

SOFTWARE DEVELOPERS NEWS

Inland Revenue's update for software developers

December 2009

EMS Business Optimisation update



Inland Revenue
Te Tari Taake

Software Developer Liaison Unit (SDLU)

Nearly two months have gone by, our unit is well established, and we're continuing to work at understanding your needs.

A real highlight for us was our conference in Auckland on 16 November, which gave us the opportunity to speak with many of you, both as a group and individually. We'd like to thank all the speakers from Inland Revenue, ACC and the Department of Labour. We hope having other government agencies there was of value to you. If you'd like a copy of the slides from the conference please email us at SDLU@ird.govt.nz

Here are some key observations from the conference:

- A higher number than usual of delegates attended (52). Thank you to those who provided feedback (38) via the on-line evaluation. It was generally very positive, with very helpful comments about how we can improve our conferences in the future.
- We collated **a list of action points** and have since updated these with answers or action taken. SDLU will ensure all action points are addressed and we'll continue to keep you informed.
- We asked delegates if they'd be happy to be involved in consultation with Inland Revenue about our future direction. In response, 67% of attendees indicated they would.
- Planning will begin in the New Year for our next conference to be held in Wellington around May 2010—we'll keep you posted.

Apart from our conference, SDLU has been:

- developing a charter and forward business plan to take the unit through the establishment phase
- working within Inland Revenue to increase awareness of the SDLU and the importance of working with software developers both operationally and strategically
- working with our Australian colleagues from the Software Industry Liaison Unit (SILU), part of the Australian Tax Office (ATO), so we can learn from their experiences.

There's a lot happening in the strategic programme area for Inland Revenue's future development. The SDLU is committed to ensuring Inland Revenue's consultations are inclusive, and we'd like to invite anyone who didn't attend our conference to email us if you want to be included in consultations.

Turning off the printed IR 345

Over recent months we've discussed with a number of you, other representatives and a sample of employers, the idea of no longer issuing the IR 345 where the EMS/IR 348 is electronically filed. In general, responses support this move for employers who currently file their EMS electronically, although those employers who pay by cheque asked to be allowed to continue to do so if they wished.

This proposed change means the IR 345 paper form will no longer be issued if the employer is registered to file electronically, as long as an electronic employer payment is made within three months of the IR 345 being created. Employers paying by cheque would continue to receive a paper IR 345 until they decide to change to making payments electronically. This approach covers an alternative process for employers paying by cheque.

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WHAT'S INSIDE?

In this issue:

Software Developer Liaison Unit, turning off the printed IR 345, payroll specification, answers to common queries, payroll giving, payroll update from CT&A, ESCT liability for KiwiSaver deductions and contributions, legislative update, Victoria University Tax Working Group, looking to the future, other government agencies: Department of Labour, simplifying customer interactions, upgrade of our website pages for software developers, E-File update, reviewing our printed publications, standard business reporting.

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

We'll make sure these changes and anything you need to do are communicated fully to software developers, tax agents, intermediaries and employers before they're put in place.

Payroll specification

Legislative changes: Thank you for your feedback on the legislative changes, tax technical matters and IT-related requirements in the draft payroll specification. This feedback has been incorporated into the final release.

Payroll software identifier: Many thanks as well to those who gave specific feedback on the payroll software identifier. We'll proceed to align the field

length to the ATO specification, and further clarify the preferred format for this field.

Payroll specification format: Remember to sign up to the online group to submit your feedback on the format of the specification, which Ngaire Gedye of NorthgateAriso has kindly set up. If you'd like to take part in this review please email Ngaire at payrolldevnz@hotmail.com with your name, organisation name and email address. You'll be added to the Google group and emailed details regarding how to access this. All participants who sign up to provide feedback will be able to view feedback from all participants.

Help desk

Answers to some common queries

When will Test-A-File be available?

Test-A-File will be available from the following dates:

- EMS – file version 003 – Introduction of payroll giving will be available from 22 December 2009
- EMS – file version 004 – April 2010 changes (including new payroll package fields) available late March 2010.

Queries relating to the introduction of payroll giving

Please refer to the [frequently asked questions](#) on our website. If you require further worked examples in relation to those employees with a special tax code, please contact us at payroll.developers@ird.govt.nz and we'll forward these to you.

