



Inland Revenue
Te Tari Taake

IR 4GU
June 2008

Company tax return guide 2008

This guide is to help you complete your 2008 income tax, annual imputation and dividend withholding payment account returns.

Complete and send us your IR 4 return by 7 July 2008, unless you have an extension of time—see page 5.

The information in this guide is based on current tax laws at the time of printing.

www.ird.govt.nz

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How to get our forms and guides

You can view copies of all the forms and guides mentioned in this booklet by going to www.ird.govt.nz and selecting “Forms and guides” or, you can order copies by calling INFOexpress—see page 60.

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Company returns

Income tax return

All active New Zealand resident companies must file an income tax return each year. Body corporates (registered under the Unit Titles Act 1972) and unit trusts must complete an IR 4 income tax return.

If you are an Australian company or part of an imputation group, please see page 7.

Non-active companies

A non-active company is a company that has:

- not received any gross income
- no deductions
- not disposed of any assets
- not been party to any transactions during the tax year that:
 - (i) gave rise to income for any person, or
 - (ii) gave rise to fringe benefits to any employee or any former employee, or
 - (iii) gave rise to a debit in the company's imputation credit account or dividend withholding payment account.

These companies may be excused from filing tax returns if they complete a *Non-active company declaration (IR 433)* form.

Return due date

If the company has a 31 March balance date you have until 7 July 2008 to file the return unless you have been granted an extension of time. If you have a balance date other than 31 March this date may be different. Call us on 0800 377 774 if you are not sure of the filing date.

If the company has a tax agent you may have until 31 March 2009 to file the return. If this applies, contact your agent.

Late filing penalties

If you have to file a return and you don't send us one you may be charged a late filing penalty. You should apply for an extension of time if you are unable to file your return on time.

The penalty for filing your IR 4 late depends on the company's net income. If your income is:

- below \$100,000, the penalty is \$50
- between \$100,000 and \$1 million (both figures inclusive), the penalty is \$250
- above \$1 million, the penalty is \$500.

If you need an extension to your tax return filing date, tell us your reasons before your return is due. If you get a late filing penalty before applying for an extension, the penalty will stand. If you use a tax agent who has an extension of time arrangement with us and the extension is withdrawn, we will notify you of this and that you must now file your return.

Tax sparing

Any company that has claimed a foreign tax credit for a tax sparing arrangement under a double tax agreement, must also complete a *Tax sparing disclosure return (IR 486)* and send it to:

The Manager
Business and International Tax
Policy Advice Division
PO Box 2198
Wellington

Group investment funds

If the company's income is solely from Category A income, you must file an IR 4. If the income is solely from Category B income, you must file an IR 6. If the income is a combination of both Category A and Category B income, an IR 4 and IR 44E must be filed. Read the notes in the IR 44E for further information.

Superannuation schemes

A superannuation scheme not registered with the Government Actuary which allows beneficiaries to contribute, will be treated as a company for tax purposes and must file IR 4 returns.

Trans-Tasman imputation and imputation groups

Legislation enacted in the Taxation (GST, Trans-Tasman Imputation and Miscellaneous Provisions) Act 2003 has made it possible for Australian companies to elect to maintain a New Zealand imputation account from the 2003–2004 imputation year. A new form of grouping (for imputation purposes only) has also been introduced which Australian companies may join.

Return filing for trans-Tasman imputation

Australian companies that make a trans-Tasman imputation election are required to file an *Annual imputation return (IR 4J)* by 31 July, following the end of the imputation year. *Company income tax returns (IR 4)* are not required, unless the company has a permanent establishment in New Zealand.

Return filing for imputation groups

Company tax return (IR 4)

Company returns are required to be filed by all New Zealand companies that elect to be a member of an imputation group and Australian companies with New Zealand source income.

Annual imputation return (IR 4J)

The imputation return for an imputation group should be filed by the group representative on a separate IR 4J return.

Imputation group members should not include any imputation details on page 6 of this income tax return. An exception applies for nominated companies of a resident imputation group where there is an imputation credit account (ICA) debit balance.

Dividend withholding payment account (IR 4D) returns

This legislation does not alter the filing requirements for companies who have elected to maintain a dividend withholding payment account.

For further details see

www.ird.govt.nz/trans-tasman-imputation/

Imputation return

Most New Zealand resident companies, unit trusts, producer boards and cooperatives must file an imputation return each year. If you are an Australian company or part of an imputation group, please read the note beginning on page 7. The following bodies do not have to file imputation returns:

- non-resident companies
- trustee companies (but not group investment funds with Category A income)
- any company with a constitution that prevents it distributing all its income or property to any proprietor, member or shareholder
- companies whose income is completely exempt from tax
- local authorities
- Crown research institutes
- non-active companies.

Note

If you need to file the company's imputation return before the income tax return is due to allow a refund to be released, complete an *Annual imputation return (IR 4J)*.

Dividend withholding payment account return (DWP)

All companies that have elected to maintain a DWP account must file a return.

Note

Complete the *Annual imputation return (IR 4J)* and *Dividend withholding payment account return (IR 4D)* for the imputation year 1 April 2007 to 31 March 2008 **regardless** of the company's accounting year.

If we have a record of the company maintaining a DWP account we will have sent a supplementary return in the company's taxpack. When it's completed, staple it to the back page of the IR 4 return.

Questions 1 to 8

Fill in Questions 1 to 8 only if the correct information is not printed on the return.

Question 2 – Company name

If the company has changed its name since the last time a return was filed, please attach a copy of the new certificate of incorporation with the name change details so we can update our records.

Question 4 – Postal address

If you have a new postal address, write the details at Question 4. If your new address is a PO Box number, please show your box lobby if you have one. If you are unsure of your box lobby please contact New Zealand Post.

Leave this address panel blank if the company uses its agent's postal address. The agent will let us know of any change of address when updating their client list.

Question 6 – Business description

If the business description is not shown or has changed, please complete Box 6.

It is important that the description used is one that most accurately reflects the nature of business or trade undertaken.

We are lawfully required to supply the business description to ACC for levy classification and calculation purposes.

The booklet *Determining your business industry description and code* will help you. A copy is available from www.businessdescription.co.nz or by calling ACC on 0508 426 837.

If, after reading the booklet, you are unable to identify a description that accurately reflects the nature of your business, please describe your business activity in Box 6 or call ACC on 0508 426 837.

Note

Please provide the description text only. Do not show the corresponding code.

Question 7 – Phone number

We ask for your daytime phone number so that we can contact you if necessary to ask questions about your return.

Question 8 – Bank account number

Refund by direct credit

We recommend the company receives any refund by direct credit to its bank account.

If you want a refund direct credited and the company's correct account number is not preprinted here, write it in Box 8.

If the company's refund was direct credited last year and you are not using a preprinted IR 4 return, any refund due this year may go to the same account. If you want the direct credit to go to a new account please print the account number in Box 8.

Refund by cheque

If a bank account number is shown but you want to receive the refund by cheque you must tick Box 30F on the return.

Question 9 Non-resident

A company is a tax resident of New Zealand if:

- it is incorporated in New Zealand, or
- its head office or centre of management is in New Zealand, or
- control of the company by its directors is exercised in New Zealand.

Otherwise it's a non-resident for tax purposes.

Questions 10 and 10A Imputation

Page 6 of this return is the annual imputation return.

If you have made any monetary entries in the annual imputation return, tick “Yes” at Question 10A.

Note

If you have filed, or will file, a separate *Annual imputation return (IR 4J)*, tick “No” at Question 10.

Question 11 Has the company ceased?

If this is a final return, include a set of accounts to the date the company ceased trading and include details of any distribution of assets and liabilities.

If the company is registered for GST, or as an employer, you will need to complete a *Business cessation (IR 315)* form to finalise your records.

