

Second return filing target – 16 November 2001

The first target, 14 September 2001, was under-achieved with only 37.83% of returns filed nationally. This resulted in a shortfall of 24,939 returns from the 40% target.

The percentages due to be filed by 16 November 2001 are:

- Standard target 60%
- E-File target 57.5%
- Late balance date target 50%

If you have genuine reasons why you are not meeting the filing targets, you can negotiate your filing targets with your agent account manager or your corporate account manager.

Linking by INFOexpress

A modification has been made to our INFOexpress service when linking a client to your agency list.

A new validation will check whether or not the IRD number you are linking belongs to a tax agent. There have been instances of tax agents linking other tax agents to their agency list in error. The new validation will alert you that this is about to happen and will ask you whether or not you wish to continue.

Please remind all staff linking clients to ensure they use the client's correct IRD number.

New deadline for rebate claims

Legislation was passed on 24 October 2001 removing the deadline for applications for rebates on charitable donations and payments for housekeeping and childcare. As a result, people who missed out on claiming their rebates for the 1999–2000 and 2000–2001 income years can now submit claims.

The effect of the new legislation means people will have up to eight years to file their claims. This is the same period that applies to refunds for overpaid tax.

New “Top 10” – survey

Around August 1999, Inland Revenue and the Institute of Chartered Accountants of New Zealand developed a list of the “Top 10” operational issues identified by tax agents. As these issues have now been signed off by the two parties, we are looking at what other operational issues are causing concern to tax agents and are inviting you to provide us with a list.

It would be most useful if you could provide the IRD number and details of clients affected in order to get a true pattern of issues nationally. This information will only be used for analysing and resolving problems.

If you haven't already provided comments and examples to the Institute of Chartered Accountants of New Zealand, you can send them to Andrew Bell by email at andrew.bell@ird.govt.nz or write to him at Inland Revenue, PO Box 2198, Wellington. Please respond by 30 November.

Use-of-money interest project

In August 1999 we set up a special project to address a number of issues relating to use-of-money interest (UOMI). Urgent action was required to ensure our FIRST system operated and delivered the required outcome, as originally intended.

We identified thirty changes that needed to be made and these were reported on regularly in *AGENTSanswers* and in the Chartered Accountants of New Zealand journal, while the project was operating.

It is now an appropriate time to undertake a post-implementation review of the project. We are seeking feedback from you on whether your expectations have been met.

To assist with this feedback process, we would be grateful if you would comment on the following:

- Given the specific issues that the project had responsibility for, have your expectations been met?
- Do you agree that the calculation process for UOMI is now correct? If not, please provide details.
- Are there any outstanding issues? If so, please provide details.
- Were you satisfied with the communication from the project team?
- What level of knowledge do Inland Revenue staff have about UOMI related matters?

Please send your feedback and any other comments by email to agents.answers@ird.govt.nz or write to the Editor, *AGENTSanswers*, Inland Revenue, PO Box 2198, Wellington.



Tax agents' CD Rom questionnaire results

Thank you to everyone who returned the questionnaires regarding the tax agents' CD Rom that was included in the September edition of *AGENTSanswers*. These replies have assisted us in the design of the next version, which is due for release at the end of March 2002.

The overall feeling was that the CD Rom is a useful and widely used product. It is also clear that there are a number of key aspects on the use and functionality of the CD Rom that are not fully understood. These are discussed as follows:

Fill-in forms

As previously advised, there were some errors with some of the fill-in forms on version three. We apologise for this and will ensure these are not repeated on any future updates.

These errors have now been fixed and are available, for those with internet access, through the updates link on the CD Rom (accessed by clicking on the orange dot with an arrow contained in the forms and booklets section of the CD Rom). Or you can access the corrected forms at www.ird.govt.nz/taxagents/list.html

Once completed onscreen, these forms can be printed and sent to us. The information entered on the forms can only be saved if you have the full version of Adobe Acrobat.

Calculators

These are accessed from either the picture of the calculator, or from the calculator section in each page. We have been advised there is an error with the 2002 PAYE calculator for the secondary student loan (S SL) tax code. A corrected calculator has been updated onto our website at www.ird.govt.nz/library/publications/payee2002.html

All other calculations are correct.

Browsers

The CD Rom is designed in a browser format, that is, it has the look of the internet. The information is, however, self-contained on the CD Rom.

