



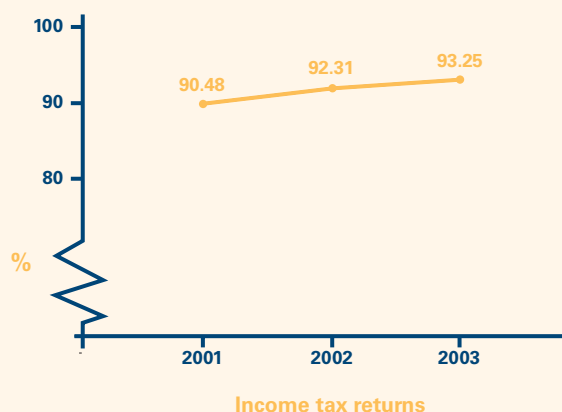
Tax agent filing performance for 2003 returns

Now that 31 March 2004 has passed it is time to evaluate the filing percentage achieved for 2003 income tax returns.

A national filing percentage of 93.25% was achieved this year. As at 31 March, 81,000 income tax returns remained outstanding for clients of tax agents.

The national filing result for the last three years has gradually improved. We congratulate all those tax agents who achieved 100% of returns filed for 2004 and we will be looking to see how we can assist you all to reach 100% this filing year.

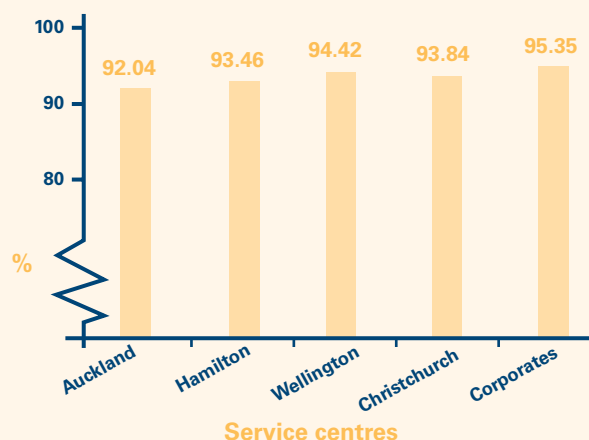
2003	93.25%
2002	92.31%
2001	90.48%



Regional performance

The return filing percentages for each of the regions around the country are shown below.

Auckland	92.04%
Hamilton	93.46%
Wellington	94.42%
Christchurch	93.84%
Corporates	95.35%



Timing of late filing penalties

In April we issued letters to clients of tax agents whose 2003 income tax return was outstanding after 31 March. The letter gave the client 30 days to organise the filing of their outstanding return. After that time, a late filing penalty may be charged.

Changes to payment slips in the IR 901 series

IR 901C

As we advised in the February issue of *AGENTSanswers* the IR 901C payment slip is changing from impact printer to laser printer. These payment slips have been renamed IR 901CL and tax agents who have elected to automatically receive them will have them in early May.

The IR 901CLs are not carbonised, however, our records show that of all the IR 901C payment slips issued only a small percentage (7 Nov 2003 – 3.8%) was returned. Also, most of those payment slips come in with the carbon copy still attached. For those agents who use these payment slips and need to retain a copy, you may like to photocopy the slip instead. We appreciate this is a cost, but impact technology is old and no longer able to be maintained. Laser-printed documents are unable to leave an impression that could create a carbon copy.

The A4 laser pages are also longer than an impact page, which means the height of each payment slip has been adjusted so that three IR 901CL payment slips fit on one page. The IR 901CL payment slips now include an extra payment line for FAM (family support) or SLS (student loan) payments.

If you print your customer's payment details on these forms, you will need to change your software settings to ensure any information is printed in the correct positions.

IR 901DL

The IR 901DL payment slips have been changed to include an extra payment line for FAM (family support) or SLS (student loan) payments. If you print your customer's payment details on these forms, you will need to change your software settings to ensure any information is printed in the correct positions.

You can order the IR 901DL from StationeryXpress or through INFOexpress.

IR 901

The IR 901 payment slips have now been modified to include three payment lines. These payment slips can be used for payments relating to any tax type as they do not include preprinted tax types.

The IR 901 payment slips come in the form of a pad with 100 slips per pad. They can be ordered from StationeryXpress or through INFOexpress.



Arrangements for the payment of tax due 7 April 2004

Many of your clients have taken advantage of the instalment arrangement options available to them as they were not in a position to pay their tax by 7 April 2004.

This means that they will only be charged an initial 1% late payment penalty and use-of-money interest on any amount unpaid after the due date. No further penalties will be charged as long as the agreed payments are made on time.

