



**Inland Revenue**  
Te Tari Taake

**IR 395**  
April 2010

# Approved issuer levy (AIL)

A guide for payers

# Introduction

If you (a borrower) pay interest to a non-resident lender (the person who you have borrowed from), and want to pay it at a zero rate of NRWT (non-resident withholding tax), you have to apply to us to become an approved issuer. Once you have registered, instead of deducting NRWT, you (or a person on your behalf) must pay a levy on the securities registered with us.

The levy, known as approved issuer levy (AIL), is calculated at a rate of 2% of the value of the registered security. This is the amount of interest paid on the security, or any redemption payment on a bond issued at a discount.

This booklet explains how borrowers (you) can pay AIL instead of having to deduct NRWT. We also explain the important requirements for:

- approved issuer status
- registration of securities
- payment of AIL.

The glossary (pages 5 to 7) explains the terms used in this booklet.

If you have any questions or need more information, please contact our:

Non-resident Centre  
Inland Revenue  
Private Bag 1932  
Dunedin 9054  
New Zealand

Phone	03 951 2020
Fax	03 951 2216
Email	nonres@ird.govt.nz
Website	<a href="http://www.ird.govt.nz">www.ird.govt.nz</a>
International phone	64 3 951 2020
International fax	64 3 951 2216

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

## **www.ird.govt.nz**

Go to our website for information, services and tools.

- **Secure online services** – login to check your account information, file an employer schedule, confirm personal tax summaries and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides, and print forms to post to us.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.

## **How to get our forms and guides**

You can view copies of all our forms and guides mentioned in this guide by going to [www.ird.govt.nz](http://www.ird.govt.nz) and selecting “Forms and guides”. You can also request copies by calling 0800 257 773.

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# Glossary

## Approved issuer

An approved issuer is a borrower who has approval from us to use the approved issuer levy (AIL) scheme. This allows you or a person on your behalf, to pay interest to a non-resident without having to deduct NRWT.

## Approved issuer levy (AIL)

AIL is a payment calculated at the rate of 2% of the value of the registered security. This is the amount of interest paid for the security, or any redemption payment on a bond issued at a discount.

## Associated persons

The following are associated persons:

- group of persons whose total voting interests in each company are 50% or more
- a company and non-company (generally individual) are associated if the individual's voting interest in the company is 25% or more. For these purposes, the individual is treated as holding anything held by a person associated with them eg if 2 sisters own 15% of the shares in a company, both sisters would be associated with the company
- relatives related to the second degree of blood relationship are associated
- two persons who are married, in a civil union or are in a de facto relationship are associated
- two persons are associated if one person is within 2 degrees of blood relationship to the other person's spouse, civil union or de facto partner (ie a person is associated with their parents-in-law and step children)
- a child by adoption is treated as a natural child
- a person and a trust are associated where the person is a beneficiary of the trust or is a relative of a beneficiary of the trust
- the trustees of two trusts are associated if they have a settlor in common
- a trustee and a settlor of the trust are associated
- a beneficiary of a trust is associated with a settlor of the trust
- a trustee and a person with power of appointment or removal

- a partnership and its partners are associated
- two persons are associated if they are each associated with the same third person by different tests (tripartite test).

There is more information about associated persons at [www.taxpolicy.ird.govt.nz/publications](http://www.taxpolicy.ird.govt.nz/publications) or in our *Associated persons (IR 620)* guide.

### Fixed establishment

A place of business from which a substantial business is carried out, such as a retail shop, hotel, factory or farm. A property let for rent is generally seen as an investment rather than a business.

### Interest

Interest is any amount paid or credited for money lent and covers redemption payments.

### Leviable value

Leviable value is:

- the amount of interest paid on a registered security
- any redemption payment on a bond issued out at a discount. Redemption payments are included in the definition of interest for NRWT purposes.

### Non-resident passive income (NRPI)

This is interest, dividends and royalties which a non-resident has received or is considered to have received from New Zealand.

### NRWT (non-resident withholding tax)

This is a tax deducted from non-resident passive income (NRPI).

Anyone who pays NRPI must deduct NRWT and pay it to us each month. The rate of NRWT to deduct depends on the type of income and where the recipient is resident.

