Look-through companies

A guide to the look-through company rules
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Introduction

This guide contains information for look-through companies (LTCs).

An LTC is a look-through income tax treatment for close companies that elect to use these rules, which means that the company is "looked-through" for income tax purposes. The shareholders of the LTC become liable for income tax on the LTC's profits, while also being able to offset the LTC's losses against any other income.

We provide an explanation of terms used throughout this guide that may be new to you, or used differently from their everyday meaning—see page 19.

For more information see our Tax Information Bulletin Vol 23, No 1 (February 2011).

LTCs and residential property

If you’re thinking about forming an LTC for residential property, you need to know about the possible tax consequences of doing this.

The expenses of living in the family home are normally treated as private expenditure and aren’t tax deductible.

Problems arise when owners live in a home owned by their LTC and claim deductions (e.g., interest, insurance, rates and maintenance) for the property. In many situations, the structuring and claiming of any resulting losses may be seen as tax avoidance.

You may believe that if you continue to pay market rent to the company you can keep claiming these LTC losses against your income. But, we may still see this arrangement as tax avoidance.

The same principle applies if you use a similar structure such as a company, partnership or trust.

Tax avoidance carries penalties of up to 100% of the tax shortfall.

Living temporarily in a property owned by your LTC

From time to time an owner will move into a home owned by their LTC which was previously rented, because, for example:

- they can’t find tenants
- a relationship breaks down
- they form a relationship with tenants
- they’re renovating or building their own home.

But, if you live in the property and you’re an owner, you generally can’t continue to claim what would otherwise be private expenses.

Get advice before you act

Generally, we’d consider any arrangements like the one described above to be tax avoidance and we’d disallow any deductions claimed by the LTC’s owners relating to the family home. Penalties could also apply.

We strongly recommend you talk to a tax professional with expertise in this area if you’re considering such an arrangement.
Part 1 – Look-through companies (LTC)

The following are the main features of an LTC:

- An LTC must be a resident in New Zealand.
- It must have five or fewer look-through counted owners (treating related owners as one)—see Part 2.
- Only a natural person, trustee or another LTC can hold shares in an LTC. All the company’s shares must be of the same class and provide the same rights and obligations to each shareholder.
- All owners must elect for the company to become an LTC—see Part 3.
- Once a company becomes an LTC it will remain so unless one of the owners decides to revoke the LTC election, or it ceases to be eligible to be an LTC—see Part 4.
- Generally, an LTC’s income, expenses, tax credits, gains and losses are passed on to its owners. These are allocated to owners in proportion to the number of shares they have in the LTC. Owners can also deduct expenditure incurred by the LTC before they became a member, if they pass certain tests—see Part 5.
- Any profit is taxed at the owner’s marginal tax rate. The owner can use any losses against their other income, unless the loss limitation rule applies—see Part 7.
- The loss limitation rule ensures that losses claimed reflect the owner’s economic loss in the LTC.
- The owners of an LTC are treated as holding the LTC’s property directly in proportion to their shareholding. When owners sell their shares they are treated as disposing of their share in this property and may have to pay any tax associated with this, if certain thresholds are exceeded—see Part 8.
- If the company is liquidated or ceases to be an LTC but otherwise continues in business, the owners are considered to have disposed of their shares at market value.
- Look-through applies for income tax purposes only. Under company law an LTC retains its corporate obligations and benefits, such as limited liability.
- An LTC is still recognised separately from its shareholders for:
  - GST (goods and services tax)
  - PAYE and employer tax responsibilities
  - FBT (fringe benefit tax)
  - RWT and NRWT (resident and non-resident withholding tax)
  - ESCT (employer superannuation contribution tax) and RSCT (retirement scheme contribution tax)
  - the income tax rules for company amalgamations.

Differences between an LTC and a company

<table>
<thead>
<tr>
<th>Requirements</th>
<th>LTC</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholding</td>
<td>Shareholders in an LTC must be either natural persons or trustees. An ordinary company can’t hold shares in an LTC. Another LTC can hold shares in an LTC. An LTC must only have one class of shares carrying the same voting rights.</td>
<td>None</td>
</tr>
<tr>
<td>Foreign company</td>
<td>Can’t be an LTC.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distributions</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>Not taxable, as income of LTC will be &quot;looked-through&quot; to establish owner’s income.</td>
<td>Taxable</td>
</tr>
<tr>
<td>Shareholder-employee salaries</td>
<td>Owners of a look-through interest in an LTC can’t receive shareholder-employee salaries. Instead, payments to a working owner are included in the owner’s salary or wages and the PAYE rules apply—see Part 5 on page 12. Payments to working owners are deductible to all owners of an LTC, in proportion to their effective look-through interest.</td>
<td>Deductible to the company and assessable to the shareholder-employees. May not be subject to PAYE rules.</td>
</tr>
<tr>
<td>Imputation credits received</td>
<td>Passed through to look-through owners.</td>
<td>Credit to imputation credit account (ICA) and offset against tax liability</td>
</tr>
<tr>
<td>Share sales or repurchases</td>
<td>Look-through owners treated as disposing of, or acquiring, the underlying LTC property and need to account for tax on the disposal (subject to certain thresholds)</td>
<td>General rules apply</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income, losses and expenditure</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Passed on to look-through owners in proportion to their effective look-through interest in the LTC.</td>
<td>General rules apply</td>
</tr>
<tr>
<td>Expenditure and losses</td>
<td>Passed on to look-through owners in proportion to their effective look-through interest in the LTC. A loss limitation rule applies to losses from an LTC.</td>
<td>General rules apply</td>
</tr>
<tr>
<td>Loss offsets and subvention payments</td>
<td>LTCs can’t group with other companies to receive a loss offset or make a subvention payment.</td>
<td>General rules apply</td>
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</table>

<table>
<thead>
<tr>
<th>Imputation</th>
<th></th>
<th></th>
</tr>
</thead>
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<tr>
<td>Imputation credit account (ICA)</td>
<td>LTCs don’t keep an ICA.</td>
<td>Keeps an ICA unless excluded</td>
</tr>
</tbody>
</table>
Part 2 – Who can become an LTC

An LTC must meet all these requirements for the whole of the income year:

- The entity must be a company (i.e., a body corporate or entity with a legal existence separate from that of its members).
- The company must be a New Zealand tax resident and not be treated as a non-resident under any double tax agreement.
- Shareholders in an LTC must either be natural persons, trustees or another LTC. An ordinary company can’t hold shares in an LTC. An LTC may have shares in another LTC but its income and expenses will be attributed to the owners of the shareholding LTC and these owners will be included in the look-through counted owners test.
- It must not have more than five look-through counted owners. Special rules determine the number of look-through counted owners for an LTC (see below).
- A company using the LTC rules must only have one class of shares with the same rights to vote on:
  - company distributions
  - the company’s constitution
  - capital variations and director appointments
  - distribution of profits and assets, and
  - share acquisition and cancellations.
- It must not be a flat-owning company.

