ACCRUAL TAX REGIME AND GROUP INVESTMENT FUNDS

SUMMARY

As a result of an enquiry the Department has considered whether an investment in a Group Investment Fund is a financial arrangement and thus subject to the accruals regime.

RULING

An investment in a Group Investment Fund is not a "financial arrangement" and is therefore not subject to the accruals regime.

Reference: HO.10.A.3.0

1990 PROVISIONAL TAX RECALCULATION

Worksheets for the recalculation of provisional tax, to take into account Interest and Dividend PAYE, have recently been issued.

Interest Not Subject To PAYE

The formula for recalculating 1990 provisional tax does not make a distinction between interest with PAYE deducted at source and interest which is not subject to PAYE (e.g. overseas interest). Logically the latter will still be provisional income However the worksheet correctly reflects the legislation on this point in that the calculation may be based on all interest not just PAYE interest.

If the formula is followed, protection will be given from any additional tax even if interest not subject to PAYE is included in the calculation.

Statements Showing "Estimates"

For operational reasons, each recalculation of 1990 provisional tax generates a statement which indicates that 1990 provisional tax has been estimated. 'This is causing concern for those who followed the formula and have not actually made an estimate.

Please do not object to any statements which incorrectly show an estimate as they will all be corrected once we have the system in place. Be assured that we have not confused the calculations with estimates and everyone who followed the formula will receive the promised protection from additional tax.

GST - MATRIMONIAL PROPERTY AGREEMENTS

SUMMARY

This item amends the Department's policy regarding the GST implications of the transfer of ownership of the assets of a taxable activity in terms of a matrimonial property agreement made pursuant to the Matrimonial Property Act 1976.

BACKGROUND

The Department's previous position is set out in Public Information Bulletin No 171 and was that the transfer of ownership of the assets from one spouse to the other was a supply for the purposes of the Goods and Services Act 1985.

RULING

The provisions of the Matrimonial Property Act 1976 establish certain rights for both spouses to the assets of the marriage. In entering into a matrimonial property agreement the spouses are doing no more than formalising those rights. It is arguable that the assets should always have been treated as owned by both (not necessarily in equal shares).

When such an agreement is entered into the Department will accept that a partnership exists between the husband and the wife in respect of the assets covered by the agreement. This means that where the husband and wife continue the taxable activity in partnership with those assets the only action required is to register the partnership for GST purposes. No GST liability will arise in respect of assets covered by the agreement in this situation until they are subsequently supplied The husband's and/or wife's registration will be cancelled unless another, separate taxable activity is carried on by that person. Any subsequent supply, including assets retained by either party or any assets not covered by the agreement will be treated in the same manner as any other supply by a registered person.

Where the husband and the wife do not carry on the taxable activity in partnership after entering into the agreement the Department still considers that a partnership existed at the time the agreement was entered into. The assets transferred from the partnership to each spouse would be a supply to an associated person. The value of the supply would depend on whether the assets will be used principally in a taxable activity or will be for the private use of either spouse. The net result would be a GST neutral position where the assets continue to be used in a taxable activity and a GST liability (on the open market value of the assets) where they are not. This is consistent with the purpose of the legislation which is to tax consumption.

In this situation the registered person is one of the spouses. As the spouses do not intend carrying on the taxable activity in partnership there is no point in registering the partnership merely to deal with the transfer of the assets to each spouse. The Department will therefore not require the registered person to charge output tax on assets covered by the agreement provided those assets will be used by either spouse principally in a taxable activity. As stated above a GST liability arises in respect of any assets which will no longer be used principally in a taxable activity. It is the responsibility of the spouse who is registered to account for the output tax Any subsequent supply by the registered person(s), including assets retained or any assets not covered by the agreement will be treated in the same manner as any other supply by a registered person.

The above only applies to assets covered by a matrimonial property agreement and is only for the purposes of the Goods and Services Tax Act 1985.