Depending on the company's circumstances, there are a number of other issues that may need to be finalised, for example:

- outstanding returns
- arrears
- FBT or ACC
- imputation account balances (for qualifying companies)
- specified superannuation contributions
- RWT on dividends
- 10-year bonus issues.

For information on how to finalise the company's tax accounts or deregister for GST please call us—see page 61.

Note

A company is still a legal entity until it is taken off the company register. A company can stop trading (become non-active) but still have tax obligations such as filing returns. Non-active companies can be excused from filing—see the note on page 5.

Company tax return

Question 12 Non-resident entertainer or contractor/specified agricultural, horticultural or viticultural contractor

If the company has received any withholding payments, we will send you a summary of earnings (SOE).

Add up all the withholding tax deductions and gross payments shown on the SOE and write the totals in Boxes 12A and 12B.

The *Summary of earnings (IR 544)* form may not contain all the company's earnings information. If any details are missing, please include them at Question 12.

If the company received a payment with no withholding tax deducted, include the gross amount in Box 12B.

From 1 April 2006, withholding tax deductions are required from payments to certain companies working in the agricultural, horticultural and viticultural industries.

Question 13 New Zealand interest

Interest from all New Zealand sources must be shown in the return. Write the total of all resident withholding tax (RWT) deductions in Box 13A. If the company has had non-resident withholding tax (NRWT) deducted from New Zealand interest then include this in Box 13A. Add up all the gross interest amounts (before the deduction of any tax) and write the total in Box 13B.

Interest on broken term deposits

If you have broken a term deposit during the year, there may be "negative interest" to account for. This is interest repaid on the term deposit and may reduce the amount of interest to declare on the tax return.

If the term deposit was broken in full, or it was business-related, deduct the negative interest from the gross interest amount shown on the RWT deduction certificate (IR 15 or equivalent statement).

Deduct the allowable negative interest component using the worksheet below before entering the gross amount at Question 13 of the tax return. In all other cases the negative interest is deductible in a later tax return when the term deposit matures.

Copy your gross interest from your RWT deduction certificate to Box 1.

1\$

Print any negative interest you have paid in Box 2.

2\$

Subtract Box 2 from Box 1 and print the answer in Box 3. Copy this amount to Box 13B of your tax return.

3\$

Interest paid by Inland Revenue

Include any RWT withheld and any interest paid by Inland Revenue in Boxes 13A and 13B. If we adjust the interest for any year as a result of an amended assessment, the amended interest must be shown in the income year following the year in which the amended assessment is issued. If the overall interest is a negative amount, put a minus sign in the last box of Box 13B.

Note

If expenses are deductible against the interest income, claim them at Box 19B.

Do not send in the certificates or IR 15 forms with the return, but keep them in case we ask for them.

Income from financial arrangements

If the company was a party to a financial arrangement, such as government stock, local authority stock, mortgage bonds, futures contracts or deferred property settlements, the income or expenditure from the financial arrangement may have to be calculated using a spreading method, rather than on a cash basis. If the financial arrangement matures or is sold, remitted or transferred, a “wash-up” calculation known as a base price adjustment must be carried out.

Any RWT will be deducted on a cash basis. Show the RWT deducted and any income from the financial arrangement in Boxes 13A and 13B.

Question 14 New Zealand dividends

Generally, all dividends are taxable. However, there is an exemption for dividends paid between members of a wholly owned group. A dividend from a foreign company is also exempt income, but is subject to a deduction of a foreign dividend withholding payment.

To work out the gross dividend, add up the dividends received, any imputation credits and any withholding payment credits or resident withholding tax deductions. Write the total of all dividends in Box 14B.

Write the total dividend imputation credits in Box 14 and the total dividend RWT and withholding payment credits attached in Box 14A.

Note

If expenses are deductible against the dividend income, claim them at Box 19B.

Unit trusts

Distributions from unit trusts will generally be taxable. The statement you receive from the unit trust should show the amounts to include in the return.

Note

Changes made under the Taxation (Base Maintenance and Miscellaneous Provisions) Act 2006 mean that New Zealand fund managers can withhold RWT on behalf of investors under certain circumstances.

Transfer of deductible expenses between member and master funds

From the 2002–2003 income year a member fund may, in certain circumstances, elect to transfer deductible expenses to a master fund. The master fund must invest, in whole or in part, in the member fund. The master fund is then able to deduct the transferred expenses.

A member fund can include a group investment fund that derives Category A income, a qualifying unit trust or a superannuation fund. A master fund can include a group investment fund that derives Category A income or a qualifying unit trust.

A qualifying unit trust includes:

- retail unit trusts, whose units are offered to the public and which have 100 or more unit holders, and
- wholesale unit trusts, whose units are held by widely held investment vehicles such as other unit trusts or superannuation funds.

Member or master funds wanting to take advantage of this provision should include details of the adjustment in a tax reconciliation statement accompanying the return. The information should accompany the returns of both the funds involved in the transfer.

For more information about this change see our *Tax Information Bulletin (TIB)* Vol 13, No 11 (November 2001). You can get this from www.ird.govt.nz or order a copy by calling us—see page 61.

Qualifying companies

Generally, if a qualifying company is a shareholder in a company that is not a qualifying company, all dividends that the qualifying company derives from the other company are taxable.

Dividends derived by a company that has been a qualifying company at any time before deriving the dividends are taxable, except for dividends from which a company must deduct a foreign dividend withholding payment. These dividends are exempt income.

If a qualifying company is a shareholder in another qualifying company, only dividends with imputation credits attached and a return of a 10-year bonus issue before the 10-year period expires are taxable. Dividends with no imputation credits attached or a return of a 10-year bonus issue 10 years from the payment date are exempt income.

A distribution of a 10-year bonus issue before the 10-year period has expired, made on the winding up of the company, is also not taxable.

If you need more help, read our booklet *Qualifying companies (IR 435)*.

Do not send in the dividend statements with the return, but keep them in case we ask for them.

Question 15 Māori authority distributions

There are various types of distributions that can be made from Māori authorities.

You are only required to declare taxable Māori authority distributions made from gross income that Māori authorities earned during the 2004–2005 or subsequent income years.

Fill in Question 15 if you received any taxable Māori authority distributions between 1 April 2007 and 31 March 2008. The Māori authority that paid you the distribution sends you a Māori authority distribution statement.

Credits attached to distributions

The Māori authority may attach a credit to the distribution it makes to members. This credit will be classified as a Māori authority credit and is part of the tax the Māori authority has already paid on its profits, so the distributions are not taxed twice.

What to show in your return

Your Māori authority distribution statement shows:

- the amount of the distribution made to you, including what portion is taxable and what portion is non-taxable
- the amount of Māori authority credit.

These amounts, not including any non-taxable distribution, will need to be transferred to the relevant boxes at Question 15.

Example

A Māori authority makes a pre-tax profit of \$10,000. It pays tax on this \$10,000 profit of \$1,950 (Māori authority tax rate of 19.5%) and distributes the entire profit to its 10 members. Each member will receive \$805 as a cash distribution and \$195 of Māori authority credits.

Each member of the authority liable to file an IR 4 return would show the following information in Question 15:

15B – \$1,000 (made up of \$805 + \$195)

15A – \$195

Non-taxable distributions

Any other distributions received from a Māori authority, which are not taxable in the hands of a Māori authority member, do not need to be included in their IR 4 return. These amounts are classed as non-taxable distributions and cannot have credits attached. For more information read our *Māori authority guide (IR 487)*.

Question 16 Partnership, estate or trust income

If the company received any income from a partnership, estate or trust, write any tax credits in Box 16A and the income totals in Box 16B.

