

# THE T.I.B. READERSHIP SURVEY

## We asked, You told us, and Here's the Result

In Tax Information Bulletin No 5 of November 1989, we included a questionnaire to find out what our readers thought of the T.I.B., and more importantly, what you would like to see changed in it.

Beginning with this issue, the format will change slightly, to take into account the opinions given in the replies to the survey. As well as the present technical items, future issues will contain articles of more general interest, where these come to light. Since the first T.I.B. issue was released twelve months ago in July 1989,

we've started re-numbering from 1 again, and made this year's issues Volume Two.

The majority of respondents to the survey preferred the present two-column layout of the bulletin, and the separation of the extremely technical material into a separate appendix, so these features will not change.

To all our readers who replied to the survey, a Big Thankyou; your input was appreciated.

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## TARANAKI, WANGANUI AND HOROWHENUA FLOODS

### RELIEF FOR FARMERS AND GROWERS AFFECTED

#### INTRODUCTION

At a meeting on 7 May 1990 Cabinet agreed to special assistance for farmers and growers affected by flooding in January and March 1990 for bona fide farmers within the following geographic region:

- the broader Taranaki and southern King Country regions bounded by the coast in the west from New Plymouth north to Awakino;
- from Awakino inland and north along Highway 3 to Mahoenui, then east in a straight line from Mangatupoto on Highway 4;
- from Mangatupoto south on Highway 4 to Wanganui;
- from Hawera northeast along Highway 3 to Stratford, west in a straight line through the Egmont National Park to the coast through Pungarehu and then north to New Plymouth.

Amongst other things, Cabinet approved early withdrawal of money deposited into Income Equalisation

accounts for farmers within the geographic areas defined above.

#### COMMENT

Farmers in the flood affected area will be able to take advantage of this decision by making use of the income spreading provisions of the Income Equalisation Scheme. Normally deposits made to the scheme can only be withdrawn after 12 months. Where an area has been declared an adverse event area the Commissioner of Inland Revenue has the authority to make refunds from the scheme at an earlier date. This will enable the income arising from the forced sale of capital stock to be deposited in the scheme and withdrawn when the stock is replaced. The scheme also provides for early refunds, from funds already deposited, where those funds are used to undertake development or repair work arising from the adverse event that was unforeseen at the time the deposit was made. The Commissioner can also authorise early refunds "to avoid the suffering by the taxpayer of serious hardship".

**Reference:** H.O. 10.F.1.2.

## **PROBLEM RESOLUTION SERVICE — WHAT CAN IT DO FOR YOU?**

Inland Revenue's Problem Resolution Service was set up in May 1989, to help people who are having trouble in their dealings with this Department. It is intended to be used where regular contact with Inland Revenue has failed to resolve a problem, rather than as a first point of contact.

If you are experiencing long delays in getting results from Inland Revenue, or if you have been affected by a decision or an action which seems unfair or incomplete, the first step is to see our staff at the counter, or to telephone or write to us. The majority of problems are solved in this way.

However, if this action is not successful, then the Problem Resolution Service can help. In each Inland Revenue office there is an experienced senior staff member who has been appointed Problem Resolution Officer. This person's task is to sort out (usually within 5 working days) situations where previous contact with the Department has not brought results.

Reprinted below is a list of the Problem Resolution Officers in each office, whom you should not hesitate to contact should the need arise.

