



OFFICE OF THE COMMISSIONER OF INLAND REVENUE

Public Information Bulletin

CONTENTS

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Salary and Wage Earners

Your

1971 Tax Refund



Salary and wage earners

Now is the time to put in your tax return

WILL YOU GET A REFUND?

In this Bulletin we tell you—

- ♦ Why you could get a refund.
- ♦ Why your refund could be bigger than expected.

Last year 791,150

Salary and Wage Earners

Sent in Returns.

654,365 got Refunds

Were you one of them?

SEND US YOUR 1971 RETURN NOW

THERE COULD BE A REFUND FOR YOU!

HAVE YOU MORE TAX TO PAY?

If you fill in your return and find you have more tax to pay we explain how this could happen.

Refunds—there could be one for you

You can get a refund for many reasons.

Perhaps you paid—

- ♦ Life Insurance or personal accident insurance – (Policies for your wife and children may qualify too).
- ♦ Charitable donations.
- ♦ Private school fees.
- ♦ Union fees and subscriptions.
- ♦ Single premium mortgage repayment insurance.

Or else—

- ♦ You didn't get the full benefit in your tax code of changes in your exemptions during the year. For example—
 - You married during the year.
 - You were entitled to a partial wife exemption because your wife earned between \$375 and \$650 for the year.
 - Your wife had a child born during the year.
 - You supported a dependent relative.
 - You employed a housekeeper. If you were widowed, divorced or separated with dependent children and not able to afford a housekeeper you may still be entitled to claim a special exemption.
- ♦ You worked for only part of the year.
- ♦ Your earnings fluctuated during the year.

Or had expenses—

- ♦ Reasonably relevant and incidental to deriving your income and not covered by an allowance from your employer.
 - Certain types of clothing
 - Traveling Expenses between jobs
 - Refresher courses and some other educational expenses
 - Upkeep of tools of trade, technical instruments and equipment
 - Reference books, journals and periodicals
 - Use of part of your home set aside for your job.
 - License fees

For more information and examples of what you may claim see the pamphlet "How to fill in your IR5 return of income".

Form to use

- ♦ Fill in form IR5.

If your income was from —

- Salary -- Wages -- Superannuation (not Universal) with no other income OR not more than \$200 in total from
 - Dividends
 - Rents • Interest (after \$100 exemption).

- ♦ If you have other income, fill in Form IR3.
- ♦ Return forms are available at all tax offices and most Post Offices.

More reasons why you may get a bigger refund for 1971

The 10% surcharge incorporated in the PAYE tables for the last four months of the 1971 tax year represents 3 $\frac{1}{3}$ % for a full year.

If you earned about one third of your year's income in the period from 1 December 1970 to 31 March 1971, your PAYE tax deductions should be approximately correct. If, because of overtime or seasonal work, you earned more than two thirds of your year's income after 1 December, your PAYE tax deductions made under your primary code will tend to have been overpaid. However, other factors to which we refer on page 8 may affect this.

INCREASED WIFE EXEMPTION

The special exemption for a dependent wife or husband for the 1971 tax year was increased from \$240 to \$275 in the 1970 Budget. Although this was built into the tax tables applying from 1 December 1970 the increase was not taken into account in the tables used for the period 1 April to 30 November 1970.

LIFE INSURANCE AND SUPERANNUATION EXEMPTION INCREASED

The increase in the maximum special exemption for life insurance and superannuation payments can also mean increased refunds.

The maximum exemption is now—

- ♦ \$700 for taxpayers who are members of employer-subsidised superannuation funds, and
- ♦ \$950 for other taxpayers.

We'll send you your refund as soon as we can

All returns are dealt with as they are received. However, should you have made a mistake in your return or if we need further details the chances are you may have to wait longer. Please check your return before you send it in - it could mean a quicker refund.

For example, have you-

- ♦ Attached receipts for donations and school fees.
- ♦ Attached all your tax deduction certificates for the income year ended 31 March 1971.
- ♦ Given full details of any expenses claimed.
- ♦ Signed your return.

