



Inland Revenue
Te Tari Taake

IR9XA
April 2019

Tax agents' extension of time (EOT) agreement

**For filing period 1 April 2019
to 31 March 2020**

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Extension of time (EOT) arrangements for 2019 returns

Introduction

Legislation extends the time tax agents have to file their clients' tax returns up to 31 March each year.

The extension of time (EOT) agreement sets out the guidelines for the percentage of returns to be filed by certain dates throughout the year.

It makes provisions for excluding clients from the 31 March target percentage if they're late providing you with the information necessary to file a return.

It also allows for special arrangements where a client's return is affected by exceptional circumstances.

Chartered Accountants Australia and New Zealand (CA ANZ), and Inland Revenue annually negotiate the administrative details of applying an automatic EOT to agents.

This agreement is applied by Inland Revenue to all tax agents, whether or not they're members of CA ANZ.

Why have an EOT?

Legislation requires income tax returns to be filed by 7 July each year. However, the Commissioner can give the clients of tax agents an extension of time to file income tax returns up to, but not beyond, 31 March of the following year. Refer to page 8 for legal references.

Realistically tax agents couldn't prepare all returns by 7 July, so the EOT agreement lets:

- tax agents spread return filing over a year rather than in one peak period
- Inland Revenue maintain an even flow of tax returns over a 12-month window and ensure no work is carried over to the next filing year.

EOT filing guidelines and dates

Interim dates are provided each year as a guideline to help you meet the requirement to file 100% of your clients' returns by 31 March. If some returns can't be filed by 31 March 2020 this agreement sets out how these will be managed.

As well as a guide to file 100% of returns by 31 March, interim dates also help us manage the processing of the returns filed.

If you fail to file 90% of returns as at 31 March, we'll issue a caution. Your EOT arrangement may then be supervised by your account manager for the following filing year.

Interim guideline dates

If you haven't negotiated personal dates, the following interim dates apply as your guidelines:

- 40% of clients' returns filed by the second Friday in September 2019
- 60% of clients' returns filed by the second Friday in November 2019
- 80% of clients' returns filed by the second Friday in February 2020.

These dates are to help you meet the required:

- 100% of clients' returns filed by 31 March 2020.

We'll send you a letter to remind you of your filing requirements and your current filing % before each interim date. If you use myIR the letter will be sent as an electronic document to all Owner and Administrator web logons.

Negotiated personal guidelines - genuine reasons

If you failed to file at least 90% of 2018 returns as at 31 March 2019 you would have received a caution and your account manager may be supervising your EOT arrangement for the filing of 2019 returns.

This may include negotiating interim guidelines that better suit your business, but still with the requirement to file 100% by 31 March 2020.

Linking and EOT

When you link a new client you'll automatically be given an EOT unless the client has two or more returns outstanding.

Two or more returns outstanding

New clients with two or more returns unfiled at the time of linking (Returns overdue EOT) won't be entitled to an automatic EOT for the current year.

If you take on a client and find they have returns outstanding for two or more years, there are two alternatives:

1. If the returns identified aren't required to be filed, call the tax agents' line.
2. You or the client may apply for an individual EOT arrangement under section 37(3) of the Tax Administration Act 1994.

Requesting information to file returns

Inland Revenue and CA ANZ agreed on the following process to help tax agents obtain information so they're able to file a return for their client.

Deferred status for clients with exceptional circumstances

We can't give an EOT beyond 31 March because we're constrained by legislation. However, in some circumstances clients can't file their returns by 31 March through no fault of their own. In these situations you can apply for deferred status in myIR (under the Tax preparer tab) and we'll change the client's EOT status to Deferred if they have an EOT status of:

- Granted, or
- Letter issued (L letter requesting information) for the current year.

After 31 March, these clients will automatically be restored to the agent's client list for filing their 2020 returns.

