

# Community-Wise

## Inland Revenue's community update



### Our new look website goes live

Inland Revenue's new look website was launched on Monday 21 February.

It's been designed to make it easier to find and access information and services. Communications Advisor Rachel Murrell says improving usability has been the main focus of the website redesign.

"By improving the layout and navigation, and making it easy to use, we're hoping more people will go straight to the website to find the information or services they need."

Information is now grouped according to individual, family, business, not-for-profit group or non-resident customer needs, making it easy for people to find what they need.

Use the toolbar on the right-hand side to access forms, guides, returns and calculators, several of which can be completed online 24 hours a day, 7 days a week in a fast and secure environment.

Feedback since the site went live has been positive. Most people who responded thought it was professional, logical and easy to understand. Feedback and suggestions have been very helpful and some improvements have already been made as a result.

We encourage you to tell us what you think by using the website feedback link at the bottom of every page. Your suggestions will be considered for the next round of improvements on the website.

Make sure you check it out, [www.ird.govt.nz](http://www.ird.govt.nz)

### See inside for more information about...

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## New year's payments and entitlements

Approximately 250,000 Child Support customers were sent information about their new child support assessment and entitlement amounts in February and March.

These notices of assessment advise paying parents of what they need to pay in the coming year (1 April 2005 to 31 March 2006). The notices of entitlement tell custodians what they can expect to receive for the coming year.

Around 135,000 employer deductions notices were also sent in March. These are sent annually to inform employers of the new child support amounts they need to deduct from the salary or wages of their employees. We also inform paying parents of the changes to this amount.

To help customers understand the assessment process, a flyer was included with the mailout to paying parents. It contained information explaining that an assessment can change during the year.

"For most salary and wage earners, we use their previous year's income to calculate their assessment," says Child Support National Advisor, Prema Waghorn. "As the income for the full year is not known when the assessment is done, we base it on the ten months' income that is confirmed, and an estimate for the final two months."

"We recognise that income can change. So every year, around July, we carry out a reconciliation to compare the amount of income used in the assessment and the actual income earned over the 12-month period," adds Prema.

A new assessment is issued if the paying parent's income changes by more than \$500 and is backdated to 1 April—the start of the new child support year. Child Support will send a new notice of assessment if there is a change, and if there's a credit or extra to pay, this will be indicated on the statement. Custodians will be sent a new notice of entitlement if there is a change to the amount they are to receive.

Customers who pay their child support by automatic payment need to notify their bank of the new payment amount before the first due date, 20 May 2005.

## Our customers tell us

Child Support commissioned research company Colmar Brunton to undertake customer research for us last year. The aim of the research was to help us to better understand the attitudes and behaviours of our customers towards paying child support. We had two key objectives in mind for the research —to help us consider whether we should plan for a communications programme to assist with improving compliance among paying parents, and to provide information to help improve policies, processes, services, and products for customers.

A significant number of customers were interviewed for the research. These involved both in-depth, face-to-face and shorter telephone interviews with paying parents, as well as interviews and focus group input from custodians, the general public, and groups with an interest in child support.

The research was completed in December 2004 and some of the key findings are:

- The current social context within which Child Support works is that, increasingly, many paying parents have complicated and constantly changing personal lives and care arrangements for their children, as well as unstable income. This can make it a challenge for us to administer their situation under the current legislation.
- Paying parents feeling and actually seeing that their children benefit from the child support payments is a key driver of compliance.
- A large number of paying parents feel their assessment is unfair because it does not take into account other living costs associated with visiting or seeing their children.
- How well the parents get on with each other affects whether they see the children and influences attitudes and behaviour towards compliance.

We are now working our way through the findings and considering our response.

We have found this research particularly valuable in confirming and building on our understanding of barriers to compliance. Gaining input directly from customers is a key way we use to help us improve services and make it easy for parents to meet their child support responsibilities.

## Child Support gains plain English recognition

Four of Child Support's factsheets have recently received Write Group's *WriteMark* award for plain English.