Reference: HO.GST.S.7.1

DEPRECIATION RATES FOR THE DAIRY INDUSTRY

Co-operative dairy companies now fall within the income tax net. The industry recently asked the Department to consider an application for depreciation rates on certain items of plant and equipment used in the industry. These items had never been considered previously because of the tax free status of the companies prior to 1 April 1988.

RULING

The assets listed below have been approved at the rates shown. These rates can apply from the date the companies became liable to income tax.

SCHEDULE

ASSET	DEPRECIATION RATE (Diminishing Value unless otherwise stated)
Buildings	
- Milkpowder Building	11.41%
- Cheese Building	) normal
- Butter Building	) building rates
- Casein Building	) to apply.
- Dry Stores	)
Farm and Milk Collection Equipment	
- Farm Milk Vats	15%
- Chillers	15%
- Tractor Units/Trailors	20%
Common Dairy Company Plant	
- Milk and Cream Storage Silos	15%
- Milk Treatment Plant	
- Separators	15%
- Plate Heat Exchangers	15%
• Homogenizers	15%
Butter	
- Vacreators	15%
- Plate Heat Exchangers	15%
- Chilled Silos	15%
- Butter Making Machines	15%
- Bulk Butter Packers	15%
- Butter Patting Machines	15%
Cheese	
- Vats	15%
- Cheddaring System	15%
- Pressing/Forming Equipment	15%
- Packing Equipment	10%
- Metal Detectors	10%
- Cool Tunnels	10%
Milk Powder	
- Evaporators	15%
- Spray Dryers	15%
- Powder Conveyors	10%
- Powder Packing Equipment	10%
• Conveyor System	10%
• Sewing Machines	15%
• Powder Packing Machines	10%
- Metal Detectors	10%
Casein	
- Precipitation and Washing System	15%
- Drying Plant	15%
- Casein Tempering/Blending Bins	15%
- Grinding Plant	15%
- Sifting Plant	15%
- Packing Equipment	15%
Whey Processing	
- Whey Storage Silos	15%
- Clarifiers	15%
- Whey Powder	
• Ion Exchangers	15%
• Electrodialysis Plant	15%
- Whey Protein Concentrate	
• Ultra Filtration Plant	15%

* Rate will be allowed only where an engineer certifies that the building MUST be demolished in order to remove or replace the Plant or Machinery it contains.

HIGH COURT DECISION - ROY ALE LTD. V CIR - M 508/87 - WHETHER PREMIUM PAID IN RESPECT OF GOODWILL IS DEDUCTIBLE UNDER SECTION 137.

FACTS

The objector is a private company which entered into an agreement for the sale and purchase of property to acquire the lease of a hotel. A substantial portion of the purchase price was, "For the goodwill of the said business including the benefit of the tenancy of the said premises". The objector sought a deduction for the goodwill, contending that section 137 expressly provided for such a deduction.

The objector's contentions were as follows:

(i) The whole of the payment was a premium either in terms of section 137(1)(b) as a payment of goodwill attached to the land, or in terms of section 137(1)(c) as a payment in consideration for the transfer of the lease;

(ii) The payment was deductible under the proviso to section 137(2), which permits a deduction to an assignee of a lease, calculated by reference to the amount paid by the assignee, apportioned over the remaining term of the lease.

The Commissioner's argument was that:

(i) A substantial proportion of the payment constituted a payment of goodwill for the business as distinct from goodwill attached to the land and the assignment of the lease;

(ii) The onus was on the objector to establish what portion, if any, of the goodwill payment related to goodwill attached to the land and the assignment of the lease, and that the objector had not established the portion;

(iii) Even if the objector had established the portion, as in (ii), the objector had not shown what proportion of the goodwill is deductible and must therefore fail;

(iv) Section 137 does not permit a deduction of goodwill paid on an assignment of a lease. The main argument of the Commissioner in that regard is that the payment of goodwill was not a "premium" in terms of section 137(1) for the reason that "premium" is defined as being "in relation to a lease of land" and "lease" does not, as defined in section 2 of the Act, include an assignment. As a secondary argument the Commissioner contended that the proviso to section 137(2) limits the deduction an assignee may claim.