Update of service desk statistics

System	Month 2009	Brought forward On hand	New incidents	Completed incidents	Carried forward On hand
E-File	Oct	11	332	330	13
	Nov	13	373	372	14
Payroll	Oct	6	38	36	8
	Nov	8	54	57	5

Answers to action points from the conference

6. *Can Inland Revenue inform employers via the website of system unavailability over the Christmas/New Year periods?*
Information about our services over the holiday period [is on Inland Revenue's website](#). This information is also in the [December Business Tax Update](#).

7.(c) *What process does Inland Revenue conduct before closing an outstanding query?*
[The diagram on our website](#) shows the current process for all software developers (E-File and Payroll).

9. *Can frequently asked questions be posted on the Inland Revenue website?*

We'll post the [frequently asked questions](#) on the website.

15. *Various acronyms have been used throughout our conference; can we provide a list of these along with definitions?*

We'll post a [list of abbreviations and jargon](#) with links to more information on our website. This will be updated and added to each new issue of the newsletter.

Payroll giving

Following our presentation at the conference and the questions raised, we made a list of those questions with the answers. Topics covered include employer/employee responsibilities, maximum donation amounts and timeframes. [The list is available here.](#)

The new PAYE calculator is being worked on to include payroll giving donations and tax credits. Another calculator is planned to help employers work out the latest date to pass donations on to donee organisations. In the interim [specific dates are on our website](#) to help employers with their calculations.

The Service Desk will email you when the calculators are available on our website if you've subscribed for payroll specification updates. [Examples of passing payroll giving donations are given on our website.](#)

In November all employers were sent a letter and CD about tax incentives for giving in New Zealand. This included information about payroll giving, the new donation thresholds and how payments to volunteers are taxed. [This information can be downloaded](#) from our website. We have a limited supply of CDs, if you would like a copy please email sdlu@ird.govt.nz

Payroll update from Compliance, Technology and Audit (CT&A)

Some points raised at the June 2009 conference, were clarified at the November 2009 conference.

Special tax code certificates: What is our policy on expired special tax code certificates (IR 23)?

- Special tax code certificates (STC) are only valid for up to one income tax year and expire no later than 31 March following the start date.
- If the employer has received a valid certificate by 1 April, the employee needs to complete an IR 330 and tax is to be deducted using the tax code given.
- If the employee doesn't complete an IR 330 then tax must be deducted at the non-declaration "ND" rate.
- Inland Revenue may cancel an STC at any time and the employee must return the STC to Inland Revenue within 7 days of notification.

- The STC does not apply to a PAYE income payment made to the employee after the date on which the entitlement ends, unless the payment is salary or wages from a current pay period.
- If the employee provides their employer with an STC within 7 days after the date they become aware that they are no longer entitled to use a tax code, then the STC applies from the date on which the entitlement to use the earlier code ends.

Refer to the Tax Administration Act 2004, section 24F, the rules for special tax codes, and section 24H, the process for when entitlement to use a tax code ends.

KiwiSaver and complying funds: Can complying fund contributions be combined with KiwiSaver contributions to meet the compulsory rates?

KiwiSaver employee contributions must be 2%, 4% or 8%.

Whether an employee is also a member of a complying fund is irrelevant to this requirement.

Compulsory employer contributions can be split across both KiwiSaver schemes and complying funds.

Refer to the Kiwisaver Act 2006, Part 3, subpart 1 and sections 64–68.

ESCT liability for KiwiSaver deductions and contributions

Information about employers superannuation contribution tax (ESCT) has been written for software developers and is available on our website.

Legislative and policy update

Legislative update

The Taxation (Consequential Rate Alignment and Remedial Matters) Bill received Royal assent on 7 December 2009. The Bill was introduced in July 2009 and passed through its final stages in Parliament late last month. [The Bill and commentary are published on our policy website.](#)

The Taxation (Annual Rates, Trans-Tasman Savings Portability, KiwiSaver, and Remedial Matters) Bill was tabled in Parliament on 19 November 2009 and had its first reading on 8 December 2009.

