Tax return due dates

The standard balance date for all taxpayers is 31 March. An application can be made for an alternative date for specific industries or to align with other members of the same group (either in New Zealand or overseas).

Provided a tax agent is used and historic income tax returns have been filed on time, an extension of time is provided so any return is due on 31 March of the following year.

Provisional tax (income tax)

Anyone who has more than $2,500 of tax to pay at the end of the year from their last income tax return will likely have to pay provisional tax the following year. This usually happens when income is earned without tax being deducted during the year.

Provisional tax is a payment of income tax in advance by instalments throughout the year. There are four alternative options to calculate provisional tax:

1) Standard uplift (default) option – generally, provisional tax payable is based on your previous end of year tax liability and then increased by 5%.

2) Estimation option – if taxable income can be calculated with a reasonable degree of accuracy, provisional tax can be paid on this basis. Penalties are charged if your provisional tax estimation ends up being unreasonably low compared with your actual end of year tax to pay.

3) Accounting income method (AIM) – from 1 April 2018, if a taxpayer's turnover is less than $5 million a year and compliant accounting software is used to track taxable income, provisional tax can be paid on this figure subject to minor tax adjustments.

4) GST ratio option – only taxpayers who are registered for GST can use this method which is based on a taxpayer's GST taxable supplies in any given year.

If the amount of provisional tax paid is less than the actual income tax payable for that year, you may need to pay Use of Money Interest (UOMI) on any shortfall in excess of $60K. No UOMI is payable if using the Ratio or AIM option.

Use of Money Interest Rates (from 8 May 2017)	
Payable to the IRD on certain underpayments	8.22%
Payable by the IRD on certain overpayments	1.02%

Donations tax credits (income tax)

An individual can claim a tax credit of the lesser of 1/3 of the total qualifying donations or the individual's taxable income. To qualify the donation must exceed $ 5, must have a receipt and be to an approved charitable organisation or can include voluntary school fees (subject to certain criteria).

All companies are entitled to a deduction for donations made to any approved donee in an income year up to a maximum of their annual net income.

Student loans and allowances

Compulsory repayment of student loans begins when a student's income level exceeds the repayment threshold. The repayment amount is 12 cents per dollar over the threshold. The repayment threshold is currently $ 19,448 p.a.

Changes to the provision of student allowances will see them targeted towards those studying for only their first degree.

PAYE on salaries & wages - employers' obligations

Less than $ 500,000 Annual PAYE

Must file an Employer monthly schedule and Employer deductions form once a month. Payment and forms due on the 20th of the following month.

More than $ 500,000 Annual PAYE

Must file an Employer deductions form and make payments twice a month.

- Deductions from 1st to 15th due 20th of the same month
- Deductions from 16th to last day of month due 5th of the following month (or by 15 January for December deductions).

An Employer monthly schedule must be filed once a month on the 5th of the following month. Any employers with annual PAYE of $100,000 or more must file the forms electronically. Employee ACC Earner Premiums, Student Loan repayments, and Child Support deductions are payable in the same manner.

Payday filing

From 1 April 2019, all employers who deduct more than $50,000 in PAYE annually must file an employment information schedule electronically every payday. Payday filing is currently voluntary.

Minimum wage rates

The minimum wage rates applicable from 1 April 2018 are:

Adults $ 16.50	Training $ 13.20	New Entrants $ 13.20
16 years and over, except new entrants and trainees	16 years and over, completing recognised industry training, minimum 60 credits per year	16 and 17 years old, except those who have completed the shorter of 200 hours or 3 months of employment; or who are supervising or training other workers

There is no statutory minimum wage for employees under the age of 16.

KiwiSaver

KiwiSaver is a voluntary, work-based savings initiative to help New Zealanders with their long-term saving for retirement. Employers compulsory contribution rate is 3%. It's designed to make it easy for people to get into the habit of saving regularly. All new eligible employees must be automatically enrolled in KiwiSaver (some employees may be exempt). An employee who is automatically enrolled has 8 weeks to opt out. All existing employees can join KiwiSaver at any time.

Employers

Employers are required to contribute 3% of gross salary or wage. Additional voluntary contributions can be made, but all employer contributions are subject to a withholding tax.

Members / Employees

Employees can choose a contribution rate of 3% (default), 4% or 8% of their gross pay. Otherwise a contribution rate can be agreed with the relevant scheme provider.

