

Tax facts

**Annual tax rates and dates
2018 - 2019 as of 1 April 2018**



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Income tax rates

Individuals

Taxable income	Tax rate 2018/2019
\$0 to \$14,000	10.5%
\$14,001 to \$48,000	17.5%
\$48,001 to \$70,000	30%
Over \$70,000	33%

Companies

- Resident and non-resident company income tax rate for 2018/19: 28%

Trusts

- Trustee income is taxed at 33%
- Beneficiary income is taxed at the beneficiary's marginal tax rate, except for distributions to a minor (under age 16 at the balance date of the trust) over \$1,000 per trust, which are taxed at the trustee rate of 33%



Income tax payment dates

Balance date	30 Jun 2018	30 Sept 2018	31 Dec 2018	31 Mar 2019
1st instalment	28 Nov 2017	28 Feb 2018	28 May 2018	28 Aug 2018
2nd instalment	28 Mar 2018	28 Jun 2018	28 Sept 2018	15 Jan 2019
3rd instalment	30 July 2018	29 Oct 2018	28 Jan 2019	7 May 2019
Terminal tax	8 April 2019	8 April 2019	15 Jan 2020	7 April 2020

Note: *The terminal tax dates apply to taxpayers linked to a tax agent.

If you are GST registered on a six monthly basis, you will only have two provisional tax dates. A GST ratio method is also available for certain taxpayers who elect before the beginning of the tax year - under this method, provisional tax is paid as a percentage of GST taxable supplies.

New provisional tax method - AIM

From 1 April 2018, taxpayers with less than \$5m in turnover will be able to pay provisional tax based on their real time profit. Under the accounting income method (AIM), taxpayers will pay their provisional tax based on the amount of profit produced by 'approved' accounting software packages. The benefits will include:

- provisional tax dates aligned to the taxpayer's GST due dates
- no interest on any tax shortfall
- refunds released throughout the year.

Goods and services tax (GST)

- **Standard rate:** 15%
- **Exported goods and services:** 0%
- **Transactions involving land between GST registered persons:** 0%

Supplies exempt from GST include: most financial services, residential rental accommodation, wages/salaries, and most directors' fees. The GST return filing and payment due dates are:

- the 28th of the month following the end of the taxable period for those months other than March and November
- 15 January for the taxable period that ends in November
- 7 May for the taxable period that ends in March.

If the due date falls on a weekend or public holiday, IRD will accept GST payments and returns on the next business day.

GST thresholds	Annual taxable supplies
GST registration threshold	> \$60,000
GST payment threshold	< \$2 million
GST six monthly filing threshold	< \$500,000

Non-resident businesses and GST

Non-resident businesses can register for GST for periods on or after 1 April 2014, and recover GST incurred in New Zealand provided they meet certain conditions and aren't carrying out a taxable activity, or making supplies in New Zealand.

The eligibility criteria are very specific, but this does enable non-resident businesses to reduce their GST costs for New Zealand related expenditure.

GST on cross-border supplies of remote services

From 1 October 2016, overseas suppliers of digital products and remote services are required to register and return GST when they supply services to non GST registered New Zealand consumers. This requirement is triggered if it is expected that the GST registration threshold of NZ\$60,000 will be breached in any 12 month period. Supplies of remote services by non-resident suppliers to New Zealand GST registered businesses will not be subject to GST.

Common examples of the types of services that will be caught include e-books, music, movies, games, gambling and insurance.



Tax penalties and interest

Tax shortfall penalties

Tax shortfall	
Lack of reasonable care	20%
Unacceptable tax position	20%
Gross carelessness	40%
Abusive tax position	100%
Evasion	150%

A penalty may be reduced by up to 100% if disclosure is made to IRD before an audit; by 40% if disclosure is made before the first meeting with IRD; or by 75% if the shortfall is temporary. A 50% good behaviour discount may also apply. A penalty may be increased by 25% for obstruction.

Late payment penalties

The 1% incremental monthly penalty is no longer being charged on amounts that remain unpaid for:

- GST return periods ending 31 March 2017 onwards
- income tax including provisional tax for the 2018 income year onwards
- Working for Families Tax Credits debit assessments for the 2018 income year onwards
- the initial penalty of 1% and the further 4% will still be charged on these periods
- any amounts of unpaid tax for periods before the above dates will continue to have the 1% monthly penalty charged.

