Taxation (Simplification and Other Remedial Matters) Bill

Commentary on the Bill

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Summary of proposed amendments

The changes proposed in this bill constitute a major simplification of the tax system, resulting in reduced compliance costs and a more efficient tax administration.

Under the present tax return filing system, many employees are required to file an annual IR5 tax return showing income received throughout the year and rebates claimed. About 1.2 million taxpayers file an IR 5 return each year. Employers have related responsibilities, including furnishing an annual reconciliation to balance the PAYE deductions they have made during the year. About 200,000 reconciliations are filed each year. The following amendments will remove these obligations:

- Inland Revenue will create income statements from the information supplied by employers and send automatically an income statement to:

  - certain people with a student loan;

  - those who receive, or are entitled to receive, family assistance; and

  - those who have had the PAYE or resident withholding tax (RWT) rules applied incorrectly.

  Income statements will be pre-printed with taxpayers' wage and salary information and related details.

  Consequential amendments are being made to child support, family assistance and the student loan scheme to allow use of income statements and the information they contain for purposes of administering these schemes.

- A new employer monthly schedule will combine all information currently provided by employers to Inland Revenue on a simple form. Large employers will be required to provide information electronically, and small employers will be encouraged to do so. The monthly schedules will be used to identify employees' invalid IRD numbers and incorrect use of tax codes.

- Taxpayers claiming donation and housekeeper-childcare rebates will complete a new annual rebate claim form. The extra-pay rebate is being repealed.

A number of supporting amendments improve the accuracy of the PAYE system, removing the need to reconcile deductions by means of tax returns:

- A simplified employee declaration form will replace the IR 12 and IR 13 tax deduction certificates, to be completed only when employees start work or change their tax code.

- Easier tax codes are proposed to help employees select the correct PAYE code for use during the year.

- The PAYE non-declaration rate for taxpayers who do not give employers their tax code and/or IRD number will be increased from 33% to 45% from 1 April 1999.

- In relation to those receiving income tested welfare benefits, the requirement to provide an IRD number will be tightened, although an exemption will be provided in cases of sickness, injury or disability. A matching provision is proposed to prevent cessation of a benefit payment if a beneficiary has failed to provide an IRD number.

- The tax codes for special circumstances will be removed. This will affect employees currently using the casual agricultural worker, the shearer and shed-hand codes. The election day worker code will be retained but increased to equate with the middle effective marginal tax rate.

Other amendments improve the accuracy of the resident withholding tax rules and various social policy measures administered through the tax system:

- Taxpayers will be able to elect a new 33% RWT rate.

- The non-declaration rate for taxpayers who do not give their bank their IRD number will increase from 33% to 45% with effect from 1 April 2000.

- Resident withholding tax (RWT) certificates issued by banks will contain a statement reminding taxpayers that they need to request an income statement if insufficient tax has been deducted.

- Inland Revenue will allocate IRD numbers to children in relation to whom social policy claims are made. This will help ensure the correct provision of the various social policy measures applied through the tax system.

- Overpayments of family assistance will be recovered from the current year's entitlement.

- Refunds exceeding $50 must be requested by taxpayers who receive income statements.

A number of additional minor amendments are also being made.

Section references in this commentary are to the Tax Administration Act 1994, unless otherwise specified.

Application date

The PAYE related amendments will take effect from 1 April 1999. The measures relating to income statements will result in the last IR 5 returns being filed for the income year ending 31 March 1999. The first income statements will be issued in late May 2000. The family support amendments will apply from the income year beginning 1 April 2000.

Key features

Employer monthly schedule introduced

Employers will be required to provide Inland Revenue with monthly schedules detailing each employee's salary and wage income and deductions such as PAYE, student loan repayments, child support payments and certain other information. They must also fill in a remittance certificate that summarises the schedule and provides required employer details. The employer monthly schedule process involves:

- combining in one schedule all employee information now provided by employers on multiple forms;

- providing earnings and deduction information at an individual employee level; and

- removing the current year-end reconciliation undertaken by employers, which will remove the need for the production and distribution of over 4 million tax deduction certificates a year, as well as the completion of 200,000 annual reconciliation forms.

Employers who use manual payroll systems will be required to copy information already contained in their wage books onto the employer monthly schedule. Employers who pay PAYE to Inland Revenue twice monthly will be required to provide information electronically, although a limited exemption is provided if this would cause undue compliance costs.

Improved accuracy of PAYE system

Reduction in return filing is significantly dependent on the accuracy of the PAYE system. Therefore various supporting measures, such as clearer tax codes to make it easier for taxpayers to select the correct PAYE code, are being introduced. Inland Revenue will use the information provided by the monthly employer schedule to ensure the correct tax code is being applied and that taxpayers are receiving the correct amount of social assistance for that year. If an employee does not correct an incorrect tax code the Inland Revenue will have the authority to do so.

The non-declaration rate applying to wages and salaries will be increased from 33% to 45%. This rate will apply when employees do not provide their IRD number or choose a tax code.

The proposal to improve the accuracy of the PAYE system through introduction of a cumulative PAYE system, as put forward in last year's Government discussion paper, has not proceeded because of the associated compliance costs highlighted in the submissions received.

Improved accuracy of RWT system

Taxpayers will have the option of selecting a 33% RWT rate. This option allows those with income over $38,000 to choose a RWT rate that matches their marginal tax rate. This measure will apply from 1 April 1999. A supporting measure, the introduction of a new 45% non-declaration rate, will apply from 1 April 2000.

Income statements introduced

A new Part IIIA introduces income statements, to replace the annual IR 5 return. At present, Inland Revenue issues 1.45 million IR 5 returns each year, of which 1.2 million are completed and returned.

Income statements will be sent mainly to people who have a student loan, or receive family assistance or are entitled to receive it. Income statements will also be sent to taxpayers who have had the PAYE rules applied incorrectly or had their tax under-deducted as a result of using inappropriate tax codes.

All wage and salary earners will have the right to request an income statement if one is not issued to them automatically. Taxpayers who do not receive an income statement from Inland Revenue will be obliged to request one if they do not meet the non-filing criteria.

About 300,000 people are expected to receive income statements automatically, with another 300,000 taxpayers voluntarily requesting one to receive a tax refund. The obligation will remain on taxpayers to report untaxed income.

Individual return filing (IR 3 returns)

Taxpayers who earn income that does not have tax deducted at source, such as business or rental income, will be required to complete an individual income tax return. Those who earn wage, salary, interest and dividend income but have something out of the ordinary, such as a loss or foreign-sourced interest or dividends, will also be required to file a tax return.

Rebates

A separate rebate claim form will remove from the return assessment process the housekeeper-childcare and donations rebates. The existing maximum and minimum claim thresholds will continue to apply.

The proposal provides a process for delivering these rebates independently of the tax system and will also apply to individual return filers (IR 3). The rebate claim form will be completed by taxpayers after the end of the income year and be due no later than 30 September.

The amount of donation and housekeeper-childcare rebates will be limited, as at present, to the extent of a taxpayer's taxable income. Because the information contained on the income statement may be provided after a taxpayer fills in a rebate claim form, the basis of eligibility for a rebate will be the previous year's income.

The extra-pay rebate will be repealed with effect from the income year beginning 1 April 1999.

Social policy measures

The bill provides for the allocation of IRD numbers to children in relation to whom family assistance or child support is being claimed. It also provides that income statement information may be used in determining entitlement for social policy measures administered through the tax system. This will remove the current need for taxpayers to provide income information which is also used for income tax purposes.

To help provide equity between those who correctly estimate their entitlement to family assistance and those whose family assistance is overpaid, overpayments in relation to a prior income year will be recoverable from the current year's entitlement. The information received from the employer monthly schedule will also allow Inland Revenue to monitor taxpayer income and identify possible overpayments and underpayments of family assistance. Recovery from current year payments of family assistance will not occur if the result would be serious hardship.

Background

The last decade has seen several major reforms of the tax system and its administration. They have included, for example, a number of measures to simplify tax obligations; the first stages of the rewrite of the Income Tax Act 1994 to make it easier to use; the introduction of binding rulings to increase taxpayer certainty of the tax treatment of future business transactions; and the introduction of clear standards of compliance and consistent penalties for failure to meet those standards.

At the same time, the tax administration itself has been modernised through increased use of electronic technology and a new, taxpayer-orientated organisational structure for Inland Revenue.