DECISION

Wallace J, considered that the objector had established that the whole of the payment of goodwill was attached to the land and the assignment of the lease. Wallace J, also considered that section 137(2) includes premiums paid on assignments, however he agreed with the Commissioner in that the proviso to subsection (2) places a limitation on the preceding paragraph. He considered the application of the proviso to be a two step process. Firstly, the appropriate proportion (if any) of the premium not deducted by the original lessee (spread over the term of the lease) must be ascertained. Secondly, this must be compared with the appropriate proportion of any premium paid by the assignee. In the result an assignee's position is as follows -

(i) If the original lessee has claimed a deduction(s) for the entire premium paid on grant or renewal, the assignee cannot claim a deduction for any premium paid.

(ii) If there is a balance not deducted by the original lessee, which exceeds the proportionate part of the premium paid by the assignee, the assignee is limited to a deduction based on the proportionate part of the premium paid by the assignee. If no premium was paid, by the assignee on the assignment, no deduction can be made.

(iii) If the proportionate part of the premium paid by the assignee is greater than the balance not deducted by the original lessee (spread over the term of the original lease), the maximum amount allowed by the proviso is not exceeded. In that event the assignee is entitled to deduct the proportionate part of the balance of the premium paid by the original lessee. The proviso does not, of itself, authorise a deduction.

COMMENT

This was considered to be one of those unusual cases where the context of the word "lease" required that it be given a different meaning from that provided in the definition section of the Act (section 2).

Reference: H.O. 10.D.1.1

GST - TAX INVOICES

SUMMARY

This item sets out a number of areas relating to GST tax invoices where the legal requirements are not being met and some other matters registered persons should note about tax invoices.

1. TAX INVOICES - COMMON ERRORS

BACKGROUND

Recent Departmental surveys show that documents intended to be tax invoices frequently fail to meet the requirements of section 24 of the Goods and Services Tax Act 1985.

COMMENT

Examples of these shortcomings are:

- The words "Tax Invoice" are omitted, too small or not in a prominent place. Although most particulars required for a "tax invoice" may be on the reverse the words "tax invoice" must be on the front. If there is more than one page the words "tax invoice" must at least be on the first page. The particulars may be included by a stamp and do not need to be printed.

- In some cases recipients have stamped the words "tax invoice" on an invoice to give it the appearance of a "tax invoice". This action is an offence by the recipient as misleading the Commissioner
- The name and address of the recipient is omitted. However this information is not required if the consideration is $100 or less.

- There is no statement that the consideration includes GST if the GST is the tax fraction.

However, if the consideration is more than $100, as an alternative, the tax invoice may show;

  - the total amount of GST charged;

  - the consideration excluding GST;

  - the consideration including GST.

- Tax invoices for zero rated supplies simply state that the consideration includes GST without stating the GST is NIL.

In these cases, the tax invoices must state the consideration excluding the tax and the amount of the tax as NIL.

- In many instances more than one document containing the words "Tax Invoice" had been issued for a supply.

Care must be had to the retention by the supplier of copies of tax invoices issued by them. In these cases section 24 is being complied with providing:

(a) these copies are not issued, and

(b) they must clearly be identifiable as not being the original tax invoice e.g. "Accounting Copy" or "File Copy".

In certain circumstances the Commissioner may agree that not all the particulars prescribed in section 24 need be shown on a tax invoice or that a tax invoice need not be issued. Prior approval of this is necessary.

Tax invoices are not needed where the taxable supply does not exceed $20.

When planning stationery requirements, registered persons should consider the above comments carefully.

2. CONDITIONAL TAX INVOICES

BACKGROUND

The question has been raised whether invoices containing the words "THIS BECOMES A TAX INVOICE WHEN PAID" qualifies as a tax invoice.

RULING

When a renewal notice is issued such as for subscriptions or insurance policies, in most cases it is not a document notifying an obligation to make a payment but an offer to provide goods and services for a consideration. Accordingly the time of supply generally occurs when paid or a formal invoice is issued.

In these cases, provided the renewal satisfies the requirements of section 24, it may be endorsed as shown above.

