



E-FILE

E-File enhancements – debt letter 1 and summary of earnings

We have made two further enhancements to E-File that will be in place from 28 April 2006.

What do I need to do?

If your current report option is "E" make sure that your 2006 software is successfully installed by 27 April 2006.

From that date all debt letters will be sent to you through E-File. This will eliminate any delays with postage and the problems currently experienced where clients are receiving their letters sooner than 10 days after you receive your letter.

The report option for all agents will be changed to "E" by 4 May. This means that all E-File packages must be successfully installed by that date.

The 2006 summary of earnings for your clients that are required to file a return will be issued through the E-File report.

If you would like to view the summary of earnings information for your clients who haven't been issued with one, this can be done through the Look at Account Information service.

Key dates

- 28 April 2006 – Agents with report option "E" and compatible software will start receiving the debt letter 1 report.
- 4 May 2006 – All agents with compatible software will start receiving the debt letter report.
- 6 May 2006 – All agents with compatible software will receive their clients SOEs

Any problems?

If you have a technical problem with your software please contact your provider. For any other issues or concerns please call the E-File helpdesk on **0800 433 453**.

Have you used Look at Account Information recently?

You can view details from clients' imputation credit account balances, earnings details and provisional tax payments—all at your finger tips as you are completing the clients' returns. Once the returns are filed you can check account balances and go online with your bank and make payments and save yourself time.

Do you need to contact us?

We are now in the peak of our tax season and as a result you may experience an extended wait time before speaking to a staff member in our call centres.

To save time, why not use one of our self-service options?

Here is a list of the many self-service options and the information available to you through the tax agents' webpage www.ird.govt.nz/taxagents/

- Order stationery through StationeryXpress
www.ird.govt.nz/taxagents/
- Send and receive secure email
www.ird.govt.nz/taxagents/contacts/send-receive-mail/
- Request a personal tax summary
www.ird.govt.nz/cgi-bin/form.cgi?form=agentptsrequest
- Request a summary of earnings (maximum of 10 in one request)
www.ird.govt.nz/cgi-bin/form.cgi?form=agentsoerequest
- File returns
www.ird.govt.nz/taxagents/online-services/returns/
- Make calculations
www.ird.govt.nz/taxagents/calculators/keyword/
- Look at our publications
www.ird.govt.nz/taxagents/forms-guides/keyword/
- Register for a tax type
www.ird.govt.nz/taxagents/online-services/registrations/

Using online self service... why would you?

Recently, one of our agent account managers was told about a great example of why using Look at Account Information can help you to give better service to your clients. This tax agent was phoned up by one of his clients who was due to fly out to Fiji on Sunday. They wanted to find out what had happened with their last GST return before they went away—and the client called on Saturday afternoon!

This agent was able to go online, answer the client's query and at the same time get the DLN number for the next GST return.

The client was impressed at the level of service and commented that it was great to have a tax agent who could help him outside business hours using live, up-to-date information straight from Inland Revenue.





Avoiding incorrect ACC levies

As we are about to start the filing and processing of income tax returns for another year, it is timely to highlight problems that can arise with ACC levies if income information is put in the wrong keypoint in the IR 3 or IR 3A return.

We pass the keypoint information you provide to us to the Accident Compensation Corporation (ACC) so they can calculate ACC levies for the year. Therefore, if income details are put in the incorrect keypoint, an incorrect levy may be charged.