These developments have provided a base for the simplification measures proposed in this bill. In turn, enacting the proposals will have a major influence on the volume and types of services the tax administration undertakes in the future. For instance, freeing Inland Revenue from the processing of millions of tax returns will allow the department to upgrade its technology and provide better services to all taxpayers.

The Government recognises that the new system of reduced tax return filing will be particularly critical for employers, who are fundamental to the success of the reform and whose compliance costs may increase temporarily during the transition. For this reason, Inland Revenue plans to work closely with employers during the transition.

The proposals described in this commentary were first put forward in December 1997, in the Government discussion paper *Simplifying Taxpayer Requirements*.

INCOME STATEMENTS

(Clauses 3-5, 7, 8, 13, 14, 16, 20, 23-28, 33, 38, 52, 57, 74, 78, 81, 85-87, 89-93)

Individuals not required to file a return or receive an income statement

Section 33A is being replaced with a new section which redefines those individuals who will not have to file a tax return. The new section also excludes certain individuals from being issued an income statement. The individuals affected are those who do not derive income from sources other than from employment, which is subject to PAYE, and interest and dividends, which are subject to RWT. This is because the changes proposed to the existing withholding rules result in these rules being sufficiently accurate so as to allow certain individuals to avoid an end-of-year income tax square-up.

New section 33A (1) excludes individuals who do not receive more than $200 of gross income that has had tax deducted incorrectly from the obligation to file a return or receive an income statement. This $200 threshold will prevent unnecessary compliance and administrative costs in situations where minor errors have occurred.

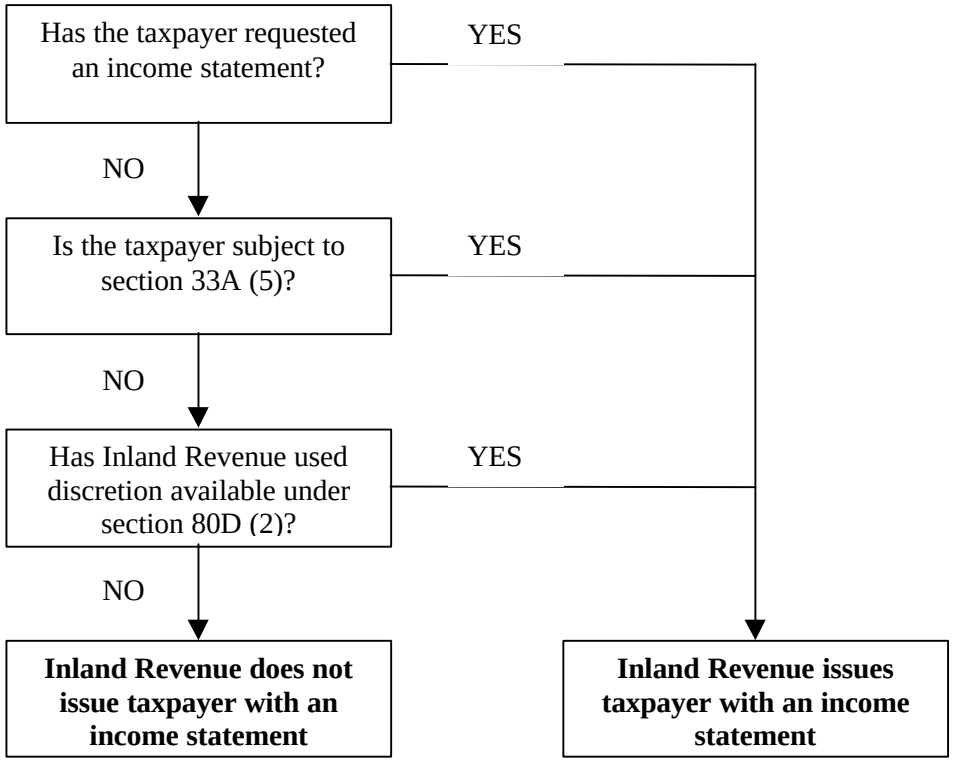
To avoid the obligation to file a return or receive an income statement, individuals, or their spouses, must also meet other criteria. They must not have been issued with a family certificate of entitlement for any part of the income year or received a family credit (under section KD 6 of the Income Tax Act 1994) for which abatement is required. Furthermore, they must not have a student loan balance. Taxpayers who meet these criteria and do not receive an income statement must request one. This is because the withholding rules cannot accurately account for the fact that they are subject to various social policy measures administered through the tax system.

Individuals required to file a return

New section 33A (2) and (3) specifies those individuals who are required to file returns of income. They must file a return because the complexity of their affairs requires an end-of-year square-up. For instance, the following “natural persons” will have to file a return: absentees, non-cash basis holders and those who received a withholding payment. Natural persons who are subject to section 44, have made a net loss for that income year, or have an available net loss to offset against their net income must also file a return.

New section 33A (4) states that unless the new section 80D applies, Inland Revenue is not permitted to issue an income statement to individuals referred to in section 33A (1).

FIGURE 1: TAXPAYERS WHO ARE TO BE ISSUED AN INCOME STATEMENT



New section 33A (5) states that Inland Revenue must issue an income statement to all individuals to whom sections 33A (1) and (2) do not apply if they have not been issued with one by the appropriate date.

Persons required to receive income statements

The new Part IIIA, containing sections 80A to 80I, details the requirements regarding income statements. Income statements are being introduced to allow an end-of-year income tax square-up if the withholding rules do not deal with certain complexities or an individual is subject to various social policy measures administered through the tax system.

Section 80A lists those taxpayers to whom Part IIIA applies. They include taxpayers not exempted from the obligation to be issued with an income statement in section 33A (1) and taxpayers who are required to file a return of income in section 33A (2). The section also applies to those who have requested an income statement.

Section 80B requires individuals to notify Inland Revenue if they have received an income statement but should not have. This notification must either be before 7 February or before their terminal tax date, depending on whether section NC 17 of the Income Tax Act 1994 applies.

Section 80C requires taxpayers to notify Inland Revenue if they are required to be issued with an income statement but do not receive one. This notification must be either before 7 February or before their terminal tax date, depending on whether section NC 17 of the Income Tax Act 1994 applies.

Section 80D imposes an obligation on Inland Revenue to issue income statements to all appropriate individuals identified in Part IIIA. It also provides authority for Inland Revenue to issue income statements to individuals to whom this part would not otherwise apply. It also allows for Inland Revenue to issue more than one statement to a taxpayer for a given income year and provides that an income statement issued under this section must contain the details set out under section 80E.

Particulars to be included in income statements

Section 80E lists the details that are to be included in all income statements issued under Part IIIA. These details include the amount of income from employment, interest or dividends along with the amount of any tax deducted from that income when this information is available. The source of any such income, the amount of earner premium deducted, and a calculation of the income tax liability of the person concerned, including any tax payable or refund due, will also be included on an income statement if appropriate.

Taxpayer obligations and assessment on receipt of income statement

Section 80F outlines the obligations on Inland Revenue and individual taxpayers once an income statement has been issued.