If an LTC doesn’t meet these conditions at any stage during the income year it loses its LTC status, starting from the first day of the income year it didn’t meet the conditions.

It then won’t be able to use the LTC rules for that income year, or for either of the two following income years.

Look-through counted owner test

An LTC must have five or fewer “look-through counted owners”. Look-through counted ownership is related to shareholding, but applies specifically to the counted owners test. Not every look-through counted owner needs to own shares directly in the LTC, e.g., when the shares are owned by a trustee or another LTC.

The look-through counted owner test determines the number of look-through owners a company has for the purposes of the LTC rules. The test does this by identifying the relationships between individual shareholders, and by looking through trustee shareholders to the natural person beneficiaries of the trust, or through a shareholding LTC to the ultimate natural person or trustee shareholders.

Most LTCs will find it quite easy to work out that they meet this test. For example, an LTC that has three individual shareholders clearly has less than five look-through counted owners. Companies that have more than five individual shareholders, or that include trustee shareholders or shares held by another LTC, need to consider the look-through counted owner test.

We recommend talking with a tax professional if you’re unclear how many look-through counted owners an LTC has.

Related shareholders

Related shareholders are counted as a single owner for this test.

Related means:

- a blood relationship (to the second degree)
- a marriage, civil union or de facto relationship, or being in a marriage, civil union or de facto relationship to the second degree of blood relationship of another shareholder
- an adopted child and their adoptee
- a step-parent and a step-child.

Death, or dissolution of marriage, civil union or de facto relationship doesn’t break the two-degree test, provided the company was an LTC and the shareholders were counted as one look-through owner before the death or dissolution.

To clarify the degrees of separation in a relationship between individual shareholders, create a family tree and count the steps back to a common ancestor and then forward to the other person. Each link is a one-degree relationship. Shareholder relationships with two degrees of separation between them are still counted as one look-through owner.

Example 1: Natural person shareholders

If Zeb, Esther, Benjamin, Mary, Ari and Curtis all held shares in a company they would be counted as a single look-through counted owner because they’re related to each other (through Mary) within two degrees.

If only Ari, Esther and Curtis held shares they would be counted as two look-through counted owners, because although Ari, as his stepfather, is related to Curtis within two degrees, neither of them are related to Esther within two degrees, as she is Curtis’s great grandmother and Ari’s grandmother-in-law.
Trustee shareholders

The look-through counted owner test must also be applied if a trustee holds shares in an LTC. This test looks through to the natural person beneficiaries of the trust, which includes looking through any corporate beneficiaries to that company’s shareholders.

A beneficiary of a trust is counted as a look-through counted owner if they have had any income from the LTC treated as beneficiary income in the current income year, or in any of the three preceding income years.

All the trustees of a trust will also be counted as one look-through counted owner unless the trust distributes to beneficiaries all income from the LTC in the current year, and in all of the last three income years.

Note

You can be both a trustee of a trust that owns shares in an LTC, and also own shares in the LTC directly.

Similarly, you could be a trustee of a trust that owns shares in an LTC, and also be a beneficiary of that trust.

This means you could be counted twice as a look-through counted owner; once as the trustee of the shareholding trust, and the second time as the look-through counted individual or beneficiary owner.

If a company is the beneficiary of a trust and has received income from the LTC as beneficiary income in that income year, or in any of the three preceding income years, the company itself isn’t seen as a look-through counted owner. Instead, every natural person who has a voting interest in relation to that company is counted as a separate look-through counted owner.

Example 2: Beneficiaries of a trustee shareholder

All the shares in Fountain Design Ltd, an LTC, are held by Walton Trust.

Walton Trust distributes all of the income from Fountain Design Ltd to the following beneficiaries:

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<th>Income year</th>
<th>Beneficiaries:</th>
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<td>2012, 2013, 2014</td>
<td>Cora and Emily</td>
</tr>
<tr>
<td>2015</td>
<td>Elizabeth, Emily and Mamie ( Emily’s sister)</td>
</tr>
<tr>
<td>2016</td>
<td>Rosemary, Erin and Aimee (Cora’s daughter)</td>
</tr>
</tbody>
</table>

In 2012, 2013, and 2014 there are two look-through counted owners because between them, Cora and Emily received all the LTGs’ income as beneficiary income.

In 2015 there are three look-through counted owners—Cora, Elizabeth, and Emily and Mamie. Because Mamie is Emily’s sister (two-degree blood relative) they’re counted as one owner.

LTC shareholders

If shares in an LTC are owned by another LTC, the shareholding LTC is looked through to identify the ultimate look-through counted owners.

The look-through counted owners of the shareholding LTC are then established by the tests for individual and trustee shareholders described above.
Part 3 – Electing to become an LTC

A company can only use the LTC rules for an income year if it meets all the requirements to be eligible (see Part 2) and has filed a valid election with us by the due date.

LTC election

You elect for your company to become an LTC by completing a Look-through company election (IR 862) form.

All owners of a look-through interest in the LTC at the date of the election must sign the LTC election for a company to become an LTC. Otherwise, it won’t be valid. A guardian or legal representative must sign for owners under 18 years of age, or for any owner who can’t legally sign the election.

A company director, or an agent authorised by the director, completes the director’s election on the IR 862 and confirms that all shareholders of the company have signed the election, and that the company meets the eligibility criteria to be an LTC.

The company director or authorised agent must nominate a year for the election to apply. If they don’t enter a year the election will be invalid and won’t be accepted.

