



# Resident withholding tax (RWT) on dividends

## – payer's guide

What people and organisations who pay  
dividends need to know about RWT

# Introduction

This guide tells companies that pay dividends what they must do under the resident withholding tax (RWT) laws. It tells you when you must deduct RWT from dividends, when to pay the deductions to us, and what information you must give the people who receive the dividends.

If you have any questions or need more information after you've read this guide, phone us on 0800 377 774 if you are a business customer, or 0800 443 773 if you are a Corporates customer.

In most places in this booklet, resident withholding tax is called RWT.

For more information on RWT on interest, refer to our *RWT on interest – payer's guide (IR 283)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

The Income Tax Act 1994 applies to income derived in the 2004–05 and prior tax years. The Income Tax Act 2004 applies to income derived in the 2005–06 and subsequent years.

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

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# Part 1 – General information

## RWT—what it is and why we have it

RWT is a tax deducted from investment income before the investor receives it. This means that people who receive investment income don't have to pay all the tax in a lump sum at the end of the year, and people who don't declare their investment income still have tax deducted from it. In these circumstances, we still follow up on undeclared investment income, and take action against people who don't declare it. The current rate for RWT on dividends is 33 cents in the dollar.

### Note

RWT must be accounted for the period 1 April to 31 March, regardless of your accounting year.

## Income that must have RWT deducted

RWT is deducted from interest on money lent as well as on dividends, including Māori authority distributions. This guide deals only with RWT on dividends. For more information about RWT on interest, read our booklet *RWT on interest – payer's guide (IR 283)*. For more information about RWT on Māori authority distributions, read our booklet *Māori authorities – a guide to new Māori authority tax rules (IR 487)*. You can get these booklets from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

## Registering as an RWT payer

We automatically register all companies as dividend RWT payers. Any payments can then be credited to a separate RWT account for each company.

However, any company, agent or trustee that pays specified dividends (see page 21) will need to let us know so we can send out the reconciliation forms they need (see page 23).

## Dividends liable for RWT

### Cash dividends

This covers most dividends, other than non-cash dividends and specified dividends.

### Non-cash dividends

Companies may provide other benefits to shareholders rather than paying a cash dividend. These benefits are also treated as dividends for tax purposes, and RWT must be paid on them. These benefits include:

- loans to shareholders that are forgiven or become irrecoverable or unenforceable through the lapse of time, or where the shareholders benefit from being released or discharged, by operation of law or otherwise, from the obligation to pay an amount of the loan
- property distributed or sold to shareholders at less than the market price (the difference between the market price and the actual price paid is the dividend)
- use of company property by shareholders for inadequate consideration, such as interest-free loans (broadly speaking, the difference between the market value and the actual consideration is the dividend)
- non-deductible expenditure of a close company, for the benefit of a shareholder, for example, private travel
- taxable bonus issues—any bonus issue made instead of a dividend, or a bonus issue that the company elects to be a taxable bonus issue
- property acquired from a shareholder at above market value
- non-executive director shareholder in that capacity
- dividends in relation to a group investment fund
- Māori authority distributions.

#### Note

Non-cash benefits paid to shareholders, who are also employees of the company or trust which paid the benefits, may be subject to fringe benefit tax (FBT) rather than RWT. For more information on FBT, read our *Fringe benefit tax guide (IR 409)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

### Specified dividends

Specified dividends are paid by organisations that do not operate an imputation credit account. Such organisations include:

- those not resident in New Zealand
- those with constitutions that do not allow all income to be distributed to any proprietor, member or shareholder
- those whose income is exempt
- those solely engaged in life insurance or re-insurance
- Māori authorities
- agents or trustees required to pay RWT.

Specified dividends also include dividends that relate to deductions allowed under section FZ 1(4) of the Income Tax Act 2004 relating to specified preference shares. If an agent or trustee deducts RWT from a dividend, the amount deducted is treated as a deduction from a specified dividend.

### Dividends not liable for RWT

Companies do not have to deduct RWT from the following:

- dividends paid between members of the same group of companies at the time of payment
- excess remuneration paid to relatives, directors and shareholders, or non-deductible rebates to members of mutual associations, which Inland Revenue declares to be dividends
- dividends paid to holders of a current certificate of exemption from RWT (see page 13)
- dividends paid to non-residents (see page 28)
- dividends paid by a qualifying company (see page 8)
- dividends payable by a building society in relation to withdrawable shares and dividends paid by friendly societies to its members (these are treated as interest, so RWT on interest is deducted).
- the use of company property by shareholders in a flat-owning company (see page 8)
- dividends that are exempt from income tax under any act other than the Income Tax Act 2004
- attributed repatriation, ie dividends to a shareholder with an income interest of at least 10% in a controlled foreign company
- dividends that are non-resident withholding income
- dividends that are exempt income under section CW 9 of the Income Tax Act 2004 or CB 10 of the Income Tax Act 1994.

