

# AGENTS ANSWERS

Inland Revenue's tax agents' update

Issue No 135 • May 2011 • IR 787

## Help with lost or destroyed records after the Canterbury earthquake

Many business owners are now starting on the road back to normality. This includes sorting out their tax obligations. As their tax agent they'll look to you for help and this may cause difficulties for you if records have been destroyed or are inaccessible.



Although we won't be able to provide replacements for all your records we can provide significant tax information. There are a number of ways you can get this information and if you need help with any of the options or would rather talk with someone face to face, we can offer this too.

### Online access

If you're registered for tax agents' online services you can access the

following information for your client through "Look at account" information:

- account balances and summaries
- transaction details and earnings information
- return information for:
  - GST 101A
  - GST 103, note key points 16 to 28 won't be visible
  - IR 4J, this is via the ICA assessment
  - PAYE deductions and gross amounts from the EMS schedule via the PAYE assessment.

You can also view the status of a company and the date this status applied from.

### Phone options

You can access a significant amount of information for linked customers through the tax agents' line. The selections are listed on our *Tax agents' self-service calling aid (IR 358)*. Simply call 0800 456 678 and follow the instructions to get:

- account balances and statements
- forms and returns, and printouts of current accounts
- summary of earnings and personal tax summaries.

On Thursday 23 March our tax agents' line (0800 377 779) re-opened. The line is available from 8 am to 6 pm Monday to Friday, and 9 am to 1 pm on Saturdays. We anticipate high demand on this line so please use our online services to complete as many transactions as you can, before calling us.

You'll find relevant online services for tax agents at:

[www.ird.govt.nz/taxagents/online-services/returns/](http://www.ird.govt.nz/taxagents/online-services/returns/)

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**Inland Revenue**  
Te Tari Taake

### Welcome to Agents Answers

In this issue: Help with lost or destroyed records after the Canterbury earthquake, return and payment extensions of time, your tax credit can help victims of the Christchurch earthquake, access to our Christchurch building, trust IRD number applications must include complete deed, cashing up annual holidays, new GST rules apply for all goods and services acquired after 1 April 2011, new fax number for non-individual IRD number applications, changing a PIN through the tax agents' 0800 self-service line, NRWT treatment of interest paid to Australian financial institutions, election to change a balance date, new standard practice statements for instalment arrangements, applications for strike-off must be complete, Working for Families entitlement – Immigration Act changes, completing your employer monthly schedule.

*If you have any suggestions for topics you'd like covered in this newsletter, email [agents.answers@ird.govt.nz](mailto:agents.answers@ird.govt.nz)*



## REMINDERS

**31 May:** IR 3 taxpacks issued in May should have been received. If your client hasn't received theirs, you can request one from "Get it done online".

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## How our people can help

We now have people on the ground in Christchurch although our usual office is still closed.

Also your Agent Account Managers are back at work in Christchurch and just a phone call away. If you have no luck getting what you need using any of the options above they'll help you access records we hold for your linked clients.

## Late dispute documents

If you have clients who've been directly affected by the Christchurch earthquakes who can't get

documents for a disputes process to us in time, please have them contact us as soon as possible. We'll consider each case individually. Section 89K of the Tax Administration Act 1994 lets us accept late dispute documents as being received in time under exceptional circumstances, such as this earthquake.

Where you know a dispute document is required but hasn't been sent to us, you'll need to:

- send it as soon as possible, and
- contact us to agree to a new timeframe.

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## Return and payment extensions of time – Christchurch earthquakes

A recent Order in Council gives Inland Revenue the discretion to grant return filing and payment extensions of time for those affected by the Christchurch earthquakes.

A time limit can be extended if:

- you're unable to comply with the limit because of the earthquakes or aftershocks, and
- it would be fair and equitable to do so in the circumstances.

Examples of time limits that may be extended are dates for:

- filing income tax returns
- providing information required by us
- making tax payments.

If you have clients who aren't able to file their returns or pay their tax on time, you'll need to contact your Agent Account Manager.

We may ask for information to support your request for an extension of time.

If the conditions imposed on the extension aren't met, or information provided to us about an individual's circumstances is misleading, then the original time limit will apply and the normal consequences of lateness will apply from that original date.

We've tried to stop notices going to people affected by the Christchurch earthquake, but our systems are automated and some notices may have gone out. If these notices show penalties and interest have been charged please contact your Agent Account Manager. They have the ability to remit these.

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## Your tax credit can help victims of the Christchurch earthquake

If you, your staff or your clients are entitled to a tax credit for donations, childcare or housekeeper payments this year, your refund can be given to help the victims of the Christchurch earthquake.