The deferred status request is only available in myIR between 1 August and 20 March the following year. It is not available to Restricted user web logons. Owner and Administrator web logons can apply for any client that meets the criteria, but Users must have the client's income tax account in their workspace.

Late provision of information (L letter)

If a client has an EOT and is late providing you with all the necessary information to complete their returns, you can issue a reminder letter in myIR (under the Tax preparer tab) or by calling our 0800 tax agents' self-service line (0800 456 678).

You can now issue an L letter for clients with an overseas address.

Note

The letter is issued in the name of Inland Revenue. It won't be attributed to you or your agency and can't be used for clients who don't have an EOT. It reminds clients they haven't provided their tax agent with enough information to file a return. A copy of the L letter is on page 7.

The L letter is only available in myIR and on the tax agents' self-service line between 1 August and 14 February the following year.

Request to withdraw a client's EOT

You can request the withdrawal of a particular client's EOT at any time by writing to your account manager or calling the tax agents' line.

Returns outstanding after 31 March 2020

Any 2019 tax returns outstanding after 31 March 2020 will be subject to enforcement action. We'll automatically withdraw your EOT for the client's 2020 tax return. To prevent any misunderstandings over actions we may take for overdue returns we'll maintain open communications with you. If you haven't filed 100% of your returns by 31 March, and we haven't heard from you, we'll contact the client direct to discuss their outstanding return.

Request to reinstate a client's withdrawn or returns overdue EOT

A withdrawn or returns overdue EOT may be reinstated for your client for the 2020 filing year if:

- the 2019 return and current outstanding 2018 return are filed before a late filing penalty is applied to the 2019 return, or
- it's unrealistic to expect the client to file their 2019 return before a late filing penalty is applied. Approval for reinstatement of the client's EOT may be negotiated provided:
 - the reasons for not filing the 2018 return by 31 March 2019 have been reviewed, and
 - where possible remedied, and
 - the agent has given us a written undertaking that their client's 2019 return will be filed by 31 March 2020.

Where a written guarantee can't be provided, an individual extension of time may be negotiated.

If you want to apply for an EOT reinstatement please contact us before any late filing penalty is charged on the 2019 tax return.

Filing performance as at 31 March 2020

If you've filed less than 100% of your client's returns by 31 March 2020 we'll take the following actions.

Where your performance is:

- 98% or better, we'll send you a letter of achievement and encouragement towards the ultimate goal of 100%
- less than 90%, we'll send you a caution and may supervise the EOT arrangement for your 2020-21 return filing year
- less than 90% as at 31 March 2019 and less than 90% as at 31 March 2020, we'll consult with you and may withdraw your EOT.

Withdrawing a tax agent's EOT

If your performance was less than 90% as at 31 March 2019, we may withdraw your EOT if your filing is below 90% as at 31 March 2020. This won't be done without first issuing a notice in writing that we're considering withdrawing the EOT and inviting you to discuss your circumstances with your account manager or Inland Revenue manager.

Reinstating a tax agent's EOT

If your EOT is withdrawn it won't be reinstated before the end of the 2020-21 filing year.

Any reinstatement of your EOT is at the discretion of the account manager and will be based on your past and present filing performance.

An EOT can't be reinstated before the next filing year.

List of tax agents

We may remove you or your agency from our list if the Commissioner is satisfied that continuing to list you as a tax agent would adversely affect the integrity of the tax system and/or you're not eligible to be a tax agent (after a thorough review).

For more information go to www.ird.govt.nz/taxagents/maintain

Reports

You can generate different reports in myIR to help you manage your return filing. These are available to be accessed in myIR at any time by Owner and Administrator web logons.

All the reports indicate:

- the period covered
- the date produced
- your agency's IRD number and name.

Client list report

This report provides an overview of the clients currently in the relevant client list who are linked to your agency. The overview includes:

- client IRD numbers, names and entity types
- what account types you are linked to for each client
- the current EOT status for each client
- the provisional tax method if your clients pay provisional tax
- your clients' account balances, and
- the number of any outstanding returns by account type.