If a company ceases to be an LTC because it no longer meets the eligibility requirements, or because an owner revoked the LTC election, it can’t re-elect to become an LTC for the income year it ceased to be an LTC or for any of the two following income years.

Example

Wayne’s Way Limited was an LTC with a standard 31 March balance date. An owner revoked its LTC status from 1 April 2013 (the 2014 tax year). Wayne’s Way Limited can’t become an LTC again until 1 April 2016 (2017 tax year).

When are elections due?

New companies

A company can become an LTC from its incorporation date, if it elects to do this by the due date for its first income tax return.

If a company is linked to a registered tax agent, we may extend the deadline for filing the company’s tax return and LTC elections to 31 March of the following year. Your agent can tell you if we have approved an extension of time.

Shelf companies

Some companies may incorporate but not start trading in their first income year. They advise us that the company is non-active by filing a Non-active company declaration (IR 433). Non-active companies are commonly known as “shelf companies”.

Shelf companies must file an election to become an LTC by the due date of their first active income tax return and send us a completed Non-active company reactivation (IR 434) form.

Existing companies

The effective LTC election date for companies that have previously traded will be from the start of the income year following the date they file the election. For example, a company with a standard balance date needs to make its election by 31 March 2015 to become an LTC for the 2015–16 income year.

Note

When an existing company first becomes an LTC, each owner is considered to have an amount of income on the first day of the income year the company becomes an LTC. See Part 6 for more information.

Non-standard balance dates

Elections relate to the income year of the company electing to be an LTC. The due date for an election for an existing company, or when the first tax return of a new or shelf company is due, depends on its balance date. For example, an existing company with a 30 June balance date wanting to become an LTC for the 2014–15 income year will need to make its election on or before 30 June 2014.

When a company first applies for an IRD number we’ll give them a standard balance date of 31 March. You’ll need to write to us if you want to use a different balance date.

You can’t use a different balance date until we send you written approval.

What if my election is filed late?

An election received after the start of the year it was intended to relate to (or after the due date for the company’s first income tax return) is invalid. You’ll get a letter from us telling you we have not accepted the election.

Any election not signed by all the shareholders, or not signed by the director or authorised agent under instruction from the director will be invalid. You’ll get a letter from us telling you that the election hasn’t been accepted.

When we may accept late or invalid elections

We may still accept a late or invalid election if there are exceptional circumstances. These could be events outside the control of an owner, director or an agent that they couldn’t have reasonably anticipated.

You’ll need to write to us with the details of your exceptional circumstances, and an election must have been signed by all relevant persons within the income year you wish to elect for.
Company losses

Any loss balance from an income year when a company wasn’t an LTC is extinguished when the company becomes an LTC, so isn’t deductible in the company’s first income tax return as an LTC.

Also, any loss balance of a company that isn’t an LTC is extinguished when that company amalgamates with an LTC.

Note

If an LTC transitioned from a qualifying company/loss attributing qualifying company (QC/LAQC), the owners may be able to claim a deduction for the extinguished losses in their own returns when the LTC makes a profit. See Part 9.

Confirmation of LTC status

After we’ve processed your LTC election we’ll send a letter to the company confirming that it has become an LTC, and the effective date.

Note

Tax agents can also use our online services to check whether their clients are registered as an LTC and the effective election date.

Maintaining LTC status

A company remains an LTC until it either doesn’t meet the eligibility criteria, or until the LTC election is revoked. New elections don’t need to be made to maintain the LTC status if the ownership of the company changes.
Part 4 – How LTC status ceases

Ceasing to be an LTC

A company can cease to be an LTC by:

• an owner’s revocation or
• no longer meeting the eligibility criteria.

When a company stops using the LTC rules the owner(s) of the LTC are considered to have disposed of the underlying property of the company. The disposal is considered to be at market value at the date of exit and the owners will bear any tax consequences of this disposal. See Part 8 for more information.

Owner’s revocation

Any owner of a look-through interest in an LTC can revoke the LTC election at any time. It doesn’t matter if they were one of the owners who signed the original election to become an LTC.

The revocation is made using the Revocation of look-through company election (IR 896) form, and takes effect from the start of the income year after we receive it. When we receive a revocation we’ll advise the LTC in writing this has happened, and the income year the revocation comes into effect.

We’ll only accept a late revocation under exceptional circumstances.

When an owner revokes the LTC election the company then becomes an ordinary company from the start of the next income year. The company won’t be able to become an LTC in either the year the revocation takes effect, or in any of the following two income years.

Reversing the revocation

We can only reverse the revocation if the revoking owner:

• requests us to ignore it, or
• sells or otherwise disposes of all their interests in the LTC and the new owner(s) advise us to ignore the revocation.

A request to ignore the revocation must be made in writing to Inland Revenue. We must receive the request before the start of the income year the revocation was due to take effect.

Example

Takahe Ltd has a 31 March balance date and was incorporated on 30 June 2013. Rimu and Caleb each own 40% of the shares in the company and Margaret owns the remaining 20%. All three shareholders elected for the company to become an LTC from the date of incorporation and submitted the election to Inland Revenue in time for this to take effect.

In August 2014 Margaret decides to revoke the election to become an LTC and gives Inland Revenue notice. The revocation will take effect from 1 April 2015, for the 2015–16 income year. All the shareholders in the company will be treated as disposing of their interest in Takahe Limited at market value as of 1 April 2015 and will be required to declare any resulting income in their income tax return that covers that date.

Rimu and Caleb want Takahe Ltd to remain an LTC and arrange to buy Margaret’s shares. This may result in a tax obligation to Margaret (see Part 8). In September 2014 Margaret’s shares are sold equally to Rimu and Caleb so now they each own 50% of the company.

Rimu and Caleb advise Inland Revenue on 28 September 2014 that they’ve acquired Margaret’s interest in the LTC and they want the revocation reversed. Takahe Ltd will continue to be an LTC for the 2015–16 income year and Margaret’s revocation will be ignored.

Ceasing to be eligible as an LTC

If, at any stage, an LTC doesn’t meet the requirements to be an LTC (see Part 2) it will automatically lose its LTC status, from the first day of the income year it stopped meeting its requirements.

The LTC can’t have more than five look-through counted owners, so it’s important to carefully monitor any changes in the look-through counted owner test if there are changes in the LTC shareholding.

