



Extension of time (EOT) arrangements

For filing period 1 April 2011
to 31 March 2012

Tax agents' extension of time agreement

Christchurch earthquakes

Agents and clients of agents affected by the Christchurch earthquakes will be able to renegotiate their 2011–2012 filing percentages. To have your situation considered, please contact your agent account manager who has the authority to renegotiate this without penalty to you and your clients.

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Extension of time (EOT) arrangements for 2011 returns

Introduction

Legislation extends the time tax agents have to file their clients' tax returns up to 31 March each year.

The extension of time (EOT) agreement sets out the guidelines for the percentage of returns to be filed by certain dates throughout the year.

It makes provisions for excluding clients from the 31 March target percentage if they're late providing you with the information necessary to file a return.

It also allows for special arrangements where a client's return is affected by exceptional circumstances.

The New Zealand Institute of Chartered Accountants (NZICA) and Inland Revenue annually negotiate the administrative details of applying an automatic EOT to agents.

This agreement is applied by Inland Revenue to all tax agents, whether or not they're members of NZICA.

Why have an EOT?

Legislation requires income tax returns to be filed by 7 July each year. However, the Commissioner can give the clients of tax agents extensions of time to file income tax returns up to, but not beyond, 31 March of the following year. (See page 7 for legal references.)

Realistically tax agents couldn't prepare all returns by 7 July, so the EOT agreement lets:

- you or your agency spread return filing over a year rather than in one peak period
- us maintain an even flow of tax returns over a 12-month window and ensure no work is carried over to the next filing year.

EOT filing guidelines and dates

Four sets of interim dates are provided each year:

- standard dates
- E-File dates
- late balance dates
- negotiated personal dates.

Each set requires 100% of clients' returns to be filed by 31 March 2012. If some returns can't be filed by 31 March the agreement sets out how these will be managed.

What are interim dates?

Interim dates are provided as a guide to help you or your agency meet 100% return filing by 31 March. They also help us manage the processing of the returns filed.

The interim dates are negotiable and won't be monitored unless you fail to file 85% of returns as at 31 March. If this happens we'll issue a caution. Your EOT arrangement will be supervised by your agent account manager the following filing year only if you fail to file 85% of returns as at 31 March.

Standard dates

If you're not eligible for late balance dates or haven't negotiated personal dates the standard interim dates apply as your guidelines.

The standard interim dates to be used as a guide are:

- 40% of clients' returns filed by 9 September 2011
- 60% of clients' returns filed by 11 November 2011
- 80% of clients' returns filed by 10 February 2012.

These dates are to help you meet the required:

- 100% of clients' returns filed by 31 March 2012.

E-File dates

E-File dates apply if you E-File at least 80% of your clients' returns for the year.

The E-File interim dates to be used as a guide are:

- 37.5% of clients' returns filed by 9 September 2011
- 57.5% of clients' returns filed by 11 November 2011
- 78.5% of clients' returns filed by 10 February 2012.

These dates are to help you meet the required:

- 100% of clients' returns filed by 31 March 2012.

Late balance dates

Late balance date interim dates will apply if more than 25% of your clients who're required to file tax returns have balance dates of 1 April or later.

The late balance interim dates to be used as a guide are:

- 20% of clients' returns filed by 9 September 2011
- 50% of clients' returns filed by 11 November 2011
- 75% of clients' returns filed by 10 February 2012.

These dates are to help you meet the required:

- 100% of clients' returns filed by 31 March 2012.

Negotiated personal dates – genuine reasons

If you failed to file at least 85% of returns as at 31 March 2010 you would have received a caution and your agent account manager will be supervising your EOT arrangement for the 1 April 2010 to 31 March 2011 return filing year.

This may include negotiating interim dates that better suit your business, but still with the requirement to file 100% by 31 March 2012.

Linking and EOT

When you link a new client you'll automatically be given an EOT unless the client has two or more returns outstanding.

Two or more returns outstanding

New clients with two or more returns unfiled at the time of linking (R EOT) won't be entitled to an automatic EOT for the current year.