Do not include:

- any overseas income—show this at Question 18 along with any credits attached
- any dividend imputation credits attached to dividends—include these in Box 14, but include RWT withheld in Box 14A and the gross dividend in Box 14B.

Add up any other tax credits from partnerships, estates or trusts and write the total in Box 16A. Add up all the other income from partnerships, estates or trusts and write the total in Box 16B.

If you received a taxable distribution from a non-qualifying trust, please attach a note with your return giving details of the amount and any associated tax credits.

We separate taxable distributions from a non-qualifying trust because they are taxed at a different rate. We need these details to calculate your correct tax liability.

Question 18 Overseas income

Convert all overseas income and tax credits to New Zealand dollars. You can do this in one of the following ways:

- use our currency converter on www.ird.govt.nz
- use the mid-month telegraphic buying rates from our leaflet *Conversion of overseas income to New Zealand currency (IR 270)*
- contact the overseas section of a trading bank and ask for the exchange rate for the day you received your overseas income
- refer to our currency conversion tables published in the May and November issues of our *Tax Information Bulletin (TIB)*. Please note that the November issue gives the rates for the first six months to September, and the May issue gives the rates for the previous 1 April to 31 March.

If the income was received from a financial arrangement, refer to Determination G9A or G9B prescribed under section 90 of the Tax Administration Act 1994.

If your overseas income is from a controlled foreign company or foreign investment fund, read the notes to Question 34 on page 43.

Write the total of all overseas tax paid in Box 18A. Include in Box 18B income before the deduction of any tax. Credit for tax paid overseas will be limited to the amount of New Zealand tax payable on that income.

Staple proof of tax paid overseas to the top of page 3 of the return.

Question 19 Business or rental income

Write the net profit in Box 19B. This is the amount of income or loss after the deduction of all allowable business expenditure including shareholders' salaries paid or credited. Also include any net rental (total rents after expenses) income or loss in Box 19B.

Do **not** include any income already shown at Questions 12 to 16. Do **not** include losses from controlled foreign companies (see the notes to Question 34 on page 43).

Note

If expenses are deductible against income declared in Questions 12 to 14, claim them here.

Attach either:

- a fully completed *Accounts information (IR 10)* form, or
- a set of the company's financial accounts.

The IR 10 is a statistics form that sets out a general summary of information from the financial accounts.

If you complete an IR 10 you don't need to send the financial accounts as well. However, you still need to complete financial accounts and keep them in case we ask for them later.

The attribution rule

Under the attribution rule, anyone whose actions cause an associated person (company, trust or partnership) to earn income, can be personally liable for tax on that income.

If this rule applies to persons associated to your organisation, it will affect the amount of taxable income in this return.

To find out how to apply this rule, please read our *Tax Information Bulletin (TIB)*, Vol 12, No 12 (December 2000) and Vol 13, No 11 (November 2001).

Question 20 Insurance premiums paid to an overseas insurer

There are special rules applying to any company paying a premium, including a reinsurance premium, to a non-resident insurer.

If you are paying a premium to a non-resident insurer you need to get a separate IRD number to account for the tax on the premium income. This is because you are deemed to be the insurer's agent.

You will need to file an IR 4 return under this separate IRD number and declare premiums paid as the only income received.

Only 10% of the total gross premiums paid to overseas insurers is subject to the company tax rate of 33%. This equals 3.3% of the total premiums paid. Any premiums paid to insurers in Switzerland are not subject to tax in New Zealand and should be deducted from the total gross premiums paid.

Agency obligations also extend to other New Zealand residents, such as brokers, who may initially collect premiums for payment to the non-resident insurer. If there is any default the insured person is responsible for the tax.

Print the gross amount of premiums paid to a non-resident insurer in Box 20. Print the gross amount of premiums paid to Switzerland in Box 20A. Deduct the figure in Box 20A from Box 20 and multiply the net amount by 0.1 (10%). Print your answer in Box 20B and copy this amount to Box 28 ("Taxable income"). **There should be no other income returned as an agent for an overseas insurer.**

The company still needs to declare other income under its original IRD number.

If you have any enquiries, contact:

Business Services
Banking and Insurance
PO Box 2198
Wellington

Question 21 Other income

At Question 21 show any other income received by the company, for example, the sale of:

- land and/or buildings
- shares or other property
- securities
- income from an undertaking or scheme.

The following notes explain what you need to do if the company received any of the types of income listed above.

Income from sale of land and/or buildings

The profits are taxable if the company bought a property for the purpose of reselling it or is in the business of buying and selling land and/or buildings.

The profits may be taxable if the company:

- is a building company and improved a property before selling it
- developed or subdivided land and sold sections, or
- had a change of zoning on company property and sold it within 10 years of buying it.

Print the total profit in Box 21B. Write the details of the income and expenses from these sales on a sheet of paper and staple it to the top of page 3 of the return.

If you're not sure if the income from the sale of land or buildings is taxable, please call us—see page 61.

Income from sale of shares or other property

Profits from the sale of shares and other property are taxable if the company:

- buys and sells shares or other property as a business, or
- buys shares or other property for the purpose of resale.

List the details of income and expenses from these sales on a sheet of paper and staple it to the top of page 3 of the return. Include the total profit in Box 21B.

Losses from sale of land, buildings, shares or other property

If the company has made a loss and you can show that if it had made a profit it would have been taxable, you may be able to claim the loss as a deduction. Write the details of the loss on a separate sheet of paper and staple it to the top of page 3 of the return. Show the loss at Box 21B. Include details of other profits or losses made from similar sales, whether in this tax year or earlier.

Financial arrangements

A company must account for income from financial arrangements on an accrual basis. Financial arrangements include government stock, futures contracts and deferred property settlements, excluding short-term agreements for sale and purchase of property. Changes to the rules for the treatment of financial arrangements have split the rules into two sets. Generally the first set applies to financial arrangements entered into before 20 May 1999 and the second applies to financial arrangements entered into on or after 20 May 1999.

Both sets of rules require the income or expenditure to be spread over the term of the financial arrangement.

This applies in every case—the company does not have to be in the business of buying or selling financial arrangements, or be intending to sell, as it would with shares. The company may, in certain cases, deduct any losses.

Sale or maturity of financial arrangements

When a financial arrangement matures or is sold, remitted or transferred, a “wash-up” calculation, known as a base price adjustment, must be carried out. The calculation ensures that the total gains or losses from the financial arrangement are brought to account.

If you need any information on when losses can be deducted, or how to calculate a base price adjustment, please call us on 0800 443 773.

Income from an undertaking or scheme

Profits made from the carrying on or carrying out of any undertaking or schemes entered into for the purpose of making a profit are taxable. On a separate sheet of paper set out what the undertaking or scheme was and list the details of income and expenses from these undertakings and schemes. Staple it to the top of page 3 of the return and include the total profit in Box 21B.

Loss attributing qualifying company (LAQC)

The instructions on the next page for Questions 22 and 23 of the IR 4 return are for companies that have already elected to be a loss attributing qualifying company (LAQC). Losses may only be claimed by shareholders (Question 22) or attributed to shareholders (Question 23) if the company has already been approved as an LAQC.

If you need more help, read our booklet *Qualifying companies (IR 435)* or call us—see page 61.

Question 22 Loss from a loss attributing qualifying company (LAQC)

If the company is a shareholder in an LAQC enter any attributed losses claimed in Box 22B.

If the attributed loss included a loss from a controlled foreign company or a foreign investment fund and you need help with this question, you can call us—see page 61.

Question 23 Loss attributing qualifying company

If the company has elected to be an LAQC, any net loss incurred after becoming an LAQC must be passed on or attributed to the shareholders.

The possible exception to this is foreign losses—see the notes to Question 34 on page 43.

Print the total amount of loss attributed to all shareholders in Box 23B. If this amount does not equal the total of all Boxes 39B on page 5 of the return or the IR 4S form, there will be a delay in processing the return.