Write Group specialises in helping organisations write more effectively for their audiences, particularly developing documents to a plain English standard. *WriteMark* is their recognition for documents that reach this benchmark. The following Child Support factsheets have achieved this recognition:

- *Calculating child support (IR 150)*
- *Community liaison officers (IR 147)*
- *Hospital patients (IR 148)*
- *Prison inmates (IR 154)*

"We are always looking at ways to make it easier for our customers to meet their child support responsibilities," says Design Advisor (Communications), Cathy Swanson. "Having clearly written information about our services and processes helps us to support and educate our customers."

According to Write Group, plain English is language that the intended audience can understand and act upon from a single reading. It is clear English — simple and direct but not simplistic.



From left, Cathy Swanson; Lynda Harris, Write Group Director; Sue Wilton, Senior Editor, Inland Revenue. Photo courtesy of Stefan Wahrlich.

Child Support is the first organisation to receive the *WriteMark*. Write Group has recently launched this award along with a new website. You can find out more about Write Group and the *WriteMark* at [www.writemark.co.nz](http://www.writemark.co.nz)

"We are now looking to bring our other publications up to a plain English standard. Our aim is to ensure the information we provide to our customers is as accessible and straightforward as possible," Cathy adds.

## Changes to child support assessments

As of 1 April, the new minimum child support rate payable will increase from \$57.35 per month (or \$688 per year) to \$58.90 per month (or \$707 per year).

Changes have also been made to the maximum assessable income and living allowances used in the standard formula to assess the amount of child support payable in the coming year.

The rate changes are set out in Child Support legislation to ensure payments stay in line with inflation. All customers were advised in February and March about their new assessments.

"The amount a paying parent must pay is worked out based on their income. The highest taxable

income we use is based on 2.5 times the average New Zealand income. This has been increased from \$93,522 to \$97,167," says David Udy, National Manager Child Support.

"Our objective is to ensure that children receive financial support from parents who no longer live with them, so even if the paying parent does not receive an income they are still required to pay a minimum amount to financially assist with raising their child".

The first payment based on the new assessments is due by 20 May 2005. Paying parents who pay their child support by automatic payment have been sent a reminder to alter the amount payable.

## Estimating child support payments

Child support assessments under the standard formula are based on a customer's taxable income from either one or two years ago. Paying parents whose income has dropped since then can estimate their income so their payments decrease to better reflect their current financial situation.

- To qualify, a paying parent's estimated income must be at least 15% less than their taxable income from one or two years ago.
- It's important to estimate carefully because we may have to charge a penalty if an estimate is significantly different to the actual income earned.

### How to estimate

- Complete the form *Estimate of income for child support assessment (IR 104)* and post it to us, or
- Apply online at [www.ird.govt.nz/childsupport/paying-parents](http://www.ird.govt.nz/childsupport/paying-parents) and then click on the "estimation of income" line in the "Get it done online" box, or
- Write us a letter.

Self-employed customers and others assessed on income from two years ago, need to provide evidence to support their estimate, such as a letter from their accountant, or a cashflow statement. Salary and wage earners and others assessed on income from one year ago do not need to provide any additional information as we hold complete income records for these customers.

### What happens next?

We'll calculate the new annual assessment based on the estimated income and notify the paying parent. If the payments already made are enough to cover the new assessment, they won't have to make any further payments until the following year. We also inform the custodian of any changes to their entitlement.

### What if the income changes again?

If a paying parent's income is still at least 15% less than their taxable income of one or two years ago, they may be able to make another estimate. If:

- at any time, the paying parent's income changes by \$500 or more from their previous estimate, or
- their income changes by less than \$500 at least three months after their last estimate.

If the income of a customer who has estimated later increases and no longer meets the 15% threshold, they need to cancel their estimate using the *Cancellation of income estimation for child support (IR 111)* form.

### What happens at the end of the tax year?

We'll do a "square-up" at the end of the tax year, comparing the child support payable under the estimation with the child support the customer would've paid if we'd based it on their current year's taxable income.

If the estimate was too low, they need to pay the difference, and if it was too high, we credit the extra paid to their following year's child support.

### When does an underestimation penalty apply?

If the child support based on an estimated income was less than 80% of the child support based on the actual income, a 10% underestimation penalty will be charged on the difference between the two figures.

### Check with us first

Before making an estimate, it is a good idea to call us on **0800 221 221** to discuss the details.

### Further information

Check out the following Inland Revenue publications:

- *Estimating your income (IR 151)*, and
- *Helping you to understand child support (IR 100)*
- Our website also contains more information, including examples of an estimate.