Input tax may not be claimed until the amount has been paid.

3. PURCHASE OF SECONDHAND GOODS - RECORD KEEPING REQUIREMENTS

BACKGROUND

Examinations of records of registered persons have shown that in many cases where secondhand goods have been purchased from non-registered persons or from registered persons outside their taxable activity (i.e. goods of a private nature), the requirements of section 24(7) of the Goods and Services Tax Act 1985 have not been met

COMMENT

Input credits may only be claimed where payment is made during the taxable period and where registered persons meet the requirements of section 24(7) of the Goods and Services Tax Act 1985, i.e., that the recipient of the goods maintains sufficient records to enable the following particulars to be ascertained:

(a) The name and address of the supplier;

(b) The date upon which the secondhand goods were acquired;

(c) A description of the goods;

(d) The quantity or volume of the goods supplied;

(e) The consideration for the supply.

Where the consideration does not exceed $20, the above detailed records do not need to be kept although a sufficient record to verify the transaction should be.

The meaning of "payment" is set out in TIB No.4.

Where secondhand goods are purchased from a registered person who has principally used the goods in their taxable activity the normal tax invoicing requirements apply.

4. GST TAX INVOICES - SELF BILLING (BUYER CREATED)

BACKGROUND

For certain types of supplies the value of the goods is determined by the recipient of the goods when the supply is made. Examples are stock sales to freezing companies, supplies of milk to dairy and other co-operatives.

TAX INVOICE REQUIREMENTS

these cases the tax invoice requirements are:

(a) Registered persons who are recipients of supplies must obtain written approval from the Department to produce self-billing tax invoices. Retrospective approval may not be granted.

(b) In each case where a buyer created tax invoice is to be provided both the supplier and the recipient must agree that the supplier will not issue a tax invoice in respect of that supply.

(c) The buyer created tax invoices must be given to the supplier and a copy retained by the recipient.

(d) Buyer created tax invoices must show the normal tax invoice particulars including the name and registration number of the supplier of the goods (i.e., NOT the person who generates the tax invoices), and the name and address of the recipient (i.e., the purchaser and person actually generating the buyer originated tax invoice).

(e) Where two separate supplies of goods and services are generated as a result of transactions between two separate parties the full amount of inputs and outputs must be shown on the tax invoice i.e., there cannot be a "netting off" on which GST is calculated.

(f) In cases where purchases are made from non registered persons the invoices raised on behalf of the non registered person should neither display the words tax invoice nor charge GST.

5. TAX INVOICE REQUIREMENTS - PROPERTY TRANSACTIONS - ZERO-RATED SUPPLIES

BACKGROUND

PIB 175 on page 28 stated the tax invoice requirements in relation to claiming input tax on the purchase of land and buildings. The question has been raised as to how zero-rated supplies are dealt with.

RULING

Where a property transaction meets the requirements of a zero-rated supply under section 11(1) of the Goods and Services Tax Act 1985, a tax invoice, if required by the purchaser to be issued by the supplier, must show the GST content as zero percent. The option for the invoice to simply state that the GST charged is the tax fraction of the consideration in terms of Section 24(3)(g)(ii) of the Goods and Services Tax Act 1985 is not available in this case, even if the consideration is not more than $100.

If the unconditional agreement for sale and purchase is to be used as the tax invoice the agreement must show clearly that GST is imposed at zero percent

6. TAX INVOICES - SALES AND PURCHASES OF LAND AND BUILDINGS - WHO MAY ISSUE A TAX INVOICE?

INTRODUCTION

The question has been raised as to whether a solicitor acting on the purchase of land and buildings may issue a tax invoice for the supply.

BACKGROUND

Settlement statements issued by solicitors for the purchaser as tax invoices in respect of goods and services supplied by them in the course of purchase of property are in some cases also being used to claim deductions for input tax in respect of the purchase of land and buildings.

The proviso to section 60(1) of the Goods and Services Tax Act 1985 allows for an agent to issue a tax invoice when the agent makes a supply of goods and services for and on behalf of any other person who is the principal of the agent.