Question 25 Net losses brought forward

Losses from controlled foreign companies are not included in Box 25, see the notes to Question 34 on page 43.

Before a company is allowed to carry forward net losses, 49% continuity of minimum voting interest or market value interest must be maintained by a group of persons at all times, from the beginning of the year of net loss to the end of the year of carry forward (the continuity period).

To check whether the shareholder continuity requirements have been satisfied, use the lowest percentage of economic interest held by each shareholder during the continuity period. To calculate the total lowest economic interest read the notes to Question 38 on page 48.

There are two types of net losses: specified activity net losses and other net losses.

Specified activity net losses

These are net losses incurred before the 1991 income year, limited to \$10,000. If the company made a profit from a specified activity, it can offset it without limitation against net losses brought forward from this activity. If the net losses exceed the profit, it can offset up to \$10,000 against other income in the return.

Other net losses

Other net losses are all net losses incurred from the 1991 income year onwards (including any net loss arising from excess imputation credits) and any net losses that were not limited before 1991.

Write the total of all specified activity net losses and other net losses the company can bring forward to 2008 in Box 25A, and the amount the company has offset against 2008 income in Box 25B.

If the company cannot offset any net losses in the 2008 income year, write “0.00” in Box 25B.

Note

You should be able to find the amount of net loss the company has to bring forward on the loss notice that was sent to you with the company's 2007 income tax assessment. If you don't have a loss notice, enter the details from your own records.

Qualifying companies

If the company elected to become a qualifying company for the 2008 income year, all net losses available to be carried forward from the 2007 income year were forfeited on becoming a qualifying company.

Exclude from Box 25A any net losses that were forfeited on becoming a qualifying company.

Question 26 Total income after net losses brought forward

If the company has net losses to carry forward (after attributing net losses to shareholders if the company is an LAQC), and receives dividends from an overseas company, it may elect to reduce or cover a dividend withholding payment by reducing its net loss or the net loss of another company in the same group. If the company decides to make such an election, please attach a written notice to the top of page 3 of the return.

Note

If Box 24 is a net loss add Box 24 and Box 25A (amount brought forward). Print your answer in Box 26. If Box 24 is a profit and is less than the amount in Box 25A, print the difference between Boxes 24 and 25A in Box 26. This is the total available net loss before net losses and/or subvention payments to or from other companies.

Question 27 Net losses and subvention payments

To offset net losses there must be a common shareholding of at least 66%, and 66% continuity of minimum voting interest must also be maintained (or 66% market value interest if a market value circumstance exists). To calculate voting or market value interest read the notes to Question 38 on page 48.

To offset a net loss incurred during a current income year, the loss company and the profit company must be members of the same group at all times for that income year.

To offset a net loss carried forward, the loss company and the profit company must be members of the same group of companies for the entire period, beginning with the income year in which the net loss is incurred and ending with the year of offset.

Individual details of the losses claimed or transferred and subvention payments received or made must be recorded at Questions 39F or 39G. The total of these must equal Boxes 27 or 27A respectively.

Part-year grouping

The general part-year grouping rule is that only the part of the net loss incurred in the same period as the profit is derived may be offset, if during the period:

- the loss company maintains continuity of shareholding, and
- commonality of shareholding between loss and profit companies has been maintained.

Therefore, net loss and profit amounts allowed to be offset are based on periods where continuity and commonality requirements are satisfied for all companies participating in a part-year grouping arrangement.

If the company received net losses from another company or made a subvention payment to another company, put a minus sign in the relevant last box. Attach a schedule setting out the names and IRD numbers of the companies and the amount of the payment or loss.

Qualifying companies

Net losses are restricted for grouping and subvention payment purposes. A qualifying company loss (other than that of an LAQC) can be offset against any group company profit (including non-qualifying company profits).

Question 29E Foreign investor tax credit

The foreign investor tax credit rules reduce to 33% the combined income tax and non-resident withholding tax imposed on foreign investors with interests in a New Zealand company. A company is entitled to a foreign investor tax credit when it pays a supplementary dividend of the same amount to its non-resident shareholders. The foreign investor tax credit can then be offset against the company's income tax liability.

The foreign investor tax credit arises in the income year in which the supplementary dividend is paid and is to be offset in the following order.

1. Against the company's income tax payable for the year the supplementary dividend is paid (this is the amount to enter in Box 29E).
2. At the company's election, either:
 - against the company's income tax liability for any of the previous four income years (but not earlier than the 1994 income year), or
 - against the income tax liability for another company in the same wholly owned group of companies for the year in which the supplementary dividend is paid or any of the previous four income years (but not earlier than the 1994 income year).
3. Carried forward to subsequent years for offset against the tax liability of the company or another company in the same wholly owned group of companies.

If the company has a foreign investor tax credit that cannot be fully offset against its own income tax liability in the income year in which the supplementary dividend is paid, please attach a note to the top of the front of the return giving details of how any excess credit is to be treated.

Question 29G Imputation credits

If the company has imputation credits, it may have a net loss to carry forward. This will happen if the company's total imputation credits are greater than the tax payable at Box 29F.

To calculate the net loss to carry forward, subtract the amount at Box 29F from the total imputation credits (Box 29G) and then divide the answer by 0.33 (33%).

If the deemed net loss is to be offset to other companies within the same group (rather than carried forward), reduce the amount of net loss shown at Box 27 by the amount offset.

Loss attributing qualifying companies (LAQC)

Any imputation credits converted to a net loss by an LAQC must be passed on to the company's shareholders.

Question 30 Refunds and/or transfers

If you would like your refund transferred to another account or to arrears that are being paid off by an instalment arrangement instead of being refunded, please tell us the date you would like your excess tax transferred (the "transfer date").

The date you can choose depends on what tax has been overpaid and whose account you want the credit transferred to.

Note

If the transfer is to arrears being paid off by an instalment arrangement, you'll need to include a note with your return authorising the transfer and giving the following information:

- that the transfer is to arrears currently under an instalment arrangement
- the name and IRD number of the taxpayer to whom the transfer should be made
- whether the taxpayer is an “associated taxpayer”
- the tax type and period
- the date you would like the transfer to occur.

For details on who is an associated taxpayer and transfer dates, please see the note on the next page.

Question 30B Associated taxpayers

For companies, the following persons are associated taxpayers for the purposes of transferring overpaid tax:

- another company in the same group of companies
- a shareholder-employee of the company
- a partner in the same partnership.

If you would like your refund transferred to another person, you will need to show whether they are an associated taxpayer.

Transfer date

You can ask for your credit to be transferred at any date as long as it is not before the relevant dates set out below.

Credit to be transferred to your own account or an account of an associated taxpayer

- if the refund is excess tax deductions (eg PAYE deductions)
 - the day after your balance date (or 1 April if your balance date is before 31 March)
- if the refund is from overpaid provisional tax
 - the day the overpaid provisional tax was paid.

Credit to be transferred to an account of another person who is not associated

The later of:

- the day you requested the transfer, or
- the day after your return is filed.

Future transfer dates

If you would like your credit transferred at a date in the future, you should attach a note to the front of your return with the details of the amount you want

transferred, the account you want it transferred to (if it is to another person and if they are associated) and the date you want it transferred.

If you do not tell us the date you would like your credit transferred, we will transfer it at a date we think gives you the greatest advantage. If you would like the credit transferred at a different date, you can contact us and ask for the transfer date to be changed (even if we have transferred your credit to cover a debt).

Requesting transfers on your return

You can ask us to transfer a refund to another account by filling out page 4 of the return. If you ask us to, we will transfer the refund as follows:

- transfer to the company's own account or an account of someone associated to the company the later of:
 - the day after the balance date (or 1 April if your balance date is before 31 March), or
 - the due date in the destination account
- transfer to an account of someone not associated to the company
 - the day after the return was filed.