Resident Withholding Tax (RWT)

Interest	Dividends
Individuals • No IRD number supplied 33% • IRD number supplied, can elect based on annual earnings 10.50%, 17.50%, 30.00% or 33.00% **Companies** • 28%	33% of gross taxable dividends (less imputation or DWP credits) • not imputed 33% • fully imputed 5%

Motor vehicle reimbursement rates

To reimburse employees you can use either:

- Rates published by independent source (i.e. AA); or
- Actual costs; or
- IRD's mileage rates:

Vehicle Type	<14,000 km	>14,000 km
Petrol or Diesel	76 cents	26 cents
Petrol Hybrid		18 cents
Electric		9 cents

MANGONUI
PKF Francis Aickin
+64 (0)9 408 9366
kaitaia@pkffa.co.nz

Kaitaia
PKF Francis Aickin
+64 (0)9 408 9366
kaitaia@pkffa.co.nz

Auckland
PKF Corporate Recovery and Insolvency
+64 (0) 9 302 0521
admin@pkfcr.co.nz

Hamilton
PKF Hamilton
+64 (0)7 839 2106
office@pkfh.co.nz

Christchurch
PKF Goldsmith Fox
+64 (0)3 366 6706
info@pkfgf.co.nz

Dunedin
PKF Bredin McCormack Rewcastle
+64 (0)3 474 0475
info@pkfbmr.nz

Kerikeri
PKF Poutsma Lemon
+64 (0)9 407 7142
kerikeri@pkfpl.co.nz

Paihia
PKF Poutsma Lemon
+64 (0)9 402 7926
paihia@pkfpl.co.nz

Hastings
PKF Carr & Stanton
+64 (0)6 876 8124
admin@pkfcs.co.nz

Palmerston North
PKF Rutherfords
+64 (0)6 350 7900
plm@pkfnr.co.nz

Lower Hutt
Kendons
+64 (0)4 566 4399
kendons@kendons.co.nz

PKF New Zealand

5TH EDITION

Tax Facts

www.pkf.co.nz

passion teamwork clarity quality integrity

Income tax rates

Individuals - Taxable Income

$ 0 - $ 14,000	10.50 %
$ 14,001 - $ 48,000	17.50 %
$ 48,001 - $ 70,000	30.00 %
Over $ 70,000	33.00 %

Companies

- Resident and non resident 28%

Trusts

- Trustee's taxable income 33% (Qualifying trusts only)
- Beneficiaries taxed at own rates
- Distributions to minors above $1,000 per trust (<16 years at balance date) are taxed at the trustee rate (33%).

Selling residential property / bright-line test

If you're selling a residential property and one of your intentions when you bought the property was to sell it, then you'll have tax to pay on any profit you make from its resale.

If you buy and sell a residential property within five years, you'll pay tax on the income you earn from the sale, unless you're selling your family (main) home or another exclusion applies. This is regardless of your intention at the time of the purchase.

Income tax is payable on the profit from any sale of residential property at the standard income tax rates for each respective taxpayer.

Transfer pricing

New Zealand is an OECD member country and broadly follows the OECD transfer pricing Guidelines in administering its transfer pricing rules i.e. the IRD accept the most reliable method (or methods) from the comparable uncontrolled price (CUP) method, the resale price method, cost-plus method, profit split method and the comparable profits method.

New Zealand is currently consulting on issues papers containing proposals to address issues arising from base erosion and profit sharing. Updated transfer pricing legislation is expected as a result.

There are certain disclosures required in a company's income tax return, notably, whether it is controlled or owned by non-residents or whether it holds an interest in a controlled foreign company (CFC).

ACC premiums / levies - employees

ACC premiums are calculated at a rate based upon the risk of accident for an industry category. ACC premiums may be paid monthly, quarterly, or annually.

The ACC premium details are:	2017 / 18	2018 / 19
Minimum Liable Earnings	$ 31,720	$ 32,760
Maximum Liable Earnings	$ 124,053	$ 126,286
Earners Levy (inc. GST) per $100 earnings	$ 1.39	$ 1.39

GST

GST Rates	
on supplies in NZ	15.00%
on exports / sale of going concerns	0%
Land transactions if both vendor and purchaser are GST registered and use in taxable activity	0%

Key exemptions include:

1. financial services (other than 'business to business')
2. domestic rental accommodation
3. wages / salaries and most directors fees

Threshold for registration	> $ 60,000 turnover p.a.

Return periods can be monthly, 2 monthly or 6 monthly depending on turnover.

- If turnover exceeds $ 500,000 cannot use 6 monthly periods
- If turnover exceeds $ 2,000,000 must use invoice or hybrid basis

FBT

FBT Rates	
(Income Tax Deductible)	11.73% - 49.25%

Return Periods : Quarterly or Annually

Key benefits include motor vehicles, employee loans, subsidised transport, subsidised insurance / superannuation, other unclassified benefits.

