Grant Thornton
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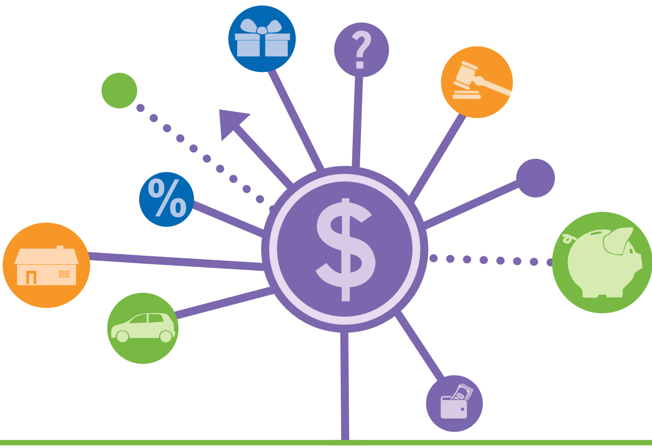
Tax facts

Annual tax rates and dates
2016 - 2017 as of 1 April 2016



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for regular updates to tax facts

Income tax rates

Individuals

Taxable income	Tax rate 2016/2017
$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 2016/17: 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 2016	30 Sept 2016	31 Dec 2016	31 Mar 2017
1st instalment	30 Nov 2015	29 Feb 2016	30 May 2016	29 Aug 2016
2nd instalment	28 Mar 2016	28 Jun 2016	28 Sept 2016	16 Jan 2017
3rd instalment	28 July 2016	28 Oct 2016	30 Jan 2017	8 May 2017
Terminal tax	7 April 2017	7 April 2017	15 Jan 2018	9 April 2018

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.

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 payment threshold	< $2 million
GST registration threshold	> $60,000
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

The following penalties may apply to tax shortfalls:

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

- **Initial late payment penalty:** 1% of unpaid tax
- **After seven days:** 4% of unpaid tax
- **Monthly incremental penalties:** 1% of unpaid tax
- Compliant taxpayers will generally be warned prior to the first time any late payment penalty is imposed

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 2016) are:

- 8.27% on underpayments of tax (deductible)
- 1.62% on overpayments of tax (assessable).

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 $500,000 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 per annum 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 per annum 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 (illustration 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 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.

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 2016	$1.39 per $100	$122,063

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 Maori authorities can claim an income tax deduction for cash donations made, up to their annual net income

Motor vehicle reimbursement allowances

- IRD approved mileage rate for employees: 72c per km
- Self employed people can also use this rate up to a maximum of 5,000 km of work related travel per year. Alternatively or when in excess of 5,000 km, actual expenses can be reimbursed. 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 will be 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:

$$\frac{\textbf{Total R\&D labour expenditure}}{\textbf{Total labour expenditure}}$$

- 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; and 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. 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.

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 in order to buy a property.

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