## What happens when child support isn't paid?

Child Support's role is to assess, collect, and disburse child support payments. If a paying parent misses a payment, that amount cannot be passed on to help support their child and a debt is generated.

Since mid-2003, Child Support has made the collection of high-value, long-term debt a primary focus.

"The vast majority of our approximately 143,000 paying parents meet their child support responsibilities and make most of their payments in full and on time. It's only a small percentage who consistently don't pay and with whom we need to use the full force of the law. We continue to pursue these cases actively," says David Udy, National Manager Child Support.

The legislation allows Child Support to take legal action including court orders, arrests and examinations.

"With all customers we provide education and assistance to help them meet their responsibilities. Where this is unsuccessful, we have a range of options such as accessing money from bank accounts or directly from wages. If parents still

do not pay, legal action will then commence. Sometimes these parents come to an arrangement to pay when we indicate we will take legal action against them," David Udy adds.

### Some of Child Support's legal action options

- **Examinations** are where a court determines the parent's ability to pay the debt or find a new way to pay. Following an examination, a court's options include ordering payment, or community work.
- **Court orders** allow us to seize and sell a parent's goods, such as a car. Orders can be placed over property as well. Money that is raised through these processes is used to clear the debt and is passed on to support the child.
- **Arrest warrants** can be issued to prevent a paying parent leaving the country when they intend to avoid paying their child support.

## Paid parental leave

Paid parental leave is a government-funded entitlement to eligible parents who are in paid employment. It is paid to offset the loss of income that working parents experience when they take parental leave from their employment to care for a child.

Eligible parents are entitled to up to 13 weeks of payment for parental leave. This increases to 14 weeks in December 2005. The payment for parental leave replaces wages or salary up to a maximum amount. Currently, this is \$346.63 per week before tax.

Parents are eligible for paid parental leave payments if they have been in paid employment with the same employer and worked an average of 10 hours a week (including 1 hour every week or 40 hours every month) for either:

- the immediately preceding 6 months, or
- the immediately preceding 12 months before the expected due date or adoption of a child.

Special rules apply for some junior doctors working for different District Health Boards (DHB) as part of their compulsory training, and teachers working for multiple boards of trustees. Their length of service with each DHB or school board of trustees will be counted together in determining whether they meet the 6 or 12 month criteria for leave and payments.

For more information about entitlements to parental leave and paid parental leave, please visit [www.ers.dol.govt.nz](http://www.ers.dol.govt.nz) or contact the Department of Labour on **0800 800 863**.

## Student loans – a few simple questions

### When do repayments start?

The student loan repayment threshold has increased from \$16,172 to \$16,588 (from 1 April 2005). Borrowers earning over \$16,588 for the tax year ending 31 March 2006 and living in New Zealand must start making repayments to their student loan.

Those who earn salary or wages need to make repayments by using a student loan tax code, and borrowers who are self-employed may need to make interim repayments. For more information on repayments check out our website at [www.ird.govt.nz/studentloans](http://www.ird.govt.nz/studentloans)

### What is a student loan repayment obligation?

Anyone earning over the repayment threshold needs to pay back 10% of their income over \$16,588 to their student loan. This is called a student loan repayment obligation. However, this only applies to student loan borrowers living in New Zealand.

For example, Grant earned \$23,000 for the year ended 31 March 2006. The amount he earned over the repayment threshold was \$6,412. 10% of this is \$641.20 – this is his student loan repayment obligation for the 2006 tax year.

A repayment obligation is determined after the end of the tax year (31 March) and is shown on the borrower's *End of year repayment calculation*. They will receive this once they have been sent a personal tax summary or after their IR 3 tax return has been filed (see next page for approximate dates).

### Tax codes – which one to use?

Borrowers who receive salary or wages and earn over the repayment threshold will need to use a student loan tax code. The majority of people will use the M SL tax code which is for their main, or highest source of income.

The best way for borrowers to avoid a bill on their *End of year repayment calculation*, and to ensure they are repaying enough to their loan, is to use the correct tax code. If they are unsure which code to use they can call us on **0800 377 778** when they complete their *Tax code declaration form (IR 330)*.