| <b>OFFICE</b>      | <b>OFFICER</b>        | <b>STD</b> | <b>TELEPHONE</b> | <b>FACSIMILE</b> |
|--------------------|-----------------------|------------|------------------|------------------|
| Auckland (N-R)     | Lyndsay Stowers (Mrs) | (09)       | 774-760          | 392-565          |
| Blenheim           | Jeff Neal             | (057)      | 86-079           | 80-503           |
| Chch (Cashel)(A-K) | Murray Davis          | (03)       | 796-060          | 666-654          |
| Chch (Square)(L-Z) | Stephen Hayes         | (03)       | 798-500          | 656-459          |
| Dunedin            | Graeme McLean         | (024)      | 771-340          | 741-289          |
| Gisborne           | Keith Searle          | (06)       | 868-6039         | 867-8171         |
| Greymouth          | Tony Gibson           | (027)      | 7129             | 4827             |
| Hamilton           | Kevin Bradfield       | (071)      | 388-555          | 394-336          |
| Hamilton           | Jim Parkinson         | (071)      | 388-555          | 394-336          |
| Henderson (D-H)    | Reg Ratahi            | (09)       | 837-1249         | 837-1889         |
| Invercargill       | Paul Ford             | (021)      | 44-719           | 44-831           |
| Lower Hutt (H-R)   | Lee-Anne Oatham       | (04)       | 691-277          | 662-687          |
| Manukau (I-M)      | Linda Webber (Mrs)    | (09)       | 277-9580         | 279-8483         |
| Masterton          | Tracy Towns           | (059)      | 82-089           | 89-578           |
| Napier             | Debbie Moodie (Mrs)   | (070)      | 353-019          | 352-477          |
| Nelson             | Peter Scoon           | (054)      | 81-164           | 69-476           |
| New Plymouth       | Bob Richards          | (067)      | 80-539           | 85-058           |
| Oamaru             | Charlie Fulton        | (0297)     | 49-870           | 47-333           |
| Otahuhu (A-C)      | David Lampp           | (09)       | 276-1834         | 276-1327         |
| Palmerston North   | Ruth Hart             | (063)      | 75-199           | 69-065           |
| Porirua (A-G)      | Joe Climo (Mrs)       | (04)       | 374-249          | 379-598          |
| Rotorua            | Christine Groves      | (073)      | 470-469          | 462-000          |
| Takapuna (S-Z)     | Ron Murdoch           | (09)       | 461-511          | 497-713          |
| Tauranga           | Paul O'Connor         | (075)      | 779-929          | 785-540          |
| Te Aroha           | Phil Robertson        | (0819)     | 48-145           | 47-626           |
| Timaru             | Peter Hadlee          | (056)      | 48-848           | 86-791           |
| Wanganui           | Peter Bailey          | (064)      | 54-045           | 56-534           |
| Wellington (S-Z)   | Phil Steere           | (04)       | 859-809          | 852-306          |
| Whangarei          | Anne Puttnam          | (089)      | 482-539          | 489-608          |
| Head Office        | Laurence Gooding      | (04)       | 721-032          | 732-819          |

# THE RIGHT PEOPLE IN THE RIGHT PLACES

## How to find the person you need to see at Inland Revenue

If you need to sort something out with Inland Revenue, it helps if you know who it is that you need to see. To make this easier, we present the following list of more common situations, and the name of the Inland Revenue Programme whose staff will be best able to help you.

**Need help with filling in a Tax Return, or most other forms** - Taxpayer Services.

dealt with by another programme, you will be referred on to the appropriate people.

**Need to get a tax form(s) for an employer/employee, or for some other purpose** - Available from receptionist, or if you don't have time to come in, it can be posted to you - phone and ask for Stationery.

**Have a tax bill that is or shortly will be overdue, that you are having trouble paying** - Recoveries.

**Chasing up a refund or assessment that has been delayed** - Taxpayer Services.

**Wanting to make a voluntary disclosure to set your tax records straight** - Taxpayer Audit

**Following up a letter that you need a reply to** - Taxpayer Services in most cases; if your letter is being

**Contacted us previously, but still haven't got satisfactory results** - Problem Resolution Officer; BUT please read separate article in this issue about our Problem Resolution Service first.

If your situation doesn't fall into any of these, contact us with all the relevant information, and we'll find the right people to help you.

