



staplesrodway

CHARTERED ACCOUNTANTS

# TAX FACTS

2015



an independent member of  
**BAKER TILLY**  
INTERNATIONAL

## Income Tax Rates

### INDIVIDUALS

Income	Rate
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
Over 70,000	33%

### COMPANIES

	Rate
Companies (including branches or permanent establishments of non-resident companies & unit trusts)	28%

### TRUSTS

	Rate
Trustees	33%
Beneficiary income (excluding minor beneficiaries)	Individual rates (see above)
Minor beneficiaries (under age 16) with beneficiary income over \$1,000 per trust	33%
Distributions from non-complying trusts	45%

### FLOW-THROUGH ENTITIES

	Rate
Limited partnerships (LP) & look-through companies (LTC)	Partner's or owner's rates (see above)

## ACC Rates

The earners' account levy is set at \$1.45 per \$100 of earnings (GST inclusive) for the 2015/16 income year and the minimum and maximum liable earnings are as follows:

	Minimum	Maximum
Employees	\$1	\$120,070
Self-employed people	\$29,640	\$118,191

## Student Loans

The repayment threshold remains at \$19,084 with the repayment rate at 12%. Repayment holidays are one year in length for borrowers who go overseas and apply for one. Losses cannot be used against income to reduce liability for student loan repayments.

## Employer Superannuation Contribution Tax (ESCT)

ESCT is deductible from employer contributions to superannuation schemes, including employer contributions to KiwiSaver.

Income plus Superannuation Contributions	Rate
0 - 16,800	10.5%
16,801 - 57,600	17.5%
57,601 - 84,000	30%
Over 84,000	33%

## Goods and Services Tax (GST)

GST is charged at the rate of 15% on all taxable supplies made in New Zealand. To find the GST component of a GST inclusive amount, multiply by 3/23. Non-residents can be GST registered, subject to certain criteria.

## Depreciation

### BUILDINGS

Buildings with an estimated life of longer than 50 years are not depreciable.

### COMMERCIAL FIT-OUTS

Commercial fit-outs are depreciable. Below are examples of fit-outs and their depreciation rates.

	Diminshing Value	Straight Line
Air conditioning systems	10%	7%
Electrical reticulation	8%	6%
Lifts	8%	6%
Plumbing	8%	6%

### LOW VALUE ASSETS

Assets that cost \$500 or less (subject to certain requirements) are deductible in the year they are acquired or created.

### RESIDENTIAL FIT-OUTS

Residential fit-outs are non-depreciable. Chattels are permitted to be depreciated. Below are examples of chattels and their depreciation rates.

	Diminshing Value	Straight Line
Dehumidifiers	50%	40%
Dishwashers	30%	21%
Furniture (loose)	20%	13.5%
Ovens	25%	17.5%

## Donations

### COMPANIES

Allowed a deduction for approved charitable donations up to their taxable income (before taking into account the donation deduction).

### INDIVIDUALS

Cash refund for one-third of donations of \$5 or more to approved charitable organisations (provided the gifts do not exceed their taxable income).

## KiwiSaver Contributions

	Rate
Employee contribution	3, 4 or 8%
Employer contribution	3%
Government contribution: Kick-start (tax free)	\$1,000
Government contribution: Member tax credit	50c for each \$1 contributed by an employee, to a maximum of \$521.43

## Use of Money Interest Rates

	Rate
Underpayments	8.40%
Overpayments	1.75%

## Fringe Benefit Tax (FBT) Rates

Quarters 1 to 3	Quarter 4
49.25% (single rate)	49.25% (single rate) <b>OR</b> the alternate rate calculation (see below)
<b>OR</b>	
43% (alternate rate)	alternate rate calculation (see below)

The alternate rate calculation applies the following rates.

Income plus Fringe Benefits	Rate
0 - 12,530	11.73%
12,531 - 40,580	21.21%
40,581 - 55,980	42.86%
Over 55,980	49.25%

## Foreign Superannuation Schemes

Special rules apply where a New Zealand resident joined a foreign superannuation scheme while a non-resident. A percentage of lump sum amounts received are income. The specific percentage applicable depends on the number of years that the person has been a New Zealand resident. Regular payments are usually taxable in full. Separate rules apply to Australian schemes. Where New Zealand residents have entered into foreign superannuation schemes, the usual foreign investment fund rules apply.