### Is interest charged while you're still studying?

Interest is charged on student loans from the day after they are taken out. However, full-time students are eligible to have all their interest written off once we have confirmed they have been studying full-time. This is not done until the end of the tax year, and the interest write-off will show on their next student loan statement in April.

Part-time students are also eligible to have all their interest written off, provided they earn under \$26,799 (from 1 April 2005\*). They need to receive a personal tax summary (if a salary or wage customer) or file an IR 3 tax return (if earning income other than salary or wages) before the interest is written off.

For customers not studying, if their income is under \$16,588 (for the 2006 tax year\*) they may be eligible for all their base interest to be written off, but they need to receive a personal tax summary or file an IR 3 first. Other student loan customers who do not fit into any of the above situations may be eligible for a reduction of their base interest. Check out our website for more details on interest write-offs.

\* For the year ended 31 March 2005 the repayment threshold was \$16,172 and the write-off threshold for part-time students was \$26,140.



# The 2005 Income Tax Timetable.

APRIL	<p><b>REBATE CLAIMERS</b></p> <ul style="list-style-type: none"> <li>If you claimed the donations, childcare or housekeeper rebates last year, we will automatically send you a rebate claim form.</li> <li>If you haven't received a form by the end of April and want to make a claim, visit our website or call our automated telephone service on 0800 257 773. Remember to have your IRD number handy.</li> </ul> <p><b>IR 3 FILERS</b></p> <ul style="list-style-type: none"> <li>If you received income from self-employment, a rental property, withholding payments or a partnership, you need to fill out an IR 3 tax return which we will send out during April and May.</li> </ul>
MAY	<p><b>IR 3 FILERS</b></p> <ul style="list-style-type: none"> <li>If we sent you an IR 3 and you have income from salary, wages or withholding payments, we will send you a summary of earnings.</li> </ul>
JUNE	<p><b>SALARY OR WAGE EARNERS</b></p> <ul style="list-style-type: none"> <li>If you received salary, wages or benefit income and we think you need an end of year square-up, we will send you a personal tax summary.</li> </ul>
JULY	<p><b>SALARY OR WAGE EARNERS</b></p> <ul style="list-style-type: none"> <li>If you think you need an end of year square-up and haven't received a personal tax summary, visit our website or contact us for more information.</li> </ul>

To request any of our forms, file your return online or for general information visit

[www.ird.govt.nz](http://www.ird.govt.nz)



Inland Revenue  
Te Tari Taake

## Tax returns – who, what, when?

Most people pay the correct amount of tax and don't need an end-of-year tax square-up. However, depending on how a person earns their income, and their situation during the tax year, they may be required to receive a personal tax summary (PTS) or file an *Individual tax return (IR 3)*.

### Personal tax summaries

Those people who we know need an end-of-year tax square-up will automatically receive a PTS in June and July. Some people are required to request one while others may want to request one as they may be eligible for a refund.

The following outlines the three different groups. Anyone not included in these groups and who has not been contacted by us can relax—there is no need to get in touch with us.

#### People automatically receive a PTS in June and July if they:

- and/or their partner received family assistance from Inland Revenue
- and/or their partner received family support from Work and Income and their total family income was over \$20,356 for the tax year
- qualified for a student loan interest write-off other than the full interest write-off for students who are studying full-time
- have used a special tax code during the year, or we contacted them because they appeared to be using an incorrect tax code
- used a CAE (casual agricultural employee) or EDW (election day worker) tax code and earned more than \$200 from that source.

#### People must request a PTS if:

- their total income was between \$38,000 and \$60,000 with more than \$200 of interest taxed at less than 33%
- their total income was over \$60,000 with more than \$200 of interest or dividends taxed at less than 39%
- their total income was over \$38,000 with more than \$200 of taxable Māori authority distributions
- they paid child support through Inland Revenue and received more than \$200 of interest, dividends or taxable Māori authority distributions
- they have a student loan, earned over \$16,172 and received more than \$200 in interest, dividends or taxable Māori authority distributions.

Those who are required to request a PTS can request one through our website at [www.ird.govt.nz](http://www.ird.govt.nz) or can call our automated phone service, INFOexpress, on **0800 257 444** (they'll need their IRD number handy).