Clients who are unable to pay their tax and have not already entered into an arrangement, can still avoid monthly incremental late payment penalties on their outstanding tax by **contacting us** and entering into a payment arrangement.

Charities Bill tabled in parliament

A new bill containing provisions to create a Charities Commission was introduced into parliament on 23 March 2004. The Charities Bill establishes a registration, reporting and monitoring system for charitable societies, institutions and trusts.

The Ministry of Economic Development is facilitating the establishment of the Charities Commission. It has established a website, www.charities.govt.nz containing responses to common questions, background project updates and information about upcoming workshops. Information is also available by phoning 0508 CHARITIES (0508 242 748).

Inland Revenue will provide more information at a later date on the impacts of the Charities Commission in terms of applications for tax exempt and/or approved donee status.

Further income tax due date

A reminder for any client companies that are required to pay further income tax and imputation penalty tax because their imputation credit account had a debit closing balance as at 31 March 2004.

The due date for the payment of any 2004 further income tax and imputation penalty tax is 20 June 2004.

The imputation return for the 2004 imputation year is due to be filed at the same time as the 2004 income tax return.

2005 extension of time agreement

This is essentially the same as last years agreement. The following points should be noted:

- Interim percentages are
 - 40% returns by 17 September 2004
 - 60% returns by 19 November 2004
 - 80% returns by 18 February 2005
 - 100% returns by 31 March 2005
- Tax agents whose business does not suit the target percentages are encouraged to negotiate new percentages with their agent account manager.
- Tax agents may lose their EOT if their filing performance percentage is less than 80% for two consecutive years.

The agreement is available on Inland Revenue's website at www.ird.govt.nz/library/publications/taxagent/ir9xa-2005.pdf and from the Institute of Chartered Accountants of New Zealand website www.icanz.co.nz/tax under the link "other issues". This publication is not available in paper copy.

Linking and delinking during April

Inland Revenue staff have not been able to update your client list to link or delink clients between 1 and 18 April 2004. By "freezing" client lists at this time the number of returns required to be filed does not change and we can improve the accuracy of your return filing statistics.

We are now able to update your client list again and apologise for any inconvenience this may have caused.



UOMI grace periods

The use-of-money interest legislation allows for “grace periods” during which a taxpayer will qualify for a cancellation of debit interest if they meet certain criteria. This provides the taxpayer with an opportunity to clear the balance of their account shown on a notice or statement without having to be concerned with the additional interest accruing each day.

It is important to note that all of the **relevant tax and debit interest** must be paid within the “grace period” for there to be an entitlement to an interest cancellation.

There are a number of situations when these “grace periods” apply.

Notice of assessment issued before original due date

Where a notice of assessment is issued before the original due date for the payment of the tax (for example terminal tax due date) and, the tax assessed in the notice **together** with any interest in respect of the period before the notice, is paid by the 30th day after the date the notice was issued, the taxpayer will be entitled to an interest cancellation.

Any interest incurred during the period from the day after the notice was issued to the earlier of the date the payment was made or the due date of the tax, will be cancelled.

Example 1

A notice of assessment for the 2003 income tax return is issued on 15 August 2003 showing terminal tax due of \$1,000 and debit interest of \$200 accrued to that date. If the tax of \$1,000 **and** the interest of \$200 are paid by 14 September 2003, any interest accrued between 15 August 2003 and 14 September 2003 will be cancelled.

Example 2

A notice of assessment for the 2003 income tax return is issued on 15 March 2004 showing terminal tax due of \$1,000 and debit interest of \$200 accrued to that date. If the tax of \$1,000 and the interest of \$200 are paid by 7 April 2004 any interest accrued between 15 March 2004 and 7 April 2004 will be cancelled. If the payment is made between 8 April 2004 and 14 April 2004 any interest accrued between 15 March 2004 and 7 April 2004 will be cancelled. Interest accrued between 8 April 2004 and 14 April 2004 will be payable.

Note: any late payment penalties incurred after 7 April 2004 will be payable.

Notice of assessment issued on or after the original due date

There may be an entitlement to an interest cancellation where a notice of assessment is issued on or after the original due date and the notice specifies a new due date for the payment of tax. This may occur where a tax return is amended after the original due date and the tax liability is increased.

Provided the tax assessed in the notice **together** with any interest in respect of the period before the notice, is paid by the due date specified on the notice, the taxpayer will be entitled to an interest cancellation.

Any interest incurred from the day the notice was issued to the due date specified on the notice will be cancelled.