RULING

The settlement statement issued by the solicitor for the purchaser may act as a tax invoice in respect of the supply of goods and services by the solicitor such as fees and disbursements.

However, the solicitor for the purchaser does not make the supply of land and buildings for and on behalf of the supplier and is therefore not an agent of the supplier. The proviso to section 60(1) therefore does not apply and the settlement statement issued by the solicitor for the purchaser should not be used by the recipient of the supply (purchaser) to represent a tax invoice in respect of the supply of land and buildings.

When the supply of land and buildings is a taxable supply and the recipient requires a tax invoice to claim an input credit, the supplier (vendor) should issue the tax invoice. This tax invoice needs to meet the requirements of section 24 of the Goods and Services Tax Act 1985. This may be issued by the supplier's solicitor if requested by the supplier but it must constitute a tax invoice issued by the supplier. This includes the supplier's own GST number and not the solicitor's GST number. Note that only one tax invoice may be issued in respect of a supply.

A solicitor should only issue a tax invoice in terms of section 60(1) of the Goods and Services Tax Act 1985 if there is a true agency situation present and they are making the supply on behalf of the principal.

7. ELECTRONIC TAX INVOICES

BACKGROUND

The following questions have been raised.

- Whether tax invoices may be in electronic form.

- If the invoice is transmitted electronically from the supplier to the recipient, whether the content and format of the invoices as received must be the same as that transmitted.

RULING

Tax invoices may be in electronic form. This is because "document" is defined in the Goods and Services Tax Act 1985 as "...including any electronic data, computer programme, computer tapes and computer discs".

The tax invoices must contain the minimum information required by section 24 of the Goods and Services Tax Act 1985 including the words "tax invoice" in a prominent place. Any difference in content or format of the "invoice" produced by the recipient compared with that transmitted by the supplier would not invalidate the "tax invoice" so long as the above conditions are met.

If a tax invoice is re-issued for any reason by either the supplier or any other stage in a computer network then the re-issued tax invoice must include the words "copy only". When a transmission is not complete and not acknowledged by the recipient, then this is not an issue of a tax invoice. In these cases, the message when eventually received is the original and not a copy.

Income Tax Treatment

Electronic tax invoices also meet the requirements as "records" for the purposes of section 428(1) of the Income Tax Act 1976.

Storage of Documents

Electronic tax invoices must be retained in the same medium (on hard copy if desired) for both goods and services tax and income tax purposes as follows:

- goods and services tax - for at least 10 years after the end of the taxable period to which they relate.

- income tax - for at least 10 years after the end of the income year to which they relate.

Printing of Documents

It will be necessary for any such scheme to have a facility for any document to be printed if required by departmental officers.

Evidential Requirements

It may be necessary to establish the admissibility of electronic records in any proceedings.

DEPRECIATION REVIEW

The Department is shortly to commence a major review of the deductions allowed for depreciation and is currently inviting submissions on the issue.

Any interested party is invited to submit any concerns that they have or suggestions or matters that they would like considered to:

Mrs. L J Bamfield
Senior Research Officer
Inland Revenue Department
Head Office
PO Box 2198
WELLINGTON

The closing date for submissions is Friday, 16 February 1990.

DEPRECIATION ON RENTAL PHOTOCOPY MACHINES

SUMMARY

This item is to advise the rate of depreciation set for rental photocopy machines.

BACKGROUND

Currently the Department allows a depreciation rate of 20 percent diminishing value on photostat equipment.

We have now established d that this rate is insufficient to cover the additional wear and tear which rental photocopy machines undergo.

RULING

As from [and including] the income year commencing 1 April 1989, the rate of depreciation applicable to rental photocopy machines is 33 1/3 percent DV.

Reference: HO. 10.D.3.6

LAND TAX: APPORTIONMENT OF LAND IN PART TAXABLE/EXEMPT

The Department's current practice for apportioning land for land tax purposes where the land is used for both taxable and non-taxable activities has been reviewed.