### Dividends paid by qualifying companies

A New Zealand resident company with five or fewer ultimate shareholders can elect to become a qualifying company. Dividends paid to New Zealand resident shareholders by a qualifying company are not subject to further tax in the hands of the shareholder. The dividend is the shareholder's exempt income if it exceeds total imputation and dividend withholding payment (DWP) credits attached, divided by the basic rate of income tax for companies in the year it is derived.

If you would like more information about qualifying companies, read our booklet *Qualifying companies (IR 435)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or you can order a copy by phoning INFOexpress—see page 35.

### Flat-owning companies

Flat-owning companies are not business companies—they are set up to own residential property. Having shares in the company entitles the owner to use of the property.

The use of the company property would ordinarily be treated as a non-cash dividend to shareholders, but an exemption applies if the company meets both of the following conditions:

- its rules or constitution allow each shareholder to use the property
- its only assets are residential property and funds are reserved for maintenance and other expenses on the property.

## Inland Revenue Corporates

Inland Revenue Corporates is responsible for all business taxpayers with a group turnover of greater than \$100 million, and taxpayers subject to special legislation such as those involved in mining and crown entities, plus large businesses involved in industries for which specific tax legislation applies.

All Corporates business services areas are located in Wellington and Auckland. If you are a Corporates customer, please contact Inland Revenue Corporates directly with any enquiries.

Corporates customers from banking, insurance, resources and crown entities should contact:

Private Bag 39984

Wellington

Telephone 0800 443 773

Non-resident contractors should contact:

Private Bag 39984

Wellington

Telephone 64 4 802 6056

Corporates customers from manufacturing and services sectors and non-resident entertainers should contact:

PO Box 5542

Wellesley Street

Auckland

Telephone 0800 443 773

## Part 2 – Paperwork and payments

This part explains record keeping requirements and what a company needs to do for each of the three types of dividends—cash dividends, non-cash dividends and specified dividends. It also explains when and how to make payments to us.

Companies need to work out the RWT on dividends paid, and pay us the RWT by the due date using the correct forms (see page 23). They also need to let shareholders know about the dividends paid, and the credits attached.

Other credits attached to dividends that will affect the RWT calculation are:

- **Dividend withholding payment credit**

This credit comes from the amount paid by a company when it receives a dividend from a non-resident company. The credit can then be attached to dividends the company pays.

- **Imputation credit**

This is a portion of the New Zealand income tax paid by a company on its taxable profits, and passed on to shareholders, so the dividend is not taxed twice. Sometimes the amount of imputation credits attached will cover all the tax on the dividend. This is called a “fully imputed dividend”.

### When to deduct RWT

A company must deduct RWT at the time it pays shareholders a dividend. For this purpose, “pay” means:

- to distribute to
- credit to an account
- to deal with in a person’s interest, or on behalf of that person.

It does not mean the date a dividend was declared.

## Record keeping

Companies paying dividends and deducting RWT must keep a record of:

- total dividends paid
- total amount of RWT deducted
- the date the RWT was deducted
- full name, IRD number and last known address of the recipient
- any number used in paying the recipient (such as an account number).

Agents paying dividends should also keep a record of the RWT on the specified dividend.

If the company pays dividends to someone who holds a Category B certificate of exemption (see page 15), you must also record:

- total dividends paid
- the date RWT would have been deducted, and
- the exemption or IRD number.

If the company is attaching an imputation credit, or dividend withholding payment credits to a dividend, there are further requirements. For more information on imputation and dividend withholding payment credits, read our booklet *Imputation (IR 274)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

You must always hold enough information so we can work out the total amount of dividends the company has paid.

Your records must be in English (unless we agree otherwise), and you must keep them for seven years. If we are considering auditing the company's records, we may ask you to keep them for a further three years.

## Certificate of exemption

Don't deduct RWT from any interest you pay to taxpayers who have a valid certificate of exemption from RWT on interest and dividends or advise they are exempt under another Act other than the Income Tax Act. Reasonable care must be taken to confirm the exemption.

Make sure that the person you are paying the resident withholding income to is the person shown on the certificate

You may need to record this number. See "Checking a certificate of exemption" on page 16.

**Inland Revenue**  
*Te Tari Taake*

**CERTIFICATE OF EXEMPTION FROM RESIDENT WITHHOLDING TAX ON INTEREST/DIVIDENDS**

RHINO'S RUGBY CLUB  
C/- M R COACH  
BOX 474  
NELSON

Exemption / IRD Number 02-345-678

This certifies that resident withholding tax deductions are not to be made from any interest and dividends paid to the named recipient from

06 DEC 2005

D Butler  
Commissioner of Inland Revenue

This certificate is issued without alteration or erasure.

