31 March 2008 is approaching.

The percentages due to be filed by 14 November 2008 are:

Standard target:	60%
e-File target:	57.5%
Late balance date target:	50%

If you think you may have difficulty achieving your targets, contact your agent account manager or Corporates account manager to discuss your situation. Remember, you can use INFOexpress to send an L letter to clients who haven't given you the information needed to prepare their return.

## Tips for completing tax codes on the Employer monthly schedule IR 348 (EMS)

In the October issue of AGENTSanswers we provided information about ensuring employees are on the right tax code. We're writing to employers requesting they change employees' tax codes if they're using the wrong one.

We've identified a number of simple errors being made on EMS forms that mean in some cases we're writing to employers unnecessarily. So here are a few tips that may assist employers in completing their EMS.

### Start and end dates

A start date is only entered when an employee first starts employment and a finish date when an employee finishes, otherwise the finish field should be left blank. The only other time is if the employee is receiving paid parental leave (PPL), in which case a stop date is required when they go on leave and a start date is required when they come back from leave.

### Matching tax code and deduction

We've noticed that in some cases either the:

- correct amount is being deducted but the wrong tax code has been recorded
- correct tax code is showing but the wrong amount is being deducted, meaning the employee is having too much or too little deducted.

The tax code recorded on the EMS needs to match the amount of tax and student loan repayments being deducted—if we notice the tax code is wrong we'll write to the employer asking them to change it.

### School children

If school children (primary or secondary school) are employed they should only be on the schedule if they will earn more than \$2,340 or if they are a KiwiSaver member. Their IRD number should also be recorded.

Employees can work out if they're on the right tax code by using the 'Work out your tax code' decision tree at [www.ird.govt.nz/how-to/taxrates-codes](http://www.ird.govt.nz/how-to/taxrates-codes)

## Due dates for provisional tax ratio option elections

Elections to adopt the ratio option need to be with us by the beginning of the tax year in which your client wants to use it, eg for clients with a 31 March balance date we need to receive elections for the 2009–10 year by 31 March 2009. The legislation restricts us from processing any elections received for a tax year after it has already started.

In the October edition of AGENTSanswers, we talked about the number of elections we received for the ratio option and outlined some of the feedback agents have sent us.

There are benefits for clients already using the ratio option to calculate their provisional tax, including peace of mind over the amount of provisional tax they need to pay at each instalment date and not having the burden of use of money interest.

Please ensure you send elections for the ratio option by 31 March 2009 for March balance date clients to ensure they are set to use it during their 2009–10 year.

## Claiming the research and development (R&D) tax credit before 1 April 2009

To claim for the R&D tax credit before 1 April 2009 a printed detailed statement must be submitted along with an income tax return. To claim after this date, detailed statements can only be submitted online at [www.ird.govt.nz](http://www.ird.govt.nz)

If you believe any of your clients will file early for the 2008–09 tax year and are likely to claim the R&D tax credit, we would like to know for planning purposes. Please contact us on the tax agents' line—0800 377 779.





## Using the “GAP” payment code

If you make payments to us electronically, it's important to code your payments correctly.

Please use the GAP code only when you're paying your GST and provisional tax together. If you're paying them separately, please use the GST and INC codes.

If you choose the wrong code, there may be delays in crediting your payments to the right account.

## Imputation credit accounts (ICAs)

If a company return (IR 4) results in a tax refund, the credit UOMI (use of money interest) is calculated on the ICA balance if this is less than the amount of the refund.

### Example

*ABC Limited files its 2007–08 IR 4, which shows a credit of \$1000. The company's 2007–08 ICA balance is \$200. UOMI is calculated on the \$200 balance.*

The relevant legislation is section MD2 (1A) of the Income Tax Act 2004.

Please note that the law applies to Māori authorities in the same way.

## Error in the April issue

There was an error in the “Compulsory employer contributions” article that appeared in the April 2008 issue of *AGENTSanswers*.

The third bullet read:

- has not reached the age of eligibility for New Zealand Superannuation (currently 65), or has not been a member of a KiwiSaver scheme or complying fund for five years, whichever date is earlier

The last word should have been “later”.

We're sorry for the mistake. The online versions of the newsletter have been corrected.

## Disclaimer

*AGENTSanswers* comments generally on topical tax issues relevant to tax agents. While every attempt is made to ensure that the law is correctly interpreted, articles are intended to be a brief overview only and are not a full commentary or analysis of the law. The examples provided are not intended to cover every possible factual situation.

## Are your clients aware EMS non-payment penalties now apply?

From November a non-payment penalty, as well as a late payment penalty, may be applied if employers don't pay their Employer monthly schedule IR 348 (EMS) on time.

If you think they may have difficulties making a payment, please have them call us as soon as possible on 0800 377 774 or go to [www.ird.govt.nz/how-to/debt/penalties](http://www.ird.govt.nz/how-to/debt/penalties) for more information.

## Do you use E-File?

Inland Revenue would like to reduce the amount of paper we issue to Tax Agents, particularly to Agents who use E-File. So a trial is beginning on 1 December 2008 where Agents who E-File will not be able to call us or use INFOexpress to request these paper returns (exceptions will be considered for special circumstances):

- IR 3
- IR 4
- statement of earnings.

E-File is our online service for filing returns electronically and viewing up-to-date customer details. It's easy to use and will save you time. For more information about using this online service please go to [www.ird.govt.nz/taxagents/working-ird/e-file/](http://www.ird.govt.nz/taxagents/working-ird/e-file/) or contact your agent account manager.

## 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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