Existing Interpretation

Under the existing interpretation where an area of land is used principally for a taxable purpose the value of the entire area of land is subject to land tax even though part of the land could Be used for an exempt purpose. Consequently where 51% or more of the land is used for taxable purposes (the remainder used for private/non-taxable purposes) the total value of the land is subject to land tax (no apportionment for exempt use being made).

New Policy

The Department now considers an apportionment is to be made bearing in mind the apportionment basis envisaged by section 7 of the Land Tax Act 1976.

This means that where land is used for both taxable and non-taxable purposes land tax will only be payable on the value of the land used for taxable purposes.

For example, take the case of a corner dairy where part of the land/building comprises the shopkeeper's residence. The value of the land will be required to be apportioned on the basis of land used as a residence (being exempt from land tax under section 27(1)(g) of the Act), and land used for "dairy" purposes (being taxable).

Apportionments

In general the Commissioner will accept a "just and reasonable" apportionment of the land values for the purposes of section 7 of the Act. If agreement cannot be reached the Commissioner will request the Valuer General to make the apportionment and the assessment will be based on that apportionment.

Application

This new interpretation will apply in respect of land owned on 31 March 1989.

RETENTION OF BUSINESS AND OTHER RECORDS - MICROFILMING/ MICROFICHING OF RECORDS

SUMMARY

This statement is the Department's new policy on microfilming of business and other records and the subsequent destruction of originals.

BACKGROUND

The requirement to keep business and other records for tax purposes in New Zealand is provided for in section 428 of the Income Tax Act 1976 and section 75 of the Goods and Services Tax Act 1985.

These sections require the records to be retained for at least 10 years, after the end of the income year or, as the case may be, the taxable period to which they relate unless

(a) The Commissioner has given notice in writing that retention of certain records is not required; or

(b) In the case of a company, the company has been wound up and finally dissolved.

New policy on Microfilming on records

Because of advances in technology of record storage facilities, the size of records required to be retained and the increasing problems of storage of original records, the Department has reviewed its policy on which records it will permit to be microfilmed.

Listed below are the records which are now able to be microfilmed, without seeking specific approval from the Inland Revenue Department. Once microfilmed the original, (or copy) may be destroyed. These rules apply for income tax and GST purposes only. If the item is not listed it must be kept for 10 years unless specific approval is given.

RETAIN ORIGINAL PRIOR TO MICROFILMING FOR AT LEAST THE LAST FINANCIAL YEAR FOR WHICH AN INCOME TAX RETURN HAS BEEN FILED

- Financial transaction records such as:
  - expense vouchers, invoices, tax invoices, copies of tax invoices, debit and credit notes
  - records of cash receipts till tapes and receipt books
  - records and associated invoices of all goods purchased and sold together with identification of buyers and sellers. These requirements do not apply to cash retail sales or to cash wholesale sales made in the same way as cash retail sales.
  - A record of all goods and services supplied by or to the registered person with identification of suppliers.
  - Accountants' Working papers including:
  - client questionnaires
  - stock sheets (and the records from which those statements are compiled)
  - depreciation schedules
  - debtors' and creditors' calculations
- Records and explanations of the accounting system, e.g., Chart of accounts, accounting manual. In businesses with a computer based accounting system, the systems logic and full audit trail is required.
- Records of assets and liabilities in relation to the business.
- Internal business memoranda including management reports and documents.
- Written communications with other parties including business letters, facsimile messages and telex messages
- Records in relation to fringe benefits provided to employees together with supporting documents.
- Records relating to imputation credits, foreign payment withholding dividends, or branch equivalent tax accounts.
- Records relating to specified superannuation contributions to a superannuation fund.

