



# Branch equivalent tax account return

For the period 1 April  to 31 March

- This return must be completed by a New Zealand resident person, other than a company, who maintains a branch equivalent tax account (BETA). A company maintaining a BETA must complete the *Branch equivalent tax account return for companies (IR 408)*.
- A BETA is a memorandum account used to prevent double taxation of attributed foreign income derived from an income interest of 10% or greater in a controlled foreign company (CFC).
- A BETA is also used to prevent double taxation of income arising from an interest in a foreign investment fund (FIF):
  - where the branch equivalent method or accounting profits method is used, or
  - which is held either through a CFC or an FIF where the branch equivalent method is used.
- The double taxation is prevented by recording a credit in the BETA for New Zealand income tax paid on the attributed income from the CFC or FIF. That credit is able to be offset against any income tax payable when dividends are received from that CFC or FIF.
- For more information phone us on **0800 443 773**.
- Attach this completed form to your income tax return.

Name of person required to complete this form

IRD number

## Part one

Show the debit and credit entries listed below, arising during the period from the day after the previous income tax return was filed to the date the current income tax return is filed. This is to show any credit entry for income tax payable on current attributed foreign income.

Show the BETA entries in the order that they arose. The entries and relevant dates are explained on the back of this form.

Date	Source and description	Balance	Tick one
<input type="text"/>	Opening balance	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit
<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit
<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit
<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit
<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit
<input type="text"/>	Closing balance	\$ <input type="text"/>	<input type="radio"/> Debit <input type="radio"/> Credit

## Part two

Show the balance of the BETA as at:

1 April  \$

31 March  \$

## BETA entries

### Balance

This is the cumulative balance of previous BETA entries. If the previous balance is a debit, add a subsequent debit entry or deduct a subsequent credit entry. If the previous balance is a credit, deduct a subsequent debit entry or add a subsequent credit entry.

### Opening balance

This is the balance in the BETA on the day after your previous income tax return was filed, which will be the same as the previous BETA closing balance. If this is your first BETA return the opening balance is nil.

### Closing balance

This is the balance in the BETA on the day your current income tax return is filed. This BETA return will therefore include amounts relating to any current attributed foreign income.

### Income tax payable

This is a credit. It arises on the date the current tax return is filed. This entry relates to tax payable on current year attributed foreign income. The credit is calculated using the formula:

$$a \times \frac{b}{c} - d$$

Where, in relation to the return and the income year:

- a** – is the tax payable
- b** – is the lesser of attributed foreign income derived, or taxable income
- c** – is the amount of the taxable income
- d** – is the amount of any foreign tax credits allowed under section LC 4 of the Income Tax Act 1994 in calculating the tax payable on the attributed foreign income.

### Offset against income tax

This is a debit. It arises on the date of the election to make the offset. Where a dividend is derived from a CFC by a person holding an income interest of 10% or greater or from an FIF where the branch equivalent or accounting profits calculation method is used, an amount up to the credit balance in the BETA may be offset against the income tax payable on that dividend. Show the offset in the overseas tax paid panel of the current income tax return.

**Note:** This offset is only available where the income tax that causes the credit balance has actually been paid (including by way of provisional tax) prior to the offset being made.

### Refund of income tax

This is a debit. It arises on the date of the refund. This is the amount of any tax refunded to the extent that it related to income tax paid on attributed foreign income that had given rise to a credit to the BETA.

### Change of residence

This is a debit. It arises on the date the person ceases to be resident. Any credit balance held in the BETA, at the time a person maintaining the BETA ceases to be resident in New Zealand, is offset by a debit entry equal to that credit.

### Privacy Act 1993

Inland Revenue may give information about you to other government agencies or their contracted agents who are entitled to it under legislation. For more details phone us on 0800 443 773.