If you take on a client and find they have returns outstanding for two or more years, there are two alternatives:

1. If the returns identified aren't required to be filed, call the tax agents' line or advise your agent account manager or Large Enterprises account manager.
2. You or the client may apply for an individual EOT arrangement under section 37(3) of the Tax Administration Act 1994.

Requesting information to file returns

Inland Revenue and NZICA agreed on the following process to help tax agents obtain information so they're able to file a return for their client.

Deferral of policing for clients with exceptional circumstances ("D status")

We can't give an EOT beyond 31 March because we're constrained by legislation. However, in some circumstances clients can't file their returns by 31 March through no fault of their own. In these situations we'll change the client's EOT status to D (deferred) if they have:

- Y (EOT granted), or
- L (L letter requesting information) for the current year.

After 31 March, these clients will automatically be restored to the agents' client list for filing their 2011 returns.

Late provision of information (L letter)

If a client has an EOT and is late providing you with all the necessary information to complete their returns, you can issue a reminder letter by calling our 0800 tax agents' self-service line (0800 456 678).

The letter reminds them of their requirement to provide the information and can be done without removing the client from your agent's client list.

Note

The letter is issued in the name of Inland Revenue. It won't be attributed to you or your agency and shouldn't be used for clients who don't have an EOT. It reminds clients they haven't provided their tax agent with enough information to file a return. A copy of the L letter is on page 6.

Request to withdraw a client's EOT

You can request the withdrawal of a particular client's EOT at any time by writing to your agent account manager or calling the tax agents' line.

We won't reinstate your EOT for that client without your agreement.

Request to reinstate a client's EOT

The EOT may be reinstated for your client for the 2013 year if:

- the 2012 return and current outstanding 2011 return are filed before a late filing penalty is imposed after 7 July, or
- it's unrealistic to expect the client to file their 2012 return (or a return for any future year) before a late filing penalty is applied.

Approval may be given to reinstate the client's EOT provided the client concerned has assessed and remedied the reasons for not filing their 2011 return by 31 March and given us a written undertaking that their 2013 return will be filed by 31 March.

Filing performance as at 31 March 2012

If your filing performance as at 31 March 2012 is less than 100% we'll take the following actions.

If your performance is:

- 98% or better, we'll send you a letter of achievement and encouragement towards the ultimate goal of 100%
- less than 85%, we'll send you a caution and may supervise the EOT arrangement for your 2012–13 return filing year
- less than 85% for the last two consecutive years, we'll consult with you and may withdraw your EOT.

Returns outstanding after 31 March 2012

Returns outstanding after 31 March 2012 will be subject to enforcement action. We'll automatically withdraw your EOT for the client for the following year. We'll continue discussions and communications with you to prevent any misunderstandings over actions we may take for overdue returns.

Withdrawing a tax agent's EOT

If your performance was less than 85% as at 31 March 2011, we may withdraw your EOT if your filing is below 85% as at 31 March 2012. This won't be done without first issuing a notice in writing that we're considering withdrawing the EOT and inviting you to discuss your circumstances with your agent account manager, Large Enterprises account manager or area manager.

Reinstating a tax agent's EOT

If your EOT is withdrawn it won't be reinstated before the end of the 2012–13 return filing period.

Any reinstatement of your EOT is at the discretion of the agent account manager or Large Enterprises account manager, and will be based on your past and present filing performance.

An EOT can't be reinstated before the next filing year.

List of tax agents

We may remove you or your agency from our list if the Commissioner is satisfied that continuing to list you as a tax agent would adversely affect the integrity of the tax system and/or you're not eligible to be a tax agent (after a thorough review).

For more information go to www.ird.govt.nz/taxagents (keywords: agents list).

Reports

We generate six reports periodically to help you manage your return filing. You can also request them by calling your agent account manager.

All the reports indicate:

- the period covered
- the date produced
- your agency's IRD number and name.

For more information about EOTs and reports go to www.ird.govt.nz/taxagents

AMBR1000 – Client listing for return type report

This report provides a list of clients currently linked to your agency number.

AMBR1001 – List of overdue income tax returns for previous four years

This report lists all outstanding income tax returns in the previous four years (not including the current year) for your clients.