If you would like the company's refund transferred at a different date from those listed above, you can attach a note to the return. Be sure to include the details of the account you want the refund transferred to and the transfer date you want. If the transfer is going to another person, remember to tell us if they are associated to the company.

Question 31 New provisional tax payers

A company is a new provisional tax payer if it:

- starts to derive income from a taxable activity in the tax year, and
- had not derived gross income from a taxable activity within the preceding four years.

A special rule applies for the payment of provisional tax for new provisional tax payers.

Most new businesses do not pay provisional tax in their first year of operation because there is no residual income tax (RIT) from the previous year on which to base the calculation.

However, if the company does need to pay provisional tax in its first year of operation it must pay on instalment dates arising more than 30 days after the start of the taxable activity.

To work out whether the company has to pay provisional tax in its first year of operation, please read our booklet *Provisional tax (IR 289)*.

Print the date the company started to derive income from the taxable activity in Box 31.

Interest rules for new provisional tax payers

New provisional tax payers may be charged interest from the first, second or third instalment date.

The instalment date that interest applies from is determined by the business start date.

More information about new provisional tax payers and the dates that interest applies from is available in our booklet *Provisional tax (IR 289)*.

There are special rules about how interest is calculated when a company is a new provisional tax payer **and** has changed its balance date. For further information please refer to our *Tax Information Bulletin (TIB)* Vol 9, No 12 (November 1997).

Question 32 2009 provisional tax

2009 provisional tax is charged for income the company will earn in the 2009 income year. It is payable in two, three or six instalments. From 2009 there are three options for calculating your provisional tax—standard, estimation and ratio.

If the company's 2008 RIT is:

- **\$2,500 or less** it does not have to pay provisional tax, but it can make voluntary payments
- **more than \$2,500 but expected to be \$2,500 or less for 2009** it may estimate 2009 provisional tax at nil
- **more than \$2,500 and expected to be \$2,500 or more for 2009** it must pay 2009 provisional tax using one of the payment options.

Standard option

2009 provisional tax is the 2008 RIT minus 5%.

If you use this option write "S" in Box 32A and the amount of 2009 provisional tax in Box 32B.

If your 2008 return is not filed by the due date for the first instalment of the 2009 provisional tax, the provisional tax is the 2007 RIT amount without adjustment.

Note

These two calculations take into account the reduction in the company tax rate to 30% that applies from the start of the 2008-2009 income year. More information on the tax rate change and the impact on provisional tax can be found in our booklet *Provisional tax (IR 289)* and *Tax Information Bulletin Vol 19, No 6 (July 2007)*.

Estimation option

Companies can estimate their 2009 provisional tax. They can re-estimate any number of times up to their third instalment due date. If the company's 2009 RIT is expected to be less than the 2008 tax, estimating may prevent the company from paying more than it has to.

Remember to base your estimate on the 30% tax rate that applies to companies from the start of the 2008-2009 income year.

Note

An estimate must be "fair and reasonable" at each instalment it applies to. Read the notes on the next page on the not taking reasonable care penalty and interest if you use the estimation option.

If the company estimates its provisional tax, write "E" in Box 32A and the amount of 2009 provisional tax in Box 32B.

If you estimate your provisional tax your instalments should be one-third of your estimation.

If you are using the ratio option and select "E" at Box 32A this will mean that you are electing to stop using the ratio option.

Ratio option

If you are GST registered you may qualify to use the ratio option to calculate your provisional tax.

Only enter "R" at Box 32A if you have already elected to use the ratio option. Your application to use the ratio option must be made by phone or in writing before the beginning of the income year in which you wish to use it.

If you have already elected to use the ratio option and want to continue using it then enter "R" at Box 32A.

More information about the ratio option is available in our booklet *Provisional tax (IR 289)*.

Not taking reasonable care penalty

When you estimate the company's 2009 provisional tax, your estimate must be fair and reasonable. If the 2009 RIT is greater than the provisional tax paid, you may be liable for a not taking reasonable care penalty of 20% of the underpaid provisional tax.

Interest

Generally, if the company has paid too much provisional tax, we pay interest, or if it has not paid enough provisional tax, we charge interest.

Interest the company pays is generally tax deductible, while interest we pay is taxable income.

Election to be a provisional tax payer

A company is a provisional tax payer for the 2008 year if its RIT for that year is more than \$2,500. If the 2008 RIT is \$2,500 or less but the company paid provisional tax for the year, the company may elect to be a provisional tax payer for that year. This may affect the interest the company may be entitled to for that year.

To elect to be a provisional tax payer for the 2008 year, attach a note to the front of the 2008 return.

Change in balance date

There are special rules about when provisional tax is due and how interest is calculated if there has been a change in the balance date.

For more information

- on interest and penalties read our booklet *Taxpayer obligations, interest and penalties (IR 240)*
- on provisional tax read our booklet *Provisional tax (IR 289)*

Tax pooling

Tax pooling allows taxpayers to pool provisional tax payments, offsetting underpayments by overpayments within the same pool, thereby reducing their possible exposure to late payment penalties and interest. For more information about tax pooling, including a list of intermediaries, see www.ird.govt.nz

Payment dates

2009 provisional tax

Generally a company with a 31 March balance date pays provisional tax by the following due dates:

First instalment	28 August 2008
Second instalment	15 January 2009
Third instalment	7 May 2009

A company with a balance date other than 31 March generally pays provisional tax on the twenty-eighth day of the fifth, ninth and thirteenth months after the balance date.

There are two exceptions:

- if it would be due on twenty-eighth of December it is due on the fifteenth of January
- if it would be due on the twenty-eighth of April it is due on the seventh of May.

These dates will alter if:

- the company is registered for GST and
- the GST filing frequency is six monthly or
- provisional tax is paid via the ratio option.

If either of these situations apply to you, read our booklet *Provisional tax (IR 289)*.

2008 end-of-year income tax

Companies that have an agent and an extension of time may have until 7 April 2009 to pay their tax. If you think this applies contact your agent.

A company with a balance date between 1 March and 30 September must pay its end-of-year income tax (Box 29L) and any interest by 7 February 2009.

A company with a balance date between 1 October and 28 February must pay its end-of-year income tax by the seventh day of the month before the following year's balance date.

How to make payments

You can make tax payments electronically through your bank, by cheque or at most branches of Westpac.

Electronic payments are automatic payment, direct credit and online banking. Major banks offer an online tax payment service on their website which ensures that sufficient payment reference details are included with your payment. If your bank does not offer this service you can pay using their standard online service but you need to ensure we have all the details for us to credit your payment to your account.

You can post us a cheque on the last day for payment and it will still be on time as long as it's postmarked with the due date. Please:

- make your cheque payable to “Inland Revenue”
- cross it “Not transferable”, and
- post it with the payment slip in the envelope provided.

Note: do not send cash.

You can also make your payment by cash, etfpos or cheque at most branches of Westpac. Please take your preprinted payment slip with you so that the teller has all the information to process your payment.

For more information about all payment methods, see our booklet *Making payments (IR 584)*. You can get this from www.ird.govt.nz or order a copy by calling INFOexpress—see page 60.

Late payment

If tax is not paid by the due date, late payment penalties and interest will be charged.

An initial 1% late payment penalty will be charged on the day after the due date. A further 4% penalty will be charged if there is still an amount of unpaid tax (including penalties) seven days after the due date.

Every month the amount owing remains unpaid after the due date a further 1% incremental penalty will be charged.

Interest and late payment penalties are not charged on outstanding amounts of \$100 or less.

