Tax facts.

2019 / 2020

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Business advisors

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For further information please contact:
info@ph.co.nz
139 Moray Place, Dunedin 9016
PO Box 5346, Dunedin 9058
Phone 03 477 9923
ph.co.nz

Personal tax rates

Income Band	2017/2018	2018/2019	Cumulative Tax
$0 - $14,000	10.5%	10.5%	$1,470
$14,001 - $48,000	17.5%	17.5%	$7,420
$48,001 - $70,000	30.0%	30.0%	$14,020
$70,001 +	33.0%	33.0%	

A 6.7% early payment discount on income tax is available for individual new small-business taxpayers who meet certain criteria.

Company / Trust tax rates

Companies pay tax at 28%. This also applies to certain savings vehicles. Trusts pay tax at 33% unless income is allocated to beneficiaries in which case it is taxed at the beneficiaries marginal tax rate.

Provisional tax

Provisional tax dates have been aligned with GST due dates. In general terms, provisional tax is due in the 5th, 9th and 13th months after balance date. The dates are modified for Christmas and Easter meaning that for a March balance date provisional tax will be paid on 28 August, 15 January and 7 May.

For people who have opted for the GST ratio method, payment dates are aligned with GST payment and return due dates i.e. six-monthly returns have two provisional instalments and two-monthly returns have six instalments.

Accounting Income Method (AIM)

From 1 April 2018, provisional taxpayers who use an approved accounting software package (e.g. Xero), will be able to utilise a new method of paying provisional tax called the Accounting Income Method (AIM). This method looks to base tax payments on accounting income every 2 months.

AIM will suit businesses who have fluctuations of income. To be eligible, a taxpayer's annual gross income must be less than $5 million dollars. Problems with AIM have prevented a large uptake.

Terminal tax

For March balance date clients, terminal tax is due on 7 February of the following year. If your tax return is prepared by us, this is extended to 7 April (i.e. 13 months after balance date).

Use of money interest

The IRD will charge/pay interest on under/over paid tax.

	08/05/12	08/05/15	08/05/16	08/05/17
Underpayment	8.40%	9.21%	8.27%	8.22%
Overpayment	1.75%	2.63%	1.62%	1.02%

Safe Harbour Taxpayers
From the beginning of the 2017/2018 income year both individuals and non-individuals (i.e. companies) who are provisional taxpayers but have not estimated their provisional tax payments and have a residual income tax liability (tax less source deduction payments) of less than $60,000, will not incur/earn UOMI until after their terminal tax date.

From the 2017-18 year, UOMI will no longer be charged on the first two provisional tax instalments when the standard (uplift) method is used unless you are a new provisional tax payer. Therefore, interest will only be charged from the third instalment for non-safe harbour tax payers.

Capital Gains Tax

The Tax Working Group has proposed an extension of the taxation of capital gains at marginal tax rate on a broad range of assets. At the time of printing, the government has not responded with what recommendations will be implemented. Any changes are not expected to apply until 1 April 2021.

Penalties

Late filing
A late filing penalty is imposed for filing returns late

GST (Payments/Invoice)	$50/250
Income Tax (depending on net income)	$50/250/500
Employer monthly schedules	$250

Late Payment Penalties
An initial late payment is applied of 1% and a following 4%, 7 days later. From the 2017-18 financial year the additional 1% monthly incremental penalty will no longer apply for GST, provisional tax and terminal tax.

Shortfall Penalties
A shortfall is the difference between the filing position and the "correct" tax position. The amount of penalty depends on the culpability determined and ranges from 20% to 150%.

Tax credits

Charitable donations, tax credits are applied for on a IR526 form. Individuals can claim the lesser of 33.33% of the total donations and 33.33% of taxable income. Companies are now entitled to a deduction for donations.

Note: If an individual has elected into the payroll giving scheme, tax credits are deducted from their PAYE

Attribution

Attribution applies where an entity receives 80% of its personal services income from one customer, 80% of the personal services income relates to the work of one person, their net income including attribution is more than $70,000 and the entity has no substantial business assets. This rule doesn't apply if both the entity and the working person are non-residents during the income year.

In these circumstances 100% of personal services income must be attributed to the working person.

Based on the 2011 Supreme Court case *Penny & Hooper*, where an entity receives personal services income due to the efforts of the owner, the IRD starts from a position that the working owner should receive, through any means, 80% of the net income.

Goods and services tax 15%

GST registration is compulsory if annual turnover exceeds $60,000. Once registered GST must be charged on all taxable supplies made.

GST is due on the 28th of the month following the end of your GST return month. For example, GST return and payment due for the period ended 31 March is due on 28 April. The exceptions to this are payments due on 28 December, which will be payable on 15 January and 28 April, which will be due on 7 May, due to Christmas and Easter. The six-monthly GST filing threshold is $500,000.

To calculate the GST component of a GST inclusive price multiply by 3 then divide by 23.

IRD number applications

Any overseas person applying for an IRD number must generally provide a New Zealand bank account. Anyone becoming an overseas person must also supply a New Zealand bank account.

PAYE

An employer with PAYE greater than $500,000 per annum must pay the PAYE twice monthly, otherwise payment is due in a single payment on the 20th of the month following.