AMBR1002 – Filing statistics by return type

This report details the number of returns required to be filed and the number lodged by return type. It also gives the percentage of lodged returns by balance date for that return type.

AMBR1003 – Summary of filing statistics for all income tax return types

This report provides the:

- number of returns required by target date
- balance date details
- number of returns lodged
- percentage of returns lodged
- types of returns filed.

AMBR1004 – Listing of unfiled current EOT year income tax returns

This report lists all active clients whose current EOT year income tax returns are:

- required, and
- still unfiled, but
- not necessarily overdue.

You'll receive this report in December each year. It's also available at other times by calling the tax agents' line. You can request reports to be sorted by client's IRD number.

AMBR1005 – Provisional tax listing for return period

This report must be requested for each individual client. It includes your client's balance date, provisional tax assessed, payments, transfers and the account balance.

AMBR1006 – Weekly activity report

The weekly activity report contains information about clients who have had an L letter issued, been linked or delinked, or had their EOT withdrawn.

The report is produced in five parts but you'll only receive the parts for which your agency has activity.

The parts are:

- Delinked for the period
- Linked for the period
- EOT withdrawn for the period
- L letters issued for the period
- Online credit transfer transactions.

This report is generated every Friday. A copy can be requested from your agent account manager up to two months after issue.

Copy of the "L letter"

Inland Revenue
Private Bag
Telephone
Facsimile

IRD number
Our reference

Dear

Information required to furnish your income tax return.

Your tax agent has an extension of time arrangement with Inland Revenue and you qualify to file your _____ income tax return up to 31 March _____.

At the time this letter was written you hadn't given your tax agent all the information they need to prepare this return.

Please provide this information to your tax agent immediately so they can file this return on time.

If your return is not filed on time Inland Revenue will begin action to ensure the outstanding return is filed.

This could result in:

- late filing penalty charges
- a default assessment
- withdrawal of the extension of time
- prosecution.

If you have now provided the information to your tax agent, please ignore this letter.

If you have any questions, please contact Inland Revenue on 0800 377 774.

Yours sincerely

Legislation relating to EOT

All references are to the Tax Administration Act 1994 (TAA).

Section 3

The definition in section 3(1) of the TAA sets out that a tax agent is a person who:

- is eligible under section 34B(2) of the TAA to be a tax agent, and
- is listed by the Commissioner as a tax agent, and
- has not been removed from the list of tax agents.

Section 34B

Section 34B(2) sets out who is eligible to be a tax agent, including the following.

A person who prepares returns of income required to be completed and sent in for 10 or more taxpayers and is one of the following:

- a practitioner carrying on a professional public practice, or
- a person carrying on a business or occupation in which annual returns of income are prepared, or
- the Māori Trustee.

Section 34B also:

- requires the Commissioner to compile and maintain a list of tax agents
- explains how to apply to be listed as a tax agent
- allows the Commissioner to refuse to list someone as a tax agent, when listing the applicant as a tax agent would adversely affect the integrity of the tax system and/or the applicant is not entitled to make the application
- allows the Commissioner to remove someone from the list of tax agents, when continuing to list the applicant as a tax agent would adversely affect the integrity of the tax system and/or the applicant is not eligible to be a tax agent
- requires the Commissioner to collect the names of key people from tax agent organisations
- requires the Commissioner to provide certain information before it refuses to list a tax agent or removes them from the list
- requires a tax agent entity to provide certain information to the Commissioner.

Section 37

Section 37(3) allows the Commissioner to give individual taxpayers an extension of time to file tax returns. This extension is decided on a case or class of cases basis to a date that the Commissioner thinks appropriate under the circumstances.

Section 37(4) allows the Commissioner to “extend a tax agent’s time for furnishing a return of income for any taxpayer to a date that the Commissioner thinks proper in the circumstance, if the Commissioner is satisfied that—

- (a) the tax agent is unable to furnish the return of income on or before the date set by subsection (1);
or
- (b) it would be unreasonable, having regard to the circumstances of the tax agent preparing the return, to require the return to be furnished on or before the date set by subsection (1).”

Sections 37(4B) and (5) allow the Commissioner to give tax agents’ clients extensions of time to file income tax returns up to, but not beyond, 31 March of the following year.