For more information about NRWT, read our *NRWT payer's guide (IR 291)*.

### Redemption payment

Is the additional amount paid on the commercial bill when the total amount paid is more than the amount originally borrowed.

## Registered security

This is any transaction involving money lent to an approved issuer that is:

- registered by us, or
- one of a class of transactions registered by us.

## Resident

A person is a tax resident if they:

- have an “enduring relationship” with New Zealand, or
- have been present in New Zealand for more than 183 days in any 12-month period, or
- are away from New Zealand in the service of the New Zealand Government.

A person who has been a New Zealand tax resident will become a non-resident if they:

- no longer have an enduring relationship with New Zealand, and
- are away from New Zealand for more than 325 days in any 12-month period.

A company is a resident in New Zealand if:

- it is incorporated in New Zealand, or
- its directors exercise control in New Zealand, or
- it has its centre of management in New Zealand, or
- it has its head office in New Zealand.

If none of these apply, a company is non-resident.

### Note

The rules for tax residency are not the same as citizenship or usual residency criteria. For more details on enduring relationship and tax residency read our booklet *New Zealand tax residence (IR 292)*.

## Variable principal debt instrument

This is a financial arrangement where one party can ask the other party to:

- borrow additional money, or
- return all the amounts borrowed if the other party's rights and obligations are shown in a foreign currency.

# Part 1 – General information

## Zero-rating of NRWT on interest

Before any interest payments can have a zero rate of NRWT, all the following conditions must be met.

- We must have approved you as an approved issuer.
- You must have registered with us all the securities on which the zero rate of NRWT is to apply.
- You can't be associated to the non-resident lender.
- The non-resident lender and you must agree that AIL applies. We recommend that an agreement in writing is made stating that AIL applies.
- From the amount of interest paid to the non-resident lender an additional 2% AIL must be paid to us by the due date. If you make a payment after the due date please include any interest and late payment penalties.

Interest payments that do not satisfy the conditions for zero-rating are subject to NRWT.

**Non-residents** who have a fixed establishment in New Zealand are not liable for NRWT so zero-rating does not apply. You should deduct RWT (resident withholding tax) from interest paid to these recipients.

## Agreements in writing

There is no set format you must follow in giving written notices of interest paid to non-resident lenders under the AIL rules. However, we suggest the notice should show that:

- the interest is not taxable in New Zealand
- NRWT has not been deducted from the interest.

If the cost of the AIL is to be recovered from the non-resident lender, it must be shown as a fee or charge on any written notice to the non-resident lender.

AIL is a charge in addition to the interest.

If you are entitled to claim a tax deduction for the cost of the amount borrowed, the AIL payment can also be claimed.

## Approved issuer status

To be granted approved issuer status, you need to register with us. You can register online at [www.ird.govt.nz](http://www.ird.govt.nz) or complete an *Approved issuer levy (AIL) – payer registration (IR 396)* form.

We use the information you provide on the registration form to set up your AIL account, and send you the payment forms when you need them.

### Getting approval

You will be granted approved issuer status if you have complied with your requirements under all Inland Revenue Acts during the two years before the date we receive the application.

Approved issuer status begins from the date we receive the application, as long as you give us enough details. Otherwise, approved issuer status does not begin until the date we receive all details. We have 20 working days from the date we receive the application to decline it, otherwise approval is automatically granted.

## Completing your end-of-year tax return

When completing your New Zealand income tax return, if the overseas interest you have paid is tax-deductible (it was incurred in earning assessable income or in running a business) you can claim a deduction for the 2% AIL you have paid.

## Revoking approved issuer status

Approved issuer status lasts until it is revoked. If you are guilty of serious default or neglect of your tax responsibilities, we may revoke approved issuer status. You may also ask for the status to be revoked by writing to us.

If approved issuer status is revoked, zero-rating cannot apply to new securities. Revoking does not affect existing registered securities.

## No longer paying AIL

If you stop paying AIL permanently you need to let us know. We will stop sending you the payment forms and close your AIL account. Please contact our Non-resident Centre—see page 1 for details.

## Record keeping

You need to keep full records of all the AIL you pay, and details of the registered securities.