The Bill introduces changes to tax rules to allow New Zealanders returning home from Australia to bring their retirement savings with them.

It also includes a number of technical changes to the rules surrounding KiwiSaver, gift duty exemptions and binding rulings to improve the way the rules work and reduce compliance costs for taxpayers.

For more information see our [media statement](#), and the [Taxation \(Annual Rates, Trans-Tasman Savings Portability, KiwiSaver, and Remedial Matters\) Bill](#) (PDF 900KB).

Victoria University Tax Working Group

Against the backdrop of a challenging economic and fiscal environment and tax reviews overseas, the Tax Working Group (TWG) has been considering the medium-term direction of the current tax system and working through the pros and cons of a variety of policy options. The TWG public conference held on 1 December 2009 was the culmination of this process.

The conference was opened by the Hon Bill English, Minister of Finance, and closed by the Hon Peter Dunne, Minister of Revenue.

The conference discussed the various options considered by the working group. [The programme, conference slides and papers are available here.](#)

The TWG plans to release its report on the New Zealand tax system in late January 2010. It met for the last time on Friday, 11 December to discuss the draft report and any recommendation that might be included.

The document will be publicly released via a press conference at a date to be determined and will also be available on the TWG website. Ministers will receive a copy of the final document for their information.

Other government agencies: Department of Labour

Following the Department of Labour's presentation at our conference in November, delegates working with payroll software requested more information and links to the information on their website.

What are the Rules for Christmas and New Year public holidays this year?

It's important for employers to know how to manage staff holiday and leave entitlements over the upcoming holiday period. To help you understand annual leave, closedowns, and public holidays (including transfer rules for Boxing Day and 2 January) the Department of Labour has a range of helpful information and tools. To find out more visit www.ers.dol.govt.nz/holidays.

The Department of Labour's [Online tool for holidays entitlements](#) makes it easy to work out whether an employee is entitled to a paid public holiday, sick day or bereavement leave day, and what an employee should be paid for these days.

The Department of Labour's website has [more information on employment relations](#).

Looking to the future

To get an idea of what's happening in legislative areas of Inland Revenue and to be able to add your voice to the public consultation process, the following links will let you review and register for automatic updates from us:

- [Policy Advice Division](#)
- [Inland Revenue public consultation](#).

Transforming Inland Revenue

Simplifying customer interactions

Work to simplify tax systems for PAYE and individuals is underway. The programme is one of Inland Revenue's top priorities to transform our business and provide certainty for customers and stakeholders.

Inland Revenue has recognised for some time that the PAYE, personal tax summary (PTS), individuals reporting and employer monthly schedules (EMS) systems need a radical makeover to deal with rising volumes, added pressures and advances in technology. The Minister of Revenue, Hon Peter Dunne, **has also talked widely** about the need to streamline PAYE processes.

Earlier this year Inland Revenue project teams examined potential changes to the EMS and PTS, and talked to some employers and software developers during their research. As enterprise-wide work to transform Inland Revenue's systems, processes and capabilities advanced, it became clear that a more comprehensive approach was needed to meet future customer needs and make the most of technology advances.

The proposals now being explored will provide faster, more efficient e-services for taxpayers and employers. Employers and individuals will be able to easily understand and manage their own tax affairs online, and the need for end-of-year "square-ups" will be reduced. Inland Revenue will cut back mail-outs by millions, and tailor customer contacts more effectively.

Increased use of software, support for those who create the software, and B2B technology are key parts of our redesign approach. Employers will be able to use software packages with increased certainty. Our goal is pre-verified data flowing straight into our systems, reducing delays.

As we develop these proposals, we'll work closely with software developers. At last month's conference many of you indicated an interest in being involved, and we'll be in touch. If any payroll software developers who have not previously offered to consult with us wish to do so, please let **SDLU** know and we'll include you when the consultation process begins.

At this stage the project team is working on high-level design for systems to improve PAYE for employers and move individual taxpayers online. The work is linked with student loans redesign ICT capabilities.

Ministers will receive detailed proposals on the PAYE redesign in coming months, and wide public consultation via an online forum is expected before final decisions are made.