All you need to do is complete the "Transferring your tax credit" section at the bottom of your *Tax credit claim form (IR 526)* and Inland Revenue will pass your refund on to the Government's Christchurch Earthquake Appeal on your behalf.

To transfer all or part of your credit, insert the following details in the "Transferring your tax credit" section as shown here and fill in the amount you want to transfer:

Transferring your tax credit  
If you want to transfer your tax credit to your or someone else's income tax account, enter the details here.

7D IRD NUMBER 106497389

TRANSFER TO YEAR ENDING  
31 March 2011

Name of person receiving the tax credit  
Christchurch Earthquake Appeal

8D \$

For more about the Christchurch Earthquake Appeal go to [www.christchurchearthquakeappeal.govt.nz](http://www.christchurchearthquakeappeal.govt.nz)

## Access to our Christchurch building

Our office is in the red zone and we're not sure when we'll be allowed full access to it.

When the earthquake struck on 22 February we were processing returns and payments in this office. We hadn't been able to enter the building until recently and there may still be some returns and payments in it.

If you think we haven't processed your client's return or payment please resend the return and, if you can, make the payment.

Send your return and payments to:

Inland Revenue  
PO Box 39050  
Wellington Mail Centre  
Lower Hutt 5045

## Clients who've been charged bank fees

If your client cancelled a cheque and sent a new payment to us they may have been charged cancellation fees. Your client's bank may reverse these. If the bank won't reverse them please call us on 0800 473 566.

## If you can't file the return or make a payment

Remember, we can grant return and payment extensions of time for people affected by the Christchurch earthquakes. If you have clients who aren't able to file their returns or pay their tax on time, please contact your Agent Account Manager.

## Trust IRD number applications must include complete deed

When applying for an IRD number for trusts or charitable trusts we used to ask you to send a copy of the pages from the deed containing the start date and name of the trust and signatures of the trustees, and not to send the complete deed. Our requirements have since changed and the complete deed (or a copy of it) should now be sent with the IRD number application for a trust.

## Cashing up annual holidays

In the April issue of *Agents Answers* we ran a brief article on changes to the Holidays Act. For those of you with employer clients or who employ agency staff the following explains in more detail the tax implications of cashing up annual holidays.

If an employee and employer agree to cash up a weeks annual leave it should be treated like an extra pay or unexpected bonus. As it's taxable income, PAYE should be withheld by employers using the rates for extra pays. Employees may need to check the correct amount of PAYE has been withheld over the tax year.

Employee's child support liabilities and Working for Families Tax Credits entitlements may also need to be adjusted if their family income has changed.

## New GST rules apply for goods and services acquired after 1 April 2011

New rules replace the old change-in-use rules with an approach that apportions input tax deductions (input tax credit) in line with the actual use of the goods and services. In summary, the rules operate as follows:

- When goods or services are acquired, the portion of GST a registered person can claim a deduction for is based on the intended taxable use of the goods or services with some exclusions applying.
- In subsequent periods, when a change to the actual taxable use occurs from what was first intended, a GST adjustment within an adjustment period must be made. A number of exemptions may apply.
- Specific periods known as "adjustment periods", are where a GST adjustment must be made if there has been a change in use, if applicable.
- A maximum number of adjustment periods apply based on the asset's value or estimated useful life.
- Special "wash-up" rules apply when goods and services that have been subject to the apportionment rules are sold or the person deregisters.

You can find more on the new adjustments in the *Tax Information Bulletin* Vol 23, No 1 (February 2011) at [www.ird.govt.nz](http://www.ird.govt.nz)

## Applying the old adjustment rules for goods and services acquired before 1 April 2011

GST-registered persons must continue making GST adjustments using the old rules for non-taxable use based on the market or book value of those goods and services before 1 April.

Adjustments under the old rules for goods and services other than land will cease on the following dates:

- \$5,000 or less, no adjustment after 1 April 2011
- more than \$5,000 but not more than \$10,000, no adjustment after 1 April 2013
- more than \$10,000, no adjustment after 1 April 2016.

Once these dates have passed, no further adjustments for change in use can be made, even though an asset may still be held after these dates.

Find out how to make these adjustments at [www.ird.govt.nz/gst](http://www.ird.govt.nz/gst) "GST adjustments before 1 April 2011".

**These rules don't apply to land.**

## New fax number for urgent non-individual IRD number applications

There's a new fax number for urgent non-individual IRD number applications, ie those requiring a 24-hour turnaround. The new number is **07 958 2952**.

For non-urgent applications and registrations, please fax 07 958 2951.

## Changing a PIN through the tax agents' 0800 self-service line

Did you know your firm's regular (agent) PIN can be reset through the master PIN? A principal and/or a senior staff member will hold the master PIN and can complete this in a couple of minutes taking the following steps.