Late filing penalties

Late filing penalties will apply to the following returns:

- Income tax returns (from \$50 to \$500 depending on income)
- Employer monthly schedules (\$250)
- GST returns (\$250 invoice/hybrid, \$50 payments basis, if filed late after warning for initial breach)

Use of money interest

Use of money interest is generally paid by IRD on overpayments of tax and is charged by IRD on underpayments of tax. The rates from 8 May 2017 are:

- 8.22% on underpayments of tax (deductible)
- 1.02% on overpayments of tax (assessable).

From the 2017/18 income year, any taxpayer with a residual income tax liability less than \$60,000 who has paid the required instalments under the safe harbour rule will not be subject to interest charges.



Fringe benefit tax (FBT)

FBT rates

Employers normally pay FBT if they provide benefits to employees other than salary and wages:

- Motor vehicles available for private use
 - Free, subsidised or discounted goods and services
 - Low-interest or interest-free loans
 - Employer contributions to sick, accident or death benefit funds, superannuation schemes, and specified insurance policies
- **Non-attributed basis:** 49.25%
 - **Attributed basis:** between 11.73% and 49.25% depending on the net remuneration of the employee (including benefits)

Return and payment dates

Quarter ending	Payment due
31 March	31 May
30 June	20 July
30 September	20 October
31 December	20 January
Annual FBT Return	31 May

Note: The FBT threshold under which an employer can file an annual return, upon application to IRD, is \$1,000,000 of annual tax deductions (PAYE and employer superannuation contribution tax).

Fringe benefit value of motor vehicles

- **Quarterly return:** 5% of original cost (GST inclusive) or 9% of the tax written down value of vehicle (GST inclusive) - must apply chosen method for first five years.
- **Annual return:** 20% of cost (GST inclusive) or 36% of the tax written down value (GST inclusive) - five year rule applies.

Low or interest free loans

The prescribed interest rate from 1 January 2016 is 5.77% pa (reviewed quarterly).

Exemptions

No FBT is payable if the total taxable value of unclassified benefits provided in the quarter to each employee does not exceed \$300 (\$1,200 pa if filing on an annual basis); and the total taxable value in the last four quarters, including the current quarter, of all unclassified benefits provided to all employees does not exceed \$22,500 (\$22,500 pa if filing on an annual basis).

Types of benefits to which this exemption may apply include subsidised or free goods and services provided to employees.

Depreciation, gift duty and withholding tax

Depreciation

- Depreciation is calculated using IRD approved rates
- For a complete list of depreciation rates go to:
www.ird.govt.nz/calculators/keyword/depreciation
- Either the straight line or diminishing value methods can be used
- Low value assets (costing \$500 or less, GST exclusive) can generally be written off in the year acquired
- From the 2011/12 year, no depreciation can be claimed on buildings with a useful economic life of 50 years or more

Gift duty

- Gift duty was abolished from 1 October 2011



Non-resident withholding tax (NRWT) rates

Country (examples of tax treaty countries)	Dividends %	Interest %	Royalties %
Australia	15 ^{1,2}	10	5
United Kingdom	15	10	10
United States	15 ^{1,3}	10	5
Non-tax treaty country	30 ⁴	15 ⁵	15

¹ The rate of NRWT is 5% if the beneficial owner of the dividends is a company that holds directly at least 10% of the voting power in the payer company

² Generally, the rate of NRWT is 0% if the beneficial owner of the dividends is an Australian company that has owned directly or indirectly at least 80% of the voting power of the payer company for the 12 months prior to the dividend being declared and certain other criteria are met

³ Generally, the rate of NRWT is 0% if the beneficial owner of the dividends is a USA company that has owned directly or indirectly at least 80% of the voting power of the payer company for the 12 months prior to the dividend entitlement date and certain other criteria are met

⁴ The rate is 15% if fully imputed dividends are paid

⁵ Not a final tax if paid to associated entities

The rate of NRWT on interest is zero if the approved issuer levy (AIL) of 2% has been paid.

The rate of NRWT is 0% on fully imputed dividends paid to a non-resident holding a 10% or more direct voting interest in the payer company.

NRWT on related party debt

Changes have been introduced to correct anomalies that existed to ensure that the NRWT obligation is more closely aligned to when the interest deduction is claimed by the borrower. From 30 March 2017:

- NRWT must be paid at approximately the same time as interest is deducted by the New Zealand borrower, if the borrower and lender are associated. This means that the NRWT consequence of economically similar loan structures is similar
- the boundary between NRWT and AIL has been adjusted, so AIL is no longer available when a third party is interposed into what would otherwise be a related party loan, or where a group of shareholders are acting together as one to control and fund the New Zealand borrower.