RETAIN ORIGINAL PRIOR TO MICROFILMING FOR AT LEAST 5 YEARS

- Books of account including cash books, journals and private ledgers.
- Business bank statements, cheque butts and deposit slips.
- Minute books (shareholders and directors) and documents and papers submitted to meetings of shareholders and directors

Points to note on Microfilming

- Microfilmed records must be of good quality and must be able to be read easily.
- An adequate index to the stored material must be maintained.
- If it is decided to microfilm records all records of a class must be microfilmed. It is not acceptable, if some documents or files are vetted before microfilming, for the vetted documents to be destroyed
- Viewing and printing facilities for microfilmed records must be available free of charge to departmental of officers if required.
- If requested, persons must locate selected data on the microfilm and print any items selected free of charge.
- It may be necessary to establish the admissibility of microfilm records in any proceedings.
- The above references to microfilm also apply to microfiche or similar type of photographic process.

As with microfilming, the electronic recording of records where the originals are in hard copy form is acceptable providing the records if printed are identical in format and all other respects to the original records.

Electronic Recording of Records

Records may be maintained in electronic form such as for computer records and electronic data interchange (EDI). In these cases, viewing and printing facilities must be made available free of charge to departmental officers, if required.

Evidential requirements may need to be met as for microfilming.

Approvals and Assistance

Provided the above policy is followed, prior approval to microfilm records is not required

If taxpayers, accountants or other agents wish to vary the above policy written approval to do so is required.

If taxpayers require any further information on microfilming records any Inland Revenue Office will be able to assist. Enquiries should be directed to the Verification Unit in your local Inland Revenue office.

INTEREST PAYE/DIVIDEND PAYE - IMPLICATIONS FOR NON RESIDENTS

With the introduction of Interest/Dividend PAYE as from 1 October 1989, many financial institutions/ Companies are being approached by investors/ shareholders identifying themselves as non residents. (The implication being that the income derived should be liable for Non Resident Withholding Tax and not the Resident Withholding Taxes recently introduced).

All reasonable enquiries should be made direct with the investor/shareholder to establish whether or not that person is a non resident for New Zealand tax purposes (Pamphlets IR 291 "Tax Guide For Non Residents" and IR 292 "New Zealand Tax Residence" define non resident, and are available at Inland Revenue Offices). An overseas address should be obtained in all instances, and should be incorporated when completing Non Resident Withholding Tax Certificates. Certificates, IR 202's, should be completed fully in all instances.

NOTE: Inland Revenue, including the Non Resident Centre, Dunedin, is neither able to:

(a) Confirm or certify direct with the financial institutions/Companies the residency status of individual investors/shareholders (i.e. changes in residency laws/movements of individuals etc may affect past status), nor to;

(b) Issue Certificates of Exemption in respect of non residents (although not liable for Resident Withholding Taxes, non residents do not come within any of the categories of "exempt recipients" as statutorily defined, and are therefore ineligible for Certificates of Exemption).

DEPARTMENTAL TECHNICAL RULINGS

Further to the item in TIB No.4 October 1989 we wish to advise that the Department's Income Tax Technical Rulings are under review and it may be in a prospective purchaser's interest to delay purchase until the new rulings become available. This is expected to be in approximately twelve months' time.

In the meantime, additional material for current manual holders will continue to be offered for sale as and when this becomes available.

PRESS RELEASES

1. NEW MOVES TO SIMPLIFY THE TAX SYSTEM

Following is a copy of a Press Release issued by David Henry, Commissioner of Inland Revenue, on 16 November 1989.

Plans to simplify the tax system moved a step closer with the announcement that John Waugh will chair the Consultative Committee to be set up to review the Simplification of the Tax System.

Inland Revenue is also taking the initiative in a number of areas in which taxpayer compliance costs could be reduced. The Commissioner of Inland Revenue, David Henry, said "we are looking at practical ways of reducing the complexities of complying with the tax system. Examples include:

- the production of a Business Tax Kit to advise new businesses of their rights and obligations under all taxes;
- simplifying and standardising IRD forms, returns and publications;
- greater use of computer-generated return forms;
- the supply by the Department of computer software to assist practitioners with the more complicated tax calculations."

"We expect to work closely with the Consultative Committee and believe the review will provide worthwhile benefits for all concerned. It is inevitable that many of the options the Committee will consider will require legislative change but there will be others that IRD can address directly.

