SOFTWARE DEVELOPERS NEWS

Inland Revenue's update for software developers

November 2009

What's new?

Don't miss out! Register now for our conference

The Software Developers Liaison Unit has issued invitations to attend its conference on Monday 16th November 2009 at the Novotel Hotel in Ellerslie, Auckland. All registrations will need to be in by Friday 6th November 2009. If you haven't already done so, you can register by going to the conference registration *website*.

EMS Business Optimisation update

Software Developer Liaison Unit (SDLU)

It's been a busy couple of months for the EMS Business Optimisation Project team establishing the Software Developer Liaison Unit (SDLU). The unit has been working towards strengthening three areas:

- practical improvements in our communication and consultation
- providing the internal mechanisms to streamline many of the processes that govern Inland Revenue's interactions with the software development community
- ensuring the unit is founded on and adheres to the principles of transparency and inclusiveness.

So far we have:

- issued the first newsletter, and upgraded it to a permanent format for future newsletters
- brought together those who put their hands up to consult with us and projects within Inland Revenue
- released draft payroll-giving specifications to those requesting this before the legislation was granted Royal Assent, with the final specifications now on our website *www.ird.govt.nz/payroll-employers/software-developers/*
- revise the payroll specifications to take into account your feedback. We incorporated changes into the latest specifications, and we continue to progress work in this area.

If you require more information please contact us at *sdlu@ird.govt.nz*

Turning off the printed IR 345

Thanks to those who expressed an interest in the consultation process for turning off the printed IR 345 (EMS). In general, respondents supported this move for employers who currently file their EMS electronically. There were some areas of concern, and some excellent suggestions for improvements. We have established the main themes and areas of concern from the consultation, and are developing solutions to address or minimise the issues raised.

If you wish to provide any additional comments or feedback, please email *sdlu@ird.govt.nz* with the subject line "IR 345 consultation".

Integration of ir-File with payroll products

As a result of Inland Revenue's plans to invest in transformational changes much sooner than previously anticipated, we've stopped some workstreams that had a short-term focus, such as ir-File integration. This decision was based on our need to ensure we have the resources and capability to deliver the wider and more long-reaching strategic changes.

MORE OVER THE PAGE >

WHAT'S INSIDE?

In this issue:

Software Developer Liaison Unit (SDLU), turning off the printed IR 345, integration of ir-File with payroll products, payroll specification, answers to some common queries, the "big Bill" makes it into law, Victoria University Tax Working Group, keeping your finger on the pulse, upgrade of our website pages for software developers, E-File developers' strategic forum, updates from Inland Revenue Projects.

CURRENT INLAND REVENUE CONTACTS

Technical Issues
payroll.developers@ird.govt.nz

Technical Issues escalation
martin.fellows@ird.govt.nz

Strategic and Escalation Issues
dave.gillespie@ird.govt.nz

EMS Project Feedback
emsbusoptproject@ird.govt.nz

Consultation
sdlu@ird.govt.nz

Payroll specification

Redesign

We've redesigned and reformatted the payroll specification, in response to your feedback. The Payroll Giving specification released this month has been presented in the new format and we plan to release the 2010–2011 specification in the new and improved format.

If you have any comments or further feedback regarding the new specification format, please email *sdlu@ird.govt.nz* with the subject line "Specification format feedback".

Additional features

From 1 April 2010 we'll be allowing you to send your software package and version number through the EMS header record. We'll provide further details of this enhancement as this work advances, and will update you at the upcoming conference.

Help desk

Answers to some common queries

Two common queries coming into the help desk this month relate to the version numbers to use in the file when transferring to ir-File.

What version number do I use?

Which version number to use in your file		
Form type	Current version	With payroll giving
EMS	002	003
EDF	003	003
EPS	004	004
EAS	003	004

The payroll giving column should only be used for EMS periods ending on or after 15 January 2010 where the additional fields for Payroll Giving are included. Returns filed for periods ending on or after 15 January 2010 that don't include the payroll giving fields can continue to use the current version numbers. ir-File will accept both version numbers during this period and will perform front-end validations to ensure the number of fields in the file match the version number.

