

# BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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## New secondary tax rate means new calculations

A new, low secondary tax rate of 12.5% and new calculations for extra pays/lump-sum payments are being introduced from 1 April 2010. You'll need to check your payroll system beforehand to make sure it's up to date.



There's a new, low secondary tax code (SB) for individuals who want to apply the 12.5% rate to their secondary income. The new tax code can be used by individuals who expect their total income from all sources to be less than \$14,000 for the year. A new formula will apply to employees who select this code, hence the calculation will change.

Our online PAYE/KiwiSaver calculators will be updated from 1 April to include the new "SB" tax code. To calculate PAYE, go to [www.ird.govt.nz](http://www.ird.govt.nz) "Work it out", "PAYE/KiwiSaver calculator".

From 1 April 2010 we'll be updating our online 2011 PAYE deduction tables:

- *Weekly and fortnightly PAYE deduction tables (IR 340)*
- *Four-weekly and monthly PAYE deduction tables (IR 341).*

We'll also be updating the *Tax code declaration (IR 330)* form in March with the new secondary tax code "SB".

If you use payroll software these changes should be incorporated into your payroll package for pay periods ending on or after 1 April 2010.

For more information on the new secondary tax rates go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: secondary tax rates).

## Tax statistics available online

A range of statistics about tax revenue and social entitlements is available on our website.

The statistics include data about customers, revenue collection, donation rebates, child support, Working for Families Tax Credits entitlements, GST turnover and filing, and income distribution by income bands.

They cover the years from July 2001 to June 2008, and customer data is available from April 2001 to March 2008. The figures will be updated every year and the current tables were published on 1 December 2009.

For more information on tax statistics go to [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: statistics).



**Inland Revenue**  
Te Tari Taake

## Welcome to Business Tax Update

In this issue: New secondary tax rate, tax statistics available, payroll giving, PAYE tax tables, preparing GST returns, child support deduction notices, GST on waste disposal levy, trusts and income allocation, associated persons definition, changes to RWT rates and thresholds, and GST on inbound tour operator fees.

If you have any suggestions for topics you'd like covered in this newsletter, email [BusinessTax.Update@ird.govt.nz](mailto:BusinessTax.Update@ird.govt.nz)



## REMINDERS

### Tax payments due on 7 February 2010:

Terminal tax payments are due Sunday 7 February 2010. However, you have until the next working day, ie, Monday 8 February 2010, to make your payment.

You can make payments by:

- online banking
- automatic payment
- direct credit
- posting us a cheque
- visiting any Westpac branch.

If you can't pay on time, call us on 0800 377 771 to discuss your situation and options. For more information on payment options go to [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: debt).

### FBT rate for low-interest loans:

On 1 October 2009, the prescribed rate for calculating FBT on low-interest, employment-related loans dropped from 6.41% to 6.00%.

## Payroll giving scheme now available



You can now offer payroll giving to your employees.

If you're considering offering payroll giving, here's some more information on how the scheme works.

You need to be filing your *Employer monthly schedule (EMS) (IR 348)* and *Employer deduction form (EDF) (IR 345)* electronically to set up payroll giving. If you're not filing electronically and want to watch a demonstration or register, go to [www.ird.govt.nz](http://www.ird.govt.nz) "Secure online services".

If you're already filing electronically in ir-File, the EMS and EDF have been updated to include payroll giving fields.

If you offer payroll giving your employees can make donations to approved donee organisations directly from their pay. For every dollar an employee donates they receive a third back as a tax credit through a reduction of their PAYE. The donations are collected by you and passed directly to the donee organisation.

You decide if you want to offer payroll giving and how your scheme will run. Some options to consider when setting up your scheme include whether to:

- allow individual employees to choose any approved donee organisation
- offer a limited list of approved donee organisations
- allow employees to vote for an approved donee organisation (eg, donee organisation of the month or year) to donate to.

The frequency, amount and donee organisations chosen by your individual employees can change at their discretion if your scheme allows it.

Your employees need to give you enough information for you to pass on their donation to the donee organisation. They're also responsible for checking the donee organisation is on the approved donee organisation list. For a list of donee organisations go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: donee organisations). It's a good idea to confirm the donee organisations are on the approved donee organisation list before deducting donations from your employees' wages.

