



Personal tax summaries

During June, we'll be sending out personal tax summaries to some of your clients.

Clients who will automatically receive a personal tax summary (PTS)

A PTS will be sent in June to salary and wage earners who:

- received Working for Families Tax Credits from us
- received Family Tax Credit from Work and Income and earned over \$35,000
- have a student loan with an interest-bearing portion and are entitled to an interest write-off
- used the wrong tax code or a special tax code
- received IR 56 income.

Clients who have to request a PTS

A PTS must be requested in July for salary and wage earners who:

- received income between \$38,000 and \$60,000 and received more than \$200 of interest taxed at less than 33%
- received income over \$60,000 and received more than \$200 of dividends or interest taxed at less than 39%
- received income of over \$38,000 and received more than \$200 of taxable Māori authority distributions
- paid child support through us and received more than \$200 of interest, dividends, or taxable Māori authority distributions
- have a student loan, earned over the student loan repayment threshold of \$17,160 and received more than \$200 of interest, dividends, or taxable Māori authority distributions.

Clients who may want to request a PTS

You may also want to request a PTS for your clients in July, as they may be entitled to a refund if they:

- had more than one employer during the year
- didn't work a full tax year, but lived in New Zealand for the whole year
- are entitled to claim the child rebate (this applies to school children who worked part-time and paid tax)
- are entitled to claim the income under \$9,880 rebate (unless they used the ML tax code during the year)
- received income under \$38,000 and received dividends
- had income fluctuations during the year
- can claim expenses, eg fees for completing their return, income protection insurance.

You can request a PTS for a client under "Get it done online" on the tax agents' page of our website.

Personal tax calculator

You can also use the 2007 personal tax summary calculator to check whether your client will get a refund before requesting a PTS.

You'll need to have your client's total income and tax paid for the year. You can get this information through our "Look at account information" service, or by requesting a summary of earnings. You also need to know any interest, dividend or taxable Māori authority distribution details.

Commissioner initiated administrative review

The Child Support Amendment Act 2006 introduced a new Part 6B into the Child Support Act 1991. These new provisions allow the Commissioner to initiate an administrative review if, after an investigation into a paying parent's financial affairs, it is considered that they have a greater capacity to pay than their formula-based child support liability reflects.

Considerations in determining whether the paying parent has a greater capacity to pay are:

- income (not just taxable income)
- earning capacity
- property
- financial resources.

The new provisions are aimed mainly at paying parents who adopt structures that have the effect of reducing their taxable income and thereby defeating the intent of the Child Support provisions. However, any structure may be subject to review due to the way the child support formula assessment works.

For more information about Commissioner Initiated Administrative Reviews refer to: www.ird.govt.nz/childsupport/paying-parents/admin-reviews/comm-review/

Tax help for new employers

We have started telephoning customers who have recently registered as employers. The aim of the phone calls is to help new employers understand their tax responsibilities.

Some of your clients may be contacted. Our enquiries have shown that employers linked to a tax agent may do parts of their PAYE themselves, eg making deductions—or keeping records.

We plan to contact employers as soon as possible after registration, before they file their first employer monthly schedule.

This initiative should help your clients start out on the right foot. And because they will have a better understanding of tax and record keeping, we hope you benefit too.

If you have any feedback or would like further information about the outbound calling campaign, please contact your agent account manager.





GST and provisional tax alignment and ratio option

With the new GST due dates in place, it's time to think more about the alignment of GST with provisional tax due dates. Here's some information about the changes coming up over the next year.

Provisional tax due dates

From the beginning of the 2008–09 tax year, provisional tax and GST will be paid together in the months when provisional tax is due. Just one return and payment will be required for GST and provisional tax during these months.

This is aimed at cutting down the time and complexity for businesses paying both of these taxes.

To make this possible, your clients' GST taxable periods and balance dates need to be aligned. This will occur automatically before the start of your clients' 2008–09 tax years, but you can do this now voluntarily.

Provisional tax – the ratio option

From the beginning of the 2008–09 tax year, the ratio option allows provisional tax payments to be calculated on your clients' GST taxable supplies—we'll calculate this percentage for your clients.

The ratio option may suit businesses whose income fluctuates during the year. If the ratio option doesn't suit your clients' needs, or they aren't eligible to use it, you can use either the standard or estimation options.

Ratio option criteria

Your clients will be able to use the ratio option when they:

- have been in business and GST-registered for all of the previous year and part of the prior year to that one, and
- have residual income tax (RIT) for the previous year that is greater than \$2,500 and less than \$150,000, and
- file their GST returns monthly or two-monthly, and
- have a ratio percentage when we calculate it, between 0% and 100%.

Partnerships do not qualify to use the ratio option as they don't pay provisional tax. However, partners can qualify to use the ratio option if they pay provisional tax and they are GST-registered in their own right.

Clients are required to elect the ratio option before the start of their tax year, ie 1 April for standard balance date.

We will send you and/or your clients information about how to do this, as well as further information about the provisional tax and GST due date alignment before the start of the 2008–09 tax year.

Applying the ratio option

If your clients have elected to use the ratio option, we'll write to them with their percentage. This percentage will be used to calculate their provisional tax payments.

This is how we'll calculate the percentage.

$$\text{Provisional tax percentage (ratio)} = \frac{\text{RIT from previous year}}{\text{GST taxable supplies from previous year}} \times \frac{100}{1}$$

Example

Client's RIT from the previous year is \$95,000

GST taxable supplies from the previous year was \$1,600,000

$$\text{Provisional tax percentage (ratio)} = \frac{\$95,000}{\$1,600,000} \times \frac{100}{1} = 5.9\%$$

Client will use 5.9% to calculate their provisional tax.

Client's current two-monthly GST supplies equal \$220,000, therefore provisional tax payment is \$12,980 (5.9% × \$220,000).

Payment frequency

The number of provisional tax payments required during the year may change, depending on the option your clients use to calculate their provisional tax payments and their GST filing frequency.

Here's the number of provisional tax instalments for clients with a standard 31 March income tax balance date.

GST filing frequency	Provisional tax option	Number of instalments (clients with standard balance date)
One or two-monthly	Standard or estimation	Three (no change)
Six-monthly	Standard or estimation	Two
One or two-monthly	Ratio option	Six
Six-monthly	The ratio option isn't available for clients with a six-monthly GST filing frequency	

For example, clients who apply to use the ratio option and file their GST monthly or two-monthly will need to pay six provisional tax instalments with their GST. If they have a standard 31 March balance date, their due dates are:

- 28 June
- 28 August
- 28 October
- 15 January
- 28 February
- 7 May

Terminal tax due dates

The terminal tax due date remains the same at 7 February, or 7 April for clients with an extension of time.

For more information about these changes

We've included a table of the GST and provisional tax due dates for non-standard income tax balance date customers on our website. Please visit the provisional tax section on www.ird.govt.nz under "Businesses & employers".

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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