**IR 15C**

This is the date you must stop deducting RWT. If the certificate is issued for a limited period, an expiry date will be shown here too.

Taxpayers can get a certificate of exemption by completing an *Application for exemption from resident withholding tax on interest and dividends (IR 451)*. They can get it from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

People and groups who hold a certificate of exemption are called exempt recipients. They are divided into two categories:

### Category A

Number	Description
1.	Registered banks or building societies
2.	Trustee companies, the Public Trustee or the Māori Trustee
3.	Taxpayers with annual gross income of more than \$2 million <ul style="list-style-type: none"> <li>– Any person or organisation who has filed all necessary returns by the due date and whose income in the most recent of those returns was more than \$2 million before deductions (for example, sales exceeded \$2 million). Companies within a group may aggregate their income to meet the \$2 million criteria, but transactions within the group must not be included.</li> <li>– Partnerships and trusts may also qualify for this exemption.</li> </ul>
4.	Taxpayers with estimated income of more than \$2 million <ul style="list-style-type: none"> <li>– Any person or organisation expecting their income before deductions for the next accounting year to be more than \$2 million.</li> </ul>
5.	Finance houses <ul style="list-style-type: none"> <li>– Any person or organisation whose principal activity is the business of borrowing and lending money.</li> </ul>
6.	Solicitors' trust accounts
7.	Brokers' or solicitors' nominee companies

## Category B

- | Number | Description   |
|--------|---|
| 8.     | Charitable organisations or estates <ul style="list-style-type: none"><li>– Any organisation set up exclusively for charitable purposes (the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community).</li></ul>   |
| 9.     | Amateur sports promoters or racing clubs <ul style="list-style-type: none"><li>– Any society or association set up for the purpose of promoting any amateur sport, such as a cricket club or any racing club.</li></ul>   |
| 10.    | Improvement or research promoters <ul style="list-style-type: none"><li>– Any club, society or association established for promoting or encouraging scientific or industrial research, efficient veterinary services or cattle herd improvement.</li><li>– District improvement organisations established to develop or promote a city, borough or district.</li></ul>                                    |
| 11.    | Local or public authorities <ul style="list-style-type: none"><li>– Any local or public authority whose income is exempt from income tax.</li></ul>   |
| 12.    | Friendly societies or credit unions   |
| 13.    | Non-profit organisations <ul style="list-style-type: none"><li>– Any organisation that is not carried on for the profit or gain of any member, and whose taxable income is less than \$1,000 in its most recently completed income year.</li></ul>  |
| 14.    | Taxpayers with tax losses or a refund of over \$500 RWT <ul style="list-style-type: none"><li>– Any taxpayer who can satisfy Inland Revenue that due to losses or other limited circumstances, they will be entitled to a refund of over \$500 RWT. You must send a set of budgeted accounts with the projected income, deductions, RWT credits and income tax liability with this application.</li></ul> |
| 15.    | Inland Revenue approved benefit provider  |
| 16.    | An amount expressly exempted from income tax by any other Act to the extent of the exemption so provided.   |

Organisations seeking approval under Category B (except number 14) must supply a copy of their constitutions with their application.

### Unincorporated bodies

If an unincorporated body of persons, such as a partnership or a joint venture, has a certificate of exemption for a taxable activity, the certificate is issued in the name of the body and not in the name of the individual members.

If the body is a trustee, the certificate of exemption is issued in the name of the trust.

## Checking a certificate of exemption

Most certificates of exemption are issued for an unlimited period and remain valid unless they are cancelled. These certificates do not show an expiry date.

Whether or not you need to see the certificate of exemption depends upon the type of exempt recipient you pay interest to.

Here is what you must do for each type of recipient:

### Category A, numbers 1 – 2

Banks, building societies, trustee companies, the Māori Trustee or the Public Trustee. You don't need to see the certificate of exemption, but you must take reasonable steps to confirm the identity of the recipient.

### Category A, numbers 3 – 7

The holder must tell you that they have a certificate of exemption and give you the exemption or IRD number on the certificate, which you must record. You don't have to see the certificate of exemption.

### Category B recipients

You must sight either the original certificate of exemption, or a photocopy or fax copy of it. You must also take reasonable steps to confirm that the recipient is the person named in the certificate. Keep a record of the exemption or IRD number shown on the certificate and a copy of the certificate.

Taxpayers with tax losses (Category B, number 14 on page 15) are issued with certificates limited to one income year. These are only valid until the expiry date shown on them. When a holder shows you a certificate of exemption, you'll need to check that the expiry date hasn't passed.

As well as the above, you must check that any certificate of exemption hasn't been cancelled.