#### People should request a PTS if they:

- are able to claim either the child rebate or the rebate for those who received salary and wage income of less than \$9,880
- earned less than \$38,000 and received dividends
- did not work a full tax year (1 April 2004 to 31 March 2005)
- had more than one job during the year
- are able to deduct expenses from their income.

If a person thinks they may be entitled to a refund we recommend that they use our personal tax summary calculator or worksheet to work it out before they request a PTS. If they request a PTS and there is a tax bill they will have to pay it.

People can use our personal tax summary calculator at [www.ird.govt.nz](http://www.ird.govt.nz) or call INFOexpress on **0800 257 773** to request a personal tax worksheet.

## IR 3 individual tax returns

Anyone who receives income from self-employment, a rental property, a partnership, or withholding payments must file an IR 3 tax return.

A summary of earnings showing income information for the tax year will automatically be sent in May to those people who file an IR 3 and also received income from salary, wages or withholding payments.

IR 3s are due to be filed by 7 July 2005 for those taxpayers who do not have a tax agent or an extension of time. Anyone who cannot file their return by 7 July 2005 and does not have a tax agent or an extension of time will need to contact us.

If a person's circumstances have changed and they no longer need to file an IR 3 they should call us on **0800 227 774** so we can update their records.

Anyone who has not automatically received an IR 3 taxpack, or is not sure if they need one, should visit our website or call us on **0800 377 774** for more information.

## Charitable donations, childcare and housekeeper rebates

Rebate claim forms will automatically be sent to people who claimed for charitable donations, childcare and housekeeper rebates last year. These should arrive by the end of April.

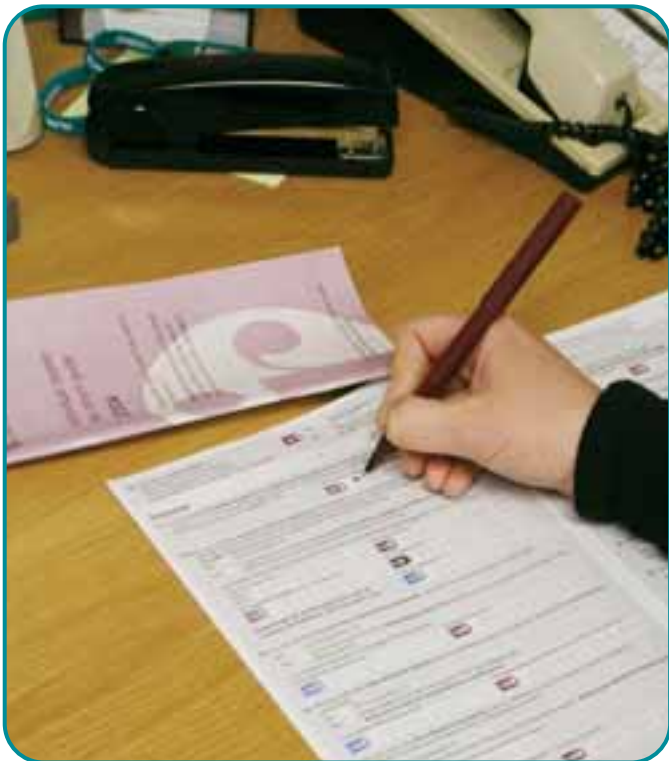
People who haven't received their form by then, or didn't claim last year, can obtain the rebate claim form by visiting our website or calling INFOexpress on **0800 257 773**. (They'll need to have their IRD number handy.)

People may apply for a rebate if they earn a taxable income (eg salary, wages, benefit, self-employed income) and have:

- donated money to a charitable organisation, or
- paid school fees (note: tertiary education related costs such as university or polytechnic fees cannot be claimed), or
- paid for childcare as a working parent, or
- paid for a housekeeper, if they (or their partner) were disabled or physically unable to do housework.

An individual can claim back one-third of the amount of their receipts for charitable donations up to a maximum of \$630 (for receipts totalling \$1,890 or more), while a family can claim up to \$310 for childcare or housekeeper rebates (for receipts totalling \$940 or more).

The relevant receipts must be included with all claims.



## Extra family assistance for working families

*Working for Families* is a government package that'll give extra financial assistance to thousands of New Zealand families. All sorts of assistance is available, from more help with childcare and housing costs, to increases in family support.