Changes in beneficiary income allocated by shareholding trusts must also be monitored carefully because beneficiaries can be included in the look-through counted owner test if the trust treats any income from an LTC as beneficiary income.

LTC status revoked automatically

An automatic revocation of LTC status can’t be reversed and the company’s shareholders can’t re-elect to use the LTC rules for either the income year of revocation or the two following income years.

The company is treated as being an ordinary company for income tax purposes, from the first day of the income year when the automatic revocation occurred.

All the LTC’s shareholders are considered to have disposed of the LTC’s underlying property at market value from the first day of the income year the revocation occurred in. See Part 8 for more information.

When an automatic revocation takes place the company or its tax agent should write to us stating what caused the revocation and when it happened.
Dividends after ceasing to be an LTC

Once a company’s LTC status has been revoked the company will be taxed as an ordinary company and the normal tax rules on dividends will apply. Any retained revenue profits held by the company would have previously been allocated to owners and subject to tax in the year the income was derived. Dividends that are later paid from these profits after the company ceases to be an LTC will be treated as excluded income in the hands of the recipient shareholder, so the shareholder won’t have to pay tax twice on the same amount.

This applies whether the dividends are paid to the same shareholders who held shares while the company was an LTC or to new shareholders.

Dividends paid after the company ceases to be an LTC will be treated as first coming from any retained revenue profits. Once those profits are used up dividends will no longer be excluded income.

Use this formula to work out if an amount of dividend paid by a former LTC can be treated as excluded income:

\[
\text{Exit dividends} - \text{Dividends after look-through} = \text{Possible excluded dividend}
\]

The terms in this formula have these meanings:

- **Exit dividends**: The amount that would be taxable dividends of the company on distribution following a winding up immediately after the company ceased to be an LTC.
- **Dividends after look through**: The total dividends paid by the company after it ceased to be a look-through company.

Any amount of dividend issued by a former LTC that is equal to or less than the result of this formula will be excluded income.

**Example**

Oleson Ltd was incorporated on 1 July 2012, making an election to be an LTC for its first income year. The company has a standard balance date. In February 2014 an owner revokes the LTC election, and Oleson Ltd becomes an ordinary company from the start of the 2014–15 income year.

Oleson Ltd calculates the amount of exit dividends on 1 April 2014 (the day after it ceased to be an LTC) is $10,000. This is the retained revenue profit of its business activity from the two previous income years. Because it was an LTC during that year any income and losses during those years will be allocated to its owners to be assessed in their own tax returns.

On 30 June 2014 Oleson Ltd issues a $7,000 dividend to its shareholders.

\[
\begin{align*}
\text{Exit dividend:} & \quad 10,000 \\
- \text{Dividends after look through:} & \quad 0 \\
\hline
\text{Possible excluded dividend:} & \quad 10,000
\end{align*}
\]

Because the $7,000 dividend is less than $10,000 the amount will be an excluded dividend.

On 30 September 2014, Oleson Ltd issues another dividend, this time of $5,000. The earlier $7,000 dividend now needs to be taken into account when calculating the amount of excluded dividend.

\[
\begin{align*}
\text{Exit dividend:} & \quad 10,000 \\
- \text{Dividends after look through:} & \quad 7,000 \\
\hline
\text{Possible excluded dividend:} & \quad 3,000
\end{align*}
\]

Only $3,000 of the dividend paid on 30 September 2014 will be an excluded dividend. The remaining $2,000 (5,000 − 3,000) is taxable income and normal RWT and imputation rules will apply.
Part 5 – Taxing an LTC’s income

LTCs are transparent
Generally, for income tax purposes, an LTC is transparent in a similar way to partnerships. So, an owner with an effective look-through interest in the LTC is treated as:
- carrying on the activities and having the status, intentions and purposes of the LTC, and the LTC is treated as not carrying on the activities or having the intention or purpose
- holding the property of the LTC in proportion to their effective look-through interest in the LTC, while the LTC is treated as not holding that property
- being a party to an arrangement to which the LTC is a party to, in proportion to their effective look-through interest, while the LTC is treated as not being a party to the arrangement
- doing an activity or having an entitlement to anything the LTC does or has entitlement to, while the LTC is treated as not doing that activity or having such an entitlement.

Exceptions to “look through” mean the LTC itself will continue to be responsible as a company for its tax obligations under the:
- PAYE rules
- FBT rules
- RWT and NRWT rules
- RSCT and ESCT rules
- company amalgamation rules, or
- other tax Acts, eg, GST.

LTC income return
The LTC must complete an Income tax return (IR 7) that includes the total amount of income or deductions for the company for the income year, the amount of income for each owner, and a summary of the deductions for each owner.

The company isn’t taxed, but each owner must make a separate income return taking into account the amounts shown on the company’s income return.

Working owners
An owner can be a working owner of an LTC if:
- they are employed under an employment contract
- they carry out their employment duties under that employment contract, and
- the LTC’s main activity isn’t investing money, or holding and dealing in shares, securities, investments, estates or interests in land.

Payments to a working owner under the terms of the employment contract are included in their salary or wages. The LTC has to deduct PAYE and meet their employer obligations for that working owner the same as for an ordinary employee.

All owners of an LTC are allowed a deduction for their share of salary or wage payments made to working owners.

Owner’s tax responsibilities
Because all the LTC’s income, expenses, tax credits, gains and losses are passed through to the owners, each owner is responsible for declaring the income on their own income tax return.

The owner will be liable for any tax payable on their net LTC income at their marginal tax rate. They’ll also be allowed a deduction for any loss incurred by the LTC against any other income sources they may have. This will be subject to a loss limitation rule—see Part 7.

Income from an LTC may also make the owner liable for provisional tax. Go to www.ird.govt.nz (keywords: provisional tax) for more information.

Income or loss from the business activity of an LTC will be treated as if it were self-employed business income or loss for the owner.

Income or losses from other sources, such as residential rental property or interest from investments, are also treated as if they were earned directly by the owner, and will be recorded this way in their income tax return.

Example 1
Walnut Ltd is an LTC with a standard balance date. It earns business income from a store selling nuts, some term investments and a residential rental property.

Charles holds 60% of the shares in Walnut Ltd and his wife Caroline holds 40% of the shares.

