



TAX AGENTS CIRCULAR NO. 01 of 2008

INDEX

1. INTRODUCTION
2. TAX REQUIRED RATE OF LODGEMENT
3. CONDITIONS
4. PRIORITIES FOR LODGEMENT
5. EXCHANGE RATES
6. EXTENSION LISTS
7. OTHER MATTERS PERTAINING TO EXTENSION LISTS
8. SALARY & WAGES RETURNS

INCOME TAX RETURN LODGEMENT REQUIREMENTS.

1) Introduction.

The purpose of this part of the Circular is to advise tax agents of the lodgment requirements for the current year.

As is required by the Income Tax Act (hereinafter "the Act") a notice will appear in the Gazette advising who is required to lodge returns and when they must be lodged by. That notice says that all income tax returns for the year ended 31 December 2007 (hereinafter "2007 returns") are required to be lodged by 28 February 2008, or such extended date as the Commissioner General allows.

It has been the practice of this office to grant tax agents an automatic extension of time, until 30 April next following the end of the financial year, to lodge returns on behalf of their clients. This practice will continue and tax agents can lodge 2007 returns by 30 April 2008 without requesting an extension of time.

However, most tax agents will be unable to achieve full lodgment of client returns by that date and will inevitably need to request an extension of time for lodgment of an element of their clients' returns. This Circular sets out the Commissioner General's guidelines for those tax agents requiring an extension of time to complete their lodgment program.

2) The required Rate of Lodgment.

In the past, extensions of time for the lodgment of taxable returns have been granted to 31 August. This practice will continue, but the concessions will only be granted to those who meet our performance requirements. To monitor this, tax agents will be required to advise what returns they have lodged, from time to time, and those whose lodgments are within 5% of the required percentage of lodgments by the required dates will be granted an extension of time, without fear of late lodgment penalty, to lodge the remainder of their clients returns by a specified date. Those who fail to lodge the required percentage or have totally failed lodgment extension lists will not be granted an extension of time and their clients will face the prospect of being penalized for late lodgment. The required lodgment percentages are as follows:

	<u>Taxables</u>	<u>Non Taxables</u>
By 30 April 2008	30%	20%
By 31 May 2008	50%	30%
By 30 June 2008	75%	50%
By 31 July 2008	90%	75%
By 31 August 2008	100%	90%
By 31 October 2008		100%

These are the same requirements as applied in the last lodgment season.

3) Conditions.

Again, as applied in the last lodgment season, there are certain conditions that must be met before we will grant extensions for the lodgment of 2007 year of income returns. They are:

- i) Strict observance of the lodgment priorities set out in the next section.
- ii) That returns completed and signed be forwarded to the Internal Revenue Commission (hereinafter "the IRC") regularly, and at intervals of not more than a week.
- iii) That all returns lodged must contain a balance sheet and profit and loss account (where appropriate) as well as the notes to the accounts and all supporting schedules. In this regard, your attention is drawn to Regulation 23, which states that all attachments to returns must be signed. Returns will not be regarded as lodged until such attachments are signed and lodged.
- iv) That the personal income tax return for the year ended 31 December 2007 of the tax agent (and of any partnership of which they are a member or service/administration company associated with their accounting practice) is lodged by 30 June 2008.
- v) That extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 June 2008 unless the provisional tax installment due by that date has been paid.
- vi) That extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 June 2008 where the return for the year ended 31 December 2006 was not lodged prior to 31 December 2007.
- vii) That the relevant extension list is received by the I.R.C. by the date specified later in this circular. In this regard, it should be noted that the due date for lists is ten days after the end of the relevant month.

4) Priorities for Lodgment.

It is not enough to simply lodge the required percentage of returns; to ensure we have the time to issue certain assessments so that they become payable by 30 September it is necessary to place the following limits on the time for lodgment of some types of returns:

- i) All 2007 partnership or trust returns are to be lodged by 30 June 2008. Wherever possible these should be lodged as a set with the returns for the partners or beneficiaries.
- ii) All taxable 2007 company returns with a taxable income in excess of K100,000 are to be lodged by 30 June 2008.

In addition, 2007 returns for individuals with either a taxable income of K30, 000 or a provisional tax credit in excess of K10, 000 are expected to be given priority so that their lodgment percentage equals or better that of our required lodgment rate.

5) Foreign Exchange Rates.

The authorized exchange rates for the 1st & 2nd half and the full year 2007 are as follows:

	USD	AUD	NZD	GBP	JPY	EURO	CAD
Jan – June	0.3305	0.4087	0.4606	0.1677	39.6860	0.2484	0.3753
Jul – Dec	0.3445	0.3970	0.4578	0.1694	39.7253	0.2443	0.3491
Full Year	0.3375	0.4028	0.4592	0.1686	39.7056	0.2464	0.3622

6) Extension Lists.

As in the past, tax agents will be required to submit extension lists advising us of the clients in respect of whom they require extensions of time for lodgment. A separate schedule is required for each of the following types of return:

1. Taxable company returns.
2. Non taxable company returns.
3. Individual returns with taxable incomes in excess of K30,000 or provisional tax credits in excess of K10,000.
4. Returns for other individuals.
5. Returns for all parties associated with your tax agent registration, i.e., the partnership, partners, administration company (if any) etc.
6. Partnership returns.
7. Trust returns.
8. Training levy returns.
9. Returns for salary or wages earners claiming a Section 214(1) rebate, (in view of Section 214(2), this particular extension list should ideally be lodged by February 15).
10. Late lodgers/late payers (see below)

These lists should show each client's name:

- a) In full, and
- b) In alphabetical order, with the surname first if for an individual.