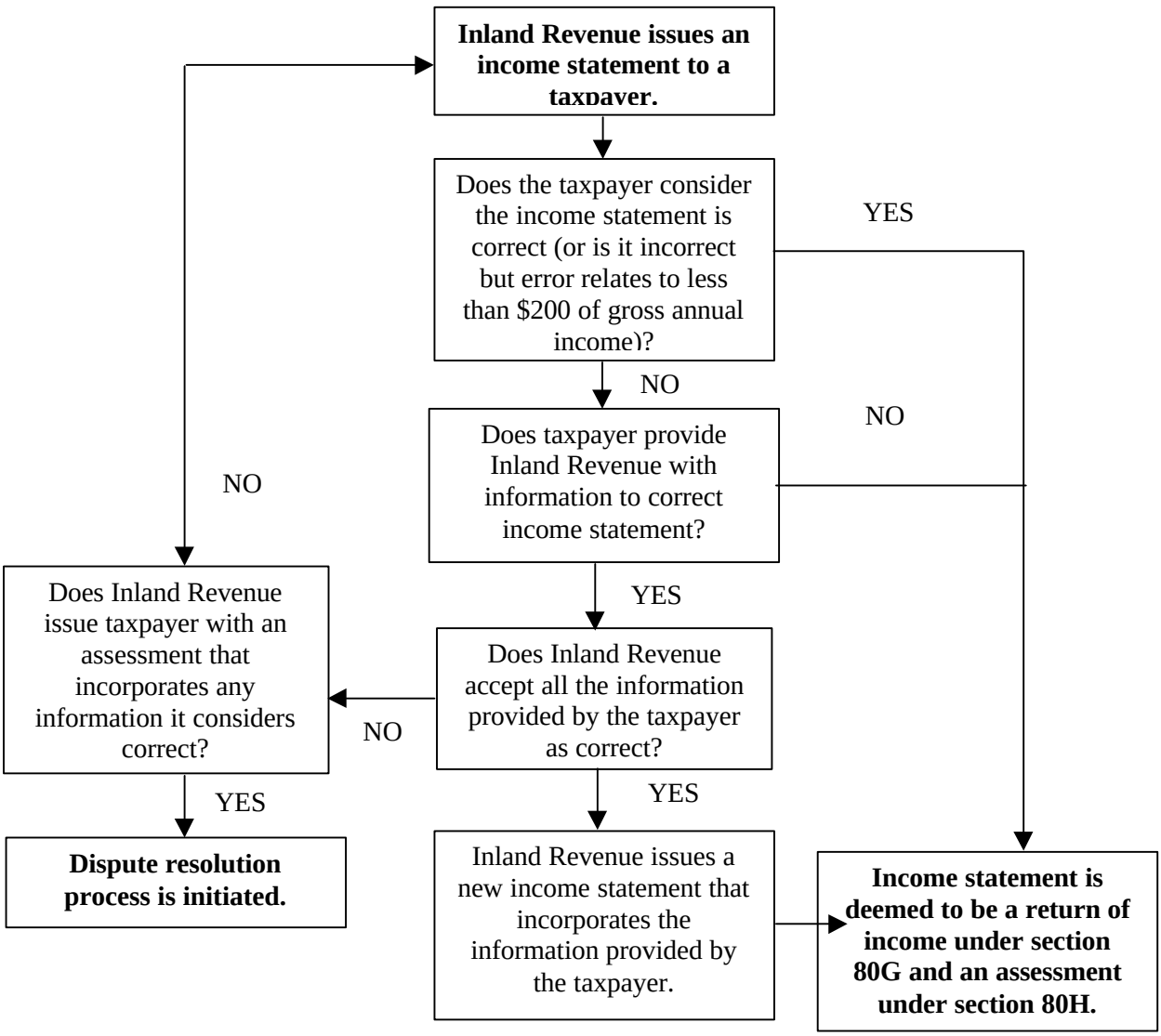
This section stipulates that unless total income from employment, interest or dividends not included on an income statement is less than $200, individuals are required to notify Inland Revenue that the information on the income statement is incorrect. They are then required to supply Inland Revenue with the information they consider to be correct.

For individuals to whom section NC 17 of the Income Tax Act 1994 applies, information they consider to be correct must be supplied by the later of 7 February in the next income year or 30 days after the date of issue of the income statement. For individuals to whom the section does not apply, correct information must be supplied by the later of the terminal tax date or 30 days after the issue of the income statement. These dates are used because they provide taxpayers with sufficient time to reply to Inland Revenue once an income statement has been issued.

If all of the information provided by a taxpayer under section 80F (1) is considered to be correct by Inland Revenue, another income statement incorporating this information must be issued. This provides confirmation that the information supplied by the taxpayer was regarded as correct.

If Inland Revenue considers that some, or all, of the information supplied by an individual under section 80F (1) is incorrect, it either issues another income statement incorporating the information which it considers correct or an assessment. The option of issuing an assessment rather than another income statement enables the dispute resolution process to begin.

FIGURE 2: INLAND REVENUE AND TAXPAYER OBLIGATIONS AFTER AN INCOME STATEMENT IS ISSUED



Income statement deemed return of income and general assessment

Sections 80G and 80H allow for an income statement to be deemed a return of income and a general assessment. This is necessary because numerous provisions in the Income Tax Act 1994 refer to returns of income and general assessments. Therefore, for the proposed amendments to function correctly, these provisions are required.

If an income statement is either accepted by a taxpayer as being correct, or not accepted as being correct but the taxpayer does not respond in the manner prescribed in section 80F, the income statement is deemed to be a return of income.

Section 80H states that an income statement is deemed to be a return of income under section 80G and will also be deemed to be a general assessment. Unless an income statement indicates that a small refund is due, it becomes a general assessment on the earlier of 7 February or a taxpayer's terminal tax date, depending on whether section NC 17 of the Income Tax Act 1994 applies. If a refund of less than $50 is due, an income statement becomes a general assessment on the earlier of the date on which the taxpayer requests a refund, or 30 days after the date of issue of the income statement. This allows taxpayers adequate time to consider whether the income statement is correct and, if not, provide Inland Revenue with any information they consider necessary to correct the income statement. Once assessed the refund will be issued automatically.

If an income statement is issued either immediately before 7 February or a taxpayer's terminal tax date, it is desirable to allow that individual adequate time to provide Inland Revenue with any necessary corrections. Therefore if an income statement is issued less than two months before the aforementioned dates, the taxpayer will have two months before that income statement becomes a general assessment.

Supporting amendments

Two further supporting amendments are to be made:

- A new section 106 (1A) is to be inserted. This allows an assessment to be made for an amount of tax that Inland Revenue considers ought to be imposed, when an income statement that Inland Revenue considers to be incorrect or incomplete is issued to a taxpayer.

- A new section 108 (1A) is to be inserted. This stipulates that, unless section 108 (2) or section 108B applies, an income statement cannot be issued four years after the end of the income year which follows the income year to which the income statement would apply.

- A new section 184A providing that refunds must be made electronically unless it would cause undue hardship to a taxpayer or is not practicable. This provision applies from 1 April 1997.

These amendments extend current regulations relating to returns of income to the income statements replacing these returns.

Certificate of earnings

A further feature of the proposed changes is the introduction of a certificate of earnings. This is a supporting administrative measure and thus no legislative authority is required.

Employees will be able to request a "certificate of earnings" as a record of their income for the year. This is being introduced because of the changes to employers' data filing requirements. Along with the advent of the employer monthly schedule and the removal of the requirement on employers to undertake end-of-year reconciliations, employers will no longer be required to provide IR 12 and IR 13 tax deduction certificates. Therefore, because Inland Revenue will possess all the necessary information, it will be able to provide employees with a record of their annual gross employment income.

A certificate of earnings will detail an individual's wage and salary income and PAYE deductions but, unlike income statements, will not show any tax calculations and will not be deemed to become a return of income or general assessment.

THE REBATE CLAIM FORM

(Clauses 3, 15, 38, 50, 51, 53)

Eligibility rules

The existing eligibility rules, which include the maximum rebate entitlements, remain unchanged. Receipts will continue to be required for donation rebates but not for housekeeper-childcare rebate claims.

Present legislation limits rebates which may be claimed to the amount of tax payable in any given year. The new section 41A limits the amount of gross payments upon which rebates could be claimed to taxable income in the preceding income year. Limiting the rebates claimed to the previous year's taxable income is necessary because of the change incurred from moving from tax returns to income statements. Otherwise taxpayers would not necessarily know their tax positions without tax returns, and the taxable income information for the current year would be unlikely to be available before the rebate was claimed.

Limiting the allowable rebates to the previous year's taxable income also applies to individual return filers.

Rebate claim form

The current legislation allows salary and wage earners to claim rebates on an annual tax return. From 1 April 1999 annual tax returns for salary and wage earners will no longer exist. The new section 41A allows individual taxpayers to claim rebates without completing a tax return through the medium of a rebate claim form. Claiming rebates through a tax return has no link with one's income tax position, so at present taxpayers must incur the compliance costs associated with completing a tax return or checking an income statement merely to claim a rebate.

Taxpayers may apply for one or more refunds of qualifying payments (under section KC 4 of the Income Tax Act 1994) or gifts (under section KC 5) by using the rebate claim form. The rebate claim form will take effect from 1 April 1999, although taxpayers will not be able to claim rebates relating to the 1999-2000 income year until 1 April 2000.