Walnut Ltd’s income statement for the 31 March 2014 year shows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business income</td>
<td>$400,000</td>
</tr>
<tr>
<td>Allowable business expenses</td>
<td>$(350,000)</td>
</tr>
<tr>
<td>Gross interest</td>
<td>$12,000</td>
</tr>
<tr>
<td>Resident withholding tax (RWT) 28%</td>
<td>$(3,360)</td>
</tr>
<tr>
<td>Rental income</td>
<td>$13,500</td>
</tr>
<tr>
<td>Allowable rental expenses</td>
<td>$(15,000)</td>
</tr>
</tbody>
</table>

Charles’ allocation for the 31 March 2014 year will be:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business income</td>
<td>$240,000</td>
</tr>
<tr>
<td>Allowable business expenses</td>
<td>$(210,000)</td>
</tr>
<tr>
<td>Gross interest</td>
<td>$7,200</td>
</tr>
<tr>
<td>RWT</td>
<td>$(2,016)</td>
</tr>
<tr>
<td>Rental income</td>
<td>$8,100</td>
</tr>
<tr>
<td>Allowable rental expenses</td>
<td>$(9,000)</td>
</tr>
</tbody>
</table>

Caroline’s allocation for the 31 March 2014 year will be:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business income</td>
<td>$160,000</td>
</tr>
<tr>
<td>Allowable business expenses</td>
<td>$(140,000)</td>
</tr>
<tr>
<td>Gross interest</td>
<td>$4,800</td>
</tr>
<tr>
<td>RWT</td>
<td>$(1,344)</td>
</tr>
<tr>
<td>Rental income</td>
<td>$5,400</td>
</tr>
<tr>
<td>Allowable rental expenses</td>
<td>$(6,000)</td>
</tr>
</tbody>
</table>
In their individual tax returns for the year ending 31 March 2014 Charles and Caroline will declare the following amounts of income or loss from Walnut Ltd:

**Charles:**
- Business income from an LTC of $30,000
  
  \[(240,000 − 210,000)\]
- Gross interest of $7,200 with RWT credit of $2,016
- Rental loss of $900 \((8,100 − 9,000)\)

**Caroline:**
- Business income from an LTC of $20,000
  
  \[(160,000 − 140,000)\]
- Gross interest of $3,360 with RWT credit of $1,344
- Rental loss of $600 \((5,400 − 6,000)\)

**ACC levies**

A natural person owner who plays an active part in generating the LTC's income is self-employed for ACC purposes. They'll pay the ACC levies as a self-employed person, invoiced directly by ACC.

An owner who doesn't play an active part in the LTC's business is a passive investor and shareholder. They don't pay ACC levies on income attributed to them from the LTC. This includes any LTC income attributed to a natural person as beneficiary income through a trustee owner.

Salary or wages paid to a working owner are also liable for ACC levies. ACC earners' premium will be deducted as part of the PAYE deducted from the working owner's salary or wages. The LTC will also be invoiced directly by ACC for any levies on salary or wages paid to employees, including the working owner.

**Allocation of income and losses**

Income, expenses, tax credits, gains and losses are generally allocated to owners in proportion to each owner's effective look-through interest in the LTC. The allocation is usually according to each owner's average yearly interests, as if each item of income or loss occurred uniformly throughout the income year.

**Average interest method**

If the voting interest or market value interest of the LTC varies during the year owners may use an average interest method to determine their allocation of income and losses—see Example 2.

When an LTC has a market value circumstance in the year, the owner's effective look-through interest is calculated as the average of their voting interest and the market value interest in the LTC for that income year.

**Example 2: Average interest method income and loss allocation**

In the 2014–15 income year the shareholding in Walnut Ltd (see Example 1) changes when Caroline sells her entire 40% shareholding to Laura, effective 31 December 2014.

Caroline held her 40% shareholding for nine months \((275\) days), while Laura held 40% of the shares for three months \((90\) days).

Walnut Ltd’s income statement for the 31 March 2015 year shows:

- Business income \(500,000\)
- Allowable business expenses \(300,000\)
- Gross interest \(10,000\)
- RWT \((\text{resident withholding tax})\) 28% \(2,800\)
- Rental income \(13,000\)
- Allowable rental expenses \(16,000\)

Charles’ allocation for the 31 March 2015 year will be:

- Business income \(500,000 \times 60\% = 300,000\)
- Allowable business expenses \(300,000 \times 60\% = (180,000)\)
- Gross interest \(10,000 \times 60\% = 6,000\)
- RWT \(2,800 \times 60\% = (1,680)\)
- Rental income \(13,000 \times 60\% = 7,800\)
- Allowable rental expenses \(16,000 \times 60\% = (9,600)\)

Caroline’s allocation for the 31 March 2015 year will be:

- Business income \(500,000 \times 40\% \times \frac{275}{365} = 150,685\)
- Allowable business expenses \(300,000 \times 40\% \times \frac{275}{365} = (90,411)\)
- Gross interest \(10,000 \times 40\% \times \frac{275}{365} = 3,014\)
- RWT \(2,800 \times 40\% \times \frac{275}{365} = (844)\)
- Rental income \(13,000 \times 40\% \times \frac{275}{365} = 3,918\)
- Allowable rental expenses \(16,000 \times 40\% \times \frac{275}{365} = (4,822)\)

Laura’s allocation for the 31 March 2015 year will be:

- Business income \(500,000 \times 40\% \times \frac{90}{365} = 49,315\)
- Allowable business expenses \(300,000 \times 40\% \times \frac{90}{365} = (29,589)\)
- Gross interest \(10,000 \times 40\% \times \frac{90}{365} = 986\)
- RWT \(2,800 \times 40\% \times \frac{90}{365} = (276)\)
- Rental income \(13,000 \times 40\% \times \frac{90}{365} = 1,282\)
- Allowable rental expenses \(16,000 \times 40\% \times \frac{90}{365} = (1,578)\)

In their individual tax returns for the year ending 31 March 2015 Charles, Caroline and Laura will declare the following amounts of income or loss from Walnut Ltd:

**Charles:**
- Business income from an LTC of $120,000
  
  \[(300,000 − 180,000)\]
- Gross interest of $6,000 with RWT credit of $1,680
- Rental loss of $1,800 \((7,800 − 9,600)\)

**Caroline:**
- Business income from an LTC of $60,274
  
  \[(150,685 − 90,411)\]
- Gross interest of $3,014 with RWT credit of $844
- Rental loss of $904 \((3,918 − 4,822)\)

**Laura:**
- Business income from an LTC of $19,726
  
  \[(49,315 − 29,589)\]
- Gross interest of $986 with RWT credit of $276
- Rental loss of $296 \((1,282 − 1,578)\)
Accounts method

Instead of using the average interest method, owners can use their actual look-through interest in each period of the income year. This is applied to the income, expenses and other look-through items from each period and then added together. You need to prepare accurate accrual accounts for each ownership period during the year.

