



Public Information Bulletin

INLAND REVENUE DEPARTMENT, HEAD OFFICE, P.O. BOX 2198, WELLINGTON, TELEPHONE: 721 032

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The Department's Technical Policy
Circulars are reproduced in this Bulletin.

HEAD OFFICE POSTAL ADDRESS

All correspondence for Inland Revenue Head Office should be addressed to;

Commissioner,
Inland Revenue Department,
P O Box 2198,
WELLINGTON.

**HENDERSON DISTRICT OFFICE –
CHANGE OF TELEPHONE NUMBER**

A new P.A.B.X. 250 telephone system has recently been installed in the Inland Revenue Department's Henderson office. The new telephone number is 8371 249.

**1986 RETURNS OF INCOME –
NEW INFORMATION REQUIREMENTS**

The design of the IR 4 Company, IR 6 Estate and Trust and IR 7 Partnership returns have been reviewed for the 1986 tax year to coincide with the Department's new computer system. Income paid or credited, including: interest, dividends, rents, royalties, commissions and share of income as disclosed in these returns, will be extracted and stored on our data base. The income will be matched progressively during the year to the recipient's return.

As a result of the new system, it will be necessary, when completing returns, to supply full names, addresses and where available IRD numbers, for taxpayers receiving income from Companies, Estates, Trusts and Partnerships. This information forms part of the prescribed return. If the appropriate panels on the returns are not completed in full correspondence may result with the taxpayer and possible delay in assessments.

**FRINGE BENEFIT TAX – CARS LEFT AT AIRPORTS –
24 HOUR EXEMPTION**

There have been a number of questions raised recently about the application of the "24 hour exemption" to the situation where an employer-provided vehicle is left at an airport while the employee is away from home on business. In the past, we have ruled that the vehicle involved must be away from home with the employee for the exemption to apply, i.e., if the car was left at an airport. The only days which would be exempt from FBT would be the days on which private use was specifically prohibited by the employer – the days on which the vehicle was taken by the employee to/from the airport from/to home would still be liable no matter what. It has been decided that the legislation does not support this view and that the days on which the vehicle is taken by the employee to/from the airport from/to home will be exempt provided the period of absence exceeds 24 hours. The days on which the vehicle is left at an airport in between the days of departure/arrival will also be exempt from FBT provided the vehicle is not available for private use on those days.

1985 LEGISLATION INCOME TAX (ANNUAL) ACT 1985

This Act fixes the rates of income tax and excess retention tax for the year of assessment that commenced on 1 April 1985. It received the Governor-General's assent on 7 December 1985.

Section 1 – The Short Title

This section provides that the Annual Act is to be read with and form part of the Income Tax Act 1976.

Section 2 – Rates of Income Tax

Individuals

The 1985 Annual Act confirms the rates as set out in the First Schedule of the Income Tax Act 1976 (as amended by section 21 of the Income Tax Amendment Act 1984). These rates, which are modified pursuant to section 22 of the Income Tax Amendment Act 1984 to incorporate the temporary surtax introduced in 1982, are:

On so much of the taxable income as:

	Cents
Does not exceed \$6,000	20.0
Exceeds \$ 6,000 but does not exceed \$25,000	33.0
Exceeds \$25,000 but does not exceed \$30,000	45.1
Exceeds \$30,000 but does not exceed \$38,000	56.1
Exceeds \$38,000	66.0

Companies

The 1985 Annual Act confirms the rates applying to companies as being those set out in clause 7 (resident companies – 45 cents) and clause 8 (non-resident companies – 50 cents) in Part A of the First Schedule to the Income Tax Act 1976.

Others

The 1985 Annual Act confirms the rates applying to taxpayers other than individuals and companies as being those set out in the relevant clauses in Part A of the First Schedule to the Income Tax Act 1976 (as amended by section 19 of the Income Tax Amendment Act 1984 – which relates to the rate of tax applying to life insurance companies).

Section 3 – Excess Retention Tax

There is no change to the rate of excess retention tax. The rate of 35 cents is that set out in clause 11 of Part A of the First Schedule of the Income Tax Act 1976.

