

AGENTS ANSWERS

Inland Revenue's tax agents' update

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PTS E-File service

Currently, if your tax agency deals with personal tax summaries (PTS) you are using a range of channels to request and confirm a PTS. This has directed a high volume of work through these existing channels which are designed for single, person to person interactions.

Our current processes for PTS are manually intensive and high volumes impact on our ability to provide a timely service. To provide you with an effective service for your business Inland Revenue has developed a service which allows customers to request and confirm PTSs through E-File. To access the PTS E-File service you must have the correct E-File software installed.

Once you have the E-file software installed you can:

- request a PTS (including updates to bank accounts and address details)
- confirm a PTS.

Getting started

If you're interested in using the E-file service for your business, you'll need to contact an E-file software developer and discuss your requirements with them. You should also advise your agent account manager of your interest.

To be sure the service meets your future expectations we'd like to hear your thoughts and ideas. Tell us through e-channels like this newsletter or talk with your agent account manager.

For further information go to www.ird.govt.nz (keyword: E-file).



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Welcome to Agents Answers

In this issue: L-letters, making electronic payments, linking and an authority to act, GST recap, new DTA, voluntary disclosures, using our Manage account service, free tax seminars and workshops.

If you have any suggestions for topics you'd like covered in this newsletter, email agents.answers@ird.govt.nz



Reminders

Filing dates: September 11 guidelines:

- 40% of clients with standard balance dates
- 37.5% of clients under E-File
- 20% of clients with late balance dates.

These dates are filing guidelines in most cases. They are only a target or monitored if you are currently being monitored by your agent account manager.

Linking and EOT: An EOT will be automatic for a newly linked client except where they have two or more returns outstanding.

An EOT means:

- the client is given an extension to file their annual return
- the client is protected from a late filing penalty until after 31 March
- the client is entitled to a 7 April terminal tax due date.



Using our “Manage account access” service

For many people, our website has become the first port of call when they need help with their taxes. In fact, customers are telling us they want to receive less printed material from us and have more options to deal with us electronically. Our online services have been developed with you in mind, designed to be quick and convenient.

Manage account access (MAA) allows all organisations to manage who has access to their online services account. MAA allows you to control access to particular services, suspend or cancel those access rights, change your details, reset passwords and view user access reports.

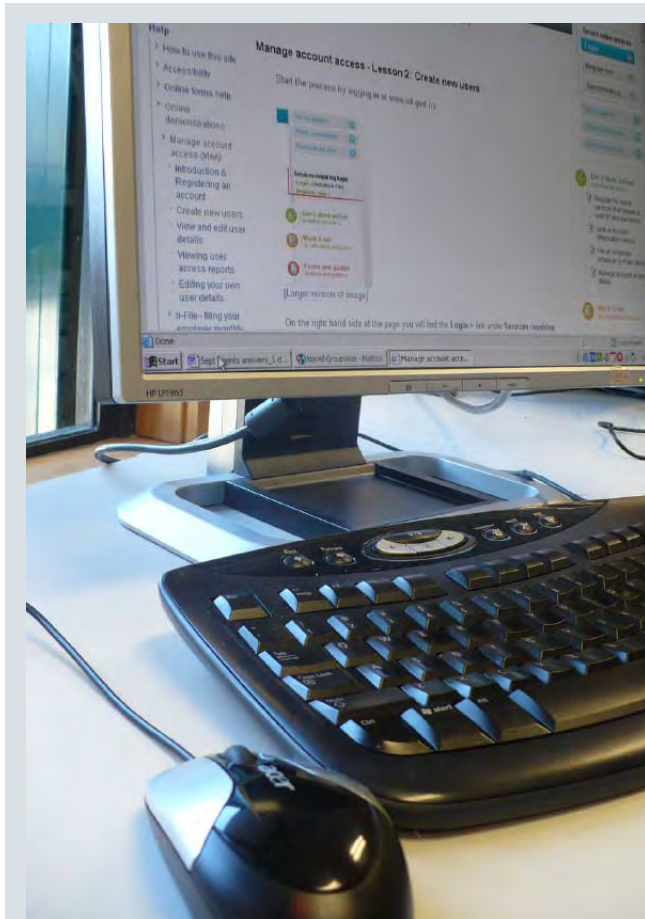
Who can use this service?

All organisations, including tax agents can use MAA. The owner or authorised person can register for an online services account for the organisation they own, or are the authorised person for. (Group companies must register each individual IRD number.)

Once the owner is registered and has contacted us so they can be verified, they can then set up administrators and users for the online services account, and grant access to the services they want those users to have.

Access can be given to some staff to do specific jobs, eg, ir-File for payroll staff or an assistant accountant for FBT/GST purposes.

You'll need to make some decisions when you register.



Selecting an account owner

Small businesses may use a director or business owner, but this may not always be appropriate for a large multi-national or foreign-owned company.

In these situations we suggest any of the following as the account owner:

- CEO
- CFO
- company secretary
- director of company
- group financial controller.

The account owner will be responsible for security of the system and the information accessible by the administrator and users.