In addition, adjacent to the name of each client should be their tax file number, if known, and in the case of taxable companies, confirmation or otherwise that any provisional tax installment due has been paid. Where the provisional tax installment has not been paid an explanation should be provided so that we can decide whether an extension should nevertheless be granted to the taxpayer.

Late lodgers/late payers are those taxpayers who either did not lodge their 2006 returns by 31 December 2007 or did not pay their 2005 assessments by 31 December 2006. We require a separate extension list in respect of all such taxpayers, as well as an individual explanation for each client whose return cannot be lodged by 30 June 2008, as to why we should permit them to lodge their 2007 return after 30 June 2008 and advice of the date the return will be lodged.

Those tax agents requiring extensions of time beyond 30 April 2008 will be required to lodge up to five extension lists and these should be lodged as follows:

Extension List No.1 - no later than 10 April 2008

Extension List No.2 - no later than 10 May 2008
 Extension List No.3 - no later than 10 June 2008
 Extension List No.4 - no later than 10 July 2008
 Extension List No.5 - no later than 10 August 2008

In addition to the details referred to above, each extension list should have a front page in the following format:

<u>Extension List No.1</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2007 returns actually lodged to date
2. Total number of 2007 returns to be lodged
3. Percentage lodged to date

<u>Extension List No.2</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2007 returns actually lodged by 30 April
2. Total number of 2007 returns to be lodged
3. Percentage of total lodged by 30 April

<u>Extension List No.3</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2007 returns actually lodged by 31 May
2. Total number of 2007 returns to be lodged
3. Percentage of total lodged by 31 May

<u>Extension List No.4</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2007 returns actually lodged by 30 June
2. Total number of 2007 returns to be lodged

3. Percentage of total lodged by 30 June

	<u>Extension List No.5</u>	<u>Taxable</u>	<u>Non Taxable</u>
1.	Total number of 2007 returns actually lodged by 31 July
2.	Total number of 2007 returns to be lodged
3.	Percentage of total lodged by 31 July

The following problems were noted with the extension lists provided by tax agents in 2007.

- a. Many did not actually show the percentage (%) of returns lodged to the end of each month for each category.
- b. In some cases returns completed and without signatures were included in the total of returns lodged. This is not acceptable.
- c. Returns lodged after the end of the month were included. The grace period for lodging the lists was not intended to allow this.
- d. Late lodgers/late payers were included with other returns. The instructions clearly state that a separate list is required for returns lodged late in the previous years.

Tax agents are urged to take the preparation and submission of their extension lists seriously. There is nothing to be gained from either understating the number of returns to be lodged or overstating the number of returns actually lodged. It becomes obvious to IRC, particularly towards the end of the lodgment cycle, if this has been done. In this regard, you are advised that we will now **accept additions** to **Extension List No.4** for new clients but will not accept additions to the extension list number 5. If a new client has not bothered to make arrangements for the lodgment of returns prior to **June 30** then they are not entitled to be included in the extension program nor are they for **further extensions**.

7) Other Matters pertaining to Extension Lists

These include:

- 1. If extension lists are not lodged, clients will not have an extension of time beyond April 30.
- 2. It is not necessary when lodging a batch of returns to prepare a covering advice listing the returns lodged or to prepare a lodgment advice.

3. Each 2006 return lodged after 30 April 2007 should bear the following endorsement:

"Extension to granted"

All returns, where an extension has been granted should bear the above endorsement. Failure to do so would result in imposition of late lodgment penalty with an assumption that no extension has been granted.

4. Only 2007 returns should be included on the extension lists. If for some reason an extension of time is requested for an earlier year return, a specific request should be made and directed to the attention of our **Tax Agent Liaison Officer**.
5. Where a request for an extension in respect of a taxpayer with tax outstanding (which is not subject to a dispute) is made, payment for the liability should accompany the request for extension. Even so, such extensions will only be granted to 30 June.
6. If a final notice is issued in respect of a particular taxpayer that taxpayer ceases to qualify for any extension, and the return must be lodged by the date specified in the final notice. Final notice enquiries should be directed to our Defaults Section.

8) Salary or Wage Returns.

Salary or wage earners who fall into any of the following categories are obliged to lodge returns;

1. Did not have the correct tax deducted each pay period.
2. Are claiming deductions from salary or wages in excess of K200 (and this would include anyone in receipt of a non taxable allowance - their allowances are not exempt income and they would be claiming a deduction for up to the amount of the allowance received).
3. Received a termination payment.
4. Had non salary or wage income in excess of K100.
5. Wish to claim a school fee rebate or education expenses.
6. Received a Housing Allowance variation for 2007.

It is important to note that a rebate of tax under Section 214 (1) will generally only be allowed if the return was lodged by February 28 of the following financial year, or within such extended date as the Commissioner General may otherwise permit.

The Commissioner General and her staff would like to wish all Tax Agents and their staff a Prosperous New Year. We look forward to another year of harmonious working relationships.

**Ms Betty Palaso, OBE,
Commissioner General
Internal Revenue.**