1. Dial 0800 456 678.
2. Enter your tax practitioner IRD number and press the hash key (#).
3. At the voice prompt for master account enquiries, press 2 then enter your master PIN and press the hash key (#).
4. Press 5 to "change your PIN".
5. From here you have the choice of changing your regular or master PIN.

Remember only a master PIN holder can reset the regular PIN.

## NRWT treatment of interest paid to Australian financial institutions

The Commissioner has been asked to clarify Inland Revenue's position on whether New Zealand residents who borrow money from Australian financial institutions to purchase residential investment properties in Australia are liable for non-resident withholding tax (NRWT) on the interest payable.

Different fact situations could arise but the response considers the two most common situations, where:

- you manage the property or properties yourself (situation A), and
- a property manager in Australia manages the property or properties for you (situation B).

In every case, you'll need to consider your own situation. However, in general terms the following applies:

- If the Australian financial institution to which you pay interest has a branch in New Zealand, in both situations A and B the NRWT rules **will not** apply to the interest because the financial institution has a fixed establishment in New Zealand.
- If the Australian financial institution to which you pay interest doesn't have a branch in New Zealand, the outcomes between situations A and B may differ.

For full details go to [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: qb 11/01).

## Election to change a balance date

Standard practice statement SPS 08/04 outlines Inland Revenue's practice for considering an application for a change of balance date for income tax purposes. A request can be made either in writing or over the phone. Below are the accepted situations for making a request.

1. The elections must be **in writing** where:
  - (a) taxpayers adopt an alternative balance date if they consider 31 March is an inappropriate balance date due to the circumstances of their business activity, or
  - (b) taxpayers align balance dates for business entities with a close working relationship, where they share a common business/management accounting system or central administration structure with an approved non-standard balance date, or
  - (c) managed funds want to adopt a balance date common with a fund manager or trustee when it can be demonstrated a parent subsidiary-like relationship exists between parties, or
  - (d) entities deemed to be agents of non-resident insurers file "as agent" returns in terms of section HD 16 of the Income Tax Act 2007.
2. Tax agents can apply for a non-standard balance date **by phoning** 0800 377 779 where:
  - (a) a client wants to adopt a recognised industry balance date as listed in Appendix A of SPS 08/04, or
  - (b) a shareholder-employee wants the same non-standard balance date as a company to which their shareholding relates, where earnings from the company are their primary source of income, or
  - (c) a continuing estate wants to adopt a balance date that coincides with a deceased taxpayer's date of death, or
  - (d) a subsidiary company wants to align to the balance date used by a parent company, or
  - (e) a non-resident taxpayer wants to adopt a balance date applicable in their country of residence, when they perform a business activity in New Zealand that has a centre of management outside New Zealand (this doesn't apply to passive investment income).

The anniversary date of the commencement of a business isn't a valid reason for a balance date other than 31 March.

Elections to change a balance date for reasons of tax deferral or tax avoidance, or to take advantage of any tax incentive or concession, won't be accepted.

If you'd like to discuss this standard practice statement, please contact your Agent Account Manager. You can read SPS 08/04 – *Elections to change a balance date* at [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: SPS 08/04).

## New standard practice statements for instalment arrangements

The following standard practice statements (SPSs) have been released.

### SPS 11/01: Instalment arrangements for payment of tax

This SPS sets out Inland Revenue's practice when considering applications for financial relief by way of an instalment arrangement under section 177 of the Tax Administration Act 1994.

### SPS 11/02: Child support debt – requesting an instalment arrangement

This SPS sets out Inland Revenue's practice for providing relief when the immediate payment of an overdue child support obligation isn't possible. The relief is provided in the form of an instalment arrangement to pay the debt.

### SPS 11/03: Student loans – relief from payment obligation

This SPS sets out the forms of relief that Inland Revenue can consider where serious or significant financial hardship is experienced in making payment of student loan repayment obligations.

Full commentary on all three SPSs can be found in the *Tax Information Bulletin* Vol 23, No 2 (March 2011) at [www.ird.govt.nz](http://www.ird.govt.nz)

## Applications for strike-off approval must be complete

We've processed a number of requests asking for a no objection letter from us for companies to be removed from the New Zealand Companies Register.

A number of letters from agents simply quote the Companies Act section requesting removal from the register. However, the following information should also be provided:

- the date at which the company intends to wind up
- the reason the company is to be wound up
- what year the final returns will be for
- when the returns are expected to be filed (if not already filed)
- whether the company still has any assets and what will happen to these assets
- whether any assets have been distributed to shareholders or directors for less than market value (including debt forgiveness)
- a copy of the latest balance sheet must be attached if the company still has assets or liabilities
- what is being done about any outstanding returns or debts with us (if applicable)
- the name(s) of the contact person/director/agent for any future discussion/questions
- any other relevant information.