Remember

If all your income is from salary or wages under \$2,600 and there is tax to pay, don't send in your return unless you have used a wrong tax code or we have asked you to send in a return.

Have you worked out your tax and found you have more to pay

Sometimes the PAYE tax deducted at source is not enough to cover the tax payable in an annual assessment. Here are some of the reasons how this can happen and why you are therefore faced with a tax bill at the end of the income year.

SECONDARY JOB - BACK PAY - ANNUAL OR SPECIAL BONUSES

Tax is deducted from these kinds of income at a flat rate of 21c. in the \$ (23c. with the surcharge from 1 December 1970 to 31 March 1971). In most cases, the salary or wage earner's exemptions in his primary PAYE tax code will be used up in making PAYE tax deductions from regular earnings. There would therefore be no balance of these exemptions to be allowed against the income from a secondary job, back pay, or annual or special bonuses. If your taxable income in an annual assessment, after allowing all your special exemptions and including your income from a secondary job, back pay, or annual or special bonuses, falls between \$650 and \$1700, the flat rate deduction at 21c (or 23c with the surcharge added) should be approximately correct. However, if your annual taxable income, after allowing all your special exemptions, exceeds \$1700, the flat rate deduction could be too low.

For example the rate of tax on so much of the taxable income as —
exceeds \$1700 but does not exceed \$2,000 is 24.5c in each dollar
exceeds \$2000 but does not exceed \$2500 is 27.5c in each dollar
exceeds \$2500 but does not exceed \$3000 is 33c in each dollar

and so on until the maximum rate of 67.5c in the dollar is reached at a taxable balance of \$12,000. (The temporary surcharge of 10% for the period 1 December 1970 to 31 March 1971 - equivalent to 3½% for the full year - should be added to the tax worked out at these rates).

These examples show the further tax payable when the tax deducted from pay for a second job at the flat rate is too low.

Examples-

Salary	\$2,500		
Secondary job	\$ 500		
	<u>\$3,000</u>		
Less special exemptions			
Personal	\$275		
Wife	\$275		
Children	\$270	820	
Tax in annual assessment on	\$2,180	is	\$407.67
Less PAYE tax on - salary	\$ 276.23		
-Secondary job	\$ 115.00		<u>\$391.23</u>
Balance of tax to pay			<u>\$ 16.44</u>

Salary	\$3,500		
Secondary job	500		
	<u>\$4,000</u>		
Less special exemptions			
Personal	\$275		
Wife	\$275		
Children	\$270	\$ 820	
Tax in an annual assessment	\$3,180		\$732.34
Less PAYE tax on - salary	\$ 559.98		
-Secondary job	\$ 115.00		<u>\$674.98</u>
Balance of tax to pay			\$ 57.36

A SPECIAL TAX CODE HELPS IF FLAT RATE TOO LOW

If you continue getting income from a second job during the current tax year which commenced on 1 April 1971 and you think the deduction of tax at the flat rate will be too low you can avoid being faced with a large amount of tax to pay in an end of year assessment by asking at your local tax office for a special tax code to give your employer.

The special tax code fixes a rate of tax based on current earnings which will produce roughly the amount of tax that would be payable in your end of year assessment.

MISTAKE IN TAX CODE

If your wife earned more than you expected during the year and you used an "M" tax code but did not change your tax code you may also find that you have more tax to pay.

Our information service

If you are not quite sure about what you can claim or whether you have filled in your return correctly, ask the local tax office to help you. Our staff will be pleased to advise you. If there is no tax office in your area there may be an agency office opening for a day or two in May. Watch the local paper for details. Don't forget our pamphlet service. There are two pamphlets—

- ♦ "How to fill in your IR5 return of income" – this also gives details on expenses you may claim – and,
- ♦ "How to fill in your IR3 return of income".

You can get these at tax offices and post offices.