How long will we need to support the current version?

At this stage, both versions will only be applicable until 31 March 2010. Changes in the 2011 payroll specifications will include code in the header files to identify the software package and version used for all periods after 1 April 2010. Returns filed after 1 April 2010 should use the new version to pass the front-end validations in ir-File.

The draft version of the new payroll specifications for the 2010–2011 year is due to be released for your review by 21 November 2009.

Legislative and policy update

The "big Bill" makes it into law

The Taxation (International Taxation, Life Insurance and Remedial Matters) Bill has ended its legislative journey and on the 6th October 2009 was granted Royal Assent.

Payroll giving and volunteer reimbursements

The new Act contains a number of initiatives, including the implementation of payroll giving and the clarification of existing tax law for honoraria and volunteer reimbursements.

Payroll giving will go live on 7 January 2010, three months after the date of Royal Assent, allowing time for employers and software developers to make changes to their payroll systems. The specifications for payroll giving are now available online at *www.ird.govt.nz/payroll-employers/software-developers/* Updates to our IT system to support the changes are in their final stages, with the update to the ir-File system due to go live in January 2010.

The changes to honoraria and volunteer reimbursements apply from the 2009–2010 income year. Information about both payroll giving and honoraria and volunteer reimbursements is available on our website at *www.ird.govt.nz* including an employer's guide to payroll giving (IR 617).

Victoria University Tax Working Group

This working group's role is to identify key issues for the Government if it chooses to restructure the tax system. The working group needs to weigh up the pros and cons of various options for Government consideration and, if appropriate, to identify options for change. All options, however, would need to be considered as part of a broad reform package, and the impact of various tax changes would be considered together.

The group's third session was held on 16 September 2009. The session considered revenue-raising and base-broadening options and included presentations from Len Burman, Arthur Grimes (both academics), and Treasury and Inland Revenue officials.

Further to this, followed discussions on:

- capital gains taxes
- land taxes
- other revenue-raising options included the risk-free return method (RFRM), treatment of depreciation, environmental taxes, estate taxes, and additional resources for Inland Revenue.

More detail on this session is available at *www.victoria.ac.nz/sacl/cagtr/twg/session-three.aspx*

Transforming IR

As customer expectations continue to increase, and the scope of Inland Revenue's work changes, we're undertaking a long-term business transformation programme. A range of prioritised activities planned over the next 18–36 months will:

- deliver Inland Revenue services faster and more efficiently through electronic channels
- help cut compliance costs
- increase certainty for customers
- better manage future business needs
- enable faster delivery of new legislation.

Immediate priorities for Inland Revenue's transformation include:

- upgrading many processes
- re-engineering key systems including the management of Student Loans
- strengthening our IT infrastructure
- speeding up delivery of any new e-services.

Much of this work is described elsewhere in this newsletter.

A long-term enterprise approach is being taken with all transformational activities. We've developed a high-level view of how Inland Revenue will look and work by 2014, including how we'll interface with external partners. We'll continue to consult with third parties where practical as we progress this thinking.

Improvements and consultations

Keeping your finger on the pulse

If you want to know what's on the legislative horizon and add your voice to the public consultation process, these links will let you review and register for automatic updates from Inland Revenue:

- *www.taxpolicy.ird.govt.nz/*
- *www.ird.govt.nz/public-consulation/*

ACC annual levy consultation process

No doubt you're already aware that the ACC consultation process began on 14 October 2009.

You can find out more information about ACC's proposed rates, and why and how ACC determined those rates, by downloading the consultation documents from their website, *www.acc.co.nz/consultation* You can also request a hard copy of the documents by emailing ACC at *consultation@acc.co.nz* or calling 0800 ACC RATES (0800 222 7283).

To make a submission you'll need to write to ACC setting out what you think, and send your comments to ACC at PO Box 242, Wellington 6140, by 5 pm, Tuesday, 10th November 2009.