From 1 April 2019, employer must provide employment information to IRD electronically within 2 working days of payday. Where total withheld is less than $50,000, the time period is 10 working days.

Tax codes

The code selected by an employee will determine the tax table used by the employer. The employee must complete and sign an IR330. If an IR330 is not completed a non-declaration rate of 45% (excluding ACC earner premium) is deducted.

Extra pays / secondary tax rates

Extra pay includes payments such as a bonus, or a redundancy payment. Secondary employment has it owns specific tax codes.

Both extra pays and secondary tax codes have been aligned to the marginal income tax thresholds.

Kiwisaver

The employee contribution to KiwiSaver is either 3%, 4% or 8% of their gross salary or wages deducted. Employers are also required to contribute a minimum of 3%. It is only compulsory for employers to make this contribution where an employee is also contributing. New employees are automatically enrolled in the scheme but are able to opt out; existing employees must be offered an opportunity to join if they request it.

Schedular Payments

(Previously Withholding Payments)

The rates at which tax must be deducted from scheduler payments are set out in the schedule 4 of the Income Tax Act 2007. Examples include:

	Rate
Directors' Fees	33.0%
Sales Commissions; Labour-only building contractors	20.0%
Farming Contract work	15.0%
Non-resident Contractors	15.0%

From 1 April 2017, contractors are able to elect their own withholding rate with the aim of minimising their end of year tax bill. Minimum rates do apply. Generally, when making scheduler payments to NZ companies you are not required to deduct tax except for companies involved in Farming Contract work and Labour Hire firms.

Accident compensation levies

ACC payments are now invoiced directly by the ACC. Earners' Levy is payable on employee earnings and self -employed income at applicable industry rates to cover work related injuries.

Earner Premium is intended to cover non-work related accidents and the rate for the 2018/19 year is $1.39 per $100 of employee earnings or income. This is incorporated in the PAYE deductions.

Fringe Benefit Tax

FBT is payable by employers on non-cash benefits that employees receive as a result of employment.

Fringe Benefit Inclusive Net Cash Remuneration	FBT
$0 - $12,530	11.73%
$12,531 - $40,580	21.21%
$40,581 - $55,980	42.86%
$55,981 +	49.25%
Unattributed (non shareholder)	42.86%
Unattributed (shareholder)	49.25%

FBT is deductible for income tax purposes. This includes the GST on benefit included on the FBT return. From 1 April 2017, shareholder employees of close companies have been able to elect to apply the motor vehicle rules previously only applying to sole traders and partnerships, where the proportion of business use of a motor vehicle is used to calculate the amount of the deduction allowed for vehicle expenditure as an alternative to paying FBT.

Low interest loans

The IRD prescribe an interest rate to be applied to loans provided to employees. The difference between the prescribed rate and the actual interest charged is a benefit for FBT purposes.

The applicable interest rates are:

Quarter Ending	30/06/15	30/09/15	31/12/15	31/03/16
Prescribed rate	6.70%	6.22%	5.99%	5.77%

Rates are reviewed regularly and subject to change.

Resident Withholding Tax

Deducted from resident withholding income before the investor receives it.

	RWT Rate
Unimputed Dividend (gross)	33.0%
Interest	
Companies	28.0%*
Individual Marginal Rates	
Income	**RWT Rate**
$0 - $14,000	10.5%*
Other	17.5%* or 30%*
Non-Declaration (or by election)	33.0%

* IRD number and election required

Non Resident Withholding Tax

Withholding tax on certain types of income paid to non-residents. Generally rates are:

	Double Tax Agreement	No Agreement
Interest & Royalties	5%, 10% or 15%	15%
Dividends	0 or 15%	30%

For qualifying loans, NRWT can be substituted by an Approved Issuer Levy of 2% on interest paid.

PIE tax rates

Both taxable income and taxable & PIE income must be within the bands below in one of the past two years to qualify for the quoted rate

Taxable Income	Taxable & PIE Income	Rate
$0 - $14,000	$0 - $48,000	10.5%
$14,001 - $48,000	$48,001 - $70,000	17.5%
$48,001 +	$70,001 +	28.0%

Non-residents	- variable
Companies	- 0%
Trusts	- May elect their rate from the above subject to conditions

Residential property

The sale of residential property within 5 years of acquisition is taxable, subject to certain exceptions. For property where the first interested was acquired prior to 29 March 2019, the period is 2 years.

Property transactions

Subject to exceptions, all property transactions must include a tax statement from each party including their IRD number and other details.

Residential Loss Ring Fencing
Effective 1 April 2019, any rental losses incurred from residential land cannot be used to offset non-residential land income. The losses can be carried forward to offset future residential land income.

Mixed use assets

Deductions are limited for holiday homes, boats and aircraft used partly for business, partly privately and unused for 62 days in an income year. For these assets, related expenditure is limited to the proportion of income earning days over total days in use. Where the income is less than 2% of the asset value, deductions may be quarantined.

Depreciation

Buildings
The rate of depreciation for buildings with an estimated life of 50 years or more – such as rental housing and office buildings – was reduced to 0% from the 2011-12 income year.

Fitout
Generally, you cannot depreciate fitout on residential buildings. Commercial fitout is usually able to be depreciated. Commercial Fitout – is considered something attached to the building which is not structural in nature and is not related to weatherproofing.