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## INLAND REVENUE COMPUTER PROGRAMMES

### Would you be interested in a copy?

Soundings received by Inland Revenue indicate that there are a number of Accountants and other Tax Practitioners who would be interested in getting hold of a copy of the computer programme that we use to work out the following:

Family Support Applications

Family Support Declarations

National Superannuation Surcharge

Special Tax Codes

This is not a request for orders, but we want to find out if there is sufficient demand to justify the release of these programmes. If you would be interested in obtaining any of these, please could you write to —

Bernadette Sheridan  
Communications and Programme Delivery  
Taxpayer Services Directorate  
P O Box 2198  
WELLINGTON

and state which of the programmes you are interested in.

The disks that we use are compatible with computers with MS DOS 3.3 or greater.

Responses may be faxed to Wellington (04) 733-250

# PROVISIONAL TAX ESTIMATES AND USE OF MONEY INTEREST

## - Cases that should not have been treated as Estimates -

### BACKGROUND

Individual taxpayers whose provisional income does not exceed \$100,000 are able to base their provisional tax on the past year's terminal tax plus 10%. This option is referred to as 'safe harbour'. These taxpayers are able to make additional voluntary payments, above the statutory minimum, without being exposed to the use of money interest provisions.

The Department has become aware of a number of cases where this voluntary payment has been incorrectly treated as an estimate. This has serious implications for taxpayers. Once a taxpayer makes a written election to pay provisional tax using the estimation option, it becomes binding and cannot be reversed. Where the end of year residual tax exceeds the estimated provisional tax, the taxpayer is charged interest under the use of money provisions. The Department pays interest on any overpayment.

### WHICH OPTION TO USE

It is therefore very important that 'safe harbour' taxpayers who wish to pay more than their statutory minimum do so by using Option 1, terminal tax plus 10%. This is the amount which will appear on their statements; any additional voluntary payments will be held as credits in their account.

Any taxpayer who indicates Option 3, Estimation, or completes the panels to show estimated income or estimated tax will be fully liable to the use of money interest provisions. This is so even when the taxpayer estimates an amount higher than the statutory minimum they are obliged to pay.

### POLICY

The crucial point is whether or not an estimate has been made. The following policy has been determined for individual taxpayers whose provisional income does not exceed \$100,000:

- a) Provisional taxpayers who paid more than terminal tax plus 10%, but did not stipulate the ESTIMATE option as the method of calculating their payments, are to be treated as having made voluntary payments. These taxpayers are not subject to the interest provisions.
- b) Provisional taxpayers who paid more than terminal tax plus 10%, and clearly indicated that the payments were calculated on the ESTIMATE basis, are subject to the interest provisions. Where the payment exceeds residual tax, they will be entitled to receive interest on the overpayment.

### APPLICATION

'Safe harbour' taxpayers, who believe they did not stipulate the ESTIMATE option but whose assessments include a charge for interest on use of money, should contact their local IRD district office.

District office staff will review all the documentation held to ascertain whether or not a valid estimate was made.

Only those taxpayers who clearly indicated that they wished to use the Estimate option will remain liable to the use of money interest charge. All other taxpayers will have the interest cancelled.

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## JOINT ASSESSMENTS AND IMPUTATION CREDITS

Inland Revenue has been asked for its view on the correct approach to crediting tax to imputation credit accounts (ICAs) where a joint assessment is issued under section 191(8) of the Income Tax Act 1976.

Where the Commissioner issues a joint assessment under section 191(8) in respect of companies in a group, credits arise in the ICAs of each company in the group for the amount of income tax that would have been assessed to each company had separate assessments of income tax been made.

Under section 191(8) the individual companies remain severally liable for income tax. It was never intended that a credit should arise to the imputation credit account of a company for tax paid by that company to satisfy the liability of another company.

The same principle applies to credits arising to the branch equivalent tax account.

## FRINGE BENEFIT TAX - PRESCRIBED RATE OF INTEREST

The Minister of Revenue, Peter Neilson, has confirmed that the prescribed rate of interest used to calculate the fringe benefit of low interest employment related loans will continue at 14.8 percent for the quarter commencing 1 July 1990. Mr Neilson said that any change in interest rates will be reflected in the prescribed rate of interest for subsequent quarters.