Upgrade of our website pages for software developers

We're continuing to upgrade our website to improve our communication with you and make information more accessible. The first of the changes should be up on the site by mid-November, with further work in stages from then onwards.

E-File developers' strategic forum

The E-File system is the channel currently used by tax agents to bulk-process their filing with Inland Revenue. Our first strategic forum held in mid-August with software developers working in this area was followed by another meeting at the beginning of September.

A summary of these meetings is now available. Please email *sdlu@ird.govt.nz* if you'd like a copy.

Updates from Inland Revenue Projects

eGST Project

We're moving away from concentrating on just the payroll area to focus on other tax types as well, such as GST. Design work is underway to improve the GST process through an electronic approach.

Implementing Standard Business Reporting (SBR) in New Zealand

The draft definitional taxonomy along with related documentation has now been released for consultation.

The release contains the following:

- an overview document outlining the content, expected outcomes and key aspects we would like your feedback on
- a draft (XBRL) definitional taxonomy with concepts that have been through the harmonisation process to date
- a Microsoft Word document providing a "human readable" representation of the XBRL taxonomy
- a draft NZ-taxonomy architecture document focussing on definitional taxonomy architecture and key proposed architecture principles.

If you would like these documents or more information about the SBR programme, please contact Nuwan Silva on 04 978 4009 *nuwan.silva@ird.govt.nz* or Clyde Rolston on 04 890 2848 *clyde.rolston@ird.govt.nz* All feedback and questions can be sent to *consultsbr@ird.govt.nz*

Developing enterprise B2B capability to support SBR

To support the introduction of SBR, Inland Revenue is investigating potential B2B solutions that will meet future business needs. However, a possible B2B solution is very much in its early stages. We're considering how it might impact on the way we operate in the future and implications for businesses, and starting to develop principles, guidelines and protocols that Inland Revenue and software developers will need.

If you would like any information about enterprise B2B capability, please contact Andrew Milne on 04 890 2512 *andrew.milne@ird.govt.nz*

Tax changes 2010–2011 Project

Proposed changes to include a new, low secondary tax rate and amendment to the extra pay rules are part of the Taxation (Consequential Rate Alignment and Remedial Matters) Bill. The Bill is expected to receive Royal Assent in December 2009, with the changes effective from 1 April 2010.

Secondary tax

A new secondary tax code (SB) has been proposed to allow individuals whose total taxable income is under $14,000 to apply the 12.5% rate to their secondary income. Inland Revenue will make administrative changes to ensure that the new, low secondary tax rate will not be misused.

Extra pays

The extra pay rules will be amended to include a new low rate of 12.5%. The new rate would be applied to extra pays received from primary income sources if the calculation of annual income (last four weeks' pay grossed up plus the extra pay) is less than $14,000.

A new formula will be used for extra pays from secondary sources of income that will reduce the likelihood of over- or under-deductions. The formula is:

extra pay + annualised amount + low threshold amount

The low threshold amount reflects the least amount of income a person on that secondary tax code could be earning from all sources. The amounts are:

- SB $0
- S $14,000
- SH $48,000
- ST $70,000

WHAT'S NEXT?

What you can expect to see next from us:

- regular newsletters to keep you up to date with what's happening
- information on upcoming conferences
- an on-line questionnaire so we can better understand you and your world
- an accessible website with updated information
- draft information and updated specifications issued when you need them
- invitations to consult with us relating to specific projects and products.

YOUR THOUGHTS?

The SDLU has very much appreciated your feedback so far and thanks you for making the effort to send it. We welcome your ongoing feedback, and value your input, so please contact us at *sdlu@ird.govt.nz*

I look forward to meeting many of you at the conference in November.

Delys Willans
Establishment Manager
Software Development Liaison Unit
Inland Revenue

New Zealand Government

The Software Developers News may comment generally on topical tax, policy or technical issues relevant to software developers. Every attempt is made to ensure the law is correctly interpreted, but articles are intended as a brief overview only. Any examples provided are not intended to cover every possible factual situation.

Email: sdlu@ird.govt.nz

www.ird.govt.nz