*Working for Families* is being delivered by both Work and Income and Inland Revenue. With the latest increases in April, families are being encouraged to find out what they might be entitled to. Higher income limits mean that many families will be eligible for assistance for the first time.



The key changes in April see family support rates going up and maximum rates for accommodation supplement increasing in some areas.

These increases are just one part of the *Working for Families* package. In October last year, accommodation supplement and childcare assistance rates increased. Childcare assistance rates will go up again in October this year, while family assistance will have further increases in 2006 and 2007.

A nationwide advertising campaign aims to ensure no family misses out on assistance they might be entitled to. Families already receiving assistance will get their increases automatically but other families will need to apply.



So, if you think a family might be eligible for family support, childcare assistance or accommodation supplement, take a look online or telephone us now.

Find out more about the *Working for Families* package by visiting [www.workingforfamilies.govt.nz](http://www.workingforfamilies.govt.nz)

For more information on accommodation supplement and childcare assistance, call **0800 774 004**.

For more information on family assistance (including family support), call **0800 227 773**.

WORKING FOR  
**families**  
Me whakaruruhau te iwi  
Inland Revenue · Work and Income

## Contacting our liaison officers

If you would like to speak to one of our Community Liaison Officers or Social Policy Liaison Officers, or if you would like them to come and talk with you or your group, call us on our freephone numbers and ask for the CLO/SPLO in your area.

Location	SPLOs 0800 227 773	CLOs 0800 221 221
Whangarei	Margaret Gunson Robyn Foster	Mihaka Panapa
Takapuna	Shannon Brady Eileen Blair	David Lasike
Manukau	Emmie Lemalu Raewyn Bates Barbara Taylor Christina To'ofoho Helen Lisiua Kaye Brealey	Joseph Manu Sophie Chungson
Hamilton	Jo Hall Diane Randell	Gail Hughey
Tauranga	Lorraine Morten	Jan Hoare
Gisborne	Kylie Low	Danny Fong
Napier	Nerissa Taurima	Jo Damen
Rotorua	Mary Wright	Lorryl McIndoe
New Plymouth	Jenny MacDonald	John McMahan
Palmerston North	Philippa McNae Kavita Russell	Gina Christensen
Wellington	Penoa Tuigamala Elena Lemalama Kaisara Ierome	Tracey Taylor
Nelson	Margaret King	Kaye Latham
Greymouth	Juliette Henry	
Christchurch	Liz Manuel	Angela Moylan
Timaru	Geoff Mayo	
Dunedin	Lynn McClintock Nicola Rae	Peter Read
Invercargill	Peter Murphy Val Smith	Lynley Ballantine

## Key dates and events

Date	Event
1 April <b>Student loans</b>	The student loan repayment threshold increases to \$16,588.
1 April <b>Family assistance</b>	The abatement levels for family assistance increase.
1 April <b>Child support</b>	New child support year begins and the new minimum and maximum amounts come into effect.
April <b>Student loans</b>	Borrowers who took out a student loan with StudyLink in the 2004 academic year will receive a letter advising them of their loan balance and that their loan has been transferred to Inland Revenue.
April <b>Personal tax season</b>	Rebate claim forms are sent to customers who claimed donation, childcare or housekeeper rebates last year.
April <b>Personal tax season</b>	IR 3 income tax returns are sent out.
27 April <b>Family assistance</b>	End-of-year statements are issued to business and self-employed family assistance customers. They show all the family and income details we hold and customers need to confirm they are correct.
26 April - 4 May <b>Student loans</b>	All student loan borrowers are sent their April student loan statement.
May <b>Personal tax season</b>	Summary of earnings are sent to customers who are required to file an IR 3 income tax return.
20 May <b>Child support</b>	First payment due using new assessment amounts for the April 2005 – March 2006 year.
June <b>Personal tax season</b>	Personal tax summaries are sent to taxpayers who are required to have an end of year “square-up”.
7 June <b>Child support</b>	First payment of new year's entitlement amount made to custodians whose paying parent has met the 20 May payment date.
July <b>Personal tax season</b>	Customers who did not receive a personal tax summary can request one.
July <b>Child support</b>	Salary and wage income finalisation run. New notices are sent to paying parents if there is a change of more than \$500 between the income we used for the notice sent in February/March and the income actually earned for the year 1 April 2004 to 31 March 2005.