Selecting tax administrators

This can be the same person as the account owner or could be a tax manager or CFO, or any other designated officer who has authority throughout a group of companies.

Getting started

You'll need your online services userID and password. If you haven't registered yet, do so at www.ird.govt.nz "Secure online services".

The registration window at www.ird.govt.nz

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Online Services registration

Enter IRD number | Enter Details | Check & save details | Receive confirmation

Registering for an Inland Revenue online services account is a four step process. To begin this process enter the IRD number of the account you wish to register for. This can be a personal or business account.

Your IRD number

Please enter the IRD number of the account you wish to register for

IRD number*

123-456-789 or 12-345-678

By submitting this IRD number, you are confirming that:

(a) this is your IRD number; or

(b) if you are applying on behalf of an organisation, you are the owner or executive office holder for that organisation.

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For more info on government services go to newzealand.govt.nz

If you want to register using a tax agency's IRD number your agent account manager will need to visit you.

When you've completed registration, you need to call us to be verified as the owner of the account before you can log in to use the service.

Check out our demonstration site on www.ird.govt.nz under "Secure online services" for more about how to use this service.

Thinking about L letters?

The L letter helps you encourage your clients to provide their records so you can prepare and file their income tax returns by 31 March each year.

The L letter is available for clients who have an extension of time (EOT), and are late providing you with all the necessary information to complete their returns.

The letter is issued in Inland Revenue's name and reminds clients they haven't provided you, their tax agent with enough information to file a return.

Remember that when an L letter is issued, we remove the client from your performance statistics until the return is filed.

If you want to start issuing to clients now, just request an L letter through INFOexpress.

Take a look at an example of the new style L letter at www.ird.govt.nz (keywords: infoexpress-agents).

GST input reassessments for earlier tax periods

The Commissioner released QWBA 09/04 setting out his interpretation of the relationship between section 113 of the Tax Administration Act 1994 and the proviso to section 20(3) of the Goods and Services Tax Act 1985.

In particular, the QWBA addresses the issue of whether the Commissioner is required to amend a GST assessment in terms of section 113 to account for a deduction for input tax in an earlier GST period when the proviso to section 20(3) allows a taxpayer to claim that input tax deduction in the current or later return period.

The QWBA states that the Commissioner would generally not amend a GST assessment under section 113 to allow a deduction in an earlier period when, under the proviso to section 20(3), the taxpayer can claim a GST input tax deduction in a later taxable period.

While the Commissioner is not prevented from exercising the discretion under section 113, the Commissioner's practice is generally not to do so. This is because the proviso to section 20(3) provides a specific mechanism by which taxpayers can correct the failure to claim the input tax deduction themselves. It is the Commissioner's view that a general provision such as section 113 should not be used when a specific provision is available.

The QWBA is published in the *Tax Information Bulletin* Vol 21, No 6, August 2009 available at www.ird.govt.nz

Making electronic payments

We receive around 330,000 electronic payments each month. Approximately 67,000 of these payments arrive without correct or sufficient details.

This means 30% of all automatic payments and 14% of all direct credits need our manual intervention to get to the correct IRD number, revenue type and period.

Electronic payments can be made by direct credit, automatic payment or online banking. Most banks offer an online tax payment service which meets our requirements, provided sufficient reference details are included with the payment.

Here are some common errors we've come across:

- incorrect IRD numbers
- incorrect period (this includes the payment due date being used instead of the period end)
- no tax type or period
- RWT used instead of IPS (IPS is the tax code for RWT on interest)
- written dates or months shown in words instead of numbers
- not registered for the tax revenue selected.

If your tax agency makes automatic payments, or has clients who do, please ensure you and your client use payee details to identify the payment.

Example of income tax payment reference details for period ending 31 March 2009

Particulars

(your IRD number) →

1 2 3 4 5 6 7 8

Payee code

→

INC 31032009

Enter the IRD number of the person or organisation the payment is for in the **particulars** panel.

The payee code is a three alpha code identifying the tax type of the payment, eg INC. For a list of codes go to www.ird.govt.nz (keywords: tax type codes). Enter the code for the correct tax type, leave the next box blank, then enter the period end date (the day, month and all four digits of the year) in the **payee code** panel.

Reducing the risks from a flu pandemic for your business

Find out what you can do to prepare and respond to the health and business risks created by an influenza pandemic. Information is available on www.business.govt.nz about business planning for an influenza pandemic.

Check that you know your obligations, responsibilities and commitments before a pandemic hits.

A recap on GST changes this year

Five months into the new tax year that saw the introduction of a raft of tax changes we thought it timely to talk again about the GST changes that impact on small and medium business customers.

GST registration

The threshold for compulsory GST registration increased from \$40,000 to \$60,000.

Where annual turnover is under \$60,000, there's no need to be registered for GST, and therefore no need to account for, file or pay GST. This could be an advantage to your small and medium business clients.

Cancelling GST registration and accounting for assets

If you have clients who want to cancel their GST registration, now is a good time to remind them of their responsibilities around assets they retain.

Any assets kept from their taxable activity need to be included in their final GST return. They will need to get the asset valued and provide you with this information.