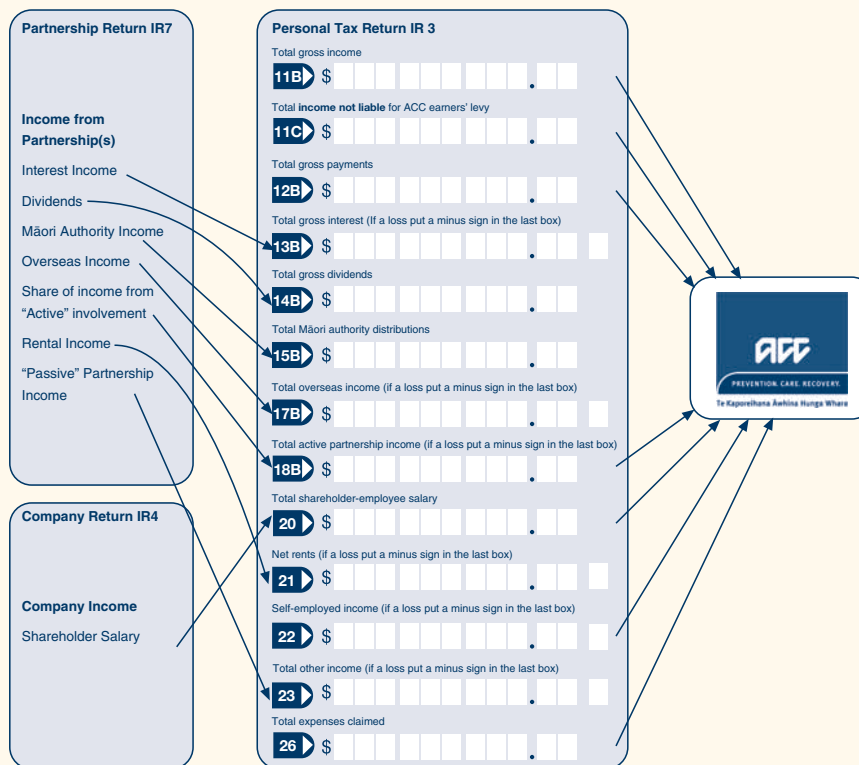
What we send to ACC

We pass the following keypoint information to ACC.

- KP 6** Main business or trade (business description)
- KP 11B** Total gross income
- KP 11C** Total income not liable for ACC earners' levy
- KP 12B** Total gross withholding payments
- KP 18B** Total active partnership income
- KP 20** Total shareholder-employee salary
- KP 22** Self-employed income
- KP 26** Total expenses claimed

Which keypoint

The diagram below illustrates the correct keypoints in which to enter partnership and company income



Partnership income – active or passive

"Active" partnership income is the share of the income from the partnership's trade or business. This should be income earned as a result of active involvement in the partnership's activities and which is liable for ACC levies.

"Passive" partnership income is:

- received in recognition of capital invested in the partnership and for which the partner did not take any active part in the day-to-day operation or management of the business (eg a sleeping partner) or
- generated from other investment activity (eg the sale of shares).

Correcting errors

If partnership income is entered in the wrong keypoint, for example interest received from a partnership is included in keypoint 18B instead of keypoint 13B, it may be passed to ACC and levies incorrectly charged.

To avoid confusion and additional work, it is worthwhile making sure partnership income is included in the right keypoint before the IR 3 return is filed.



Qualifying company status online

Have you viewed the new qualifying company status indicator that is now available in the Look at Account Information service?

You can now see whether we have a company recorded as a qualifying company or a loss attributing qualifying company. You can also see the effective date of the election.

The qualifying company status is shown on the income tax account summary screen—go through “INC—Income Tax” in the Tax Types page.

You will see:

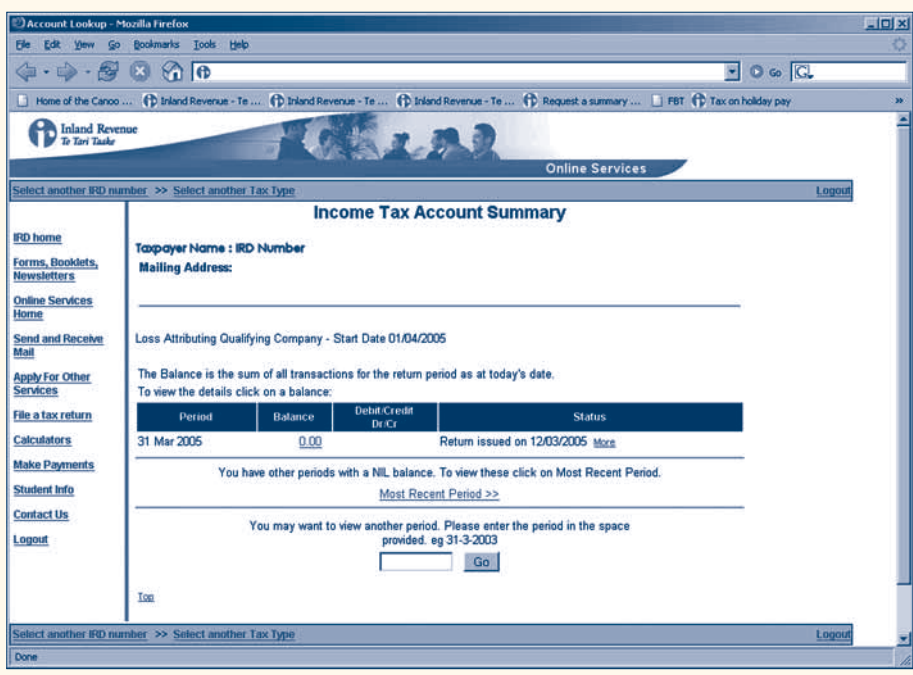
Loss Attributing Qualifying Company If the company is recorded as a loss attributing qualifying company

