

Transfer issues

If you have had a request for a transfer declined and you believe your request has been actioned incorrectly, you need to refer the case to your agent account manager for review.

Call Management update

We recently took the opportunity to review aspects of our Call Management service to identify ways that would further develop and enhance the service you receive.

This review has led to the call centres moving towards a degree of specialisation. For example, we moved student loan enquiries to Hamilton and the majority of tax agent enquiries to Christchurch.

From Monday 11 February, the Christchurch and Wellington Call Centres have been answering all tax agents' enquiries. While Christchurch is handling most of the calls, the two sites will continue to work closely together to get the best result. Wellington is continuing to service the extended window until 8 pm weekdays and Saturday mornings.

Having this degree of specialisation allows us to further focus on skill development and consistent business processes to meet your needs.

Feedback is welcomed as part of our desire for continued improvement. In particular, we would like to hear about the things we do really well as well as the ways we can improve.

You can provide this directly to the Christchurch Call Centre Manager, Sharon Threadwell, by email at agents.line@ird.govt.nz

E-Filed returns

There are an increasing number of returns being E-Filed without an *Accounts information (IR 10)* form attached. Although the returns are still processed, you may be contacted later to provide the financial information.

When tax agents register to use our E-File system, a declaration is signed stating they have read and understood the terms of reference and agree to fulfil their obligations as an E-File user. One of those obligations is to "send an *Accounts information (IR 10)* form with all tax returns that have business accounts."

To maintain an efficient system for us all, please ensure that you file the returns with an IR 10 if they are required. Refer to guidelines on filing for more information or contact the E-File support team.

If you have another staff member entering this information for you, please pass this message on to them.

Resident withholding tax (RWT) certificates from Inland Revenue

From 20 April 2002 we will be progressively issuing approximately 62,000 RWT certificates for the 2002 year.

These certificates reflect the use-of-money interest credited to clients' tax account(s) during the year ended 31 March 2002 and the RWT deducted.

We will also send you a letter, where necessary, advising you of any adjustments made in the current year that relate to a previous year's interest calculations.

2001 income tax returns – late filing penalty and removal of clients' EOT

This is a reminder to tax agents who have return filing responsibilities for clients' 2001 income tax returns.

Under the compliance and penalties legislation, a late filing penalty may be applied to taxpayers whose 2001 income tax returns are still outstanding 30 days after a reminder letter issued by Inland Revenue, from late April 2002.

For income tax purposes, Inland Revenue's current practice is to limit late filing penalties to the IR 3 and IR 4 returns.

If the return outstanding is an IR 3 or IR 4, and a late filing penalty is imposed, the extension of time (EOT) for the 2001–2002 tax return will be withdrawn so that:

- any IR 3 or IR 4 return will be due by 7 July 2002. If their balance date falls in April to September, the due date will be the 7th of the month, four months after their balance date.
- their end-of-year payment date will revert to 7 February. If their balance date falls in October to February, the due date will be the 7th of the month, 11 months after the balance date.

In accordance with section 139A(5) of the Tax Administration Act 1994 the Commissioner is required to give not less than 30 days notice of his intention to impose the late filing penalty. This month we will be sending a letter to all clients whose return is still outstanding, advising them that the 30-day period has commenced.

The late filing penalty will be applied not less than 30 days from the date of this letter.

The following late filing penalties apply to taxpayers' annual income tax returns:

| Net income | Late filing charge |
|---|--------------------|
| Below \$100,000 | \$50 |
| Between \$100,000 and \$1,000,000 inclusive | \$250 |
| Above \$1,000,000 | \$500 |



Authority to act

Have you got written authority to act on behalf of clients and access information from Inland Revenue?

Without exception all agents must hold on file a signed authority from each client for the tax types and activities for which they are to represent them. Without this authority, the Privacy Act 1993 and the Tax Administration Act 1994 prohibit us from discussing the client's tax affairs.

Please check your files and if necessary ask your clients to help you update your records.

Ceasing a client's registration

Do you want to cease a client's registration for a particular tax type and then delink them? A form is available for you to do this. You will only have to contact Inland Revenue once when you use the *Ceasing a client's registration (IR 794)* form.

This form can be used for all of your client's tax type cessations except GST. More information is needed before we can cease your client's GST registration.

This form also allows you to update your client's address details so that you do not continue to receive mail.

The IR 794 is available from our website and the Tax Agents' CD Rom, or you can request copies through INFOexpress or StationeryXpress.

Reminder for employers to file their schedules on time

Please remind your clients who are employers of the following end-of-year requirements.

As you supply PAYE information for your employees on employer monthly schedules, you do not need to do an end-of-year reconciliation. It is vital that monthly schedules are accurate and filed on time so the information we give taxpayers on their end-of-year summary of earnings and personal tax summaries are accurate.

Any inaccuracies could produce enquiries and delays for both employers and Inland Revenue.

We'd like to remind you that the schedule for the period ending 31 March is due to be filed by 20 April. This is the final schedule for the tax year 1 April 2001 to 31 March 2002, and we need it to accurately finalise the information that's provided to your employees.

Requirements for non-resident contractors simplified

Withholding tax requirements for non-resident contractors who come to New Zealand to work for short periods each year have been simplified.

Payments to non-resident contractors are subject to a 15% withholding tax, unless the contractor holds a certificate of exemption from tax in New Zealand. Non-resident contractors—or their employers—must apply for this exemption, even if they are exempt from paying tax in New Zealand. For example, if the non-resident is from a country with which New Zealand has a double tax agreement that exempts the contract activity being undertaken.