Arrangements

If you are unable to pay your tax by the due date, please contact us to discuss your situation. We will consider your payment options and look at negotiating an instalment arrangement, depending on your circumstances. Arrangements can be agreed upon before or after the due date for payment. However, there are greater reductions in the penalties charged if the arrangement is made before the due date.

For more help

More information about penalties and interest is available in our booklet *Taxpayer obligations, interest and penalties (IR 240)*. You can get this from www.ird.govt.nz or by calling INFOexpress—see page 60.

Question 34 Foreign rights

If at any time during the 2008 income year the company held rights such as shares, units or an entitlement to benefit in any foreign: company, unit trust, superannuation scheme or life insurance policy, you may be required to complete a disclosure form for interests in a foreign company or for foreign investment funds to disclose the interest and/or attribute income. Call 0800 377 774 to get the appropriate disclosure form.

These rights may be an interest in a foreign investment fund (FIF). They must be disclosed on the appropriate disclosure form. There are two new FIF income calculation methods, the fair dividend rate and the cost method.

The main exclusions from an interest in a FIF are:

- investments in certain Australian resident companies listed on approved indices on the Australian stock exchange, that maintain franking accounts
- limited exemptions for interests in:
 - Guinness Peat Group plc (for the 2007-08 to 2011-12 income years)
 - certain venture capital interests that move offshore (for 10 income years from the income year in which the company migrates from New Zealand)
- a 10% or greater interest in a controlled foreign company (CFC).

The previous exemption for interests in grey list countries has been removed for interests of less than 10%.

Further information on the exclusions and the FIF rules is available on our website www.ird.govt.nz and in the *Tax Information Bulletin (TIB)* Vol 19 No 3 (April 2007) and Vol 19 No 6 (July 2007).

An income interest of 10% or greater held in a foreign company (that is not an interest in an FIF) must be disclosed on an IR 477 or IR 479 form. If the company is a CFC, attribution of income is usually required.

If the company maintained a branch equivalent tax account (BETA), complete an IR 408 and attach it to the return.

Include any income and tax credits calculated on your forms at Question 18 of the return. Also include any claim for BETA credits.

Convert all overseas income and tax credits to New Zealand dollars. You can do this in one of the following ways:

- use our currency converter on www.ird.govt.nz
- use the mid-month rate available from our leaflet *Conversion of overseas income to New Zealand currency (IR 270)*
- contact the overseas section of a trading bank and ask for the exchange rate for the day you received your overseas income
- refer to our currency conversion tables published in the May and November issues of the *Tax Information Bulletin (TIB)*. Please note that the November issue gives the rates for the first six months to September, and the May issue gives the rates for the previous 1 April to 31 March.

CFC losses

Losses from a CFC cannot be used to offset domestic income or be included in domestic losses that are carrying forward to the 2009 tax year.

Generally such losses can only offset income or future income from CFCs that are resident in the same country as the CFC that incurred the loss.

Loss attributing qualifying companies

If the company received a loss from a CFC or FIF it must pass these losses on to the shareholders, unless the company has elected to retain its foreign losses.

If the election was made on or before 31 March 2007 for the 2008 income year, the foreign losses are retained by the company to be offset against future income from CFCs or FIFs.

Question 35 Share repurchases

Generally, when amounts distributed to shareholders on cancellation or repurchase of shares fall below specified thresholds, the amounts are taxable in full to shareholders as dividends. When distributions on repurchase exceed those thresholds, or occur through the stock exchange, the distributions will be deducted from available subscribed capital of the company and will be tax-free to the shareholders. However, this is only to the extent that the distributions are not in lieu of dividends. If the subscribed capital of the company has been depleted, the distributions will be taxable.

Specific rules also govern the repurchase and subsequent sale of treasury stock.

The total value entered on the return should be the aggregate value of all distributions made by the company during the year for company shares repurchased, redeemed, cancelled or purchased as treasury stock.

Question 36 Foreign-sourced dividends

If a New Zealand company received a dividend from a foreign company during the income year, a foreign dividend withholding payment (FDWP) may be payable on the gross amount of the dividend at 33 cents in the dollar.

Note that under the new FIF rules, dividends received from overseas companies, except companies covered by the exclusions listed under foreign rights at Question 34, are no longer separately taxable.

Generally funds would use the new default FIF income calculation method called the fair dividend rate which does not tax dividends separately. However the foreign tax deducted from the dividend is able to be claimed as a credit against the tax payable on the calculated FIF income.

This will also apply to a deemed dividend under the attributed repatriation rules, which may arise if the foreign company is a CFC in which the company held an income interest of 10% or greater. The deemed dividend is derived by the company six months after the end of the CFC's accounting period.

A credit for any tax paid by the foreign company (on its earnings) may be allowed under the underlying foreign tax credit (UFTC) rules in calculating the amount of FDWP payable by the New Zealand company. Any non-resident withholding tax (NRWT) deducted from the foreign dividend paid to the New Zealand company may also be allowed as a credit.

In certain circumstances the amount of FDWP calculated (after taking into account any UFTC and NRWT) can be reduced by a credit balance in the branch equivalent tax account (BETA). A credit balance in the BETA generally arises from New Zealand income tax paid on income attributed from a CFC.

FDWP paid will generally give rise to a debit entry in the BETA, which is available to be used by the company, or another company in the same group, to offset an income tax liability on attributed foreign income or FIF income in certain circumstances.

If the company received dividends from a foreign company then they may need to complete a *Foreign dividend withholding payment return (IR 4F)*.

More information on FDWP is available in our booklet *Foreign dividend withholding payments guide (IR 273)*.

Investments in Portfolio Investment Entities

Certain portfolio investment entities (PIEs) allocate their net income/loss and tax credits they derive across their investors. Investors that are companies include the allocated income or loss in their tax return.

Each year the PIE is required to provide an investor statement setting out the details of the income/loss allocated to the investor for the year. The statement also shows the various types of tax credits that are associated with the income that has been allocated. These tax credits are subject to the tax credit limits calculated in relation to the tax on the portfolio investor allocated income.

The portfolio investor allocated income/loss is included in the company's return for the period that includes the end of the PIE's income year. Generally PIEs will have a 31 March balance date.

The amount of income derived by the company as a distribution by a PIE is excluded income of the company other than fully imputed dividends from a PIE that is a listed company.

Question 37 Company controlled or owned by non-residents

We need to know whether the company is owned or controlled by non-residents because we may need to consider the application of subpart FG, sections GC 1 or GD 13 of the Income Tax Act 2004.

Question 38 Lowest economic interests of shareholders

The ownership tests measure a shareholder's voting and market value interests in a company. They apply to the net loss carry forward and grouping provisions, imputation credit carry forward provisions and the qualifying company rules.

A shareholding individual's economic interest in a company will generally be measured by reference to the percentage of voting power held in that company.

Example

A company has two shareholders, Barbara and Maria. The company has two classes of shares:

- Class A shares carry a right to vote on matters other than the payment of dividends and appointment of directors.
- Class B shares carry unrestricted voting rights.

Barbara holds all 100 of the A shares in the company while Maria holds all 100 of the B shares.

Barbara's percentage of voting interest in the company is measured as follows:

Distributions						Variation in capital					
Constitution						Directors					
0	+	50	+	50	+	0	=	100			
<u>100</u>	+	<u>100</u>	+	<u>100</u>	+	<u>100</u>	=	<u>400</u>	=	25%	

Maria's percentage of voting interest is therefore 75%. It is calculated as follows:

Distributions						Variation in capital					
Constitution						Directors					
100	+	50	+	50	+	100	=	300			
<u>100</u>	+	<u>100</u>	+	<u>100</u>	+	<u>100</u>	=	<u>400</u>	=	75%	

The percentage of voting interest is the total percentage of rights that a person has, by reason of their holding of shares (and options), to vote on or participate in:

- the dividends or other distributions to be made by the company
- the constitution of the company
- any variation in the capital of the company
- the appointment or election of directors.