Example

A 2003 income tax return is reassessed on 7 May 2004 (after the terminal tax due date) increasing the income tax liability for the year by \$2,000. A notice of assessment is issued on that date specifying a due date for the extra tax of 7 July 2004. The notice also includes debit interest of \$320 charged up until the date of issue.

If the tax of \$2,000 **and** the interest of \$320 are paid by 7 July 2004, any interest accrued between 7 May 2004 and 7 July 2004 will be cancelled.

Statements of account issued after original due date

Where a statement of account is issued **after** the original due date for the payment of the tax (eg terminal tax due date) and, the tax referred to in the statement **together** with any interest in respect of the period before the statement, is paid by the earlier of the 30th day after the date the statement was issued and the due date for the tax, the taxpayer will be entitled to an interest cancellation.

Any interest incurred from the day after the statement was issued to the date the payment was made, will be cancelled.

There is no interest cancellation entitlement where a statement of account is issued **before** the original due date (eg terminal tax due date).

Example

A statement of account is issued on 14 April 2004 showing 2003 income tax outstanding of \$500 along with debit interest charged up to 14 April 2004 of \$80. The total balance is overdue.

If the tax of \$500 **and** the interest of \$80 are paid by 14 May 2004, any interest incurred between 14 April 2004 and 14 May 2004 will be cancelled.

Summary of earnings for clients

Once again this year we will be automatically issuing summary of earnings.

The summary of earnings will be issued in two groups at the earliest possible dates.

Summary of earnings for clients who are required to file an income tax return will be issued between 17 and 21 May 2004.

In late June 2004 we will be issuing summary of earnings to clients of tax agents where:

- one has not been issued in May for 2004
- a summary of earnings was issued in 2003, either automatically or by request
- no personal tax summary has been issued for 2004.

We acknowledge this does not meet your ideal needs but ask that you bear with us as in future we plan to have the information you need available online.



Website services

There are a number of services available on our website to make things easier for you, your staff and your clients.

Stationery, publications and news

Electronic copies of our publications can be downloaded from our website. StationeryXpress offers a fast way to order printed products especially if you or your staff require bulk stationery. To register either telephone 0800 101 035 or click here for a copy of the *StationeryXpress tax agent registration form (IR 599)*.

You can also **subscribe** to our "Breaking news" facility, developed to ensure that you receive urgent information in a timely manner.

Filing returns

You can **file** the *Individual tax return (IR 3)* and *Companies income tax return (IR 4)*, and you can also **complete** the *Rebate claim form (IR 526)*, print it off and send it to us.

Requests for returns

Our online interactive services for tax agents offer many options including requesting IR 3 taxpacks, personal tax summaries or summary of earnings for your clients.

Correspondence

"Send and receive mail" is a secure internet-based service that allows you to send us questions about your clients' tax accounts, and receive our responses securely and confidentially.

Feedback

If you have any thoughts about what services you would like on our website, you can feed these back to us online at tax.agent@ird.govt.nz

Interest and dividend information held by Inland Revenue

We receive interest information from financial institutions in November each year. This information can be obtained from us by calling the tax agents' freephone line. However, the details need to be checked with your client as we may not receive all information. For example, if your client has a joint account all the interest information will show under only one IRD number. We do not hold dividend information.

Updated depreciation guide

The *Depreciation guide (IR 260)* has been updated and divided into three new publications which are now available on the internet.

The IR 260 contains an overview of depreciation and how it works. It does not include the depreciation rates. The depreciation rates are now in two new publications, *General depreciation rates (IR 265)*, and *Historic depreciation rates (IR 267)*.

The printed versions of the IR 260 and the IR 265 will be available through StationeryXpress or INFOexpress from early May 2004. The IR 267 will only be available on our website www.ird.govt.nz

All back orders of the old IR 260 have been cancelled. This was done because there are a large number of duplicate requests for the book and now that the publication has been split the old IR 260 may not be the publication that is required.

Withholding payment expenses

We receive a number of calls regarding incorrect ACC invoices where the expenses incurred earning income that has had withholding tax deducted, have been claimed in the self-employed box of the individual tax return. If you are completing an individual tax return for a client with this type of income the expenses should be claimed at Box 25.

ACC will take into account all expenses shown at Box 25 when calculating any ACC levies to be paid.

AGENTSanswers index

Included with this edition is an *AGENTSanswers* index for issues 38-54 (October 2002 - February 2004). We hope you find this useful.

This index is also available on the Tax Agents' page of our website in both interactive and printable (PDF) formats.

Please email us at agents.answers@ird.govt.nz with any feedback or suggestions for improvement.

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/business/tax_agents/index.htm