



## Passive income from partnership in *Individual tax return (IR 3)*

Historically, shares of partnership income have been shown at Question 17B on the IR 3 return (other than where a specific keypoint exists, eg interest). This included both active (liable for ACC levies) and passive income. Because information at Question 17B is supplied to ACC for invoicing purposes, it is necessary to separately record active and passive partnership income.

To achieve this, passive partnership income (sleeping partner) should be shown at keypoint 22 ("Other income"). ACC will **not** be using information from Question 22 for invoicing purposes.

In summary:

- Show active partnership income (generated from the partnership's trade or business) at Question 17B.
- Show passive (sleeping partner) partnership income (generated from capital investment) at Question 22.
- Show total partnership tax credits in keypoint 17A.

ACC now allows for each partner to be classified according to the activity personally performed for the partnership, rather than according to the business of the partnership. Client details should be checked and may need to be corrected to reflect this.

## IRD number application updated

The *IRD number application – non-individuals (IR 596)* has been updated and is now available on our website or you can order copies through StationeryXpress or INFOexpress on 0800 456 678. Please use the new April 2004 version of the form to apply for an IRD number and dispose of any stock you may have of any previous versions of this form.

The main change to the form is a new Question 14 regarding the provision of fringe benefits to shareholder-employees. Previously, all new companies were set up to receive quarterly fringe benefit tax returns regardless of whether or not benefits were provided. This meant that many new companies ended up filing unnecessary returns and election forms. We'll now only send fringe benefit tax returns to those companies that indicate at Question 14 that benefits will be provided.

Other changes to the form include references to the *Māori authority election (IR 483)* and the *Qualifying company or loss attributing qualifying company election (IR 436)* forms.

## Linking student loans

It has been our practice to treat student loans as being "associated" with a taxpayer's income tax details so that when a taxpayer is linked for income tax, their student loan account is also linked automatically.

While we no longer consider it appropriate to treat these two tax types as "associated" there are occasions where our system does still link student loans automatically.

We will be making the necessary changes to our processes to stop this happening so that a taxpayer will only be linked for student loans if this is specifically requested.

In the meantime if you link a client for income tax through:

- the tax agents' 0800 number, we will ensure the student loan tax type is not linked unless you specifically ask us to link it
- E-File, you should contact the tax agents' 0800 number to have the student loan tax type delinked the day after the first return has been E-Filed or when you have received the "Tax type has been updated" notification message.

If you link a taxpayer for income tax through INFOexpress, the student loan tax type will **not** be linked automatically.

We regret the additional work this may cause in the interim, however it will avoid student loan mail being sent to you rather than to your client.

## Changes to the eGST return

A "text box" has been added at the end of the electronic (eGST) return so that you can provide additional information about the return at the time of filing.

The enhancement has resulted from customers and staff providing feedback about the ease of using the eGST return.

The "text box" (Number 16) asks if you want to add any information about the return. The option will always default to "No", but if you click on "Yes", it will bring up the following options:

1. Transfer of refund
2. Financial details about this return
3. Change of business or business cessation/final return details
4. Any other taxation issues not related to this return.

You then select any of the above options and complete a brief description in the text box. The information you provide will be automatically lodged in our correspondence system and the return will be processed as usual.



## Personal tax summaries

At this time of year we start sending out personal tax summaries (PTSs) to some of your clients.

### Clients who will automatically receive a PTS

In the following situations a PTS will be sent automatically in June and early July to anyone who:

- received family assistance from Inland Revenue
- received family assistance from Work and Income and earned over \$20,000
- had a student loan and is entitled to an interest write-off
- used a wrong tax code or a special tax code
- received IR 56 income.

### Clients who have to request a PTS

A PTS must be requested by anyone who:

- received income between \$38,000 and \$60,000 and had more than \$200 of interest taxed at less than 33%
- received income over \$60,000 and had more than \$200 of interest and/or dividends taxed at less than 39%
- received more than \$200 in interest and/or dividends and paid child support
- received more than \$200 in interest and/or dividends, had a student loan and earned over the student loan repayment threshold of \$15,964.

### Clients who may want to get a PTS

You may also want to request a PTS for other clients in July who do not either receive one automatically or have to request one.

If any of the following situations apply to your clients, they may be entitled to a refund and want to receive a PTS.

Anyone who:

- is entitled to claim the child rebate (this applies to schoolchildren who worked part-time and paid tax)
- is entitled to claim the under \$9,880 rebate (unless they used the ML tax code during the year)
- worked only part of the year, but lived in New Zealand for the whole year
- received income under \$38,000 and also received dividends taxed at 33%
- had income fluctuations during the year
- had more than one employer during the year
- wants to claim expenses such as income protection insurance.

If you wish to request a PTS for a client there is an option to do so on the tax agents' page of our website.

### Personal tax calculator

There is also a PTS calculator on the tax agents' page of our website which is a quick and easy way to check whether your client may be entitled to a refund before requesting a formal assessment.

To use the calculator you need to have either the total income amount for the year or a summary of earnings. You also need to know any interest or dividend amounts to add into the calculation.

## New standard practice statement

### Reduction of shortfall penalties for previous behaviour – IR-SPS INV 295

This standard practice statement (SPS) sets out the Commissioner's practice for reducing shortfall penalties for previous behaviour.

IR-SPS INV 295 applies from 1 April 2004.

The SPS can be found in *Tax Information Bulletin (TIB)* Vol 16, No 3 (April 2004).

## Māori authorities tax type

A new tax type has been created called the **Māori authority credit account (MAC)**.

This code MAC should be used if making payments or sending electronic correspondence for this tax type.

## “Computer-prepared schedules enclosed” stickers

If you file income tax returns with approved computer-generated schedules, we have asked that you put a sticker on the front of the return indicating that one of these schedules is enclosed.

It is no longer necessary to put one of these *computer-prepared schedules enclosed (IR 5L)* stickers on returns and therefore the stickers will no longer be supplied.

If you still have any of these stickers you can continue to use them if you wish, otherwise the returns can now be filed without them.

### 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:

The Editor  
AGENTSanswers  
Inland Revenue  
PO Box 2198  
Wellington

Email: [agents.answers@ird.govt.nz](mailto:agents.answers@ird.govt.nz)

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