It can be run in myIR and exported to excel.

Agency activity report

This report provides an overview of changes made to your clients. The report includes:

- linking and delinking requests
- EOT status changes
- transfer requests
- bank account changes
- refund redirect changes
- accounts not in your workspace, and
- accounts no one has subscribed to notifications for.

It can be run in myIR for up to six months of data at a time and exported to excel.

EOT dashboard

myIR now provides a lot of information that was previously in our reports. In myIR you'll be able to view:

- your agency's filing performance (you can also view the performance breakdown for your client lists), and
- how many clients have had an L letter issued or have Deferred status.

Copy of the "L letter"



www.ird.govt.nz



IRD number
Reference
Issued

Dear

Income tax return for the year ending 31 March ____

Your tax agent requires information to file this return

Your income tax return for the year ending 31 March ____ is due 31 March ____.

What you need to do

You need to provide the information required to file this return to ____ as soon as possible.

If your return isn't filed on time

If your tax agent doesn't get the information they need to file your return on time, it could result in:

- a late filing penalty charged to your account
- a default assessment (estimate of your tax liability) being added to your account
- withdrawal of your extension of time for filing future income tax returns
- prosecution for failing to file.

Your responsibilities

Even though you have a tax agent, it's your responsibility to make sure your return is filed by 31 March _____. Contact your tax agent to discuss when you'll provide your information to them.

If you've recently given your agent all the information they need, you don't need to do anything further.

Talk to your tax agent about future returns

Find out when you need to provide the required information to file your income tax returns on time.

Yours sincerely

Legislation relating to EOT

All references are to the Tax Administration Act 1994 (TAA).

Section 3

The definition in section 3(1) of the TAA sets out that a tax agent is a person who:

- is eligible under section 124C(3) of the TAA to be a tax agent, and
- is listed by the Commissioner as a tax agent, and
- has not been removed from the list of tax agents.

Section 124C

Section 124C sets out the eligibility criteria to be a tax agent.

A person is eligible to be listed as a tax agent if they prepare the returns of income required to be filed for 10 or more other persons and is:

- a person carrying on a professional public practice, or
- a person carrying on a business, occupation or employment in which annual returns of income are prepared and filed, or
- a person employed by a company that is a member of a group of companies, and returns of income are prepared and filed by the company for the group
- the Māori Trustee.

Section 124C also:

- requires the Commissioner to compile and maintain a list of tax agents, and
- explains how to apply to be listed as a tax agent.

Section 124E requires:

- the Commissioner to collect the names of key people from tax agent organisations, and
- a tax agent entity to provide certain information to the Commissioner.

Section 124G:

- allows the Commissioner to refuse to list someone as a tax agent, when listing the applicant as a tax agent would adversely affect the integrity of the tax system and/or the applicant is not entitled to make the application
- allows the Commissioner to remove someone from the list of tax agents, when continuing to list the applicant as a tax agent would adversely affect the integrity of the tax system and/or the applicant is not eligible to be a tax agent, and
- requires the Commissioner to provide certain information before refusing to list a tax agent or removing them from the list.

Section 37

Section 37(3) allows the Commissioner to give individual taxpayers an extension of time to file tax returns. This extension is decided on a case or class of cases basis to a date that the Commissioner thinks appropriate under the circumstances.

Section 37(4) allows the Commissioner to "extend a tax agent's time for furnishing a return of income for any taxpayer to a date that the Commissioner thinks proper in the circumstance, if the Commissioner is satisfied that:

- (a) the tax agent is unable to furnish the return of income on or before the date set by subsection (1), or
- (b) it would be unreasonable, having regard to the circumstances of the tax agent preparing the return, to require the return to be furnished on or before the date set by subsection (1)."

Sections 37(4B) and (5) allow the Commissioner to give tax agents' clients extensions of time to file income tax returns up to, but not beyond, 31 March of the following year.