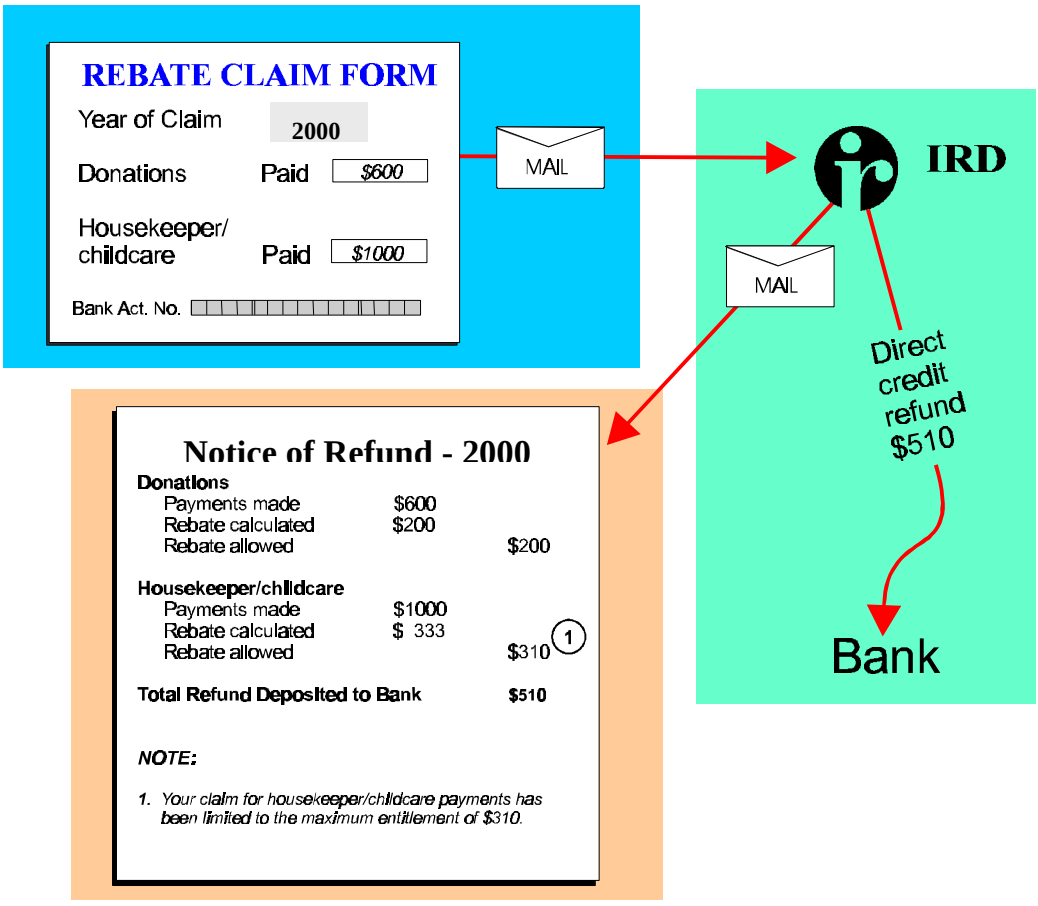
All rebate claim forms for an income year must be filed by 30 September of the following income year. The rebate claim form will be used by all individuals who are eligible to claim rebates, including those who will still be required to file a annual return of income.

Rebate claim notice

When a rebate claim form has been processed by Inland Revenue, the new section 41A requires Inland Revenue to issue a rebate claim notice which will inform the taxpayer of the amount of donation or housekeeper-childcare rebates allowed and the amount of the refund allowed, which will be deposited into the taxpayer's nominated bank account.

FIGURE 3: THE REBATE CLAIM PROCESS

In June 2000 a taxpayer completes a rebate claim form claiming donations of $600 and housekeeper-childcare costs of $1,000 for the income year ended 2000, from 1 April 1999 to 31 March 2000. The entitlement is based on taxable income for the year ended 31 March 1999.



In this example, the taxpayer has claimed $200 of a $500 maximum donations claim and the maximum $310 housekeeper-childcare rebate.

Because Inland Revenue has received a claim for the 2000 income year, it will issue a blank rebate claim form automatically in the year 2001.

Refundable credits

The new section 41A requires that any refunds allowed under sections KC 4 or KC 5 of the Income Tax Act 1994 must be paid to the taxpayer as if they were tax paid in excess. This links into the new section 184A, which requires that any refund of tax paid in excess must be made by electronic means to a bank account nominated by the taxpayer. Direct crediting refunds minimises compliance costs for taxpayers (saving them the expense of banking a cheque) and decreases administrative costs for Inland Revenue. Nevertheless, it may sometimes be necessary to issue a refund by cheque, so subsection (3) of section 184A allows for an exemption to this rule if a taxpayer experiences undue hardship complying with section 184A. Issuing refunds manually will be considered on a case-by-case basis.

Section KC 4 of the Income Tax Act 1994 is being amended to allow refunds for housekeeper-childcare rebates to be made only if section 41A is complied with. To comply with section 41A, taxpayers will need to complete the rebate claim form as prescribed by Inland Revenue. The form has to show the correct details of rebates being claimed, along with receipts (if required), and be signed by the taxpayer.

Section KC 5 of the Income Tax Act 1994 is being amended to allow refunds for gifts of money to be made only if section 41A is complied with.

Extra pay rebate

The extra pay rebate compensates taxpayers for loss, in an annual assessment, of the rebates allowed in any extra pay-period or periods. The rebate is available to employees who receive more than 52 weekly full and regular pays in an income year. Granting this rebate is discretionary under present law.

The extra pay rebate will be removed by amending section NC 17 of the Income Tax Act 1994, repealing the provision from income year commencing 1 April 1999. The current form of the extra pay rebate cannot be successfully incorporated into the income statement without placing high compliance costs on employers and individual taxpayers. Under the existing system, employers enter the number of pays employees receive during a year on their tax deduction certificate. The new legislation will remove the existence of the tax deduction certificate, thus removing the avenue of communication to Inland Revenue as to which employees received an extra pay. Removal of the extra pay rebate also corrects an administrative inconsistency because this is the only rebate that is discretionary.

IMPROVEMENTS IN THE ACCURACY OF THE PAYE SYSTEM

(Clauses 3, 21, 22, 54, 59, 60, 70, 83)

Tax codes

Section NC 8 of the Income Tax Act 1994 will be amended to provide new tax codes that are simple and self-explanatory. The significant changes to the tax codes are set out in Table 1.

TABLE 1: PROPOSED TAX CODES

New Code	Description	Equivalent present code
M	Main source of income. Only one job can have this code.	G
M SL	Main source of income with a student loan. Only one job can have this code.	G ED
ML	Main source of income if annual taxable income is less than $9,880 a year from all sources. To use this code the employee must work full-time (more than 20 hours per week).	T
S	Secondary sources of income if annual taxable income is less than $38,000.	SEC
SH	Secondary sources of income if annual taxable income is higher than $38,000.	
S SL	Secondary source of income if taxpayer's annual taxable income is less than $38,000 and he or she has a student loan.	SEC ED
SH SL	Secondary sources of income if annual taxable income is higher than $38,000 and he or she has a student loan.	
STC 99	Special tax code rate issued by Inland Revenue (99 indicates the special tax code rate in cents per dollar).	IR 23

The fundamental change for employees is that those currently using the **G** tax code will now use the **M** tax code and employees currently using the **G ED** tax code will now use the **M SL** tax code.

Inland Revenue research indicates that about 9% of PAYE errors arise through the use of incorrect tax codes. This results in an average end-of-year debt of approximately $215 for employees using the wrong tax codes. Selecting the correct tax code reduces the need for employees to "square-up" any end-of-year tax, which will result in significant compliance cost and administrative savings. Changing the tax codes to make them clear will assist employees to choose the correct tax code the first time.

Employees using the incorrect tax codes

The new section NC 12A of the Income Tax Act 1994 allows Inland Revenue to inform employers that employees are using incorrect tax codes. An employer who receives notification of the correct tax code must apply that tax code to source deduction payments on behalf of the employee. Tax codes amended by Inland Revenue Department will cease to apply from the last day of the year in which it notified the employer of the correct tax code.

Employees can advise their employers of a change in tax codes by using the employee declaration form.

Employee declaration form

Section NC 15 of the Income Tax Act 1994 will be amended to eliminate tax deduction certificates, which at present inform the employer as to an employee's tax code. An alternative source of information is the employee declaration form, which is linked to section NC 8 of the same Act. The purpose of this form is for employees to make a formal declaration of their name, address, IRD number and tax code. Employees will be required to complete the employee declaration form only when their tax code changes.

Tax codes for special circumstances

Section NC 8 of the Income Tax Act 1994 is being amended to omit tax codes used for the following special employment types:

- casual agricultural workers;
- shearers; and
- shed hands.

The benefit of using special tax rates for these employment types has declined with the recent reductions in income tax rates. The rates for special tax codes have not been reviewed recently, so it is possible that in many cases more PAYE is being deducted than would be under the standard PAYE rules.