Section 4 – Repeal

This section repeals the Income Tax (Annual) Act 1984. This repeal does not invalidate past or future assessments of income tax for the 1985 income year.

MAORI AUTHORITIES' RETURNS OF INCOME – LISTING OF DISTRIBUTION TO BENEFICIARIES

When a Maori Authority furnishes a return, they must advise details of the distribution to beneficiaries.

To assist in identification of the beneficiaries, the electoral roll number was being supplied.

However, now that IRD numbers are being widely used, it has been decided to dispense with the requirement for the electoral roll number and, in future, the Maori Authorities will be asked to supply the IRD number of the beneficiaries.

TAX DEFERRAL PROVISIONS OF SECTIONS 188B AND 34 OF THE INCOME TAX ACT 1976

Preamble

Inland Revenue has been asked to comment on whether the tax deferral provisions of section 34 apply when the instalment provisions of section 188B also apply.

Ruling

Section 188B(2) sets fresh due dates for payment of the tax. This means that if the provisions of section 34 are also applied, only 50 percent of each section 188B instalment and interest would be payable by the fresh due date. The other 50 percent of the section 188B instalment and interest could be deferred until the case was resolved.

The following is an example of how the provisions of the two sections would apply together.

Additional tax payable as a result of the application of section 188A is \$12,000.

Instalment Provisions Under Section 188B		Due Date	Tax Deferral Under Section 34	Due Date	Defferable Until Case Resolved
1st Instalment	4,000		2,000		2,000
Interest	480	7. 2.86	240	7. 2.86	240
	4,480		2,240		2,240
2nd Instalment	4,000		2,000		2,000
Interest	960	7. 2.87	480	7. 2.87	480
	4,960		2,480		2,480
3rd Instalment	4,000		2,000		2,000
Interest	1,440	7. 2.88	720	7. 2.88	720
	5,440		2,720		2,720

Section 188B sets the due dates for payment of the tax in dispute, and section 34 determines how much tax in dispute should be paid on those dates. If the taxpayer succeeds with his case, the Department would have to pay interest on the 50 percent tax paid under section 34. If the taxpayer loses his case he would have to pay interest to the Department on any tax in dispute not paid by the due date in respect of 1986 and future year assessments.

MOHAIR PRODUCERS ASSOCIATION OF NEW ZEALAND (INC) TOUR TO VICTORIA, AUSTRALIA IN FEBRUARY 1986 – OVERSEAS TOUR EXPENSES

Preamble

Approval for the deduction of expenditure incurred by tour members on the above tour has been sought.

Ruling

On the basis of the itinerary up to a maximum 80 percent of the basic tour costs of the trip would qualify for a tax deduction.

The deduction would be limited to –

- taxpayers actively engaged as Mohair producers,
- no deduction would be allowed for spouse's expenses unless it can be shown that the spouse is actively engaged in the business as well,
- all private expenses to be excluded.

INLAND REVENUE CALENDAR 1986–1987

- Payments and returns may be made/furnished to any Inland Revenue District Office.
- If a date listed below falls during a weekend or on a public holiday the date is automatically extended to the next business day.
- If payment is not made by one month after the due date 10 percent additional tax as a penalty is payable.
- The new 10 percent additional tax/penalty (incremental penalty) provisions now apply.