## **PUBLIC SERVICE MILEAGE RATES WITH EFFECT FROM 1 JULY 1989**

The following rates have been set for use by Public Service Employees who are required to use their own vehicles for Official Business.

The rates are shown in kilometres only. Distances recorded in miles should be multiplied by 1.609 to convert to kilometres.

To convert cubic inches to cubic centimetres, multiply by 16.387.

| <b>Motor Cars</b>           |                              |                             |                             |                             |
|-----------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Annual<br>Kilometres<br>Run | Up to 1000cc<br>cents per km | 1001-1350cc<br>cents per km | 1351-2000cc<br>cents per km | Over 2000cc<br>cents per km |
| 1-1600                      | 52                           | 58                          | 70                          | 80                          |
| 1601-3200                   | 44                           | 49                          | 58                          | 66                          |
| 3201-4800                   | 40                           | 44                          | 52                          | 60                          |
| 4801-6400                   | 38                           | 41                          | 49                          | 56                          |
| 6401-8000                   | 35                           | 38                          | 44                          | 50                          |
| 8001-9600                   | 32                           | 35                          | 40                          | 46                          |
| 9601-11200                  | 31                           | 33                          | 38                          | 43                          |
| 11201-12800                 | 30                           | 32                          | 36                          | 41                          |
| 12801 on                    | 29                           | 30                          | 35                          | 40                          |

When more than two passengers are carried, the above rates are increased by 1 cent per kilometre.

| <b>Motor Cycles, Motor Scooters, Mopeds and Power Cycles</b> |            |          |                |
|--------------------------------------------------------------|------------|----------|----------------|
| Annual<br>Kilometres Run                                     | Up to 60cc | 61-349cc | 350cc and over |
| 1 - 6400                                                     | 10         | 19       | 24             |
| 6401 on                                                      | 8          | 16       | 20             |

# SHEARERS' AND SHEDHANDS' ALLOWANCES

Crutching \$5.00 per 100 sheep  
(Includes hand piece, clothing and cutters and combs allowances)

This item sets out recently approved tax free allowances for shearers and shedhands.

## DETERMINATION

In terms of section 73 of the Income Tax Act 1976 the following allowances paid to shearers and shedhands are exempt from income tax.

### Shearers

Shearing \$10.00 per 100 sheep shorn  
(Includes hand piece, clothing and cutters and combs allowances)

### Shedhands

Clothing 50 cents per hour.

## APPLICATION

This determination will take effect as from 1 July 1990.

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## DUE DATES REMINDER

### July

14 Interest PAYE deducted during June 1990 due for monthly payers.

Dividend PAYE deducted during June 1990 due.

Non-Resident Withholding Tax deducted during June 1990 due.

20 PAYE Tax Deductions for first 15 days of July 1990 due - "Large" employers.

PAYE Tax Deductions for June 1990 due - "Small" employers.

FBT Return and payment due for quarter ended 30 June 1990.

### August

1 GST Return and Payment due for period ended 30 June 1990.

5 PAYE Tax Deductions for last 16 days of July 1990 due - "Large" employers only.

7 First Instalment of 1991 Provisional Tax due for taxpayers with April balance dates.

Second Instalment of 1991 Provisional Tax due for taxpayers with December balance dates.

Third Instalment of 1990 Provisional Tax due for taxpayers with August balance dates.

14 Interest PAYE deducted during July 1990 due for monthly payers.

Dividend PAYE deducted during July 1990 due.

Non-Resident Withholding Tax deducted during July 1990 due.

20 PAYE Tax Deductions for first 15 days of August 1990 due - "Large" employers.

PAYE Tax Deductions for July 1990 due - "Small" employers.

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*JULY 1990*

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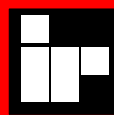
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*TAX INFORMATION  
BULLETIN*

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INLAND  
REVENUE

TE TARI TAAKE

THIS IS AN INLAND REVENUE DEPARTMENT SERVICE  
TO PEOPLE WITH AN INTEREST IN NEW ZEALAND TAXATION.