The continuity thresholds will be satisfied by taking into account the lowest economic percentage of rights attached to shares held by each shareholder of a company.

If Barbara and Maria hold these proportions of shares for the entire income year the “total lowest economic interest of shareholders”, or the minimum continuity, is 100% as Barbara’s 25% plus Maria’s 75% equals 100%.

In other words, if the proportion of shares held does not change during the entire income year, the total lowest economic interest of shareholders will always be 100%.

Using the previous example

On 1 September 2007 Barbara and Maria swapped shares and held these proportions to 31 March 2008, being the company’s balance date.

	1 April 2007	1 Sept 2007	31 Mar 2008	Lowest
Barbara	25%	75%	75%	25%
Maria	75%	25%	25%	25%

The lowest percentage of rights held by each shareholder during the income year is 25%.

Therefore the **total lowest economic interest of shareholders**, or the minimum continuity, is 50%.

In certain circumstances the shareholders' economic interests in a company will also be determined by the market value interests in the company. This is where the voting interests do not reflect the true economic interests held in a company.

A shareholder's market value interest in a company equals their percentage share of the total market value of shares (and options) held in that company.

The specific factors that require a market value interest to be calculated are called market value circumstances.

A market value circumstance exists where:

- the company has on issue debentures to which sections FC 1 and FC 2 of the Income Tax Act 2004 apply
- the company has on issue shares where payment of dividends is guaranteed by a third party
- an option to acquire shares in the company exists
- an arrangement exists with the purpose of defeating a provision that depends on measurement of voting and market value interests.

Add together the lowest economic interest of each shareholder and print the **total** in Box 38. Write percentages in the following format, for example, show 50% as 50.00, and 100% as 100.00.

Effect on the imputation credit account

If you keep an imputation credit account and have had a change of shareholding of more than 34% you may need to make an adjustment on your annual imputation return at Box 42D ("Other debits")—see page 55.

Question 39 Shareholder details—see also the IR 4S

Complete Question 39 if shareholders, directors and relatives of shareholders received remuneration, a loan or were attributed a loss by the company if the company is a loss attributing qualifying company. Remuneration is liable for ACC levies.

Shareholders' salaries

Write all remuneration with no PAYE deducted that the company paid to that person in Box 39C.

For the company to claim a deduction for shareholder remuneration, it must be paid either:

- during the income year, or
- within the time allowed for the company to file its return.

If the remuneration is not paid in time, the deduction cannot be claimed until the following year.

Loss attributing qualifying companies (LAQC)

If the company has elected to be an LAQC, any net loss made after becoming a qualifying company (with the possible exception of foreign losses—read the notes to Question 34 on page 43) must be passed on or attributed to the shareholders. Write the amount of loss attributed to each shareholder in Box 39B. The amounts in Boxes 39B must balance with Box 23B.

Loss offsets and subvention payments

Record details of any losses claimed or transferred from or to each group member at Box 39F.

Record details of any subvention payments claimed or transferred from or to each group member at Box 39G.

The total of Boxes 39F must be recorded at Box 27.
The total of Boxes 39G must be recorded at Box 27A.

Annual imputation return

The annual imputation return must be completed for the period 1 April 2007 to 31 March 2008, regardless of your accounting year.

If you are a member of an imputation group, please see the note on page 7.

For more information please read our booklet *Imputation (IR 274)*.

Question 40 Opening balance

This is the same as the closing balance at 31 March 2007. Tick either “Debit” or “Credit” below Box 40. New companies will not have a closing balance to bring forward. Write “0.00” in Box 40.

Question 41 Credits

Question 41A Income tax paid

Include in Box 41A all payments of income tax and provisional tax made from 1 April 2007 to 31 March 2008 that were for 1989 and subsequent income years.

Do not include any fringe benefit tax, specified superannuation contribution withholding tax, interest on tax, late payment penalties, imputation penalty tax or resident withholding tax.

Question 41B Dividend withholding payments paid

In Box 41B, write any dividend withholding payments made between 1 April 2007 and 31 March 2008 while the company had not elected to maintain a dividend withholding payment account. Leave Box 41B blank if the company maintained a dividend withholding payment account for the **full year** 1 April 2007 to 31 March 2008.

Question 41C Resident withholding tax on interest received

If the company received interest with resident withholding tax deducted between 1 April 2007 and 31 March 2008, write the total resident withholding tax in Box 41C.

Question 41D Imputation and dividend withholding payment credits attached to dividends received

If the company received dividends with imputation credits or dividend withholding payment credits attached between 1 April 2007 and 31 March 2008 while it had not elected to maintain a dividend withholding payment account, write the total credits in Box 41D.

Include in Box 47B on the *Dividend withholding payment account return (IR 4D)* any dividend withholding payment credits attached to dividends received while the company maintained a dividend withholding payment account.

Question 41E Other credits

List any other credits made to the imputation credit account (ICA) from 1 April 2007 to 31 March 2008. Use a separate sheet of paper if there is not enough room in the space provided. Staple it to the top of page 3 and write the total in Box 41E.

Examples of other types of credits are:

- resident withholding tax on dividends received
- provisional tax allocated to the company by a company in the same wholly owned group that has overpaid its provisional tax.

Supplementary available subscribed capital account (SASCA)

If you are a qualifying unit trust or a group investment fund that maintains a SASCA and are eligible to transfer credits from that account to the ICA, please record the credits being transferred to the ICA in Box 41E (other credits).

All qualifying unit trusts or group investment funds maintaining a SASCA should, by the due date for filing the 2008 IR 4 or IR 4J, send a copy of that memorandum account together with any written queries in relation to the operation of the SASCA to:

Investment Desk
Corporates Segment
Inland Revenue
PO Box 2871
Christchurch

For more information on negative dividends and the SASCA rules, see our *Tax Information Bulletin (TIB)* Vol 14, No 11 (November 2002).

Qualifying company election tax (QCET) payments

Do not include QCET as a credit in the ICA when working out the balance of the account to be used in the formula to calculate the imputation credit to be attached to a dividend paid by the qualifying company. See our *Tax Information Bulletin (TIB)* Vol 11, No 5 (May-June 1999).

Question 42 Debits

Question 42A Income tax refunded

Write in Box 42A the company's total income tax refunds received from 1 April 2007 to 31 March 2008 for 1989 and subsequent income years. Do not include any interest on tax received or income tax refunded for any year before 1989.

Question 42B Dividend withholding payment refunds

Include in Box 42B dividend withholding payments refunded while the company had not elected to maintain a dividend withholding payment account. If the company received any refunds while operating a dividend withholding payment account, include these in Box 48B on the supplementary *Dividend withholding payment account return (IR 4D)*.

Question 42C Imputation credits attached to dividends paid

If the company paid dividends from 1 April 2007 to 31 March 2008 with imputation credits attached, write the total credits in Box 42C.

Question 42D Other debits

List any other debits in the imputation credit account and write the total in Box 42D. Examples of other types of debits are:

- any provisional tax allocated by the company to a company in the same wholly owned group that has underpaid its provisional tax
- an adjustment for a change of shareholding of more than 34% during the period 1 April 2007 to 31 March 2008 regardless of your accounting year
- an adjustment for a change in an imputation ratio
- tax payable by a company on any part of a distribution not sourced from the subscribed capital of the company, where that company repurchases a share on-market.

Qualifying companies

The 66% continuity of shareholding requirement does not apply to qualifying companies. There is no need to make an adjustment where there has been a change of shareholding except in the year the company ceases to be a qualifying company.

Question 43 Adjustments to debit balance

If a qualifying company has received an income tax refund after 1 April 1995 that has created a debit balance in the ICA, no further income tax is required to the extent of any refunds received.