Replacing tax codes for special employment types with clearer standard tax codes will reduce under-deduction and over-deduction of PAYE in these areas and will also reduce administrative and compliance costs.

The special tax code for election day workers (EDW) is to be retained because removing it would create considerable compliance costs for the Chief Electoral Office and local bodies. However, the deduction rate for election workers will be changed from 20% to 21%, and clause 7B of Schedule 19 is being amended to reflect this change. The change to a 21% deduction rate will bring this tax code into line with the middle effective marginal tax rate.

Non-declaration rate

Clause (2) of Schedule 19 is to be amended to include the new non-declaration rate of 45% where section NC 8 of the Income Tax Act 1994 applies, with effect from 1 April 1999. The increase to 45% will allow for sufficient deductions to be made when taxpayers do not provide a correct IRD number and have social policy responsibilities, or their total income exceeds the top tax rate threshold of $38,000.

Income Support exemption from applying the new non-declaration rate

The Social Security Act 1964 requires Income Support to pay beneficiaries a net rate of benefit. This net rate of benefit cannot be reduced. If Income Support were to apply the 45% non-declaration rate, its PAYE liability would increase but the net benefit would not alter. This could result in some beneficiaries requesting an income statement and claiming the additional PAYE back, which effectively increases their net benefit.

Similar problems arise with the taxation of student allowances, which New Zealand Income Support will administer from 1 January 1999.

On this basis, the proposed legislation exempts Income Support from applying the non-declaration rate of 45% to income-tested benefits and student allowances.

Change in requirements for beneficiaries to supply Income Support with an IRD number

Income Support will be exempted from applying the non-declaration rate of 45%, although the provisions for beneficiaries providing a correct IRD number to Income Support are being tightened. The current exemption requires beneficiaries to provide their IRD number within four weeks of applying for a benefit or being asked for their IRD number. If the IRD number is not provided, the Director-General of Social Welfare may refuse to grant or suspend the benefit applied for until the information is supplied.

New section 10AA is being added to the Social Security Act 1964. This section places an obligation on applicants for welfare benefits to provide evidence of a correct IRD number. The IRD number must be provided to the Director-General within ten working days after the date of application for the benefit or the date that the Director-General requests the IRD number. The Director-General may decline or suspend an application for a benefit if an applicant's IRD number is not received within the ten working day limit. An exemption is given under subsection (6) of this section which exempts beneficiaries in cases of sickness, injury or disability from providing their IRD number within the ten-working day period.

Exchange of IRD number information between Inland Revenue and Income Support

The new section 82A authorises the exchange of information between Inland Revenue and the Department of Social Welfare to ensure the correct IRD numbers of beneficiaries are supplied to prevent cessation or suspension of benefit payments.

This section will be applicable only after section 10AA of the Social Security Act 1964 has failed. Subsection (5) of section 82A states that if a beneficiary is identified, Inland Revenue may supply the IRD number of the beneficiary to a person authorised under the new paragraph (n) of section 81 (4). Paragraph (n) refers to a person who is an officer, employee or agent of the Department of Social Welfare.

EMPLOYER PAYE OBLIGATIONS

(Clauses 3, 9-12, 17-19, 29-32, 34, 36, 55, 56, 61-64, 67)

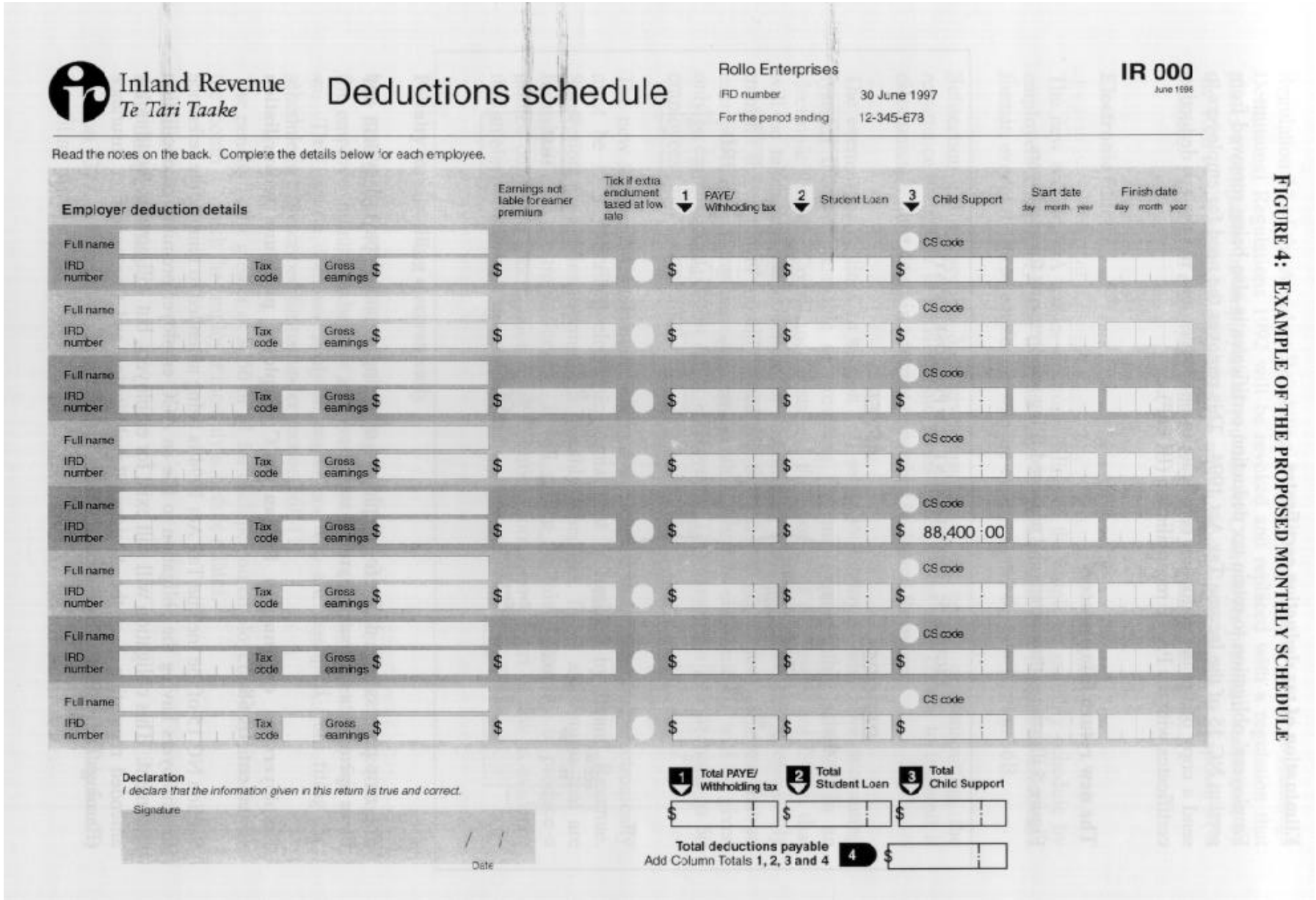
The employer monthly schedule

Section NC 15 of the Income Tax Act 1994 is being amended to provide for employer monthly schedules to replace the existing PAYE returns (IR 66N or 66W). The employer monthly schedule will contain the following information (as defined in section OB 1 of the same Act) that must be filed monthly:

- name and IRD number of each employee;
- the tax code of an employee;
- the amount of gross earnings, total amount of tax deductions, and amount of earnings not liable to the earner premium for each employee;
- particulars of child support and student loan deductions;
- if employees started or stopped work in that month; and
- indication as to the employees where the tax deducted from an extra emolument is at a rate less than 33%.

Section NC 15 (1) (a) is being amended to allow for twice monthly filers to continue to make payment for source deduction payments, child support deductions and student loan deductions made in the first PAYE period by the 20th of the month in which the deductions were made. The requirement to provide the details (outlined in the definition of "employer monthly schedule" in section OB 1 of the Income Tax Act 1994) pertaining to that period will be removed. Employers will be required to provide a remittance certificate that provides only the total amounts of tax deductions, child support deductions and student loan deductions made in the first PAYE period. The details of all individuals' deductions made in a particular month (outlined in the definition of "employer monthly schedule" in section OB 1 of the Income Tax Act 1994) will be required by the 5th of the following month, along with payment for twice monthly filers.

Current monthly filers will continue to provide the employer monthly schedule and payment in full by the 20th of the month following the month in which the deductions were made.