PAYE deductions, ACC earners' levy and KiwiSaver

PAYE deductions

Type of employer	Due date
"Small employer": annual PAYE and ESCT less than \$500,000	PAYE deducted in one month due by 20th of the following month

Other employers	Due date
Deductions from 1st to 15th of month	20th day of same month
Deductions from 16th of month to last day	5th day of following month

PAYE electronic filing

Employers whose annual PAYE deductions are \$100,000 or more must file their Employer Monthly Schedule (IR348) electronically. Employers with fewer than 50 employees may apply for an exemption.

ACC earners' levy

Period	Rate (GST incl)	Maximum leviable earnings
From 1 April 2018	\$1.39 per \$100	\$126,286

KiwiSaver: voluntary savings scheme

Employees contribute 3%, 4% or 8% of their gross pay.

Members are entitled to the following contributions:

- The Government will contribute up to \$10 per week per employee
- Compulsory employer contributions are capped at 3%

The \$1,000 “kickstart” contribution was removed effective 21 May 2015. Employer contributions are taxed at the employee’s marginal tax rate.



Donations, motor vehicle reimbursement and thin capitalisation

Donations and housekeeper/child care rebates

- Individual donors can claim 1/3 of charitable cash donations and voluntary school fees (up to a maximum of their annual net income). Each donation must exceed \$5 to qualify
- The housekeeper/child care tax credit was removed as of 1 April 2012
- Companies and Māori authorities can claim an income tax deduction for cash donations made, up to their annual net income

Motor vehicle reimbursement allowances

The IRD approved mileage rate has changed. There is now a two tiered approach based on the number of kilometres travelled. The Tier One rate is a combination of the vehicles fixed and running costs. The Tier One rate applies for the business portion of the first 14,000 kilometres travelled by the motor vehicle in a year. After which the Tier Two rates which includes only the running costs, applies for the business portion of any travel in excess of 14,000kms.

The following are the rates per kilometre that will apply for the 2017/2018 income year:

2017/2018 kilometre rates		
Vehicle type	Tier One rate	Tier Two rate
Petrol or diesel	76 cents	26 cents
Petrol hybrid		18 cents
Electric		9 cents

A person wishing to use the kilometre rate method will be required to keep a record of all travel undertaken by the vehicle. An alternative reimbursement rate (eg, AA) is also permitted, which is generally higher than the above.

Thin capitalisation

- From the 2011/12 year, the safe harbour ratio of interest-bearing debt over total assets is 60%
- The 110% worldwide debt threshold and outbound thin capitalisation rules remain unchanged



Cashing-out losses for research and development expenditure

Loss-making research and development (R&D) companies have been eligible to “cash out” their tax losses from R&D expenditure from the 2016 tax year. To qualify the company must:

- be a **resident of New Zealand** and have a **net loss for the corresponding tax year**
- have R&D expenses for the corresponding year
- meet the **wage intensity criteria**.

Wage intensity criteria

The proportion of expenditure on labour that is engaged in R&D is used to measure this. The requirement is to have a wage intensity criteria of at least 0.2 and this is calculated by:

Total R&D labour expenditure

Total labour expenditure

- Tax losses that are **cashed-out will be extinguished**
- The **maximum amount** of losses that can be cashed out is \$500,000 for the first year, increasing by \$300,000 over each of the next five years to \$2 million

- **The amount that can be cashed out** in any year is the lowest of that maximum:
 - the company's net loss for the year
 - the company's total R&D expenditure for the year
 - 1.5 times the company's labour costs for R&D for the year
- This initiative is intended to provide a temporary cash flow benefit – essentially an 'interest free' loan to be repaid from the taxpayer's future taxable income. Repayments of amounts cashed out are also triggered upon the sale of the R&D assets, liquidation or migration of the company, or sale of the company
- The company will receive deductions corresponding to the repayments in order to reinstate the tax losses



Bright-line test on the sale of residential property

The bright-line rule, which was introduced with effect from 1 October 2015, taxes any gains generated on the sale of residential properties sold within two years of purchase. The exceptions to this rule are when the property is the seller's main home, inherited from a deceased estate or transferred as part of a relationship property settlement. For residential properties acquired after 29 March 2018, the two year period has been extended to five years.

Buyers and sellers of property must supply a New Zealand IRD number as part of the land transfer process. Non-resident buyers and sellers must also provide a tax identification number from their home country. Non-residents will need a New Zealand bank account before they can get an IRD number to buy a property.



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