If the qualifying company has a debit balance as a result of income tax refunded from 1 April 2007, please subtract the amount refunded at Box 43A.

If the closing balance is a credit, there is nothing to pay.

If the closing balance at Box 43B is a debit, it must be paid by **20 June 2008**.

Note

Legislation now provides two types of relief from payment of debit ICA balances:

- offsetting income tax payments
- same debit ICA balances reflected in successive years.

For more information see our *Tax Information Bulletin (TIB)* Vol 16, No 1 (February 2004).

Question 44 Imputation penalty tax

Imputation penalty tax of 10% of the debit closing balance is also payable by **20 June 2008**.

Work out the 10% penalty in Box 44.

If the total in Box 44A exceeds \$100 and is not paid by 20 June 2008, late payment penalties and interest will apply—see page 42.

Limitations on tax refunds

We may hold all or part of a refund if:

- the company is expecting an income tax refund, and
- the credit balance in the ICA at 31 March 2008 is less than the refund.

If there have been additional credits to the ICA since 31 March 2008, the company may file an interim 2009 IR 4J return in anticipation of an IR 4 annual return being filed at a later date. We may then be able to release the refund.

We can apply non-refundable overpaid income tax to a company's previous years' income tax liabilities, where these debits exist, rather than transferring the credit forward to the next year's provisional tax.

This avoids further payments having to be made to satisfy back-year debts.

Self-assessment by taxpayers

Taxpayers are now required to assess their own tax liability as part of meeting their return filing obligations. This change applies from the 2002–2003 income years. Previously Inland Revenue made all assessments.

The wording in the declaration on 2008 income tax returns caters for self-assessment. It clearly states that your return contains a notice of your self-assessment. We may amend your assessment if a correction is required.

One consequence of this change is that the four-month period for you to issue a notice of proposed adjustment (NOPA) to your self-assessment will start on the date your return is received by Inland Revenue.

If we make a simple adjustment to correct an obvious error to your assessment, and you have not already issued a NOPA, the four-month period for you to issue a NOPA will start on the date that we issue a notice of the assessment that makes the correction. In this case your NOPA will relate to your assessment as amended by Inland Revenue, rather than to your initial self-assessment.

Self-assessment is explained in more detail in our *Tax Information Bulletin (TIB)* Vol 13, No 11 (November 2001).

Injury Prevention, Rehabilitation, and Compensation Act 2001 (ACC)

Under the Injury Prevention, Rehabilitation, and Compensation Act 2001, Inland Revenue is required to provide earnings information from this return to the Accident Compensation Corporation (ACC). The information is used by ACC to invoice all ACC levies. ACC invoicing for close companies (including earners' levy for shareholder-employee earnings with no PAYE deducted) starts from September each year.

The earnings information shown at Box 39C (shareholder details of this return) is supplied to ACC.

Maximum earnings from multiple companies

The maximum amount of earners' levy that can be collected from a shareholder-employee is \$1,297.62. A shareholder-employee may be due for a refund from ACC if the shareholder-employee's combined total remuneration from two or more companies is over \$99,817. Please call ACC on 0800 222 776 to find out about the refund process.

ACC earners' levy

Shareholder-employees' salaries or directors' fees without PAYE deducted are liable for ACC earners' levy. The company will be invoiced by ACC for this levy. The company should make provision for this at the time the shareholder-employees' remuneration is determined.

For more information

If you have any queries about ACC or levies payable, please see ACC's website at www.acc.co.nz/productslevies or contact ACC on:

Phone	0800 222 776
Fax	0800 222 003
Email	business@acc.co.nz

INFOexpress

INFOexpress is our automated phone service. You can order stationery (forms and guides) and request personal tax summaries using our natural language speech recognition (NLSR) system. This lets you use your voice instead of keying in numbers on the phone keypad. For all other services you'll need to use a touch tone phone and key in numbers for options.

Remember to have your IRD number handy when you call.

It's also helpful if you know the number or name of any forms or booklets you're ordering. For personal information, such as account balances, you'll also need an INFOexpress PIN. You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

You can call INFOexpress for the following services between 6 am and 12 midnight, seven days a week:

- Forms and guides (NLSR) 0800 257 773
- Request a personal tax summary (NLSR) 0800 257 444
- Request a taxpack 0800 257 772
- Request a summary of earnings 0800 257 778
- Information on interest-free student loans 0800 466 468
- All other services (eg work out Working for Families Tax Credits* entitlement, get account balances, order statements, calculate your end-of-year tax and rebate entitlements). 0800 257 777

* Previously known as family assistance

How to contact us

We're available from 8 am to 8 pm Monday to Friday and 9 am to 1 pm Saturday on the following numbers. Remember to have your IRD number handy.

Personal customers

Income tax and general enquiries	0800 227 774
Overdue tax and returns	0800 227 771
Student loan enquiries	0800 377 778

Business customers

Income tax and general enquiries	0800 377 774
Employers	0800 377 772
GST	0800 377 776
Overdue tax and returns	0800 377 771

Child Support customers

All enquiries	0800 221 221
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Large enterprises

Businesses with over \$100 million annual group turnover, taxpayers subject to special legislation such as those involved in mining, and crown entities.

All enquiries	0800 443 773
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Mobile callers: Free calling does not apply to mobile calls. You can get a direct dial number by calling the appropriate 0800 customer number listed above.

International callers: Free calling does not apply to international calls. You can get a direct dial number from www.ird.govt.nz

Call recording

As part of our commitment to providing the best possible service to our customers, Inland Revenue records all phone calls answered in, and made by, our permanent call centres. For further information about our call recording policy and how you can access your recorded information, please go to www.ird.govt.nz or call us on 0800 227 774 or 0800 377 774 (if you or your partner are in business).

Postal addresses

Send your completed return to one of the addresses below.

If you live in:

Northland

send this form to

Inland Revenue
PO Box 3753
Christchurch Mail Centre
Christchurch 8140

other North Island areas

send this form to

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

Auckland

send this form to

Inland Revenue
PO Box 761
Waikato Mail Centre
Hamilton 3240

the South Island

send this form to

Inland Revenue
PO Box 3753
Christchurch Mail Centre
Christchurch 8140

Privacy Act 1993

Meeting your tax obligations involves giving accurate information to Inland Revenue. We ask you for information so we can assess your liabilities and entitlements under the Acts we administer.

You must, by law, give us this information. Penalties may apply if you do not.

We may exchange information about you with the Ministry of Social Development, Ministry of Justice, Department of Labour, Ministry of Education, New Zealand Customs Service, Accident Compensation Corporation or their contracted agencies. Information may be provided to overseas countries with which New Zealand has an information supply agreement. Inland Revenue also has an agreement to supply information to Statistics New Zealand for statistical purposes only.

You may ask to see the personal information we hold about you by calling us on 0800 377 774. Unless we have a lawful reason for withholding the information, we will show it to you and correct any errors.

If you have a complaint about our service

We're committed to providing you with good service. If there's a problem, we'd like to know about it and have the opportunity to fix it.

If you have a complaint, the quickest and easiest way to resolve it is usually with the staff member you've been dealing with. If you're not satisfied, ask to speak to their manager.

If you're still not satisfied, we have a Complaints Management Service that can take a fresh look at your complaint. You can go to www.ird.govt.nz call us on 0800 274 138 between 8 am and 5 pm weekdays, or put your complaint in writing and send it to:

Complaints Management Service
Inland Revenue
PO Box 1072
Wellington 6140

If you disagree with how your tax has been assessed, you may need to follow a formal disputes process. For more information, read our factsheet *If you disagree with an assessment (IR 778)*. You can get this from our website or by calling INFOexpress—see page 60.