## cancelling a certificate of exemption

If we cancel a person's certificate of exemption, you must deduct RWT from any further interest you pay to that person.

Inland Revenue may cancel a certificate of exemption if the holder:

- no longer meets the conditions for which it was issued
- has provided misleading information in the application for the certificate
- does not meet the \$2 million target (where the certificate was issued on the basis of estimated gross income of more than \$2 million) or fails to supply satisfactory evidence of annual gross income
- fails to pay any income tax payable by the due date for payment.

The person who has had the exemption certificate cancelled must give you written notice of the cancellation within five working days of receiving the notification.

We publish a numerical list of all certificates cancelled for the previous quarter in the April, July, October and January issues of the *New Zealand Gazette*. We will publish an annual list of certificates cancelled during each year to 31 March. This will appear in the *New Zealand Gazette* by 30 June each year.

Once this cancellation notice has appeared in the *New Zealand Gazette*, you have five working days to amend your records and start deducting RWT where appropriate.

We also publish in the *New Zealand Gazette* a list of certificates reissued to people whose previous certificates were cancelled.

You can see the information that's published in the *New Zealand Gazette* on our website at [www.ird.govt.nz/rwt](http://www.ird.govt.nz/rwt) within two days of publication.

## Cash dividends

### Calculating RWT on cash dividends

RWT is currently calculated at a rate of 33 cents in every dollar of the gross dividend. The gross dividend includes any credits attached to that dividend. The RWT is then reduced by any imputation credit and dividend withholding payment credit attached to that dividend.

This can be expressed by the following formula:

$$(a \times (b + c)) - c$$

- In this formula:
- a** is the current RWT rate on dividends (33%)
  - b** is the amount of the dividend paid (but before deducting RWT)
  - c** is the total of any imputation and dividend withholding payment credits attached to the dividend.

Adding b and c together gives the gross dividend. The credits (c) are subtracted from the RWT at the end. If the dividend is fully imputed, the result will be nil, and there is no RWT to pay.

#### *Example*

ABC Ltd pays a cash dividend of \$2,000. It attaches a \$200 imputation credit to the dividend. Using the above formula, RWT is calculated as follows:

$$a = 0.33$$

$$b = \$2,000$$

$$c = \$200$$

$$(0.33 \times (\$2,000 + \$200)) - \$200$$

$$= (0.33 \times \$2,200) - \$200$$

$$= \$726 - \$200$$

$$= \$526 \text{ RWT payable}$$

The net dividend paid to the shareholder is \$1,474.

### Shareholder dividend statement

A company or agent paying ordinary dividends must give the shareholder a dividend statement whenever RWT is deducted from a dividend in a form approved by the Commissioner of Inland Revenue.

The statement must show:

- the name and IRD number of the company
- the date the dividend was paid
- the name and address of the shareholder receiving the dividend
- the IRD number of the shareholder receiving the dividend
- the amount of any RWT deducted (or NRWT deducted, if a non-resident—see page 33)
- the amount of the dividend paid excluding imputation credits
- the amount of any imputation credit attached to the dividend
- the amount of any dividend withholding payment credit attached to the dividend
- the sum of the dividend paid to the shareholder and the total credits.

#### *Example*

#### ABC Ltd shareholder dividend statement

Date	31 March 2005
Shareholder	A N Investor Box 999 Marketville
IRD number	98-765-432
Dividend	\$2,000
Imputation credit	\$ 200
Dividend withholding payment credit	\$ 0
Taxable gross dividend	\$2,200
RWT	\$ 526
Net dividend received by shareholder	\$1,474

A qualifying company must tell its shareholders in the shareholder dividend statement which portion of those dividends are exempt from tax and which portion is taxable.

## Non-cash dividends

### Calculating RWT on non-cash dividends

For non-cash dividends (except taxable bonus issues), the RWT is calculated on the value of the dividend paid. The formula is:

$$\left( \frac{a}{1-a} \times b \right) - c$$

- In this formula:
- a** is the current RWT rate on dividends (33%)
  - b** is the amount of the dividend paid (but before deducting RWT)
  - c** is the total of any imputation and dividend withholding payment credits attached to the dividend.

If the dividend is fully imputed, the result will be nil, and there is no RWT to pay.

#### *Example*

Dollar Corp forgives a loan of \$750 to a shareholder, so this is a non-cash dividend. An imputation credit of \$50 is attached to this dividend. The RWT is calculated as follows:

$$a = 0.33$$

$$b = \$750$$

$$c = \$50$$

$$\left( \frac{0.33}{1-0.33} \times \$750 \right) - \$50$$

$$= (0.492537 \times \$750) - \$50$$

$$= \$369.40 - \$50$$

$$= \$319.40 \text{ RWT to pay}$$

This RWT is not deducted from the dividend as there is no actual payment. The company pays the RWT to Inland Revenue. The shareholder shows the gross dividend (the total of the dividend, imputation credit and RWT) as income in their tax return.