All owners must agree to use this accounts method for the income year. If all owners don’t agree to use the method they must all use the average yearly interest method instead.

If the LTC’s assessable income is $3 million or more during a 12-month period you may be required to use the accounts method if we decide it will provide the most accurate allocation of income and losses. We’ll notify you if we decide the LTC must use this method.

**Example 3: Accounts method income and loss allocation**

If, in Example 2, Walnut Ltd had drawn up full accounts and a profit and loss statement for the periods before and after Caroline sold her shares to Laura, it would show:

<table>
<thead>
<tr>
<th>Income/expenses</th>
<th>1 Apr to 31 Dec</th>
<th>1 Jan to 31 Mar</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Trading income</td>
<td>100,000</td>
<td>400,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Allowable expenses</td>
<td>(100,000)</td>
<td>(200,000)</td>
<td>(300,000)</td>
</tr>
<tr>
<td>Gross interest</td>
<td>7,500</td>
<td>2,500</td>
<td>10,000</td>
</tr>
<tr>
<td>Rental income</td>
<td>10,000</td>
<td>3,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Allowable rental expenses</td>
<td>8,000</td>
<td>8,000</td>
<td>16,000</td>
</tr>
</tbody>
</table>

Charles’s allocation for the 2014–15 income year is the same as in Example 2, as his shareholding was unchanged throughout the year.

Caroline’s allocation for the 1 April to 31 December period is determined as:

Trading income
100,000 \times 40\% = 40,000

Allowable expenses
100,000 \times 40\% = (40,000)

Gross interest
7,500 \times 40\% = 3,000

RWT (28\%)
= (840)

Rental income
10,000 \times 40\% = 4,000

Allowable rental expenses
8,000 \times 40\% = (3,200)

Laura’s allocation for the 1 January to 31 March period is determined as:

Trading income
400,000 \times 40\% = 160,000

Allowable expenses
200,000 \times 40\% = (80,000)

Gross interest
2,500 \times 40\% = 1,000

RWT (28\%)
= (280)

Rental income
3,000 \times 40\% = 1,200

Allowable rental expenses
8,000 \times 40\% = (3,200)

In his individual tax return for the year ending 31 March 2015 Charles will declare the same income and losses as in Example 2. Caroline and Laura will declare the following amounts of income or loss from Walnut Ltd in their 2015 tax returns, due to their changes in shareholding:

- **Caroline:**
  - Business income from an LTC of $0 (40,000 – 40,000)
  - Gross interest of $3,000 with RWT credit of $840
  - Rental income of $800 (4,000 – 3,200)

- **Laura:**
  - Business income from an LTC of $80,000 (160,000 – 80,000)
  - Gross interest of $1,000 with RWT credit of $280
  - Rental loss of $1,900 (1,300 – 3,200)

**Anti-avoidance provisions**

We can adjust the allocation of income or deductions from an LTC to its owners if we consider that it’s excessive, to prevent income being diverted to an owner’s relative.

We may take into account the nature and extent of the services given by an owner or relative, the value of an owner’s contributions, and other relevant matters when deciding on any adjustment.

**Excessive remuneration to relatives**

We may adjust the allocation of income and deductions of an LTC to its owners if the LTC employs a relative of an owner, and we consider their remuneration to be excessive.

This provision doesn’t apply if the relative is over 20 years of age at the date of entering into a written employment agreement with the LTC, providing they have control over the income paid to them under this agreement.

**Excessive effective look-through interests**

If we consider the current allocation provides excess income to an owner under 20, we may adjust the effective look-through interests of owners, and the resulting income and losses allocated to each owner.

This provision applies when two or more owners of an effective look-through interest in an LTC are relatives, and one is under 20.

**Attribution of personal services income**

When applying the attribution rules for income from personal services, LTCs are treated as associated entities, and not as being transparent.
Part 6 – Income for first year of an LTC

When an existing company becomes an LTC, each owner is considered to receive an amount of income for the first year the company is an LTC. Under the LTC rules the company’s reserves may be distributed or drawn down without the owners being subject to tax on distribution. This treatment isn’t intended to apply to previously accumulated company reserves.

Owners of newly incorporated and shelf companies which enter the LTC rules from their first year of trading won’t have any income under these rules. Owners of companies that begin to use the LTC rules after their first year of trading, or re-elect to use the LTC rules after having previously stopped using them, may have income under these rules.

The LTC owner must declare the income in their own income tax return.

Similar rules apply if a non-LTC company amalgamates with an LTC.

Exit exemption: The exit dividends that, if the company had been an LTC and is now becoming one again, would be attributed to any retained reserves from the previous LTC period that haven’t since been distributed.

Each owner declares their income in their own income tax return for the year the company becomes an LTC, in proportion to their effective look-through interest in the LTC.

Note

These rules don’t apply to a QC or LAQC that transitioned into the LTC rules under the provisions in Part 9.

Calculating owner’s income for LTC’s first year

Each owner’s income for the first year a company is an LTC is equal to their proportion (based on their effective look-through interest) of the company’s reserves that would be taxable if the company was liquidated and all assets distributed to the company shareholders.

Use this formula to determine the amount of income for an LTC’s first year:

\[
\text{Income} = \frac{\text{Dividends} + \text{Balances} - \text{Assessable income} - \text{Exit exemption}}{\text{Tax rate}}
\]

The terms in this formula have these meanings:

Dividends: The amount that would be taxable dividends of the company on distribution if the company were wound up immediately before the company became an LTC.