## Controlled Foreign Company (CFC) & Foreign Investment Fund (FIF)

	CFC	Non-portfolio FIF	Portfolio FIF
Definition	A foreign company controlled by New Zealand residents <sup>1</sup>	A foreign company, FIF superannuation scheme or life insurance policy not controlled by New Zealand residents	A foreign company, FIF superannuation scheme or life insurance policy not controlled by New Zealand residents
Ownership Interest	10% or above <sup>2</sup>	10% or above <sup>3</sup>	Less than 10%
Key exemptions	Active business exemption  Companies resident and subject to tax in Australia	Active business exemption  Companies resident and subject to tax in Australia and some Australian unit trusts  Foreign superannuation schemes  Certain ASX-listed companies	Some Australian unit trusts  Foreign superannuation schemes  Certain ASX-listed companies  Total cost does not exceed \$50,000 <sup>4</sup>
Key taxing methods	Passive income is attributed if equal to or more than 5%	Passive income is attributed if equal to or more than 5%  Fair dividend rate (FDR)  Cost  Comparative value (CV)  Deemed rate of return (DRR)	Fair dividend rate (FDR)  Cost  Comparative value (CV)  Deemed rate of return (DRR)

## Imputation Credits

The maximum imputation ratio is 28:72. Dividends are subject to resident withholding tax (RWT) at the rate of 33% to the extent that the dividend is unimputed. Generally, an additional 5% RWT must be withheld where dividends are imputed at 28%. The imputation credit account must have a credit balance at 31 March, or a 10% penalty will apply to the debit balance.

## Mixed Use Assets

Applies to real estate, water craft or aircraft<sup>5</sup>, where the asset is used for both private use and income-earning use and is unused for 62 days or more per year. Where an asset earns gross income of less than \$4,000 per annum, then the owner can opt out of the regime and income does not need to be declared and deductions are denied.

Where mixed use assets are in the regime, expenditure not specifically related to income-earning use must be apportioned, using the formula:

$$\text{expense} \times \frac{\text{income earning days}}{\text{income earning days plus private use days}}$$

Where a loss is made from the asset, and gross income is less than 2% of the value of the asset, then losses are quarantined and a deduction may only be claimed when the asset earns income. Special rules apply to the treatment of interest where a mixed use asset is held by a close company.

## Motor Vehicles Mileage Rate

The Inland Revenue approved mileage rate for motor vehicles is currently 77c per kilometre.<sup>6</sup> For self-employed people, this rate can be used for up to a maximum of 5,000 kilometres of work related travel per year. For distances greater than 5,000 kilometres, a record of actual vehicle expenses must be kept. Employers or self-employed people can use other published mileage rates (AA rates for example) to reimburse use of private vehicles for work purposes.

## Approved Issuer Levy (AIL)

NRWT is deducted at 0% from interest paid by a New Zealand borrower to an overseas lender where the parties are not associated, the borrower is an approved issuer and the debt instrument is approved by Inland Revenue. Instead AIL equal to 2% or 0% (for certain securities) of the interest payments is payable.

## Non Resident Contractors (NRC)

A NRC performing services of any kind (except as an employee) or who supplies the use of (or right to use) any personal property or services in New Zealand may create a 15%<sup>7</sup> withholding obligation for the payer.

No withholding obligation arises, where one of the following applies: the NRC holds a certificate of exemption; the NRC is eligible for total relief under a Double Tax Agreement and is in New Zealand for less than 92 days in any 12 month period; or the total amount paid to the NRC is no more than \$15,000 in a 12-month period.

## Non Resident Withholding Tax (NRWT)

	Rate
Interest	0% <sup>8</sup> , 15%
Dividends	0% <sup>9</sup> , 15% <sup>10</sup> or 30% <sup>11</sup>
Royalties	15%

Where a double tax agreement exists, these NRWT rates may be reduced. Below are examples of rates for some common treaty partners.

	Interest <sup>12</sup>	Dividends <sup>12</sup>	Royalties
Australia	0%, 10%	0%, 5%, 15%	5%
Canada	0%, 15%	0%, 15%	15%
China	0%, 10%	0%, 15%	10%
Germany	0%, 10%	0%, 15%	10%
Japan	0%, 10%	0%, 15%	5%
Singapore	0%, 10%	0%, 5%, 15%	5%
UK	0%, 10%	0%, 15%	10%
USA	0%, 10%	0%, 5%, 15%	5%

## Portfolio Investment Entities (PIEs)

### RESIDENT INDIVIDUAL INVESTORS

Income <sup>13</sup>	Income plus PIE Income/Loss	Rate
0 - 14,000	0 - 48,000	10.5%
0 - 48,000	0 - 70,000	17.5%
All others		28%

Both thresholds above must be met for the rate to apply. Row 2 applies if the Row 1 threshold is not met.

### OTHER INVESTORS

	Rate
Non-resident investor	0%, 1.44%, 15%, 28% or 30%
Company, incorporated society or PIE	0%
Superfund and trustees (excluding charitable trusts)	0%, 17.5% or 28%
Registered charitable trust	0%
Joint investment, partnership, or unincorporated society	0%, 10.5%, 17.5% or 28%

## Calculation of Provisional Tax<sup>14</sup>

Taxpayer & Provisional Tax Year	Year of RIT Used	Standard Uplift
2015	2013	110% of RIT
	2014	105% of RIT
2016	2014	110% of RIT
	2015	105% of RIT

Provisional tax can also be calculated using the estimation option or the GST ratio method (subject to certain criteria being met).