This will be:

Forgiveness of debt	\$ 750.00
Imputation	\$ 50.00
RWT	\$ 319.40
Taxable dividend income	\$ 1,119.40

The shareholder claims the imputation and RWT credits in the overall tax calculation. The net dividend received by the shareholder is still \$750—unchanged by the RWT calculation.

#### Note

For taxable bonus issues, work out the RWT using the same formula as for cash dividends.

### Advice to shareholders

A company or agent paying non-cash dividends must give the shareholder a dividend statement whenever RWT is deducted from a dividend. The statement **must** show the same information as the example on page 19 and must be approved by the Commissioner of Inland Revenue.

## Specified dividends

### Calculating RWT on specified dividends

For specified dividends work out the RWT using the same formula as for cash dividends.

Most specified dividends will not have imputation credits attached, which makes the formula simpler. However, agents or trustees may receive dividends with imputation credits attached. In this case, the agent or trustee must take the imputation credit into account when working out the RWT on the dividend. When the dividend is passed on to the final recipient, it will have both imputation and RWT credits.

### Advice to shareholders

A company or agent must give details to shareholders of the specified dividends paid to them. You can either complete a *Resident withholding tax deduction certificate for specified dividends only (IR 17)*, or make up your own statement (see page 22).

You must give all shareholders a summary of all their specified dividends and the RWT deducted for the year ending 31 March, by the following 20 May. You can get your IR 17 certificates from our website [www.ird.govt.nz](http://www.ird.govt.nz) or by phoning INFOexpress—see page 35.

### Example

Print the recipient's name and last known address here

Print the recipient's IRD number here

Print the year the certificate covers here

**Inland Revenue**  
*Te Tari Taake*

**Resident withholding tax deduction certificate**  
for specified dividends/  
Māori authority distributions only

IR 17  
March 2005

Year ending 31 March **2006**

**Recipient's details**

Recipient's full name and address Income Tax Act 1994

**Mr John Boy**  
14 Gloucester Street  
Upper Hutt

Recipient's IRD number  
**51-000-001**

Joint ownership  
Yes  No

Gross specified dividend/  
Māori authority distributions  
**2,503.65**

Imputation/Māori authority credits

Dividend withholding payment credits  
**64.36**

Resident withholding tax deducted  
**783.08**

**Payer's details**

Payer's IRD number  
**01-555-001**

Date deducted  
**31-08-05**

Payer's full name and address

**Neal Properties**  
Box 19000  
Trentham

Signed by authorised person  
*J. Stack*

**20/05/06**  
Date

Enter your IRD number here

Enter your name and address here

Print the total dividends liable for RWT here

Print the total resident withholding tax deducted here

If you use your own statement it must be approved by Inland Revenue.

You must give your shareholders the following information:

- a statement saying that the RWT income is either interest or specified dividends
- the date the RWT deduction was made, or if there is more than one deduction, the year the deductions were made
- the amount of RWT income and RWT deduction
- the RWT rate applied.

You can send this information electronically. You may also still want to issue IR 17 certificates.

## RWT reconciliation for specified dividends

At the end of each year we will send the company a *Resident withholding tax reconciliation statement (IR 17S)* for specified dividends. This reconciles all specified dividends and RWT paid for the year to 31 March. It must be sent to us by the following 31 May with top copies of any IR 17 RWT certificates or the company's own statements. If your reconciliation statement shows tax to pay you must make any reconciliation payment due by 20 April.

Agents and trustees may deduct RWT from dividends they receive and pass on to others. They must complete a *Resident withholding tax reconciliation statement – dividends received by agents and trustees (IR 17SA)* for agents and trustees for each year to 31 March. The reconciliation statement is due to us by the following 31 May with the top copies of any IR 17 certificates or other statements.

## Making the payment

RWT on dividends must be paid to us by the 20th of the month. To make a payment use either:

- an IR 17P for RWT on specified dividends, or
- an IR 4K for RWT on all other dividends.

Agents and trustees making payments of RWT on dividends need to use:

- an IR 17P for RWT on specified dividends.

You can get these forms from our website [www.ird.govt.nz](http://www.ird.govt.nz) or by phoning INFOexpress—see page 35.

We don't generally send receipts for RWT paid to us. However, you can ask us to send you an RWT statement of account any time you want one by phoning us—see page 36.

## Electronic payments

Electronic payments are automatic payment, direct credit and online banking. Most banks offer an online tax payment service 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.

### Note

Even if you pay electronically, you still need to complete and return the appropriate payment form.

## Posting payments

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
- do not send cash.