Balances: The sum of the balances in the company’s imputation credit and foreign dividend payment accounts immediately prior to becoming an LTC, plus any unpaid income tax less any refunds due for income tax years prior to becoming an LTC.

Assessable income: The assessable income, less any allowable deductions, that would be derived by the company if it were wound up. This includes depreciation recovered, bad debts and losses on the sale of assets.

Tax rate: The company tax rate for the income year before the income year when the company becomes an LTC, shown as a decimal (i.e., 0.3 or 0.28).
Part 7 – Losses and loss limitation

The LTC’s deductions and losses will generally be allocated to the LTC’s owners in the same way as the LTC’s income, using the allocation methods set out in Part 5.

The amount of deduction an owner can use is limited to their “owner’s basis,” which is the adjusted tax value of their investment in the LTC.

Generally, the loss limitation will only apply if a company’s tax losses aren’t matched by the owner’s contributions. The loss limitation rule ensures owners can only offset tax losses up to the amount of their actual economic losses.

Calculating the owner’s basis

Use the following formula to calculate each look-through counted owner’s “owner’s basis.”

\[
\text{Investments} - \text{distributions} + \text{income} - \text{deductions} - \text{disallowed amounts}
\]

The terms in this formula have these meanings:

**Investments**: This is the sum of the equity, goods or assets introduced or services provided to the LTC, or amounts paid by the owner on behalf of the LTC. It includes any loans, including shareholder current account credit balances, made by the owner to the LTC and their share of any LTC debt which they, or their associate, have guaranteed or provided indemnities for.

**Distributions**: This is anything paid out to the owner by the LTC, including dividends, loans and shareholder current account balances. It doesn’t include any salary or wages received by a working owner.

**Income**: The owner’s share of income, including exempt or excluded income, and any capital gains from the current and any prior tax years that the company was an LTC.

**Deductions**: The owner’s share of deductions and capital losses in prior tax years that the company was an LTC.

**Disallowed amount**: The amount of investments (see above) made by an owner within 60 days of the last day of the LTC’s income year if these investments are or will be distributed or reduced within 60 days after the last day of the income year. This will prevent the creation of an artificially high owner’s basis around the end of the income year to allow for normal operational cash-flow. This amount can be ignored if it’s less than $10,000.

Each owner’s basis will need to be checked before any deductions or losses from an LTC are used in the owner’s individual tax return. We recommend each owner’s basis is established when a company becomes an LTC, or when an owner buys shares in an LTC. The owner’s basis can then be adjusted for any of the above situations.

Excess deductions or losses

Any amount of loss or deduction for an owner that exceeds the owner’s basis can’t be claimed in that income year.

The excess deductions may be carried forward, to be deducted from any income or loss from the LTC in future years, subject to the loss limitation rule in those years.

**Example**

In the 2013–14 income year Trent is allocated a rental loss of $10,000 from an LTC, but the loss limitation rule limits the amount he can claim for that year to $9,000.

The excess $1,000 is carried forward and added to any deductions allocated to Trent by the LTC for the 2014–15 year. If the rental loss from the LTC for the 2014–15 income year is $12,000, the amount of loss that will need to be checked against Trent’s owner’s basis will be $13,000.

If the company ceases to be an LTC but continues in business as an ordinary company, any losses carried forward by an owner due to the loss limitation rule may continue to be used, but only against any future dividends they receive from the company.

An owner who ceases to hold shares in the LTC, and no longer has an effective look-through interest, can’t use excess deductions carried forward. The owner may be able to use them later if they acquire shares in the company again.
Part 8 – Disposing of look-through interests

An owner of an LTC is treated as holding the LTC’s property and assets directly in proportion to their effective look-through interest. There will be tax implications due to disposal of the underlying LTC property if the company is liquidated or ceases to use the LTC rules, or when an owner sells their shares.

Disposal of underlying LTC property

An owner is considered to have disposed of the underlying property of the LTC at market value and has to account for any tax obligations if:

- the company ceases to use the LTC rules, but otherwise continues to exist as an ordinary company. The company is considered to immediately acquire the property again at the same market value.
- the LTC permanently ceases to be a company (eg, through liquidation or court order).
- an owner’s shares are cancelled or repurchased by the LTC, unless it’s part of a pro-rata cancellation applied to all owners which doesn’t actually alter each owner’s effective look-through interest.

In the case of permanent cessation, share repurchase or cancellation, any actual consideration the owner receives is ignored and the disposal is considered to take place at market value.

Disposing of shares in an LTC

When an owner sells their shares in the LTC they’re treated as disposing of their share of the underlying LTC property. They will have to pay any tax associated with the disposal.

Disposal thresholds

The owner selling the shares, “the exiting owner”, only needs to account for income tax on the disposal of their shares if certain thresholds are exceeded. If these thresholds aren’t exceeded the new owner, “the entering owner”, is treated as acquiring their interests in the LTC’s underlying property for the same cost the exiting owner acquired them at.

If these thresholds are exceeded the entering owner is treated as acquiring their interests in the LTC’s underlying property for the amount paid for the shares.

These thresholds do not apply to revocation of LTC status or liquidation of the company.

$50,000 threshold

Exiting owners must account for tax on the sale of shares if the amount paid or payable for those shares exceeds the total net book value of the owner’s share of the LTC’s property by more than $50,000. This is less any liabilities under accepted accounting practices.

Any LTC shares the owner has sold within the preceding 12 months are also taken into account for this threshold.
Part 9 – Transitional rules for LAQCs and QCs

Companies that were already qualifying companies (QCs) or loss-attributing qualifying companies (LAQCs) in the income year immediately before the income year starting on or after 1 April 2011 were able to transition into the LTC rules and the tax costs in Part 4 wouldn’t have applied.

Transition took place in either the first or second income year starting on or after 1 April 2011. The year chosen is called the “transitional year”.

If the company transitioned during the second income year starting on or after 1 April 2011 then the company needed to meet the QC criteria for all of the first income year. If the company ceased to be a QC during the first transitional year, then their election to become an LTC was made as an existing company, not as a QC under these transitional rules. See Part 3.

Effects of transitioning

To become an LTC the shareholders of the existing QC or LAQC completed a Look-through company election (IR 862) form. Provided Inland Revenue received the election within six months of the start of the transitional year, the LTC election was treated as being effective from the start of that transitional year, and the tax costs in Part 4 didn’t apply.