Low or Interest Free Loans:

Benchmark Interest Rate	5.77% p.a. (from 1 January 2016 - reviewed quarterly)

FBT Value of Motor Vehicles:

Either 5% per quarter of original cost of vehicle (incl. GST), or 9% per quarter of the tax book value (incl. GST & minimum tax value of $ 8,333 applies).

FBT Exemptions:

There are a number of exemptions, for example free, subsidised or discounted goods and services for Fringe Benefits provided to a maximum of $ 300 per quarter per employee or $ 22,500 per annum for all employees.

Depreciation allowances (income tax)

Depreciation allows for the wear and tear on a fixed asset and can be deducted from your income. You can claim depreciation on fixed assets used in your business that have a useful lifespan of more than 12 months. Not all fixed assets can be depreciated. Land is a common example of a fixed asset that cannot be depreciated. Buildings having a life of greater than 50 years cannot be depreciated. Low value assets ($ 500 or less) can be claimed as an income tax deduction (subject to normal deductibility criteria) in the year incurred.

Depreciation is calculated using approved rates set by the IRD.

The following assets are examples only:

Rate (DV)	
Vehicle (not for hire)	30%
Personal computer	50%
Desk	13%

There is an option to use either straight line (SL) or equivalent diminishing value (DV) for all assets.

Foreign share investments (income tax)

Either the Comparative Value (CV) or the Fair Divident Rate (FDR) method applies to share / equity investments of less than 10% in most overseas companies. Those using FDR rules are no longer taxed on their dividend income or the increase / decrease in the value of their share portfolio. Individuals and most trusts can now opt to be taxed at the lesser of FDR (5% of the opening value of their share portfolio) or, CV (effectively their actual realised and unrealised return - normally losses are not allowed). Companies and other non individuals must use FDR, subject to some exemptions. The FDR rules do not apply to most shareholdings in companies resident in Australia and listed on an ASX approved index. Individuals with a cost not exceeding $ 50,000 are also excluded from taxation under the FIF rules.

Entertainment (income tax)

Entertainment expenditure is limited to a 50% deduction if it falls within the following:

1. Corporate boxes
2. Holiday accommodation
3. Pleasure craft
4. Food and beverages consumed at any of the above or in other specific circumstances (e.g. business lunches).

There are a number of exemptions from these rules allowing a full deduction, such as entertainment outside New Zealand, benefits which are gross income to the recipient or subject to Fringe Benefit Tax, promotions to the public, samples, morning and afternoon teas, food and beverages consumed while travelling in the course of business (exceptions apply). The income tax adjustment for the non deductible entertainment expenditure gives rise to a GST output tax adjustment.

Gift duty

Gift duty was abolished from 1 October 2011

Holiday homes, charter boats and aircraft

Legislation requires owners of mixed use (business and private) assets to apportion costs according to actual use rather than "availability" for hire.

This means that a boat chartered for 30 days and used privately for 30 days will have deductible costs limited to 50%.

Income tax payment dates

Balance Date	Provisional Instalments			Terminal Tax Due* (FOLLOWING YEAR)
	1st	2nd	3rd	
GST registered (monthly or two monthly), or not registered for GST)				
October	28 Mar	28 Jul	28 Nov	7 November
November	7 May	28 Aug	15 Jan	7 December
December	28 May	28 Sept	28 Jan	15 January
January	28 Jun	28 Oct	28 Feb	7 February
February	28 Jul	28 Nov	28 Mar	7 March
March	28 Aug	15 Jan	7 May	7 April
April	28 Sept	28 Jan	28 May	7 April
May	28 Oct	28 Feb	28 Jun	7 April
June	28 Nov	28 Mar	28 Jul	7 April
July	15 Jan	7 May	28 Aug	7 April
August	28 Jan	28 May	28 Sept	7 April
September	28 Feb	28 Jun	28 Oct	7 April
GST registered (six monthly)				
October	28 May	28 Nov		7 November
November	28 Jun	15 Jan		7 December
December	28 Jul	28 Jan		15 January
January	28 Aug	28 Feb		7 February
February	28 Sept	28 Mar		7 March
March	28 Oct	7 May		7 April
April	28 Nov	28 May		7 April
May	15 Jan	28 Jun		7 April
June	28 Jan	28 Jul		7 April
July	28 Feb	28 Aug		7 April
August	28 Mar	28 Sept		7 April
September	7 May	28 Oct		7 April

If you use the ratio option to calculate your provisional tax and file on a 2 monthly basis, the provisional tax payments are due when your GST payment is due - or for every second return for monthly filers.

*The above terminal tax dates assume the taxpayer is linked to a tax agent and has an extension of time for filing income tax returns.