Please use the correct forms and envelopes provided. This will make sure your payment is processed and credited quickly. If you do not have a pre-addressed envelope, send your payment to:

Southern Processing Centre  
Inland Revenue  
PO Box 3754  
Christchurch

## Westpac Bank

You can also make your payment by cash or cheque at most branches of Westpac bank. 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, read our booklet *Making payments (IR 584)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

## If you make a mistake when deducting RWT

If you find you've made a mistake, for example, you haven't deducted RWT when you should have, you have deducted too much or too little, or you have deducted NRWT but the recipient isn't a non-resident, read the next few sections.

### RWT under-deducted or not deducted

Fixing an under-deduction or a non-deduction of RWT depends on when you discover the mistake. If you find the mistake in the current year, before you've filed a reconciliation, fixing it is quite simple. If you've already reconciled for the year, there's a bit more paperwork involved.

#### Current year

You can correct the error in one of two ways:

- by deducting the shortfall from subsequent payments to that non-resident in the same financial year, and paying the extra amount to us, or
- by paying the amount of the shortfall yourself, and then recovering it from the shareholder.

In either case, please send a letter of explanation with the payment that includes the shortfall, to help us credit it to the correct period(s) and we will amend the IR 17P.

Under-deductions from cash or non-cash dividends cannot be corrected by methods above. The shareholder will effectively pay the under-deducted amounts, as they will have less RWT credit to claim in their tax return at the end of the year.

#### Back-year

If you find a mistake in an earlier tax year, please write to us explaining what has happened and give us the details of the recipient(s) affected. Please pay the underpaid amount. We will change the reconciliation you filed, as well as the RWT certificate(s). If you have not already paid, or if the amount is incorrect, we will send you a statement of account.

You will also need to send the recipient(s) a letter showing the correct income and RWT details. Please **don't** issue amended certificates or file an amended reconciliation.

## RWT over-deducted

If you realise that you've over-deducted RWT from a particular recipient through an error on your part, there are a number of different ways to correct the error.

## Residents

### Current year

If you discover the error before 31 March, you can repay the excess deductions to the recipient if:

- you haven't already given them a deduction certificate, or
- you have given a deduction certificate or dividend statement to them, but you get it back and cancel it.

If the excess deduction has already been paid to us, you can do one of two things:

1. Offset the excess deduction against the recipient's future RWT deductions payable to us. If you do this, please send a letter of explanation with your reduced payment so we know not to charge you penalties. You'll need to let us know the period you over-deducted so we can transfer the credit to the period you under-deducted.

### *Example*

A company pays a \$100 dividend, deducts \$50 RWT in error, and pays it to Inland Revenue. The company refunds \$17 to the shareholder.

When the next dividend is paid, the company pays less RWT to Inland Revenue, as follows:

Second dividend	<u>\$100</u>
RWT deducted (shareholder receives \$67)	\$ 33
Subtract previous refund	\$ 17
Paid to Inland Revenue	<u>\$ 16</u>

Overall, Inland Revenue receives \$66 RWT, which is correct for two \$100 dividends.

So the company sends in the IR 17P confirming a gross dividend of \$100, and RWT of \$33, but pays only \$16. The company must give us details of the overpayment and we will reassess the previous return and

transfer the \$17 overpayment to the current return.

2. If you will not be making any further deductions of RWT from interest paid to the recipient, the recipient should be advised to claim the over-deduction in their end-of-year return. If they are a personal customer, they must contact us at the end of the income year to request a personal tax summary to claim the excess deduction.

If the recipient is exempt from filing an end-of-year return, and has a certificate of exemption, they should complete a *Resident withholding tax – refund request (IR 454)* form. Fill in the payer’s details on the IR 454 and give the form to the recipient. They must then fill in the rest of the form and return it to us. We will send the refund directly to the recipient.

### Back-year

If you find a mistake in a previous income year, the recipient can claim the excess deductions:

- in their end-of-year tax return (if they have an IRD number), or
- by completing an IR 454 form if they hold a valid certificate of exemption.

Please do not issue amended certificates or file an amended reconciliation.

For current year over-deductions or back-year overpayments, if the recipient does not have a certificate of exemption, please write to us requesting a refund, explaining the error, including the period in which it occurred. We will send you the excess deductions, which you must forward to the recipient.

### Note

If you have deducted too much RWT because of a recipient’s mistake, you cannot refund the excess. You must pay the full amount to Inland Revenue. The recipient can get the excess RWT refunded at the end of the income year. If the recipient is a personal customer, they must contact us and request a personal tax summary. If the recipient is required to file an end-of-year income tax return, for example an IR 3, they must claim the over-deduction in that return.