Making the LTC election revoked the previous QC or LAQC status of the company from the beginning of the transitional year.

The LTC retained the same corporate identity and tax history as the previous QC or LAQC. Other tax registrations and obligations (such as for GST, PAYE, FBT) carried over automatically from the QC or LAQC to the LTC. Any tax arrears also carried over to the new LTC.

The carried forward loss balance of a QC, and any controlled foreign company (CFC) or foreign investment fund (FIF) losses carried forward by an LAQC were extinguished. The owners of the LTC could use these losses against their income in future years when the LTC begins to make a profit. The normal country ring-fencing rules continue to apply for CFC or FIF losses carried forward.

Provisional tax

Any provisional tax obligation for the transitional year of the QC or LAQC wasn’t carried over to the LTC, because the LTC doesn’t itself pay provisional tax.

The QC’s or LAQC’s provisional tax obligations didn’t automatically transfer to the owners of the new LTC. For income tax purposes, the owner of an LTC is treated as if this is the start of a new business or they’re receiving income from a new source.

While becoming the owner of an LTC doesn’t automatically change the owner’s provisional tax obligation for the transitional year, being allocated income or losses from the LTC will change the owner’s residual income tax for the transitional year. This may have an impact on provisional tax obligations for both the transitional and later years.
Terms we use

Close company
A company in which five or fewer natural persons hold more than either 50% of the total voting interests, or more than 50% of the total market value interests if a market value circumstance exists.

Controlled foreign company (CFC)
A foreign company controlled by five or fewer New Zealand resident shareholders.

Effective look-through interest
Effective look-through interest determines each owner’s allocation of income or losses from the LTC.

Each owner’s effective look-through interest is measured by the percentage of decision-making rights carried by their shares in the company in relation to dividends or other distributions, the company’s constitution, variation of the company’s capital and directors’ appointments or elections.

If the voting interest or market values interest of the LTC varies during the year (eg, when ownership of some of the LTC’s shares changes hands), either the average interest method or the accounts method will be used to establish each owner’s effective look-through interest. See pages 13–14 for more information. This is not the same as look-through interest—see next column.

Flat-owning company
Flat-owning companies are companies set up to own residential property. They’re not typical business companies. Shareholders in a flat-owning company are entitled to use or occupy the property.

Foreign company
A company that:
- isn’t resident in New Zealand, or
- is resident in New Zealand but, under a double tax agreement, is treated as not being a resident for tax purposes.

Foreign investment fund (FIF)
A foreign entity (eg, offshore unit trust or superannuation fund) a New Zealand resident has an interest in and is a source of income. For more information read A guide to foreign investment funds and the fair dividend rate (IR 461).

Look-through counted owner
For the LTC this:
- is a natural person who has a look-through interest in the LTC, or
- is a natural person beneficiary of a trust, who has beneficiary income from a look-through interest in an LTC for either the current income year, or any of the last three income years, or
- is a trustee of a trust which has income from the LTC, none of which was treated as beneficiary income in either the current income year and all of the last three income years, or
- a natural person with a voting interest or market value interest in a company, who has received, as beneficiary income from a trust, income that arose from a look-through interest in an LTC for either the current income year, or any of the last three income years.

Look-through interest
Look-through interest is a person’s shareholding in an LTC. Only natural persons or corporate trustees can hold shares in an LTC, and all shares must have the same rights to vote on:
- company distributions, including capital distributions
- the company’s constitution
- capital variations
- a director’s appointment.

This is different from “effective look-through interest”.

Loss attributing qualifying company (LAQC)
A qualifying company that meets all the eligibility requirements, whose shareholders and directors have elected it to be an LAQC. Up to the income year beginning on or after 1 April 2011, LAQCs were able to attribute losses to their shareholders, to offset against their assessable income.

Market value circumstance
A market value circumstance exists in relation to an LTC in any of the following situations:
- The company has debentures on issue that aren’t excluded securities or pre-budget securities.
- The company has any shares on issue where a third party guarantees dividend payment.
- There is an option, other than an excluded option, to acquire a share in the company.
- An arrangement exists with the purposes of defeating a provision that depends on measuring voting and market value interest.

Qualifying company (QC)
This is a company that meets all the requirements to be a qualifying company, and whose shareholders and directors have elected for it to be a qualifying company. For further information see our guide Qualifying companies (IR 435).
Part 10 – Services you may need

0800 self-service numbers

This service is available seven days a week (any time, 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 access to individuals’ personal information, such as account balances, you’ll need to be enrolled for voice ID or have a personal identification number (PIN). You can enrol for voice ID by calling 0800 257 843 and reset an existing PIN by calling 0800 257 777.

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

When you call our self-service numbers, we’ll ask you to say why you’re calling. Our speech recognition system will then direct you to a self-service line where you can get the information you want. If you need to talk to us, your call will go direct to an advisor who has the specific information to help you.

Need to talk to us?

Personal tax enquiries

General tax, tax credits and refunds 0800 227 774
Working for Families Tax Credits and payments 0800 227 773
Payment options 0800 227 771
Paid parental leave 0800 377 777
Child support (8 am to 5 pm Monday to Friday) 0800 221 221
Child support (employers) (8 am to 5 pm Monday to Friday) 0800 220 222
Student loans 0800 377 778

Business tax enquiries

General tax, tax credits and refunds 0800 377 774
Employers 0800 377 772
GST 0800 377 776
Large enterprises 0800 443 773

Mobile or international callers

Free calling doesn’t apply to mobile phones or international calls for other tax enquiries.

For direct dial numbers for mobile and international callers go to www.ird.govt.nz

Faster access to our services

Voice ID enrolled customers have shorter calls and better after-hours access.

Enrol now 0800 257 843
Reset your online password 0800 227 770
Check your account balances 0800 257 999
Order stationery 0800 101 035

Complaints Management Service

(8 am to 5 pm Monday to Friday) 0800 274 138

We’re here to take your call between 8 am and 8 pm Monday to Friday, and Saturday between 9 am and 1 pm (unless other times are shown). If you have an IRD number, remember to have it with you when you call.

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we may record 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 (search keywords: call recording).

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 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 (search 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 (search keyword: complaints) 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).