Your records must be in English, unless we have given you written authority to keep your records in another language. You must keep your records for seven years. If we are currently auditing or considering auditing your records, we might ask you to keep them for a further three years—in which case you must do so.

## Non-resident Centre

Our Non-resident Centre in Dunedin is the specialist office for AIL. Please contact them if you have any questions about AIL—see page 1.

### Note

All NRWT and AIL enquiries, including large enterprise customers, should be made to the Non-resident Centre.

## Part 2 – Registering securities

Only securities that have been registered with us qualify for a zero rate of NRWT.

Most types of securities can be registered including variable principal debt instruments. Examples of securities include New Zealand bank accounts of non-residents, standard offshore loans and bonds.

You can register two types of securities.

- A transaction involving money lent to you. This is a transaction between two parties where the parties, amount involved and term can be clearly identified.
- A class of transactions involving money lent to you. This is where you are involved in more than one transaction.

Securities can be registered as a class if the first definition does not apply.

### Registering a security

If you haven't already been granted approved issuer status, you may apply for this and register your first security. You can register online at [www.ird.govt.nz](http://www.ird.govt.nz) or complete an *Approved issuer levy (AIL) – payer registration (IR 396)* form.

If you would like to register more than one security, or you already have approved issuer status, use the *Application to register security or securities for approved issuer levy (AIL) (IR 397)*. Complete a separate IR 397 for each security you want to register.

In some cases you may not be able to provide all the information requested on the IR 397. However, your security can still be registered.

You must tell us about any changes to your security before maturity or redemption, as this may affect whether AIL still applies.

## The criteria for registration

Securities will be registered if all these criteria are met:

- application form IR 397 is completed
- the security relates to money lent on or after 1 August 1991.

Government stock qualifies for AIL, even if it was issued before this date.

By law we must notify you in writing of the registration of your securities within 20 working days after we receive the application. Registration is usually completed in a shorter time.

If we do not process the application within 20 working days, the securities are automatically registered.

## Part 3 – Paperwork and payments

### Paying approved issuer levy (AIL)

You (or a person on your behalf such as a nominee company) can pay interest to non-residents at a zero rate of NRWT on the securities you register.

AIL is calculated at a rate of 2% of the value of the interest you have paid to your non-resident lender.

#### Due date

AIL must be paid to us with a completed *Approved issuer levy (IR 67A)* form. How often you have to send it in depends on your annual AIL liability.

If the due date falls on a weekend or a New Zealand public holiday, the due date is the next working day.

#### AIL of \$500 or more each year

If you pay AIL of \$500 or more each year, the due date for payment is the 20th of the month following the month in which the interest was paid.

#### Example

##### Monthly payer

Each year, Lucy's Lovely Apartments Ltd is liable for AIL payments of more than \$500 on the interest credited to its customers' accounts. It must pay the AIL to us as follows:

Month interest paid	Total AIL to pay	Total paid to us	Due date for payment and IR 67A
February 2010	\$ 1,000	\$ 1,000	22 March 2010 (20 March is a Saturday so the payment and return is due on the Monday)
March 2010	\$ 1,000	\$ 1,000	20 April 2010
April 2010	–	–	20 May 2010

## AIL of less than \$500 each year

If you expect to pay less than \$500 AIL in any income year, you may file and pay on a six-monthly basis.

We will send you returns for the following periods:

- 1 April to 30 September—due for payment on 20 October
- 1 October to 31 March—due for payment on 20 April.

If you wish to file and pay on a six-monthly basis, either choose this option when you apply for approved issuer status or, if you are already an approved issuer contact the Non-resident Centre—see page 1.

If your AIL payment accumulates to \$500 during the year, you must send a completed return and a payment by the 20th of the month after AIL reaches \$500. After that you must pay monthly for the rest of that year. Contact the Non-resident Centre (see page 1) to request monthly forms.

### Example

#### Six-monthly payer

Luca's Investments Ltd pays less than \$500 AIL each year, so may pay the deductions to us by the two regular six-monthly payment dates.