We are anxious to identify these and implement them as soon as we can. To this end we have already formed a small team to work on these issues and provide a contact point with the Consultative Committee", Mr Henry concluded.

2. INLAND REVENUE DECIDES SYSTEMS FOR COMPUTER REDEVELOPMENT

Following is a copy of a Press Release issued by David Henry, Commissioner of Inland Revenue, on 16 November 1989.

In redeveloping its computer systems, Inland Revenue has decided to expand its existing UNISYS environment through its association with GCS Ltd.

In a joint announcement today David Henry, Commissioner of Inland Revenue, Mike Foden, Chief Executive, GCS Ltd., and Brian Clark, General Manager UNISYS New Zealand Ltd. said it had been agreed that the Department would carry out its systems redevelopment using a UNISYS technical

platform subject to conclusion of satisfactory contractual terms.

Inland Revenue's five year technology redevelopment plan encompasses all the systems within the Department including management and operational tax. It will also centralise processing returns and payments through three processing centres the first of which is already operating in Upper Hutt. The other two will be in Christchurch and Hamilton and will begin operations in October next year.

David Henry said the new systems development, which will be one of the largest in the country, will provide Inland Revenue with an efficient, flexible and modern tax administration.

He expects approximately three quarters of the total upgrading cost to be funded by resultant savings.

"We are very excited about the Plan," Mr. Henry said, "it will give New Zealand a really efficient and effective tax administration."

3. LAND TAX - IRD BEGINS IDENTIFICATION EXERCISE

Following is a copy of a Press Release issued by Bob Molony, Deputy Commissioner of Inland Revenue, on 22 November 1989.

Inland Revenue will be issuing up to 10,000 letters over the next fortnight as the first stage of an exercise to identify landowners who will become liable for Land Tax next year.

IRD Deputy Commissioner Bob Molony said they believed many people might not be aware that they are now liable to pay Land Tax because of the changes announced in this year's budget. "We are expecting about 38,000 new Land Tax returns next year and we want to reach those people as soon as possible and make sure they understand what is required," said Mr Molony.

From next year all owners of non-exempt land valued at over $10,000 will be liable for Land Tax at the rate of 1 percent of its value at 31 March next year. Residential land, farm land and some land owned by charities will continue to be exempt.

The Department's letter explains the new provisions and asks recipients to complete details of their land ownership tor IRD. Revenue Collection Director Graham Burnett said the mailing list had been compiled from Valuation Department data recording land ownership at 31 March 1989.

"We have extracted as many non-liable people as possible but some landowners who do not need to pay the tax may receive a letter. We would appreciate it if these people would still complete the tearoff slip and return it so we can update our records," he said.

The Department would also like to hear from people who don't receive a letter but think they might be liable. "Those people should go to their local District IRD Office and confirm whether the new requirements affect them," said Mr Burnett.

Queries that can't be handled in the local office will be directed to Masterton District Office which is the centre for the Land Tax exercise.

IRD has requested replies to its letters by December 15. "It's very important that everyone responds whether they're liable or not, so that we know who will need return forms next year," said Mr Burnett.

Mr Burnett added that next year land tax payments will need to be made in two equal instalments by 7 May and 7 October in terms of a Bill currently before Parliament. In the following year the full payment will be required with the return by 7 May.

DUE DATES REMINDER

December 20	November Tax Deductions payment due.
January 7	Third instalment of 1990 Provisional Tax due for taxpayers with January balance dates.
	1989 Terminal Tax due for taxpayers with February 1989 balance dates.
	Second instalment of 1990 Provisional tax due for taxpayers with May balance dates.
	First instalment of 1990 Provisional Tax due for taxpayers with September balance dates.
January 14	Due date for Interest and Dividend PAYE deducted December 1989 (if accumulated over $500).
	December Quarter's Dividend Withholding Payment due.
	December 1989 Non-Resident Withholding Tax Deductions payment due.

January 16	GST Return and payment for period ended 30 November due.
January 20	December 1989 Tax Deductions due.
	FBT return and payment for quarter ended 31 December 1989 due.

NOTE:

There are no Appendices to TIB No 6.

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