Inland Revenue
Te Tari Taake

Deductions schedule

Rollo Enterprises
IRD number 30 June 1997
For the period ending 12-345-678

IR 000
June 1998

Read the notes on the back. Complete the details below for each employee.

Employer deduction details				Earnings not liable for earner premium	Tick if extra emolument taxed at low rate	1 PAYE/ Withholding tax	2 Student Loan	3 Child Support	Start date day month year	Finish date day month year
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$ 88,400 00		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		
Full name								CS code		
IRD number	Tax code	Gross earnings $		$		$	$	$		

Declaration
I declare that the information given in this return is true and correct.

Signature / / Date

1 Total PAYE/ Withholding tax	2 Total Student Loan	3 Total Child Support
$	$	$

Total deductions payable
Add Column Totals **1, 2, 3 and 4** 4 $

FIGURE 4: EXAMPLE OF THE PROPOSED MONTHLY SCHEDULE

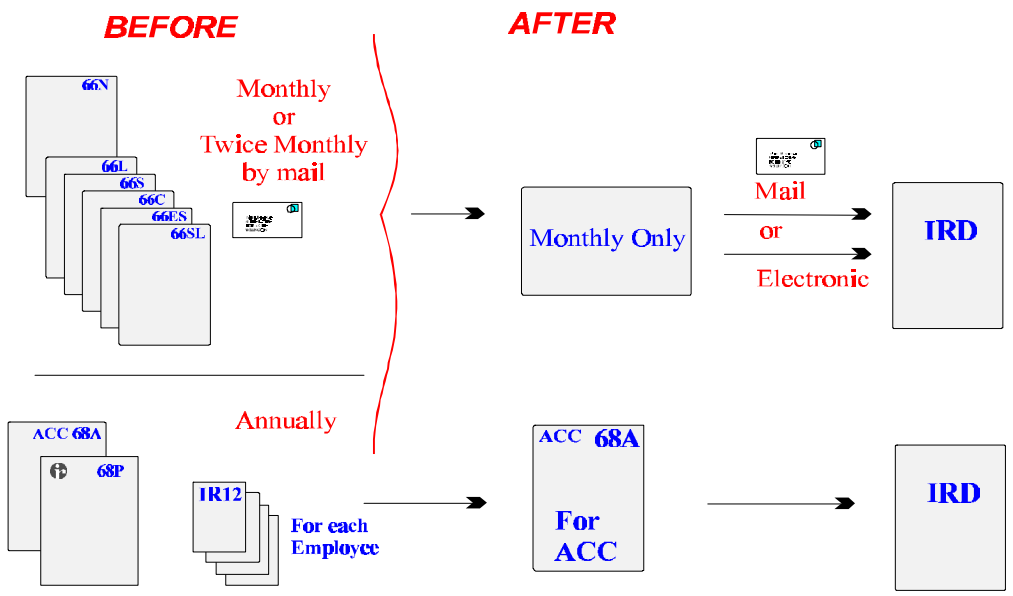
Elimination of tax deduction certificates

Employers' obligation to retain tax deduction certificates is also being removed from section NC 15 of the Income Tax Act 1994. This removes the need for employers to send a copy of the tax deduction certificate to employees and file the tax deduction certificates with the PAYE reconciliation (IR 68P).

The new return filing process

Figure 5 illustrates the current and proposed filing requirements for employers.

FIGURE 5: THE CURRENT AND PROPOSED SYSTEM



The new process will differ for employers operating a manual payroll system and those operating a computer payroll system.

Employers to continue to file an ACC employer premium reconciliation statement (IR 68A)

Section NC 15 of the Income Tax Act 1994 is being amended to remove the reference to employers having the obligation to file an ACC employer premium reconciliation statement. This obligation will still exist for employers, but will now be found in the amended regulation 3 of the Accident Rehabilitation and Compensation Insurance (Earnings Definitions) Regulations 1992.

Regulation 12 of the Accident Rehabilitation and Compensation Insurance (Earnings Definitions) Regulations 1992 will be revoked and replaced with a regulation that places a obligation on employers to provide ACC employer premium statements by the 15th of the second month after the month an employer ceases or disposes of a business. Payment of employer premium must also be made by this date.

Electronic filing

The new section 36A makes electronic filing of the employer monthly schedule by employers compulsory, and the data must be transmitted in a prescribed electronic format, except for those employers who are exempt under the new section 36B.

Subsection (2) of section 36A gives employers the option of transmitting the remittance certificate in an electronic format. Employers who choose to transmit it electronically must do so in a format prescribed by Inland Revenue.

The exemptions outlined in section 36B relate to employers who have accounting systems that are incapable of providing the employer monthly schedule in an electronic format. Compliance costs and the number of employees are factors that will be taken into consideration in determining if an employer can electronically transmit the employer monthly schedule. Section 36B (2) (c) and (d) states that an exemption from filing the employer monthly schedule electronically will be given only to employers of 100 or fewer employees. This exemption will decrease to 50 employees from 1 April 2000.

The new section 36C states that information required to be furnished electronically must be in a prescribed electronic format that is certified by Inland Revenue. Subsection (2) applies to employer monthly schedules, forms and returns that are furnished in an electronic format. It will suffice for Inland Revenue to produce a printed copy of a specification of an electronic format in a court of law as evidence that an electronic format was prescribed.

Penalty for not filing electronically

The new section 139AA imposes a filing penalty on employers who are required to file employer monthly schedules in a prescribed electronic format and who fail to do so. This section does not apply to employers who are exempted from filing the schedule in a prescribed format under section 36B (1).

The penalty is the greater of $250 or $1 for each person employed at any time during the month to which the employer monthly schedule relates.

Late filing penalties

Section 139A is being amended to make the employer monthly schedule liable for the late filing penalty from 1 April 1999.

Subsection (4) of this section sets the penalty for late filing of an employer monthly schedule at $250.

The amended portion before paragraph (a) in subsection (5) excludes Inland Revenue from notifying the employer of its intention to impose a late filing penalty for the employer monthly schedule.

Income Support and ACC exemption from providing all information required to be included on the employer monthly schedule

Because welfare beneficiaries and ACC claimants are considered to be employees under the law, Income Support and the Accident Rehabilitation and Compensation Insurance Corporation (ACC) will have to complete employer monthly schedules for beneficiaries and claimants. Given the number of people required to be covered by these schedules, it is necessary to grant these two entities a deferral of their obligation to file employer monthly schedules in relation to the period 1 April 1999 to 31 March 2000. These organisations will be required to file one annual employer schedule on or before 5 April 2000. Any further deferral would delay issuing tax refunds and family assistance.

As a result, section 46 will be amended as follows:

- Income Support will not have to provide dates of when beneficiaries began or stopped receiving a benefit until 5 April 2000.

- Income Support will not have to provide family assistance information for beneficiaries receiving a benefit until 5 April 2000.

- The ACC is exempted from providing this information as regards claimants until the same date.

The exemption is not extended to staff members of these organisations.

Non-resident employees

Section NC 18 (2) of the Income Tax Act 1994 is being replaced by a new subsection (2) which relates to non-resident employees. It provides that if Inland Revenue accepts a bond or other security from an employer in relation to an employee, the employer must not make tax deductions under the PAYE rules; include the employee's details in an employer monthly schedule; or apply the non-declaration rate to that employee.

CHANGES TO THE RWT SYSTEM

(Clauses 6, 65, 66, 69)

Deduction rates for RWT

From 1 July 1998 RWT will be deducted from interest income at the rate of 19.5%. This has implications for taxpayers with income over $38,000 who receive interest income, because they will have their interest under-deducted at the rate of 13.5 cents in the dollar.

The present system encourages taxpayers whose income is over $38,000 not to provide their IRD number to financial institutions so that the current non-declaration rate of 33% is applied to their interest, and the correct amount of tax is deducted. Even so, Inland Revenue still requires the IRD number of each taxpayer for income matching purposes, regardless of whether RWT is being deducted at the correct rate.

To encourage people to use the correct withholding rate and to provide their IRD number, new section NF 2A of the Income Tax Act 1994 is being introduced, and Schedule 14 is being amended to allow taxpayers to choose to use a 33% withholding rate (as specified by the new section NF 2A).

If they do not choose to use the 33% rate, the default rate of 19.5% will apply, as outlined in clause 1(c) of Schedule 14.

Changes to the non-declaration rate

Clause 1 (a) of Schedule 14 increases the non-declaration rate for not providing an IRD number to a financial institution from 33 cents to 45 cents, from 1 April 2000.