## Working for Families entitlement – Immigration Act changes

The Immigration Act 1987 has been repealed and replaced with the Immigration Act 2009 effective from 29 November 2010.

Although the criteria for getting entry and residence to New Zealand haven't changed, the documents that Immigration New Zealand issues to those entering the country have. This will impact on who we now consider to be lawfully resident in New Zealand under the definition "New Zealand resident" (section MA 8 of the Income Tax Act 2007). This definition must be met to qualify for Working for Families Tax Credits (WfFTC).

The following are the new documents issued by Immigration New Zealand:

- **Resident visa** – once an individual has been granted entry to the country on this document, they're entitled to stay indefinitely. They therefore qualify as lawfully resident for Inland Revenue purposes.
- **Permanent resident visa** – once this has been granted, an individual can come and go as they like. Again they would qualify as lawfully resident.
- **Temporary entry class visa** – the New Zealand resident definition in section MA 8 specifically excludes the holders of these visas from getting WfFTC.

Australians are still exempt from the requirement to have a visa, so they are lawfully resident without needing any documentation from Immigration New Zealand.

Since the change, resident permits aren't being issued nor are returning resident visas. However, those who had a resident permit issued prior to the change will still be lawfully resident. Those who had a returning resident visa issued under the old system will also translate across to the new system and will qualify for WfFTC because they're entitled to stay indefinitely.

If you have new New Zealanders in your client list and are unsure of their entitlement to WfFTC, please call the tax agent line on 0800 377 779 for clarification.



## Completing your employer monthly schedule

We've identified some common errors occurring when employers complete their manual/paper-based employer monthly schedule (EMS). We want to process your EMS as quickly and efficiently as possible so here's a checklist to help you.

Please send your IR 348 to us **before** the due date, it's best not to leave it until the last day!

### IRD number checklist

- IRD numbers will have 8 or 9 numbers. If 9 they will start with 10X-XXX-XXX.
- Other numbers are not valid, eg, 999 or 111.
- To process KiwiSaver deductions we need an IRD number.
- If you can't provide an IRD number you must use the no-notification rate (ND) of 47.04%.

### KiwiSaver checklist

- Check you're familiar with automatic enrolment criteria, how to calculate KiwiSaver and when compulsory employer deductions are required.
- Make sure employees are 18 or over before you automatically enrol them in KiwiSaver. Employees must also be a New Zealand resident and less than 65 years old.
- KiwiSaver employer contributions must be 2%—this is regularly not calculated correctly on holiday pay and final pay.
- You'll need to complete a *KiwiSaver employee details (KS 1)* form. The full address of your employee is compulsory. You can send your KS 1 to us before your EMS.
- When completing the *New employee opt-out request (KS 10)* form you must include your IRD number, name and address. Also include your employee's start date.
- Make sure the total KiwiSaver is the sum of the KiwiSaver deductions you've made for your EMS period.
- KiwiSaver is calculated on gross salary or wages, which generally means total salary, wages or allowances, including bonuses, commission, extra salary, gratuity, overtime and other remuneration before tax. KiwiSaver isn't deducted from:
  - redundancy payments
  - the value of providing board or lodging, or use of a house or part of a house, or the payment of an allowance instead of the provision of this benefit
  - the value of overseas accommodation and cost of living allowances.

### Completing the correct fields

- Make sure you complete student loan and child support deductions in the correct column (if applicable).
- If you only have one employee you still need to complete all applicable fields for that employee, including the totals.
- Only include employee(s) details once, don't repeat them on the other side of the page.
- WT tax code—make sure the same amount is included in both the "Gross earnings and/or schedular payments" column and "Earnings and/or schedular payments not liable for ACC earners' levy" column.
- M tax code—make sure you complete only the "Gross earnings and/or schedular payments". You only use the "Earnings and/or schedular payments not liable for ACC earners' levy" column if there's redundancy or the earnings are over the maximum for ACC purposes.
- Write clearly and inside the boxes, and use a blue or black pen to complete the EMS. Don't use red or green pens or vivid markers.
- If the amount is 0.00 please leave it blank. Don't write "NIL" as our image machine can read this as \$1.11.
- Only complete "start and finish" dates when your employee commences or ceases employment.

### Amendments to your EMS

Sometimes an error is made on an employee's earnings. For changes for one or two employees call us on 0800 377 772 or send a message by secure online services. Alternatively, complete an *Employer monthly schedule amendments (IR 344)* form and return it to us.

Negative amounts can't be accepted as the adjustment needs to be made in the same month the error occurred.

For more information go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: employer returns).

You can also read about common errors when filing your EMS electronically in our April *Business Tax Update*, under "Newsletters and bulletins".