They need to be aware that the adjustment amount is one-ninth of the open (or current) market value of the asset they plan to keep. Don't forget, if they purchased the asset before 1 October 1986, the value of the asset is the lesser of the cost price and the open market value at the date of de-registration.

You need to return the GST on the value of the asset regardless of the accounting basis they use, but it doesn't matter what they do with the assets after you've filed their final return.

For more information on cancelling a GST registration and final responsibilities see www.ird.govt.nz (keyword: GST).

Filing six-monthly GST returns

The threshold for filing six-monthly GST returns has increased from \$250,000 to \$500,000.

If you have clients who currently file and pay GST monthly or two-monthly and have annual taxable supplies under \$500,000, they're now eligible to change to filing and paying GST six-monthly. You'll need to apply to us in writing for this change.

Using the payments basis to account for GST

The threshold allowing your clients to use the payments basis has increased from \$1.3 million to \$2 million. If their taxable supplies are less than \$2 million, they can apply to use the payments basis to account for their GST.

Using the payments basis, GST is accounted for in the period when a payment is made rather than when an invoice is issued, which can help with cash flow.

You'll need to apply to us in writing to use the payments basis. You can attach this as a note with the next GST return or send it to us separately. When we've processed your request we'll write to you or your client confirming the changes within 15 working days.

New double tax agreement (DTA)

The introduction of a new double tax agreement (DTA) between Australia and New Zealand took a major step forward with the signing on 27 June. Once in force, it will replace the existing 1995 DTA.

Features of the new DTA include:

- lower withholding taxes on dividend and royalty payments between the two countries
- making pensions that are tax-free in one country also exempt in the other when the recipients move across the Tasman.

The new DTA will come into force once both countries have given legal effect to it. For more information see www.taxpolicy.ird.govt.nz

Voluntary disclosures – SPS 09/02

Standard Practice Statement (SPS) 09/02 was issued in June and is available in the July 2009 *Tax Information Bulletin*, Vol. 21, No 5.

This SPS applies to a voluntary disclosure made under sections 141G or 141J of the Tax Administration Act 1994 on or after 17 May 2007. It provides guidelines for the purpose of entitlement to a reduction in shortfall penalty on:

- how to make a voluntary disclosure
- when a taxpayer is treated as having been notified of a pending audit
- what constitutes a full voluntary disclosure
- what rate of reduction will apply if a taxpayer is liable for a shortfall penalty.

The full statement is on our website at www.ird.govt.nz (keywords: SPS 09/02).

Is it more costly for businesses to do tax now than five years ago?

Business leaders want to know, researchers want to know, we want to know, and if you've read this far, you probably want to know too! Do your part and help make this happen.

In September, we'll contact some small businesses by mail to find out what the cost of doing tax is for these businesses. Knowing about businesses' tax compliance costs will help us design initiatives to make it easier for businesses to do their tax. The information gathered in this survey will also help evaluate the effectiveness of some recent tax changes.

With the businesses' consent, we'll contact their tax agent later in the year for a short supplementary survey.

If you're invited and agree to participate, please be assured that you and your client's data will be kept confidential and the answers you provide will be used solely for research purposes. You're also requested to participate in the survey without charging your client.

Help make tax easier and less costly for you and your client by taking part in this study if surveyed.

If you wish to find out more about this research, please feel free to email:
compliancecostsurvey@ird.govt.nz

(This survey is endorsed by Business New Zealand and the New Zealand Institute of Chartered Accountants.)

Linking needs an authority to act

There are a number of reasons why a client is delinked from their agent, for example:

- the client may ring us and ask to be delinked
- the client links with another tax agent
- the client links to an internet-based PTS intermediary agent.

It's common for one of these to happen without the current tax agent even being aware of it. As a result the tax agent relinks the client (without firstly obtaining a new authority to act) because they think the client has been delinked in error.

It's timely to remind you that if a client has been delinked from your agency (regardless of the reasons why), the client can't be relinked until a new written authority to act is obtained from your client to confirm that this is what they would like.

Linking clients without a current authority to act is a serious issue and is considered by the Commissioner to create a risk to the integrity of the tax system.

Please remind all staff who are able to link clients of the "authority to act" requirements.

✓ FREE TAX SEMINARS & WORKSHOPS

We hold free tax seminars and workshops around the country for people in business. The seminars cover record keeping, income tax, GST, electronic filing and payments, and deductible expenses. You can find dates and locations at www.ird.govt.nz (keywords: seminars or workshops).

Here are some of the seminars and workshops on offer.

GST and income tax: An introduction to business tax responsibilities, including structures, income tax, GST, record keeping and expenses.

Employers and KiwiSaver: For people new to employing staff, this covers keeping wage records, manual and electronic calculations of PAYE and other deductions (eg, student loans, KiwiSaver),

completing the *Employer monthly schedule (IR 348)* and *Employer deductions form (IR 345)* and due dates.

GST workshops: Registration, responsibilities, accounting methods, filing frequency, due dates, payment methods, penalties and interest, keeping a cashbook, how to complete/file a GST return, a GST exercise and online services.