You do not have to access the internet unless you choose to.

Due to the look of the product, it appears that some agents assumed the CD Rom automatically launched into the internet. This is not the case.

Copying the CD Rom to your hard drive

You can copy the information contained on the CD Rom to either a network server or your hard drive. You do this by copying the "website" folder and then pasting it to the drive from which you wish to access the information. To access the saved information, click on the index icon.

Searching

To search for forms and booklets on the CD Rom you must put a space between the IR and the form number, or don't use IR at all. Results are limited to the section where you are searching, for example, the 1999 and 2000 returns can only be accessed from the Tax Category area and not from the main forms and booklets section.

For version four we will provide a list of all the forms that are available on the CD Rom. You will be able to print this list if you wish.

Printing

Some agents commented that they had problems with printing out the forms from the CD Rom. This is an issue with your individual printer settings.

User guide

Inside the cover of the CD Rom is a booklet that will assist you with some problems you may be having.

We will be addressing a majority of the other issues and suggestions in the design of version four.

Once again, our thanks for taking the time to complete and return the questionnaire. If you have any further enquiries please email us on agentcd@ird.govt.nz or leave a message on 04 498 5752. Please note that we were experiencing some technical difficulties with this line, so if you have left a message and not received a reply, we apologise.

Delayed notices of assessment

For some time now there have been problems with producing notices of assessment for some income tax returns. Work is currently under way to resolve these problems and get these notices issued. As a result of the changes that are progressively being implemented into the FIRST system, you may start to receive notices for returns that may have been filed some time ago. These improvements should also see a reduction in the number of statements being issued with the "Period not finalised" message.

We apologise for the delay in issuing these notices and we are taking steps to ensure that similar delays do not occur in the future.

Default assessments

From October, you may receive a flyer inserted with your clients' notices of assessment.

We have identified a genuine lack of understanding around the default assessment process. The flyer has been designed to explain what a default assessment is and what to do if such an assessment is received.

This flyer will be issued to all taxpayers who have a default assessment calculated on their account from October 2001. If you receive the flyer in your correspondence, you will know that there is a default assessment enclosed for one of your clients.



Ceased estates and trusts

Where an estate or trust has ceased, it is important that you inform us of this at Question 7A on the IR 6 income tax return and attach accounts showing the distribution of all assets and liabilities to the date the estate or trust was finalised.

If you are E-Filing the return, please attach correspondence advising us that the trust has been wound up.

If the estate or trust is registered for GST or as an employer, you will need to complete a *Business cessation (IR 315)* form.

UOMI faxbacks from INFOexpress

The FIRST system uses two separate processes, one to produce the penalty and interest faxback available through INFOexpress, and another to update interest to accounts. Both processes follow exactly the same calculation, but they run independently.

The interest shown on a faxback is the interest calculated up to the date the fax was requested. Unless the interest in the account has also been calculated up to the **same date**, the interest in the account will differ from that shown on the fax. Once the interest in the account is brought up to the same date as the fax, both interest figures will be the same.

Call centre staff will not be able to confirm that the interest shown on a faxback is the amount posted to an account unless they can update the account to the same date as the fax. However, any faxback obtained through INFOexpress will include the correct interest that will be posted to the account.

Change of use-of-money interest rates

The use-of-money interest rates payable on underpayments and overpayments of tax and duties are to decrease from 8 November 2001. The rate for underpayments will decrease from 12.62% to 11.93%, and the rate for overpayments will decrease from 5.74% to 4.83%.

The rates are reviewed regularly to ensure they track market interest rates. As prescribed by government regulations, the rates are set at 2% above the base lending rate and 1% below the 90-day bill rate.

The rates were changed by Order in Council on 9 October 2001.

Income equalisation scheme

A taxpayer carrying on certain farming, agricultural, or fishing business may make deposits to the income equalisation scheme. If you are considering making a deposit to the scheme for a client, the following points may assist you:

Ordinary scheme

Deposits

- A deposit to the scheme may be made at any time.
- A letter accompanying the deposit should give all relevant information and advise the year the deposit is to be deducted from income.
- Ordinarily, the deposit is regarded as being made in respect of the accounting year in which it is made and is consequently deductible in that year.
- If elected, a deposit may be made in respect of the preceding accounting year if the payment is made within the specified period after the end of the preceding accounting year.
- The specified period is the shorter of the period of six months immediately following the balance date and one month after the due date for filing the return.

