Tax facts.

2022/2023

PolsonHiggs

Business advisors

Better business together.

For further information please contact:
tax@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	2020/2021	2021/2022	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 - $180,000	33.0%	33.0%	$50,320
$180,000 +	33.0%	39.0%	

An early payment discount (IRD overpayment rate +2%) 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 beneficiary's in which case it is taxed at the beneficiary's 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.

From 1 April 2020, for the 2020/2021 and future tax years, the provisional tax threshold is increased to $5,000. This means that taxpayers with a liability less than $5,000 do not have to pay instalments, only the terminal tax.

Accounting Income Method (AIM)

Provisional taxpayers who use an approved accounting software package (eg. Xero) are able to utilise a method of paying provisional tax called the Accounting Income Method (AIM). This method looks to base tax payments on accounting income every two 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 (UOMI)

The IRD will charge/pay interest on under/overpaid tax.

	08/05/17	29/08/19	08/05/20	10/05/22
Underpayment	8.22%	8.35%	7.00%	7.28%
Overpayment	1.02%	0.81%	0.00%	0.00%

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 taxpayer. Therefore, interest will only be charged from the third instalment for non-safe harbour taxpayers.

Businesses affected by COVID-19 can apply to have UOMI waived if their ability was significantly affected by the outbreak, for payments due after 8 April 2024.

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%. Certain late payment penalties may be waived due to COVID-19

Tax credits

For 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 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, employers must provide employment information to IRD electronically within 2 working days of payday. Where total withheld is less than $50,000, or the employer became an employer in that tax year, 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 its own 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%, 8% or 10% 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.

Employers' contribution is subject to ESCT.

Schedular Payments (Previously Withholding Payments)

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

	Default 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 schedular 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 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 2021/22 year is $1.27 per $100 (ex. GST) 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	Cumulative Tax
$0 - $12,530	11.73%	$1,470
$12,531 - $40,580	21.21%	$7,419
$40,581 - $55,980	42.86%	$14,020
$55,981 - $129,681	49.25%	$50,317
$129,681 +	63.93%	
Unattributed (non shareholder)	49.25%	
Unattributed (shareholder)	63.93%	

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 rate from 1 July 2020 is 4.50%. For prior periods, the applicable rates are:

Quarter ending	30/09/15	31/12/15	30/09/19	30/6/20
Prescribed rate	6.22%	5.99%	5.77%	5.26%

Rates are reviewed regularly and subject to change.

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	0% or 15%	15%
Dividends	0%, 5% or 15%	30%

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

Resident Withholding Tax

Deducted from resident withholding income before the investor receives it.

	Rate
Unimputed Dividend (gross)	33.0%
Interest	
Companies	28.0%*
Individual Marginal Rate	
Income	**RWT Rate**
$0 - $14,000	10.5%*
Other	17.5%, 30.0%, 33.0%, or 39%
No rate chosen (non-corporate)	39%
No IRD number supplied	45%

* IRD number and election required.

Payers of investment income must provide information on the recipient to IRD.

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

Low-value asset write-offs

Low-value assets can be deducted in full in the year they are purchased. The threshold for such deductions is $1000 as of 17 March 2021 (was $5000 from 17 March 2020 to 16 March 2021).

Interest deductibility for residential properties

From 1 October 2021, interest deductions on loans related to residential property have been reduced (eliminated entirely for properties acquired on or after 27 March 2021). For properties acquired before March 27 2021, 25% of interest is non-deductible. This amount increases to 50% from 1 April 2023, then to 75% on 1 April 2024. Interest will be entirely non-deductible from 1 April 2025.

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, including taxable income from selling the property.

Residential property

The sale of residential property within 10 years of acquisition is taxable, subject to certain exceptions. For property where the first interest was acquired prior to 27 March 2021, the period is 5 years (also applies if irrevocable offer made on or before 23 March 2021). The rules do not apply where the first interest was acquired before 1 October 2015. If the bright-line test applies, an IR833 must be filed (even if sold at a cost/for a loss).

Note the main home exclusion operates differently under the new rules - see our bright-line factsheet for more info.

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

Building depreciation was reinstated from 1 April 2020 for non-residential buildings. The rate of depreciation for buildings with an estimated life of 50 years or more is now 2% (DV) or 1.5% (SL). The rate for such buildings was 0% from 1 April 2011 to 31 March 2020.

Fitout

Generally, you cannot depreciate fitout on residential buildings. Commercial fitout (something attached to the building not structural in nature and not related to weatherproofing) is usually able to be depreciated.
As of 1 April 2020, the 'pool method' previously used to allow depreciation for commercial fitout (not specifically identified when building depreciation ceased) no longer applies. Instead, the value of the fitout will be included in the building's value.