1986	
APRIL 7	<ul style="list-style-type: none"> • If balance date falls in January due date to pay <ul style="list-style-type: none"> – first instalment 1987 Provisional Tax • If balance date falls in July due date to pay <ul style="list-style-type: none"> – second instalment 1986 Provisional Tax • Returns of land due
APRIL 20	<ul style="list-style-type: none"> • Pay March tax deductions • Fringe Benefit Tax return for quarter ended 31 March is to be furnished • Due date for payment of Fringe Benefit Tax in respect of quarter ending 31 March • Issue to employees, PAYE tax deduction certificates IR 12, IR 12D, IR 12DP and IR 13 (withholding payments) duly completed for 1985/86 tax year
MAY 7	<ul style="list-style-type: none"> • Due date to pay third instalment 1985 Provisional Tax by farmers authorised to pay in three equal instalments
MAY 20	<ul style="list-style-type: none"> • Pay April tax deductions
MAY 31	<ul style="list-style-type: none"> • Last day to send in PAYE Tax Deduction Reconciliation and Employer Accident Compensation Levy Statement (IR 68) with employer's copies of tax deduction certificates and payment of AC levy as calculated
JUNE 7	<ul style="list-style-type: none"> • IR 5 returns due by salary or wage earners and superannuitants with no more than \$1000 in total from dividends, rent, interest (after exemption)
JUNE 20	<ul style="list-style-type: none"> • Pay May tax deductions
JULY 20	<ul style="list-style-type: none"> • Pay June tax deductions • Fringe Benefit Tax return for quarter ended 30 June is to be furnished • Due date for payment of Fringe Benefit Tax in respect of quarter ending 30 June
AUG. 7	<ul style="list-style-type: none"> • Due date to furnish returns for <ul style="list-style-type: none"> – provisional taxpayers – companies – Maori Authorities – partnerships – estates and trusts – clubs, superannuation funds for balance dates 1 October to 7 June inclusive • For balance dates between 8 June and 30 September returns are due two months after balance date

AUG. 7 (Cont'd)	<ul style="list-style-type: none"> • If balance date falls in February, March, April, May or June due date to pay <ul style="list-style-type: none"> – first instalment 1987 Provisional Tax • If balance date falls in August or September due date to pay <ul style="list-style-type: none"> – second instalment 1986 Provisional Tax • If balance date falls in October or November due date to pay <ul style="list-style-type: none"> – second instalment 1987 Provisional Tax
AUG. 20	<ul style="list-style-type: none"> • Pay July tax deductions
AUG. 31	<ul style="list-style-type: none"> • Last day for lodging applications for GST registration for persons who know, or could with reasonable diligence have known on or before 31 July 1986, that they will be liable for registration with effect from 1 October
SEP. 7	<ul style="list-style-type: none"> • If balance date falls in December due date to pay <ul style="list-style-type: none"> – second instalment 1987 Provisional Tax • If balance date falls in October due date to pay 1986 Terminal Tax (Companies only)
SEP. 20	<ul style="list-style-type: none"> • Pay August tax deductions
OCT. 1	<ul style="list-style-type: none"> • GST commences
OCT. 7	<ul style="list-style-type: none"> • Due date for payment of 1986 Land Tax • If balance date falls in January due date to pay <ul style="list-style-type: none"> – second instalment 1987 Provisional Tax • If balance date falls in November due date for 1986 Terminal Tax (Companies only) • If balance date falls in July due date to pay <ul style="list-style-type: none"> – first instalment 1987 Provisional Tax
OCT. 20	<ul style="list-style-type: none"> • Pay September tax deductions • Fringe Benefit Tax return for quarter ended 30 September is to be furnished • Due date for payment of Fringe Benefit Tax in respect of quarter ending 30 September
NOV. 7	<ul style="list-style-type: none"> • If balance date falls in December due date for 1986 Terminal Tax (Companies only)
NOV. 20	<ul style="list-style-type: none"> • Pay October tax deductions • Shareholder-employee statements and AC levy form ACC 506 to be completed and furnished with AC levy payment as calculated where remuneration was not determined by 31 May 1986 and included in IR 68 Statement
DEC. 1	<ul style="list-style-type: none"> • Last day for filing first GST returns and making first payments for some categories of registered persons
DEC. 7	<ul style="list-style-type: none"> • If balance date falls in January due date for 1986 Terminal Tax (Companies only)
DEC. 20	<ul style="list-style-type: none"> • Pay November tax deductions
1987	
JAN. 7	<ul style="list-style-type: none"> • If balance date falls in February due date for 1986 Terminal Tax (Companies only)
JAN. 20	<ul style="list-style-type: none"> • Pay December tax deductions • Fringe Benefit Tax return for quarter ended 31 December is to be furnished • Due date for payment of Fringe Benefit tax in respect of quarter ending 31 December
FEBRUARY/ MARCH	<ul style="list-style-type: none"> • Obtain tax code declarations (IR 12) from employees for year starting 1 April 1987
FEB. 7	<ul style="list-style-type: none"> • If balance date falls in February, March, April, May or June due date for second instalment 1987 Provisional Tax • If balance date falls in August or September due date to pay <ul style="list-style-type: none"> – first instalment 1987 Provisional Tax