Improvements and consultations

Upgrade of our website pages for software developers

Progress has been made and many of you will have already noticed our redesigned web pages to keep you updated and informed. We now have a URL link for direct access to our web pages

<http://www.ird.govt.nz/software-developers/>

This work is ongoing and we hope to make further improvements next year.

E-File update – reducing paper statements and notices

We've heard from customers that the statements and notices we send may not always add value. As a result we're taking steps to reduce the volume of paper we send. We want to communicate electronically with customers who choose to communicate with us electronically.

Our first initiative is to replace paper-based Notices of Assessment and Return Acknowledgements for all E-Filed returns and tax credit claim forms with an electronic version. We look forward to working with you over the coming months to deliver this change in time for the annual upgrade.

We're encouraging customers to self-manage and do business with us electronically by registering for our online services. Customers can still contact us to request paper-based information. However, in the first instance **Look at Account Information** is the most efficient option.

Reviewing our printed publications

We're undertaking a redesign of some of our business products, such as the GST guide, to improve the information we provide for you and your clients. We've already undertaken some customer research with individual business owners and business groups, as well as using our own internal research when developing printed products.

You may also have some valuable ideas on how to improve our printed products. We'd like to hear about those ideas and get feedback on the drafts so far. We've developed prototypes for some guides and will have more in the future.

If you're interested in providing feedback on our products please email Customer.Information@ird.govt.nz to express your interest to be on our distribution list for stakeholder review.

Updates from Inland Revenue projects

Standard Business Reporting

Second release of taxonomy materials – November 2009

Further material was released in November. It included:

- an overview document outlining the content of the release and containing important contextual information
- an updated version of the draft (XBRL) definitional taxonomy
- draft reporting taxonomies for GST and provisional tax returns
- a draft “build pack”—all the information a software developer would need for developing their products to interact with Inland Revenue via B2B
- a guidance document outlining how the taxonomies can be accessed for review and comment via the Australian taxonomy collaboration environment.

We visited a number of software developers who have previously expressed interest to go through the build pack, ensuring that our specifications meet their needs.

Feedback we have received so far has again been positive. In particular, software developers liked the simplicity and well-defined concepts of the taxonomy, which they believe will make it easier to integrate into their products. Your input will help us enhance our taxonomies to meet your needs. Thanks to those who worked with us.

Third release of taxonomy materials – 21 December 2009

We'll soon be moving from consultation to the pilot phase of the project.

The third release pack confirms our technical design for the piloting of GST reporting via a B2B solution next year. It will include the final versions of the GST reporting taxonomies, which software developers can use to enhance their products and take part in the upcoming GST pilot.

The pilot will allow Inland Revenue to test new technology along with the design elements and integration options of an enterprise B2B capability. At the end of the pilot in June 2010, Inland Revenue will evaluate what has been learned to inform our approach going forward.

In preparation for firming up participation in the pilot, we'll also be sharing some principles, guidelines and protocols for working together. For those of you who are interested in participating in the pilot we'll be seeking to formalise your involvement by early February 2010.

We look forward to working with interested software developers and would welcome your comments on this process. If you'd like to contact us or receive the materials released by the project, please email us at consultsbr@ird.govt.nz or contact us directly.

Standard business reporting	Clyde Rolston	Ph 04 890 2848	clyde.rolston@ird.govt.nz
Taxonomies	Nuwan Silva	Ph 04 978 4009	nuwan.silva@ird.govt.nz
B2B capability	Andrew Milne	Ph 04 890 2512	andrew.milne@ird.govt.nz

WHAT'S NEXT?

What you can expect to see next from us:

- regular newsletters to inform and update you on what's happening
- an on-line questionnaire so we can better understand you and your world
- further improvements to our website
- feedback regarding the payroll specification format
- invitations to consult with us relating to specific projects and products.

YOUR THOUGHTS?

The SDLU values your feedback and we're working to tailor this newsletter to your needs as well as our own. We welcome your ongoing feedback, so please contact us at sdlu@ird.govt.nz

The SDLU and EMS Business Optimisation Project staff would like to take this opportunity to wish you season's greetings. We look forward to working with you in the New Year.

Delys Willans
Establishment Manager
Software Development Liaison Unit
Inland Revenue