## Non-residents

Interest paid to non-residents is non-resident withholding income, so it is not subject to RWT. Instead, you must deduct non-resident withholding tax (NRWT). If you deduct RWT and then find out that the recipient is a non-resident, this is what you should do:

### Current year

If you find the error before you have filed your reconciliation, you can simply deduct less NRWT from the next payment to that recipient, and reduce the following NRWT payment to us. If you do this, please send a letter of explanation with your reduced payment, so we know not to charge you penalties. You'll need to let us know the period you over-deducted in so we can transfer the credit to the period under-deducted. On your *Non-resident withholding tax (IR 67P)* payment slip show the full NRWT that should have been deducted in Box 6, but show the reduced payment in Box 7.

If the recipient is no longer one of your investors, you cannot alter a future payment. The recipient must apply for the refund using a *New Zealand non-resident withholding tax – refund request (IR 386)* form. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order copies by phoning INFOexpress—see page 35.

### Back-year

If you find a mistake in a previous income year, the recipient can claim the excess deductions:

- in their end-of-year tax return (if they have an IRD number), or
- by completing an IR 386 refund application.

Please do not issue amended certificates or file an amended reconciliation.

### IR 386 refund application

In some cases you will fill in all the details on the IR 386, in others the recipient will ask you to complete a form that they have started. Please fill in all the information requested, so we can arrange the refund.

When we receive the IR 386 we arrange to refund the credit from the payer's RWT account, according to the instructions on the form.

## Penalties and interest

### Late payment

If tax is not paid by the due date, late payment penalties will apply. For every month the amount remains unpaid, a further incremental penalty will also apply. We will also charge interest on any outstanding amounts.

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) at the end of the 7<sup>th</sup> day from the due date.

Every month the amount owing remains unpaid a further 1% incremental penalty will be added.

### Amounts of \$100 or less

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 an arrangement for making payments. In some situations, if you are in financial difficulties, we may agree to you paying your tax and any penalties and interest this way.

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.

### Remission or cancellation of interest

Interest will be remitted (“legally forgiven”) only in exceptional circumstances and at our discretion. Remission occurs when interest is correctly imposed but a decision is made to relieve you of the liability to pay. For example, if we have given you incorrect advice, causing a return or payment to be late. You must be able to provide evidence to support the fact that incorrect advice was given.

### Failing to account for RWT deductions

RWT that you have deducted is money held in trust for the Crown and there are penalties if you use it for any purpose other than payment to Inland Revenue.

### Failing to deduct RWT

If the RWT rules require a deduction to be made, the payer and recipient can't arrange between themselves not to deduct RWT.

In addition, fines and penalties may be incurred by anyone who fails to account for RWT deductions by:

- making a false or misleading application for a certificate of exemption
- altering any certificate of exemption or falsely claiming to be the recipient named on such a certificate
- holding a certificate of exemption and failing to tell us when they no longer meet the conditions under which it was issued
- failing to give a recipient an RWT tax deduction certificate when required to (see page 22), or
- obtaining or attempting to obtain a credit for RWT deducted from someone else's resident withholding income.

### For more information

If you would like more information about penalties and interest, see our booklet *Taxpayer obligations, interest and penalties (IR 240)*. You can get this from our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35.

## Statement of account (IR 949)

We will send you a *Statement of account (IR 949)* like the one shown on the page 32 if you do not pay the full amount of RWT owing.

You can request a statement for any particular period or range of periods by phoning INFOexpress on 0800 257 773.

If you can't make a payment by the due date please phone us between 8am and 8 pm weekdays and 9am to 1pm Saturdays on these numbers:

Business customers	0800 377 774
Corporates customers	0800 443 773

## Agents and trustees

If an agent or trustee for another person receives a dividend from which RWT was not deducted, that agent or trustee must work out and pay the RWT to us. The due date is the 20th of the month after the dividend was received. The agent or trustee must send a completed *RWT on specified dividends (IR 17P)* payment form with the RWT payment.



# Statement of account

RWT ON INTEREST

For enquiries, please contact:

Inland Revenue Department  
Private Bag DUNEDIN  
Telephone 0800 377 774

D BUTLER  
Commissioner of Inland Revenue

XYZ LTD  
PO BOX 123  
RANFURLY 9071

IRD number 12 - 345 - 678

Date issued 07 JUNE 2005

Any payments made after this date will be on your next *Statement of account*.

Statement number 010 PAGE 1

Previous statement 31 MARCH 2005

Date	Details	Debit \$	Credit \$	Balance \$
01 JUNE 05	RWT ON DIVIDENDS		154.00	154.00 CR

	Due date	Details	Amount \$
● Please ignore this request if you have already paid.	20 JUNE 05	RWT ON DIVIDENDS	154.00
● Please pay any overdue amount immediately.			
● If you can't pay please call the phone number above.			


● Use the payment slip below when paying. Tear off here ▼ Keep this top part for your records.