## Provisional and Terminal Tax Payment Dates<sup>15</sup>

The number of times provisional tax is payable each year depends on the option used to calculate provisional tax, and how many times GST (if registered) is paid. Below are examples of the payment dates for the most common balance dates.

	31 Mar		30 June		31 Dec	
	2015	2016	2015	2016	2015	2016
1 <sup>st</sup> instalment	28 Aug 2014	28 Aug 2015	28 Nov 2014	28 Nov 2015	28 May 2015	28 May 2016
2 <sup>nd</sup> instalment	15 Jan 2015	15 Jan 2016	28 Mar 2015	28 Mar 2016	28 Sep 2015	28 Sep 2016
3 <sup>rd</sup> instalment	7 May 2015	7 May 2016	28 Jul 2015	28 Jul 2016	28 Jan 2016	28 Jan 2017
Terminal tax <sup>16</sup>	7 Apr 2016	7 Apr 2017	7 Apr 2016	7 Apr 2017	15 Jan 2017	15 Jan 2018

## Resident Withholding Tax (RWT)

	Rate <sup>17</sup>
<b>Individual Income Bands</b>	
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
Over 70,000	33%
<b>Companies</b>	28% or 33%
<b>Trusts</b>	17.5%, 30% or 33%

## Withholding Tax on Schedular Payments

Below are examples of schedular payments and their respective withholding tax rates where IRD numbers are provided.

	Rate
Directors' fees	33%
Honoraria	33%
Labour only building	20%
Salespersons' commissions	20%

## Thin Capitalisation Ratios

Interest deductions can be restricted if both the New Zealand and worldwide group debt percentages are exceeded. Application of the rules has been broadened with effect from the beginning of the 2015/16 year.

	Inbound <sup>18</sup>	Outbound <sup>19</sup>
New Zealand group debt exceeds	60%	75%
Worldwide group debt exceeds	110%	110%



# Tax Penalties

## TAX SHORTFALL

Lack of Reasonable Care	Unacceptable Tax Position	Gross Carelessness	Abusive Tax Position	Evasion
20%	20%	40%	100%	150%

A penalty may be reduced by up to 100% if disclosure is made to Inland Revenue before an audit, by 40% if disclosure is made before the first audit meeting with Inland Revenue, or by 75% if the shortfall is temporary. A 50% good behaviour discount may also apply.

## LATE FILING

Return Type	Penalty
Income tax	\$50 to \$500
Employer monthly schedule	\$250
GST	\$50 or \$250

## LATE PAYMENT

Date	Penalty
Day following due date	1%
Seven days following due date	4%
Each month following due date	1%

<sup>1</sup> Where five or fewer New Zealand residents control more than 50% of a foreign company, or when a single New Zealand resident controls 40% or more of a foreign company (unless a non-associated non resident has equal or greater control)

<sup>2</sup> There are certain limited circumstances where a New Zealand resident that holds a less than 10% interest in a CFC can apply the CFC rules/active business exemption

<sup>3</sup> Where the CFC rules do not apply

<sup>4</sup> This applies to individuals and certain trusts. Where a FIF interest has been inherited, revaluation to market value may be required

<sup>5</sup> Water craft and aircraft must have a cost or market value of more than \$50,000 for the mixed asset rules to apply

<sup>6</sup> Unchanged from the 2014/15 income year. This rate is subject to change in 2015

<sup>7</sup> Or 30% for individuals and 20% for companies where an IR330 is not provided

<sup>8</sup> The rate of NRWT on interest is zero if the AIL regime is applied

<sup>9</sup> For fully imputed dividends paid to a shareholder with a direct voting interest of: 10% or more OR less than 10% if subject to a NRWT rate of less than 15% under a DTA

<sup>10</sup> Fully imputed dividends paid to a shareholder with a direct voting interest of less than 10% where DTA rate 15% or more

<sup>11</sup> In other cases

<sup>12</sup> Specific rates are dependent on individual circumstances (please seek professional advice)

<sup>13</sup> Measured for either of the 2 income years before the relevant tax year. This includes a taxpayer's worldwide income

<sup>14</sup> Provisional tax is generally calculated under the standard option and is based on the previous year's uplifted residual income tax (RIT), if the previous year's return has been filed by the due date. If not, the year prior's RIT is uplifted, as outlined in the table

<sup>15</sup> If a due date falls on a weekend or public holiday, the date moves to the next working day

<sup>16</sup> Terminal tax dates shown apply to taxpayers linked to a tax agent

<sup>17</sup> If the IRD number is not provided, the rate is 33%. If the IRD number is provided but a rate is not elected, the rate is 33% for individuals and trusts and 28% for companies

<sup>18</sup> Applies to taxpayers controlled by non-residents

<sup>19</sup> Applies to New Zealand residents with ownership interests in certain foreign companies

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*We have made every effort to ensure that the information provided in this publication is accurate as at 31 March 2015. However, this publication should not be relied upon as professional advice.*



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