RWT certificates

RWT certificates will still be required to contain details of an account holder's total gross interest and the resident withholding tax deducted.

Section 25 (6) is being amended to include the extra information required on the RWT certificates. The main changes are found in paragraph (c), which requires that the IRD number of the recipient be printed on the certificate, if it is known to the payer. Adding paragraph (c) merely formalises what currently occurs. The second major change to the RWT certificate involves placing an obligation upon financial institutions to provide a statement on the certificate that states that taxpayers should contact Inland Revenue if insufficient tax has been deducted from their interest.

Other Amendments to the Income Tax Act 1994

THIN CAPITALISATION

(Clauses 43-45)

Summary of proposed amendments

Three remedial amendments are being made to the thin capitalisation rules:

- The rules for determining the New Zealand parent of a company controlled only by virtue of the "controlled by any other means whatsoever" test are clarified.

- The on-lending concession is extended to include certain loans to associated persons.

- Certain interest expense that is deductible other than under the general interest deductibility rules in section DD 1(b) is brought within the ambit of the rules.

The amendments address areas of the rules where the original policy intent has not been effected.

Application date

The amendments apply from the start of the 1998-99 income year.

Key features

- New section FG 4(11) clarifies the rules for determining a taxpayer's New Zealand parent if the taxpayer is subject to the thin capitalisation rules only by virtue of the "controlled by any other means whatsoever" test.

- Section FG 6 is amended to allow the on-lending concession to apply to funds on-lent to an associated person at an arm's length consideration, provided the associated person is subject to the thin capitalisation rules and is not a member of the taxpayer's New Zealand group.

- Section FG 9 is amended to include interest expense deductible under sections DD 3, DI 1(1)(a) or (b) and DL 1(3)(c) within the ambit of the thin capitalisation rules.

Background

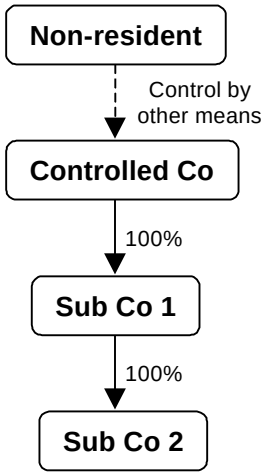
The thin capitalisation rules were enacted in December 1995, and apply to taxpayers controlled by a single non-resident person. The rules limit the amount of interest deduction available to the taxpayer if its New Zealand group has an excessive level of debt relative to the worldwide group of which it is a member.

Detailed analysis

Three remedial amendments are being made to the thin capitalisation rules. The amendments address areas of the rules where the original policy intent has not been effected.

Determination of taxpayer's New Zealand group

A deficiency in the rules for identifying a taxpayer's New Zealand group has been identified in relation to companies that are subject to the thin capitalisation rules only because of the catch-all control test in section FG 2(1)(b)(ii) – "controlled by any other means whatsoever".



The problem is illustrated in the diagram on the left. In principle, Controlled Co should be the New Zealand Parent in relation to Sub Co 1 and Sub Co 2, because it is the highest company in the chain of companies to which Sub Co 1 and Sub Co 2 belong. However, because there is not a non-resident person with a 50% or greater ownership interest in Controlled Co, the rules in section FG 4(10) inappropriately identify each of the three New Zealand companies to be their own New Zealand Parent.

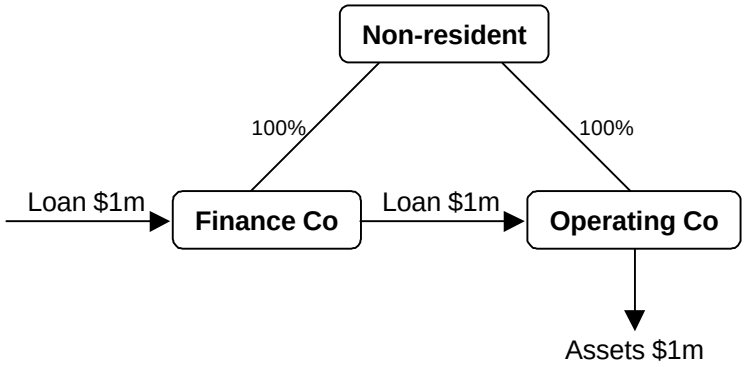
As a consequence, the three companies can determine their New Zealand group independently in a way that minimises the effect of the thin capitalisation rules. For example, if Sub Co 2 is thinly capitalised (say 100% debt) while the other two companies are not (say 50% debt), the other two companies will exclude Sub Co 2 from their New Zealand group, to ensure that no denial of interest expense will occur. By contrast, Sub Co 2 will include the other two companies in its New Zealand group, as the consolidated debt percentage will then be less that 100%, reducing the extent to which the thin capitalisation rules will apply.

An amendment is being made to explicitly identify the top-tier New Zealand company in a chain of companies "controlled" by a single non-resident "by any other means whatsoever" as the New Zealand Parent in relation to the lower-tier companies.

On-lending concession

The on-lending concession in section FG 6 currently does not apply to funds on-lent to an associated person resident in New Zealand. This creates an anomaly if the associated company is also subject to the thin capitalisation rules but is not a member of the company's New Zealand group. This can result in the same amount of debt being subject to the thin capitalisation rules in two separate companies, with a potential double denial of interest expense.

The effect can be illustrated by the following example. Finance Co and Operating Co are both 100% owned by the same non-resident shareholder. Under the thin capitalisation rules, the two companies can form separate New Zealand groups.

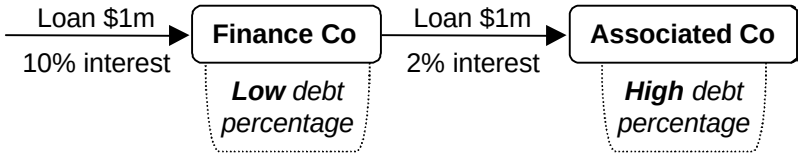


Assuming that the equity in each of the companies is negligible, Finance Co will be treated as having debt of $1m and assets of $1m (the loan to Operating Co). Operating Co will similarly be treated as having debt of $1m and assets of $1m.

When viewed as a whole, however, the reality is that the two companies have consolidated debt of only $1m and consolidated assets of $1m. By not allowing the on-lending concession to apply for Finance Co, the thin capitalisation rules create the potential for a deduction to be denied twice on what is, in essence, a single amount of debt.

An amendment is being made to section FG 6 to permit the on-lending concession to apply in the situation above, subject to the funds being on-lent at an arm's length consideration.

The arm's length requirement has been included to counter situations such as the following:



If an arm's length requirement did not exist, Finance Co, as the only company in its New Zealand group, could be structured to utilise the on-lending concession to generate a low debt percentage while having a large interest deduction (the 8% net interest paid on the $1m loan). Associated Co, also as the only company in its New Zealand group, may be subject to a denial of a deduction for interest expense under section FG 8, but the amount denied would be far lower than if Finance Co and Associated Co performed consolidated calculations (because of the artificially low 2% interest rate).

Introducing the arm's length consideration requirement prevents the amendment to section FG 6 from being used to manipulate the tax base.

Interest expense brought within ambit of rules

The thin capitalisation rules currently apply only to interest expense allowed as a deduction under the general interest deductibility rules in section DD 1(b) and, by extension, under section FG 9, specified leases.

The thin capitalisation rules are intended to focus on the amount of debt in New Zealand on which an interest deduction is allowed. In principle, therefore, interest deductible other than under the general interest deductibility rules in section DD 1(b) should also be included within the ambit of the thin capitalisation rules. Its omission was not intended when the thin capitalisation rules were enacted.

An amendment is being made to include the following debt and interest expense within the ambit of the rules:

- funds borrowed to purchase shares in amalgamating companies;
- deductions of building societies; and
- money borrowed and applied as capital in a forestry business.

GROUP INVESTMENT FUNDS

(Clauses 42 and 47)

Summary of proposed amendment

Superannuation funds will be removed from the "designated sources" of group investment funds. Distributions from group investment funds to superannuation funds will no longer be subject to trust taxation. Instead they will be subject to the same tax treatment as distributions from companies and unit trusts. This ensures greater neutrality between investment by superannuation funds into different investment vehicles and neutrality across commercial investments in group investment funds.

Application date

The amendment applies from 1 April 1999.

