



Changes affecting tax agents

Relationship with Inland Revenue

The Taxation (Business Taxation and Remedial Matters) Act 2007 made some changes to the Tax Administration Act 1994 (TAA) that directly affect tax agents and their relationship with Inland Revenue. A new section 34B has been added to the TAA that sets out the criteria to be a tax agent.

Section 34B:

- requires us to maintain a list of tax agents
- sets out who can be a tax agent
- explains how to apply to be listed as a tax agent
- allows us to refuse to list someone as a tax agent
- allows us to remove someone from the list of tax agents
- requires us to collect the names of key people from tax agent organisations.

Existing tax agents will not need to apply and will migrate automatically across to the new list.

Managing the list

Note that the Commissioner can refuse to list someone as a tax agent, or remove an agent from the list if he considers that the integrity of the tax system would be adversely affected if the person appeared or remained on the list. Section 81B of the TAA has been amended to allow Inland Revenue to pass information about a person to a group or association that the tax agent is a member of, if the Commissioner is of the opinion that it is relevant to these situations.

Updated IR 791

We've updated our form *Application to be a tax agent, update your details or cease to be a tax agent (IR 791)* to include information previously appearing on the form *Tax agent or agency maintenance (IR 792)*.

The IR 792 is now obsolete.

You can get copies of the updated IR 791 from www.ird.govt.nz under "Forms and guides". The IR 791 is not available through StationeryXpress.

There's more information about these changes at www.ird.govt.nz/taxagents/tax-agents-role/, including the process we will follow if we refuse to add someone to the list of tax agents, or remove someone from the list.

Please talk to your agent account manager if you have any questions.

2008 extension of time (EOT) agreement

The 2008 agreement will be available through:

- our website – www.ird.govt.nz
- New Zealand Institute of Chartered Accountants (NZICA) website www.NZICA.com

Key dates and filing percentages are:

Standard targets	
40%	12 September 2008
60%	14 November 2008
80%	13 February 2009
100%	31 March 2009
E-File tax agent targets	
37.5%	12 September 2008
57.5%	14 November 2008
78.5%	13 February 2009
100%	31 March 2009
Late balance date targets	
20%	12 September 2008
50%	14 November 2008
75%	13 February 2009
100%	31 March 2009

Note:

- If the above targets don't suit your business needs, please contact your agent account manager to negotiate new percentages.
- You may lose your EOT if your filing performance percentage is less than 80% for two consecutive years.



Partnership tax changes

Recent law changes introduce a new form of “limited partnership” to New Zealand, and help address uncertainties surrounding the taxation of all partnerships.

Limited partnerships

Limited partnerships are a form of partnership involving general partners, who are liable for all the partnership’s debts and liabilities, and limited partners, who are liable only for their contribution to the partnership.

Limited partnerships will be registered by the Registrar of Companies.

Income and expenses of a limited partnership will flow through the partnership to be taxed at partner level. There is a limitation on the tax losses claimed by limited partners to ensure that they reflect the level of the limited partner’s economic loss. Any excess tax losses can be carried forward to future income years.

New Zealand has a statutory form of limited partnership called the “special partnership”, under Part 2 of the Partnerships Act 1908. These rules have now been replaced.

Special partnerships in existence on 1 April 2008 may continue to exist until they cease. The new legislation provides for a simple transition from a special partnership to a limited partnership.

We will work with special partnerships that choose to change to a limited partnership to ensure a smooth transition.

Partnership tax rules

A comprehensive set of tax rules for partnerships in New Zealand has now been introduced.

The new rules, which apply to both general partnerships and the new limited partnerships, make it easier to comply by clarifying:

- the flow of income and expenses through to partners
- the tax treatment that applies when a partnership is dissolved
- entry and exit rules for partnerships of five or fewer partners
- requirements for partners to account for tax when they exit from a partnership and requirements for incoming partners
- tax treatment of the transfer of property between partners and partnerships.

Information about the partnership tax rules is available in *Tax Information Bulletin* Vol 20, No 5 (June 2008).