Regular Qualifying Company If the company is a qualifying company

This line will be blank if the company is not a qualifying company or a loss attributing qualifying company.

This information is up-to-date and is a good way to confirm the company’s status when completing its income tax return.

If you haven’t yet filed an election, the *Qualifying company or loss attributing qualifying company election (IR 436)* form is available on www.ird.govt.nz





Error in 2006 IR 3 guide.

An error has been found in the printed 2006 IR 3 guide. It relates to the Worksheet for ACC earners' levy on page 18.

Box 3 shows the maximum liable earnings of \$92,189 this was the 2005 figure. For 2006 this amount is \$94,226.

The guide on our website and on the tax agents' CD Rom shows the correct figure. We apologise for any inconvenience this may cause.

Annual information and returns

This article is to remind you of the options available to obtain information or request taxpacks for your clients for the 2006 returns.

IR 3 taxpacks

If you do not receive a taxpack or any return for your client you can request them by calling INFOexpress. Alternatively, you can download the forms from the tax agents' CD-Rom or the internet at [www.ird.govt.nz/taxagents/forms-guides/ common/](http://www.ird.govt.nz/taxagents/forms-guides/common/)

Most tax returns can be filed electronically at www.ird.govt.nz/taxagents/online-services/returns/

Summary of earnings (SOE)

If you are registered for Look at Account Information, up-to-date client earnings are available through this service.

You can request SOEs by calling INFOexpress or from www.ird.govt.nz/taxagents/online-services/requests/ta-online-soe-request.html (maximum of 10 in one request). These will be held until the end of May. SOEs cannot be made available any earlier because of the filing requirements of employers. We need to ensure that we have received all PAYE details from employers for the 2006 year and the latest date the employers have to file these returns is 20 April. We then need to process these details before sending SOEs to you.

Personal tax summary (PTS)

You can request a PTS through online services or by calling INFOexpress. Any requests will be held until the beginning of June. Again, we need to ensure that we have received all PAYE details from employers for the 2006 year and we will wait until the automatically selected PTSs have been issued.

Environmental restoration account scheme legislation

If you have clients who will be affected by this legislation which takes effect for the 2006 financial year, full information about the scheme and how it will operate is available in the *Tax Information Bulletin, Vol 17, No 7* (September 2005) or www.ird.govt.nz/business-income-tax/expenses/environmental/

2006 extension of time (EOT) agreement

The 2006 agreement is available at www.ird.govt.nz/taxagents/extension-arrangement/ and from the New Zealand Institute of Chartered Accountants (NZICA) website. If required, you can print a pdf version from our website.

Standard targets are:

- 40% returns by 15 September 2006
- 60% returns by 17 November 2006
- 80% returns by 16 February 2007
- 100% returns by 31 March 2007

Information relating to E-File, late balance and negotiated personal targets can be obtained from the EOT document on our website.

Please note:

- If your business does not suit the targets above, please negotiate new percentages with your agent account manager.
- You may lose your EOT if your filing performance percentage is less than 80% for two consecutive years.

Industry Partnership update – taxi drivers

A self-employed taxi driver, like any other business, must register for GST if their annual turnover exceeds \$40,000.

They must also register if their fare schedule includes GST, even if their annual turnover is less than \$40,000. Anyone who appears to charge GST or collects GST must pay it to Inland Revenue.

We're finding that not everyone is aware of this second rule.

If you have taxi driver clients who are operating with a GST-inclusive fare schedule, but who haven't registered for GST, we'd like to help get them back on track.

Please call the Industry Partnership team on **0800 TAX TALK (0800 829 825)**.

Note from the editor

If your mailing details are incorrect, we have missed someone off the distribution list or you have suggestions for future topics, please contact:

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AGENTSanswers is also on our website:

www.ird.govt.nz/taxagents/newsletters/agents-answers