Month interest paid	Total AIL to pay	Total paid to us	Due date for payment and IR 67A
June 2010	\$ 50	Nil	–
August 2010	\$ 50	Nil	–
September 2010	\$ 100	\$ 200	20 October 2010 (regular six-monthly payment date)
November 2010	\$ 100	Nil	–
February 2011	\$ 100	\$ 200	20 April 2011 (regular six-monthly payment date)

## Example

### Six-monthly payer with accumulated AIL over \$500

Nala's Investments Ltd estimated its annual AIL liability for the 2010 income year to be less than \$500. However, in December 2009 it reached the \$500 threshold. Nala's Investments Ltd must pay the AIL to us by the 20th of the month which follows the month when the accumulated AIL reached \$500. Nala's Investments Ltd must also pay monthly for the rest of the 2010 income year.

Month interest paid	Total AIL to pay	Total paid to us	Due date for payment and IR 67A
June 2009	\$ 50	Nil	–
August 2009	\$ 50	Nil	–
September 2009	\$ 100	\$ 200	20 October 2009 (regular six-monthly payment date)
December 2009	\$ 300	\$ 300	20 January 2010
January 2010	Nil	Nil	20 February 2010 (Nil IR 67A required)
February 2010	Nil	Nil	22 March 2010 (Nil IR 67A required)
March 2010	\$ 50	\$ 50	20 April 2010

## Approved issuer levy (IR 67A)

When you register as an approved issuer, we ask you to indicate the months you will pay interest to non-residents. This is so we can send you IR 67A forms when you need them. For payers registered on a six-monthly basis, we will send you IR 67A forms for the periods ending 30 September and 31 March for the October and April due dates.

If you change the months in which you pay interest, please let us know. We will send you IR 67A forms to suit your new payment dates.

If you're not sure which months you'll be paying interest to non-residents, you have two options:

- receive an IR 67A form every month
- request one when you need it.

Choose one of these options when you register. To change your option, contact the Non-resident Centre—see page 1.

If you are due to make a payment but don't have an IR 67A form, you can get one from [www.ird.govt.nz](http://www.ird.govt.nz). Even if you don't receive your IR 67A you must still pay AIL to us by the due date.

### No AIL to pay

You must return each IR 67A form, even if you have no AIL to pay for the period. If this happens, please leave the amount boxes blank, sign it, and return it to us by the payment due date. If you don't do this we will ask you to explain why you haven't filed a return or paid.

### Completing the IR 67A

We send you an IR 67A automatically about two weeks before your payment is due. It shows these preprinted details:

- your name and address
- your IRD number
- the period the IR 67A covers
- the due date for payment.

If the preprinted name, address or IRD number on the form is incorrect, please print the correct details on the pink part (Inland Revenue copy) of the form before sending it back.

If a tax agent deals with your AIL they must complete an *Existing client changes (IR 793)* form to change any details.

Once you've completed the form, tear off the bottom (pink) part, and send it to us with your payment by the due date. Keep the top (white) part for your records. There is an example of an IR 67A on page 19, showing the preprinted details, and the information you need to fill in.

# IR 67A (Example)

Your details will be preprinted here

These are preprinted.



**Inland Revenue**  
Te Tari Taake

## Approved issuer levy

IR 67A  
October 2009

- Please read our booklet *Approved issuer levy (IR 395)* to help you fill in this form.
- For enquiries, please contact the Non-resident Centre, Inland Revenue, Private Bag 1932, Dunedin 9054, or call 03 951 2020.

### Your copy

**NALA'S INVESTMENTS LTD**  
PO BOX 9999  
WELLINGTON

IRD number 1 12-345-678

Period ended 2 30 SEPTEMBER 2009

Interest paid (NZ\$) 3 \$ 10,000.00

Approved issuer levy (NZ\$) 4 \$ 200.00

This is the last day of the month in which the interest was paid.

Enter the amount of interest for which you are paying AIL.

Enter your AIL payment here.

▲ Keep the top part for your records.

▼ Send the pink part to Inland Revenue.



**Inland Revenue**  
Te Tari Taake

## Approved issuer levy return

### Inland Revenue copy

IR 67A

**NALA'S INVESTMENTS LTD**  
PO BOX 9999  
WELLINGTON

IRD number 1 12-345-678

Period ended 2 30 SEPTEMBER 2009

Interest paid (NZ\$) 3 \$ 10,000.00

Approved issuer levy (NZ\$) 4 \$ 200.00

Has payment been made electronically? (Tick one)  Yes  No

**Declaration** I declare the information given in this return is true and correct.

Signature

*Nala Pappy*

18/10/09  
Date

Please show whether you are paying by direct credit.