Key features

Superannuations funds will be removed from the "designated sources" of a group investment fund in section HE 2 (3). The effect is that investment by superannuation funds will be treated the same as all other investments in a group investment fund that are subject to company taxation:

- Distributions will be treated as dividends. The share repurchase rules will apply to determine the portion of the distribution that is capital and therefore, excluded from the definition of dividends. Any imputation credits attached to income distributed will prevent double taxation.

- Group investment funds that are not listed are currently included within the definition of unlisted trusts, so will have access to both the slice rule and the ordering rule for determining whether part of the distribution is from capital. Listed group investment funds will have access to the ordering rule only.

- Transitional rules will provide that group investment funds may elect to apply the slice rule to interests of a superannuation fund as at 1 April 1999.

Background

Group investment funds (GIFs) were originally established so that trustee companies, which were managing many (often small) trusts and estates could manage them more effectively by pooling those investments in a manner similar to the Common Fund of the Public Trustee.

GIFs involved in commercial activities are collective investment vehicles that are similar to unit trusts, although they are subject to separate tax rules. GIFs are taxed under a dual regime, with distributions of earnings from their trustee activities taxed under rules applying to other trustees, and distributions of earnings from their commercial activities taxed under the rules applying to companies and unit trusts.

The income of a GIF that is generated from investment by a superannuation fund is currently subject to trust taxation because superannuation funds are "designated sources" for the purposes of the GIF rules in section HE 2 (3) of the Income Tax Act 1994. This means all distributions from GIFs (except beneficiary income) to investors that are superannuation funds are exempt from tax.

Superannuation funds holding investments on revenue account can effectively convert revenue account holdings to capital holdings by investing in "passive" group investment funds. Passive or indexed funds are funds that match a market index. These funds are not taxable on gains made on the disposition of investments, as they are not in the business of dealing in shares. The tax advantage superannuation funds are gaining by investing in passive GIFs is not what the tax exemption for investments in group investment funds by designated sources was intended for.

It is arguable that removing superannuation funds from designated sources should have occurred along with the 1989 changes to superannuation taxation. With the advent of the "taxed, taxed, exempt" system, the potential for double taxation, which was a major policy reason behind the inclusion of superannuation funds in designated sources, was eliminated. Under the "taxed, taxed, exempt" system, contributions to superannuation funds are made out of taxed income and there is no deduction for such contributions. The earnings of superannuation funds are taxed, and all distributions from superannuation funds, whether lump sums or pensions, are exempt.

THE TAX CREDIT SYSTEM AND TAX PAID BEFORE 1 APRIL 1998

(Clause 56)

Summary of proposed amendment

An amendment prevents a superannuation fund or life office from crediting to its tax credit account any imputation credits received from wholly-owned entities that relate to tax paid before the introduction of the proposed tax credit system (TCS), which is in legislation before Parliament. The amendment applies to the imputation credits held by the subsidiary at 31 March 1998.

The tax credit system was never intended to apply to tax paid before the introduction of the system. This amendment confirms the policy intent of the proposed tax credit system, and closes a potential revenue loophole that could arise when it is enacted.

Application date

The amendment will apply from 1 April 1998 to coincide with the start of the tax credit system.

Key features

Section MJ 3 of the Income Tax Act 1994 will be amended so that superannuation funds and life offices may not credit certain imputation credits received directly or indirectly from wholly-owned entities to their tax credit accounts. These are imputation credits that relate to tax paid by the wholly-owned entities before 1 April 1998.

To reduce compliance costs, the provision will apply only when the wholly-owned entity has more than $1 million of imputation credits at 31 March 1998.

Background

Tax paid and imputation credits received by life insurers and superannuation funds after 1 April 1998 will generate tax credits under the proposed system. If an electing fund receives imputation credits after 1 April 1998 from a wholly-owned entity and the imputation credits relate to tax paid by the entity before the proposed tax credit system applies, the imputation credits should not generate tax credits. This amendment prevents those imputation credits being used to provide tax credits.

TAX-FREE ALLOWANCES AND SHAREHOLDER-EMPLOYEES

(Clause 66)

Summary of proposed amendment

An amendment will be made to remove an anomaly that prevents certain shareholder/employees from receiving tax-free allowances.

Application date

The amendment will apply from 1 April 1999.

Key features

The amendment will extend section OB 1's definition of "employee" to include, for the purposes of section CB 12 (the section governing allowances), shareholder/employees who fall within section OB 2(2).

Background

In certain circumstances, income derived by employees from companies in which they are also shareholders is deemed to be derived other than by way of source deduction payments. The circumstances in which this occurs are listed in section OB 2 (2), and are generally limited to where the income is derived other than by way of regular payments throughout the income year. The legislation is intended to prevent the deferral of income tax revenue, by providing that the income is subject to provisional tax, rather than PAYE.

The term "employee" is defined in section OB 1 as "a person who receives or is entitled to receive a source deduction payment". As a result, shareholder/employees who fall within section OB 2 (2) are not employees for the purposes of the income tax legislation. This means that they are unable to receive tax-free allowances, while the Act also prevents them from claiming deductions for employment related expenditure. The amendment will correct this anomaly.

PAYE TAX TREATMENT FOR OFFICE HOLDERS

(Clauses 66 and 67)

Summary of proposed amendment

Amendments will be made to confirm PAYE tax treatment for members of Parliament and judges, and to provide for PAYE tax treatment for elected members of local authorities.

Application date

The amendments will apply from 1 April 1999.

Key features

Section OB 2's definition of "source deduction payment" will be extended to include a payment made to a specified office holder in respect of the activities of a specified office.

Section OB 1 will be amended by insertion of a definition of "specified office holder". This definition will include a member of Parliament, a judge or an elected member of a local authority. (The definition describes a judge as a judicial officer whose salary and principal allowances are determined by the Higher Salaries Commission.)

This will mean that these persons will be subject to PAYE tax treatment (while still retaining their status as office holders).

Background

Members of Parliament and judges are already, in practice, subject to PAYE tax treatment. The amendments will codify this existing practice.

Elected members of local authorities are subject to withholding tax on remuneration payments. However, in practice, they are not treated in a consistent manner for tax purposes. Some are subject to PAYE tax treatment, others are treated as self-employed for tax purposes, while still others have part of their remuneration treated as subject to PAYE and the balance treated as self-employment income. The amendments will ensure uniformity in tax treatment.

Minor Remedial Amendments

FORESTRY RIGHTS

(Clause 46)

Summary of proposed amendments

The Taxation (Remedial Provisions) Act 1998 amended the Income Tax Act 1994 to ensure that no tax consequences resulted from the creation of forestry rights to oneself under the Forestry Rights Registration Act 1983. However, section GD 1, which provides that if a forestry right is sold, created or granted for inadequate consideration, the market value of the right should be treated as gross income, was overlooked. This omission undermines the intention that no tax consequences should arise. The proposed amendments to section GD 1 will ensure that such tax consequences do not arise.

Application date

The amendments will apply to rights to take timber created or granted from the start of the 1997-98 income year.

LOW INCOME REBATE

(Clauses 48 and 49)

Summary of proposed amendments

For the purposes of calculating the low income rebate, the income of taxpayers who reside in New Zealand for only part of the income year is grossed up to an annual amount. This ensures that individuals on high incomes do not qualify for the low income rebate. At present section KC 1 of the Income Tax Act 1994 does not provide for the rebate to be reduced relative to the number of days spent in New Zealand. This can overstate the rebate in some cases. The proposed amendments provide that the rebate calculated as a result of grossing up the income will be reduced, relative to the number of days spent in New Zealand.

Application date

The amendments will apply from the start of the 1999-2000 income year.

REFUNDS OF STAMP DUTY

(Clause 85)

Summary of proposed amendment

An amendment reinstates the previous section 68(1) of the Stamp and Cheque Duties Act 1971, which was repealed in error when the legislation implementing the new taxpayer compliance, penalties and disputes resolution rules was enacted, in 1996. It will reinstate the original intent of the legislation, that the Commissioner can make a refund of overpaid stamp duty only if a written application is made within eight years of the overpayment.

Application date

The amendment will apply to every transaction liable to stamp duty entered into on or after 1 April 1997.

SMALL BALANCE WRITE-OFFS FOR ACC PREMIUMS

(Clause 72)

Summary of proposed amendment

A proposed amendment to section 132 of the Accident Rehabilitation and Compensation Insurance Act 1992 will increase the small balance write-off for ACC premiums from $5 to $20. Therefore amounts of $20 or less owing by persons under the Act can be written off. The amendment ensures that the threshold for small balance write-offs for ACC premiums is the same as for the income tax rules.

Application date

This amendment will apply from the date of enactment.