FEB. 7 (Cont.)	<ul style="list-style-type: none"> ◦ If balance date falls in October or November due date to pay <ul style="list-style-type: none"> – first instalment of 1988 Provisional Tax ◦ Due date for 1986 Terminal Tax for companies with balance dates March to September inclusive ◦ Due date for 1986 Terminal Tax for individuals, estates and trusts, regardless of balance dates • Due date for payment of Accident Compensation self-employment levy if 1986 tax return includes income from self-employment
FEB. 20	<ul style="list-style-type: none"> ◦ Pay January tax deductions
MARCH 7	<ul style="list-style-type: none"> ◦ If balance date falls in December due date to pay <ul style="list-style-type: none"> – first instalment 1987 Provisional Tax
MARCH 20	<ul style="list-style-type: none"> ◦ Pay February tax deductions
APRIL 7	<ul style="list-style-type: none"> ◦ If balance date falls in January due date to pay <ul style="list-style-type: none"> – first instalment 1988 Provisional Tax ◦ If balance date falls in July due date to pay <ul style="list-style-type: none"> – second instalment 1987 Provisional Tax ◦ Returns of land due
APRIL 20	<ul style="list-style-type: none"> ◦ Pay March tax deductions ◦ Issue to employees, PAYE tax deduction certificates IR 12, IR 12D, IR 12DP and IR 13 (withholding payments) duly completed for 1986/87 tax year ◦ Fringe Benefit Tax return for quarter ended 31 March is to be furnished ◦ Due date for payment of Fringe Benefit Tax in respect of quarter ending 31 March

ARTIFICIAL SHELTER BELTS – DEDUCTION IN TERMS OF SECTION 127

Preamble

Recently Inland Revenue has had to consider the deductibility of artificial shelter surrounding horticultural blocks. Many organisations have been claiming the shelters installed as development expenditure in terms of section 127 of the Income Tax Act 1976.

Ruling

It is considered that expenditure on artificial shelter is not allowable under section 127(2)(a)(iv) as the phrase "the preparation of the land" in this context should be taken to cover work on the land itself. The cost of shelters that are more than fences, incorporating cover over a crop, cannot be claimed as these are not fences and are not otherwise included in section 127 or section 134.

In the context of fences the relevant provision is section 127(2)(b)(vii). A fence is a barrier designed to prevent intruders from entering an enclosed area. Generally fencing is quite different from artificial shelter. However, there are a number of different kinds of artificial shelter and some may be deductible under section 127(2)(b)(vii). For example, windbreak type fences will be accepted as coming within section 127 where they are erected around the boundary of a horticultural block. Further, they will be accepted as coming within section 134 if erected to protect trees in the circumstances provided for in that section.

WHANGAPE/PAWARENGA DISASTER FUND DONATIONS

Preamble

Section 56A allows a rebate of up to \$200 for the year ended 31 March 1986 in respect of Donations to Qualifying Funds. In terms of section 147 Public Companies can receive tax relief up to \$4,000 subject to certain overriding conditions.

Facts

The Mayor of Kaitaia has established the Whangape/Pawarenga Disaster Fund to help all those affected by the floods of Northland.

Ruling

Cash donations made by individuals and Public Companies will qualify for the tax concessions available under sections 56A and 147.

The official collecting agents for donations are branches of the Bank of New Zealand and offices of Local Authorities.

Receipts issued by the Bank of New Zealand will be endorsed "Whangape/Pawarenga Disaster Fund" and have the teller's stamp and initials on them.

Where the donation is made to a Local Authority the receipt will have the same endorsement as above along with the signature of the receiving officer.

PURCHASE OF FARM DOGS

Preamble

There appears to be some confusion in relation to claims made by taxpayers for the purchase of replacement farm dogs. Some claims made by salary and wage earners have been limited to \$250 under clause 4 of the Fourth Schedule.