Employer tax credit (ETC) square-up

The current employer tax credit (ETC) formula means the original policy intent of offsetting employer contributions by a credit of up to \$20 per week is not achieved when there is an extra pay in a PAYE period.

Under the formula, the ETC for the PAYE period is the lesser of the actual employer contributions made during that period or the amount calculated on the basis of the number of days in the PAYE period.

However, not all employer pay periods are evenly distributed between Inland Revenue PAYE periods and this issue arises whenever there is an extra pay. For example, if there are 31 days in a PAYE period that contained five weekly pay periods instead of four, the amount calculated for the ETC would be \$88.57 rather than \$100.

This affects contributions from employees earning over \$93,000 a year or where an employer contribution (compulsory and voluntary) exceeds \$20 a week. This currently results in a shortfall between the contribution made and the tax credit the employer receives.

To ensure all employers receive their full \$20 a week entitlement as intended, we are proposing a square-up process, subject to legislation being passed. Affected employers will be able to make an additional claim at the end of the tax year (from 1 April 2009).

More information about this will be available closer to April 2009.



Reminder about RWT on dividends

Companies' first RWT (resident withholding tax) payments for the 2009 tax year are due on May 20 2008.

Please note that the rate of RWT on dividends remains at 33%.

If a company has distributed dividends using the new imputation ratio (30:70), it needs to take this into account when completing its RWT return.

New process for getting an individual IRD number

Do you have a client who doesn't have an individual IRD number? Now they can apply for one at an Automobile Association (AA) Driver Licensing Agent, a PostShop or New Zealand Post agency. There are hundreds of these outlets throughout New Zealand.

Applicants will need two specified forms of identification, one of which must contain a photo. They could be passports, birth certificates, driver licences or an 18-plus card.

They'll need to take their original documents (plus photocopies) in person to any AA, PostShop, or selected New Zealand Post retail outlet.

Customers who are not coming to New Zealand should be referred to our Non-resident centre.

The AA, PostShop or New Zealand Post agents will confirm the applicant's identity, and send photocopies of the identity documents to Inland Revenue. We will notify applicants of their number within 8–10 working days of receiving their application.

To get a child's IRD number, parents must provide one identity document for the child, two forms of identification for themselves and a document which shows the relationship between the child and the adult. For example, as a birth certificate which names them as the child's parent.

This new process will help to prevent identity theft and the fraudulent use of IRD numbers and has been developed in line with the new **All-of-Government Evidence of Identity (EOI) Standard**.

The new process doesn't affect IRD number applications for non-individual customers.

There's more **information about IRD numbers and the application form itself, at www.ird.govt.nz**

Don't forget!

May is the month we start issuing 9-digit numbers to all new IR customers. If you haven't already checked that the software and systems you and your clients use can accept both 8 and 9-digit GST and IR numbers, now is the time to do it.

Remember:

- all current 8-digit IRD/GST numbers remain unchanged (12-345-678)
- once the 8-digit number range runs out in May, new customers will be issued with 9-digit numbers (123-456-789)
- when you advise clients who have an 8-digit IRD/GST number on how to complete our forms with 9 boxes, please tell them to leave the first box blank
- if your client has an 8-digit GST number they only need to display the current GST number. If they set up a new company or subsidiary and get a 9-digit GST number, they will need to display this.

If you have any enquiries or questions, please email us at number.extension@ird.govt.nz or go to www.ird.govt.nz





Errors in return guides

2008 Estate or trust income tax return guide (IR 6G)

Page 30 of this guide contains out-of-date information about FIF and CFC income. Please disregard the text from “The main exclusions from...” through to “..attach it to your return.” at the bottom of the page. The correct information about FIF and CFC income is listed on pages 28 and 29.

2008 Clubs and societies tax return guide (IR 9GU)

Under the section “Question 16 Tax calculation” the tax rate for incorporated bodies should be listed as 33 cents in the dollar.

Corrected copies of both guides are available at www.ird.govt.nz or through the stationery warehouse.

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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