Enter a contact number, in case we have any questions.

OFFICE USE ONLY Operator code Corresp. indicator Payment attached Y Return cat.

Contact phone number

(02) 687 4218



**Inland Revenue**  
Te Tari Taake

## Payment slip

AIL845

**NALA'S INVESTMENTS LTD**

IRD number 12-345-678

Post your return and any cheque to us by 20 OCTOBER 2009 Period ended 30 SEPTEMBER 2009

Amount of payment 5 \$ 200.00

If the amounts in Boxes 4 and 5 are different please attach an explanation.

These are preprinted.

The date your payment is due is preprinted here.

Enter your AIL payment amount here.

## How to make payments

You can make payments:

- electronically
- by post – but never send cash
- at a Westpac branch
- by using our drop box.

Electronic payments are made through your bank by:

- automatic payment
- online banking
- direct credit.

If you make electronic payments, include:

- your IRD number
- a tax type code, eg, INC for income tax
- the period payment is for.

For full details on payment options go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: making payments) or read our guide *Making payments* (IR 584).

## Late payment

We may charge you interest if you don't make your tax payment by the due date. We'll also charge you a late payment penalty if you miss a payment, but if you have a good payment history we may contact you before we do this.

Otherwise an initial 1% late payment penalty will be added the day after the due date. We'll charge a further 4% penalty 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 we'll charge a further 1% incremental penalty.

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

## Arrangements

If you're unable to pay your tax by the due date, please call us. We'll look at your payment options, which may include an instalment arrangement depending on your circumstances. Arrangements can be agreed on before or after the due date for payment. There are greater reductions in the penalties charged if the arrangement is made before the due date.

## For more help

See our booklet *Taxpayer obligations, interest and penalties (IR 240)*.

## AIL overpaid

If you have overpaid AIL, please write to our Non-resident Centre (see page 1) explaining the circumstances. We will either refund the overpaid amount, or transfer it to another period or tax type, according to your instructions.

Please make sure you tell us the period you overpaid, so we can fix up your account.

## Paying AIL instead of deducting NRWT

A decision to pay AIL instead of NRWT cannot be retrospective. There may be occasions when you have paid AIL on some interest, but should have deducted NRWT. If this happens, you need to let us know. AIL is paid on interest at the rate of 2%. As the NRWT rates are higher than the AIL rate, you will have under-deducted tax.

You need to write to our Non-resident Centre, explaining what has happened. Tell us which period(s) you under-deducted, and how much NRWT you should have paid. We will transfer the payment to your NRWT account, and you'll have to make an extra payment to cover the shortfall. You may also be liable for a late payment penalty and possibly a shortfall penalty.

For more information about shortfall penalties, see our booklet *Taxpayer obligations, interest and penalties (IR 240)*.

## Part 4 – Services you may need

### 0800 self-service numbers

This service is available seven days a week (anytime, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For personal information, such as account balances, you'll also need a personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

Order publications and taxpacks	0800 257 773
Request a summary of earnings	0800 257 778
Request a personal tax summary	0800 257 444
Confirm a personal tax summary	0800 257 771
All other services	0800 257 777

### Customer service quality monitoring

As part of our commitment to providing you with a quality service, we record all phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at [www.ird.govt.nz](http://www.ird.govt.nz)

### Tax Information Bulletin (TIB)

The TIB is our monthly publication containing detailed technical information about all tax changes. You can find it on [www.ird.govt.nz](http://www.ird.govt.nz) under “Newsletters and bulletins” and subscribe to receive an email when each issue is published on our website.

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer. We may charge penalties if you don't.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them
- Statistics New Zealand (for statistical purposes only).

If you ask to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: privacy).

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it. You can call the staff member you've been dealing with or, if you're not satisfied, ask to speak with their team leader/manager. If your complaint is still unresolved you can contact our Complaints Management Service. For more information go to [www.ird.govt.nz](http://www.ird.govt.nz) or call us on 0800 274 138 between 8 am and 5 pm weekdays.

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)*.