## Payment slip

IRD number 12 - 345 - 678  
XYZ LTD

Post your payment in the Inland Revenue Department envelope provided to: PO BOX 3754 CHRISTCHURCH

RWT ON DIVIDENDS

Payment due	20 JUNE 2005	\$154.00
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If the payment you're making is different from the payment due write the details here.	Year/period	Tax type	Amount \$
	Total payment made		\$

## Non-residents contact

Any dividends paid to a non-resident are liable to non-resident withholding tax (NRWT) instead of RWT. NRWT is paid to the Non-resident Centre in Dunedin.

If you would like to know more about the New Zealand tax residency rules, or about deducting and paying NRWT, read our booklets *New Zealand tax residence (IR 292)* or *Non-resident withholding tax – payer’s guide (IR 291)*. You can view a copy on our website [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by phoning INFOexpress—see page 35. If you still have questions, please contact:

Non-resident Centre  
Inland Revenue  
Private Bag 1932  
Dunedin

Telephone 03 467 7020  
Fax 03 467 7083  
Email [nonres@ird.govt.nz](mailto:nonres@ird.govt.nz)

## Foreign currency

If you are paying dividends in a currency other than New Zealand dollars, you may deduct RWT in the same currency. The tax deduction certificate will then show both the income and deduction in the foreign currency.

If you have deducted RWT in a foreign currency, you must still pay it to us in New Zealand dollars. Convert these deductions at the close of trading exchange rate on the first working day of the month after the month in which you made the deductions.

## Unit trusts

For further information, read our *Tax Information Bulletin* Vol 7, No 9. You can get a copy from our website—see page 35.

## Part 3 – Services you may need

### INFOexpress

INFOexpress is our automated telephone service. You can use INFOexpress to:

- order Inland Revenue forms, guides and taxpacks
- get up-to-date account balances and request statements for income tax, GST, PAYE deductions, student loans, and child support
- follow the progress of your tax refund
- calculate your tax or work out your rebate claim entitlements.

You can order stationery (forms and guides) and request personal tax summaries using our interactive voice response system (IVR). This lets you use your voice instead of keying in numbers on your telephone's 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.

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

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

- |   |              |
|---|--------------|
| • To order forms and guides (IVR)         | 0800 257 773 |
| • To request a personal tax summary (IVR) | 0800 257 444 |
| • To request a taxpack                    | 0800 257 772 |
| • For all other services                  | 0800 257 777 |

### Inland Revenue's website

Visit our website [www.ird.govt.nz](http://www.ird.govt.nz) for detailed information about tax and social policy, access to our booklets, returns, forms, newsletters and public rulings, and a variety of interactive online services.

We regularly add new services to our site. You can register to get updates about these by clicking on **What's new** on the homepage.

## If you need more help

If you need to contact us about anything in this publication, please phone 0800 377 774 if you are a business customer or 0800 443 773 if you are a Corporates customer.

## Call recording

As part of our commitment to providing the best possible service to our customers, Inland Revenue records all telephone calls received through our call centres. Please visit our website [www.ird.govt.nz](http://www.ird.govt.nz) or contact us on 0800 377 774 for further information about our call recording policy and how you can access your recorded information.

## Business tax information service and Māori Community Officers

Inland Revenue offers a free business tax information service to new businesses and organisations to help them meet their tax responsibilities. This service is available to both individuals and groups.

Most Inland Revenue offices also have a Māori Community Officer who can assist Māori organisations and individuals with their tax responsibilities.

Our advisors will tell you:

- which taxes you need to know about
- what records you need to keep
- how to complete your tax returns (for example, GST and employer returns)
- when to file returns and make payments.

To find out more about these services or to arrange an appointment, go to our website [www.ird.govt.nz](http://www.ird.govt.nz) or phone us on 0800 377 774.

## Inland Revenue's postal addresses

For returns and correspondence if you live in:

### **Northland**

Inland Revenue  
Southern Processing Centre  
PO Box 3752  
Christchurch

### **Auckland**

Inland Revenue  
Northern Processing Centre  
PO Box 1454  
Hamilton

### **other North Island areas**

Inland Revenue  
Central Processing Centre  
PO Box 39090  
Wellington Mail Centre

### **the South Island**

Inland Revenue  
Southern Processing Centre  
PO Box 3752  
Christchurch

## 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 Work and Income, the Department for Courts, the Ministry of Education, the 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 phoning 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 call toll-free on 0800 274 138 between 8 am and 5 pm weekdays, go through our website [www.ird.govt.nz](http://www.ird.govt.nz) or, you can put your complaint in writing and send it to the Complaints Management Service, Inland Revenue, PO Box 1072, Wellington.

If you disagree with how we've assessed your tax, 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 phoning INFOexpress—see page 35.