Facts

The purchase of replacement farm dogs does not come within clause 4 of the Fourth Schedule but clause 8. Taxpayers are entitled to claim a horse, dog or saddle allowance and the actual employment related expenditure. Any reimbursing allowances previously deducted from gross wages must be deducted.

Example:

Cost of dog	\$1,100.00
Reimbursement from employer	<u>\$ 350.00</u>
	\$ 750.00
\$1.00 weekly allowance	<u>\$ 52.00</u>
	<u>\$ 698.00</u>

The farm hand would be entitled to claim \$698.00 under clause 8 of the Fourth Schedule.

Ruling

The cost of replacement farm dogs purchased by farm workers is a deductible item under clause 8 of the Fourth Schedule and not limited to \$250.00 under clause 4 of that Schedule.

**COMMUNITY ENTERPRISE LOAN TRUST – CHARITY –
PURSUANT TO SECTION 56A INCOME TAX ACT 1976 – CHANGE OF NAME**

The Community Enterprise Loan Trust approved for the purposes of section 56A of the Income Tax Act 1976, has changed its name to the Co-operative Enterprise Loan Trust. The logo remains as CELT.

**FOURTH ANIMAL SCIENCE CONGRESS TRADE EXHIBITION –
SECTION 156F OF THE INCOME TAX ACT 1976**

The Secretary of Trade and Industry has approved the Fourth Animal Science Congress Trade Exhibition as an export oriented trade fair for the purposes of section 156F of the Income Tax Act 1976. Exhibitors at the fair will be able to claim those expenses incurred as an exhibitor as "prescribed outgoings" for the purposes of section 156F.

The fair will be held in February 1987.

**FRUIT GROWERS TOUR TO SINGAPORE, EUROPE AND
THE UNITED STATES 1986 – OVERSEAS TOUR EXPENSES**

Approval for the deduction of expenditure incurred by tour members of the above tour has been sought by the organisers.

On the basis of the itinerary submitted no part of the costs of the tour will be deductible for tax purposes due to the significant holiday element involved in the tour.

FRINGE BENEFIT TAX RETURNS – NEW FILING RULES

The following letter will be issued to all employers and accountants later this month.



Office of
Commissioner of Inland Revenue
WELLINGTON

March 1986

Dear Employer or Accountant

FRINGE BENEFIT TAX RETURNS – NEW FILING RULES

Inland Revenue has reviewed its administration of Fringe Benefit Tax (FBT) and is pleased to tell you of new filing rules for FBT returns. These new rules apply to the tax year starting 1 April 1986 and are designed to help employers who do not provide – and do not intend to provide – taxable fringe benefits to their employees. Those employers will be allowed, subject to certain conditions, to furnish "Nil" FBT returns on an annual basis instead of every quarter.

To qualify for the new annual basis of furnishing "Nil" returns an employer must –

- (i) have furnished "Nil" FBT returns for four consecutive quarters,

OR

be able to satisfy Inland Revenue that taxable fringe benefits are not provided – nor is there an intention to provide them – a written application to your local tax office is required,

AND

- (ii) agree, if circumstances change and taxable fringe benefits are provided, to notify Inland Revenue immediately so that normal quarterly FBT returns can be furnished.

These new rules will apply first to the year commencing 1 April 1986. THIS MEANS THAT RETURNS FOR ALL QUARTERS INCLUDING THAT ENDING 31 MARCH 1986 ARE REQUIRED IN ALL CASES.

From May 1986 onwards we will be inviting specific employers who have already furnished four "Nil" returns by then to go to an annual return basis.

The first annual "Nil" return will be for the year 1 April 1986 to 31 March 1987 and will be sent to employers in February 1987 for filing by 20 April 1987. Bulk mailing will be arranged for agents.

Finally, I remind you of the requirement to keep adequate records, even though there may be no liability for FBT. You might have overlooked, otherwise, the need to keep records of free, subsidised or discounted goods and services supplied even though there is a \$50 exemption, per employee, per quarter.

Yours sincerely

John Simcock
Commissioner of Inland Revenue

Please quote the source if using information extracted from this publication.

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