From 1 April 2002, non-resident contractors will no longer be required to apply for a certificate of exemption from withholding tax if they are:

- eligible for relief under a double tax agreement, and
- present in New Zealand for less than 62 days in aggregate in any 12-month period.

This measure was one of those proposed last year in the Government discussion document *More time for business* that looked at tax simplification from the perspective of small business. Many of the submissions received supported the proposal.

More information will be available in the forthcoming *Tax Information Bulletin* Vol 14, No 3.

Contact details for enquiries are:

| | |
|-----------|----------------------------|
| Telephone | 04 802 6056 |
| Fax | 04 384 5883 |
| email | nr.contractors@ird.govt.nz |

PAYE running totals available

Provided your client is linked to you for PAYE, you can obtain details of your client's gross earnings and PAYE deductions running totals.

The information can be obtained through INFOexpress account balances.

The gross earnings amount that INFOexpress relays to you will not be correct if that gross was reassessed during the year. You will need to refer to your client's records to take into account adjustments to gross earnings through reassessments.



ACC earner levy rate

From 1 April 2002 the ACC earner levy rate increased from 1.1 cents (GST-inclusive) in the dollar to 1.2 cents.

The annual maximum earnings on which earner levy is payable has increased from \$85,795 to \$87,185. Also, from 1 April 2002 earner premium is known as earner levy.

These changes have been included in the tax tables, which apply from 1 April 2002.

Requests to amend FBT fourth quarter or annual returns for 31 March 2001

If you elected the 64% option in a client's fourth quarter or annual FBT return for the year ended 31 March 2001, and then requested a reassessment to use the multi-rate option, which was declined, you should now resubmit your request.

A change in policy means that we will now allow requests for reassessments to use the multi-rate option, when the 64% option was previously used. As we are unable to identify those clients who may be affected, we are asking you to resubmit your request in writing.

Delegation of authority cards (warrants)

We are changing the format of the cards which staff use to identify themselves. The new cards are plastic and show the staff member's photograph with their name and job title.

The introduction of the new format will be a gradual process. During this transitional period, you may still see some staff using old cards.

We will let you know on our website when each site has fully replaced their cards. After that date, the old cards will be obsolete in that area.

FBT filers' prescribed interest rate for loans

For the quarter beginning 1 January 2002 the prescribed rate of interest for calculating the fringe benefit value of low-interest loans to employees is 6.7%. This is a decrease from the previous quarter's rate of 7.19%.

Trans Tasman triangular tax discussion document

The Trans Tasman triangular tax discussion document was released recently by New Zealand Finance and Revenue Minister Michael Cullen and Australian Treasurer Peter Costello.

Triangular taxation occurs where Australian shareholders in a New Zealand company operating in Australia are unable to access Australian-sourced franking credits. The same problem applies in reverse for New Zealand shareholders in Australian companies operating in New Zealand.

The mechanism under consideration is one that allocates both Australian franking credits and New Zealand imputation credits to shareholders in proportion to their ownership of a company.

The discussion document is available in electronic format at www.taxpolicy.ird.govt.nz or www.treasury.gov.au and submissions close on 3 May 2002.

Family assistance – rollover

In early March we issued letters to you or your clients regarding family assistance to ensure, where appropriate, family assistance customers will continue to receive their entitlement after 31 March.

These letters contained:

- income estimates we calculated based on the information from customers' one-off registrations, or
- income estimates we calculated based on the information received from customers' employers, and
- family details held by us from customers' one-off registration or any subsequent changes made.

It would be appreciated if you could please check these letters, or encourage your clients to do so, to ensure the details we have are correct. If there are any changes please contact us.

Family assistance certificates of entitlement were issued on 13 March and were based on the information we held at that time.

For more information

If you would like further information about family assistance please refer to the *Family Assistance guide (IR 200)* which is available on our website and the Tax Agents' CD Rom, or contact your agent account manager. Alternatively, phone us on your tax agents' toll-free number.



End-of-year family assistance square up

We have noticed an increased number of tax agents including FS 2 computer schedules with their clients' 2001 income tax returns.

FS 2 forms can only be used for the 1999 year or earlier. We are unable to process FS 2 forms for any periods after 1999.

For 2000 and future years use the *Family Assistance (IR 541)* form. These are issued showing all the information we hold for the customer. If your client is required to file an IR 3, please show amendments on the IR 541 and return it with the customer's return. If your client receives a personal tax summary, please phone us to make any changes.

A family assistance square up form is automatically sent to anyone who has a current family assistance record with us. We send these around the same time as IR 3 income tax returns or with the customer's personal tax summary. If you need an IR 541 please phone the agents' line to request one.

Family assistance and requirement to file a tax return

Last year some tax agents filed IR 3 income tax returns for all clients who received family assistance.

If an individual taxpayer is exempt from filing a tax return under section 33A(1) of the Tax Administration Act 1994 and, they or their partner receive family assistance, they will be issued a personal tax summary. In these circumstances please do not file an IR 3 income tax return.

There were also cases where IR 3 income tax returns were filed for customers who only had income from salary/wages or benefit/pension and not self-employed/rental or other non-taxed income. These customers are no longer required to file an IR 3 return, but in some cases they may be sent a personal tax summary.

If they don't automatically receive a personal tax summary they can request one. Alternatively, they must request one if any of the following situations apply:

- they earn over \$38,000 and have over \$200 interest taxed at the wrong rate
- they are liable to pay child support and earn over \$200 in interest and dividends
- they have a student loan and earned over the repayment threshold and over \$200 in interest and dividends.

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
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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