

# Tax facts

**Annual tax rates and dates  
2019 - 2020 as of 1 April 2019**



# Contents

- 03 Income tax rates
- 05 Goods and services tax (GST)
- 08 Tax penalties and interest
- 10 Fringe benefit tax (FBT)
- 12 Depreciation, gift duty and withholding tax
- 15 PAYE deductions, ACC earners' levy and KiwiSaver
- 17 Donations, motor vehicle reimbursement and thin capitalisation
- 19 Cashing-out losses for research and development expenditure
- 20 Research and development tax credits
- 22 Bright-line test on the sale of residential property

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# Income tax rates

## Individuals

Taxable income	Tax rate 2019/2020
\$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 2019/20: 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 2019	30 Sept 2019	31 Dec 2019	31 Mar 2020
1st instalment	28 Nov 2018	28 Feb 2019	28 May 2019	28 Aug 2019
2nd instalment	28 Mar 2019	28 Jun 2019	30 Sept 2019	15 Jan 2020
3rd instalment	29 July 2019	28 Oct 2019	28 Jan 2020	7 May 2020
Terminal tax	7 Apr 2020	7 Apr 2020	15 Jan 2021	7 Apr 2021

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.

### Accounting income method (AIM)

Taxpayers with less than \$5m in turnover are able to pay provisional tax based on their real time profit. Under the 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**

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.

From 1 December 2019, offshore suppliers will be required to register for and charge GST where they make supplies of low value goods to non GST registered New Zealand consumers, where supplies exceed (or are expected to exceed) \$60,000 or more in a 12 month period.

Low value goods are defined as imports with a customs value of NZ\$1,000 or less (excluding GST). Offshore suppliers will not be required to return GST on supplies to New Zealand GST registered businesses. They are also not required to provide tax invoices.

Where the value of a cross border supply of goods exceeds NZ\$1,000 (excluding GST) customs duty will continue to be collected at the New Zealand border (as is the current system), with the purchaser unable to collect their goods until the tax is paid.



# 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 applicable rates (last changed 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](http://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 <sup>1,2</sup>	10	5
United Kingdom	15	10	10
United States	15 <sup>1,3</sup>	10	5
Non-tax treaty country	30 <sup>4</sup>	15 <sup>5</sup>	15

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> The rate is 15% if fully imputed dividends are paid

<sup>5</sup> 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 is acting together as one to control and fund the New Zealand borrower.



# PAYE deductions, ACC earners' levy and KiwiSaver

## PAYE deductions

"Small employer"	Due date
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 the month	20th day of the same month
Deductions from 16th of the month to last day	5th day of the 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 2019	\$1.39 per \$100	\$128,470

## KiwiSaver: voluntary savings scheme

Employees contribute 3%, 4%, 6%, 8% or 10% 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 rates per kilometre that will apply for the 2019/2020 income year are as follows:

2019/2020 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

Thin capitalisation rules limit interest deductions on investment where the interest-bearing debt over total assets exceed 75% (outbound) or 60% (inbound) and the worldwide group debt percentage exceeds 110%. For income years from 1 July 2018, the worldwide debt threshold has reduced from 110% to 100% for a New Zealand group controlled by a group of non-residents acting together.

Further exemptions from interest apportionment apply where finance costs do not exceed \$1m (inbound and outbound), or where New Zealand group assets are more than 90% of the assets of the worldwide group (outbound investment only).

# 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** (total R&D labour expenditure divided by total labour expenditure must be equal to greater than 20%).

## Wage intensity criteria

- 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. Various ‘loss recovery events’ can result in an obligation to repay the cashed-out credit – including business or asset sale, or business migration

# Research and development tax credits

From the 2019/2020 income year, a new R&D tax credit will be available to qualifying entities to reduce their tax liability or to carry forward to future income years (subject to meeting minimum shareholder continuity requirements).

The R&D credit is calculated at 15% on eligible expenditure, and is available to entities conducting a 'core R&D activity' - broadly an activity with a primary purpose of 'creating new knowledge or new or improved goods, services or processes' and of 'resolving scientific or technological uncertainty'.

Qualifying expenditure includes expenditure or loss incurred in connection to the core R&D activity (or to qualifying supporting activities) in the following categories:

- Depreciation loss
- Expenditure or loss on acquiring goods and services
- Amounts paid to employees

There are detailed rules for setting out various expense and activity exclusions.

For companies qualifying for the R&D credit, an R&D tax credit refund of up to \$255,000 a year (for 2019/20) may be available subject to satisfying wage intensity criteria (as described in respect of R&D loss credits on p19). A company is unable to claim an R&D credit in a year where it has received a Callaghan Innovation growth grant.



## 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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