Refund

- A taxpayer with deposits may apply in writing for a refund of the whole or any part of those deposits.
- As a general rule, no refunds are available for amounts that have been deposited for less than 12 months before the date of application for the refund.
- Where the deposit has been deposited for less than 12 months, you must advise us in the letter of request the reason for the early withdrawal, and under what section the request is being made.

Adverse event income equalisation scheme

- Taxpayers engaged in any farming or agricultural business can make deposits into an adverse event income equalisation account. This can be income arising from the forced sale of livestock, or failure to replace livestock, due to a self-assessed adverse event.
- A self-assessed event is any one of the following events that materially affects the business of the taxpayer:
 - fire, flood, drought or other natural events, or
 - sickness or disease among livestock.
- A deposit must be accompanied by an *Adverse event income equalisation deposit (IR 139)* form. You can request copies through INFOexpress or StationeryXpress. Post this form to the Upper Hutt Processing Centre, PO Box 39010, Upper Hutt.
- To qualify as a deposit for a particular income year, the amount must be deposited no later than one month after the relevant balance date.
- Deposits can be withdrawn immediately but are transferred to the main income equalisation account if not withdrawn within 12 months of the deposit.

Refunds from either scheme are made by cheque or can be transferred to the taxpayer's income tax account. We cannot direct credit refunds to a bank account.



Income used for family assistance calculations

Given the number of phone calls we are receiving on joint family income for family assistance purposes, it is timely to explain that the income figure for income tax may not be the figure we use to calculate family assistance.

The following are examples of types of income that are used for the calculation of family assistance. These types of income may not be included for an income tax assessment, or the losses may be able to be claimed for income tax purposes.

Income included for family assistance calculations:

- Scholarships and bursaries received.
- Child support paid and/or received.
- Private maintenance paid and/or received.
- Business credit adjustments—these are subtracted from the net income of the family as part of the specified income calculation and include:
 - depreciation recovered from the sale of a building
 - income equalisation reserve scheme refunds
 - most income spreads to the current year
 - certain land improvement expenditure incurred in the current year.
- Business debit adjustments—these are added to the net income of the family as part of the specified income calculation and include:
 - depreciation on buildings
 - income equalisation reserve deposits
 - most income spread from the current year
 - any loss shown on the return from a loss attributing qualifying company
 - additional income if the customer or their partner holds 10% or more of the issued shares in a close company
 - losses brought forward from a previous year
 - current year business losses.

Taxation of honoraria paid to school trustees

In the August 2001 edition of *AGENTSanswers*, we stated in an article on this issue that any honoraria paid to school trustees for attending board meetings will be considered reimbursement of expenses and will be exempt from income tax. This is not correct.

Although the main purpose of the article remains the same, these payments should not be classified as being exempt from income tax. They are regarded as expenditure incurred in the production of the withholding payment, and therefore deductible against the withholding income. For further details please refer to the August 2001 edition of *AGENTSanswers*.

Subscriptions

Electronic *AGENTSanswers*

Last year we asked you whether you would like to receive this newsletter electronically—either by email, from our website, or by some other electronic medium. Responses indicated that email was the preferred method for receiving updates from us.

In view of continued requests, we are pleased to advise that you can now receive *AGENTSanswers* as an email attachment, with the option of reading it online on our website.

You can register by completing the *AGENTSanswers* subscription at www.ird.govt.nz/subscriptions

We will continue to send a paper copy to all those currently on our mailing list.

What's new on our website?

We would like to remind our website users that all new items are initially posted to the "What's new" page on our website, which can be accessed from the homepage.

If you would like to be notified each time we update this page, please subscribe to the "What's new" mailing list by completing the "What's new" subscription at www.ird.govt.nz/subscriptions

If you were previously registered with Netmind for these updates, please re-register with us—we now provide this service.

This service allows you to keep up-to-date on new policy, legislation, and other developments without having to visit our site first.

Breaking news

You may now use our website to either subscribe or unsubscribe for "breaking news" emails. The subscription facility can be found on the tax agents' page at www.ird.govt.nz/taxagents

If you have already registered for this service, there is no need to re-register.

Email requests can still be sent to tax.agent@ird.govt.nz if you do not have internet access.

Note from the editor

If our 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

AGENTSanswers is also on our website:
www.ird.govt.nz/business/tax_agents/index.htm