If an employee asks you to donate to an organisation that isn't on our approved list, don't give them the tax credits. You don't have to make the requested donation, but if you do, it won't be part of the payroll giving scheme and won't be eligible for tax credits for payroll donations. You can discuss this with your employee.

### Your responsibilities

Once you offer payroll giving you're responsible for:

- deducting the requested donation amount from your employee's salary or wage
- calculating the correct tax credits for each payroll donation made
- recording the tax credits for payroll donations on your EMS
- keeping records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates
- passing the donation to the chosen donee organisations within the specified timeframe
- advising the donee organisations that the donations are made through payroll giving.

For more information on payroll giving and to calculate tax credits go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: payroll giving employers) or see our publication *Payroll giving (IR 617)*.

## Annual PAYE tax tables

From now on we're no longer sending out printed annual PAYE tax tables to employers.

Instead, an easy way to calculate your PAYE is to use our PAYE calculator. Go to [www.ird.govt.nz](http://www.ird.govt.nz) "Work it out", "PAYE/KiwiSaver calculator".

If you want to view or print our most up-to-date tables *Weekly and fortnightly PAYE deduction tables (IR 340)* or *Four-weekly and monthly PAYE deduction tables (IR 341)* go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: IR340 or IR341).

## Different due dates for November/December GST monthly returns

You'll only need to read this if you:

- prepare monthly GST returns for your organisation
- use the general ledger
- put through a journal entry to manually clear out the previous GST return balances.

Your GST returns are usually due on the 28th of the following month. However, the GST return for the period ended 30 November is due by 15 January.

When you prepare the GST return for the period ended 31 December (due on 28 January), please check you've put through a journal entry clearing the November figures so only the current month's balance is there.

## Child support deduction notices

In mid-March you'll receive a new *Child support deduction notice* for each employee who has child support deducted from their salary or wages.

The new notice will tell you when to make deductions for your employee and the correct amount to deduct.

We send new notices every year as all child support paying parents are reassessed for the new tax year starting on 1 April, resulting in a new payment amount.

If you don't receive a new notice for your employee please continue to deduct child support at the existing rate.

We usually issue an individual notice for each employee you make deductions for. However, we can send you deduction notices as a:

- *consolidated notice* – a notice in schedule form showing all additions and changes to child support payments for multiple employees on the same schedule
- *combination* – both individual deduction notices for some employees and a consolidated deduction notice for others.

If you'd prefer to process deduction notices in one of the above formats please call us on 0800 220 222.

## GST is charged on waste disposal levy



We've clarified the GST treatment of the waste disposal levy for waste disposal facility operators.

From 1 July 2009 if you're a waste disposal facility operator you'll need to charge GST of 12.5% on the levy and pay it to us in your GST return.

For more information on the waste disposal levy, go to the Ministry for the Environment website at [www.mfe.govt.nz](http://www.mfe.govt.nz)

## Changes to RWT rates and thresholds

From 1 April 2010 RWT (resident withholding tax) rates on interest will be aligned with recent changes to personal tax rates and the company tax rate.

If your business is paying RWT or receiving interest you may want to find out whether these changes affect you. For more information on these changes go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: changes RWT).

We'll be updating the RWT section of our website in mid-March.

## Trusts and timing of income allocation

Legislation for trusts has been amended to allow the income allocation to beneficiaries to be made in the later of the following periods:

- six months after balance date; or
- the earlier of:
  - the date on which the trustee files the return of income for the income year, or
  - the date by which the trustee must file a return for the income year.

This amendment applies from the 2009–10 income year.

### Example

Olive Family Trust is allocating income to beneficiaries for the year ended 31 March 2010. The trust return is due on 7 July 2010. The income should be allocated by:

- 30 September 2010, or
- the earlier of:
  - 7 July 2010; or
  - before the trustee must file a return.

If your trust has a tax agent the extension of time will still apply.

## Further change to associated persons definition

A legislative change has amended the definition of associated persons.

From 8 December 2009 a trustee and a beneficiary of a trust are not associated if:

- the trustee is a charitable or non-profit body with charitable, benevolent, philanthropic or cultural purposes and the supply is made in carrying out or enables them to carry out, these purposes, or
- the beneficiary is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic or cultural purposes and the supply enables them to carry out these purposes.

Two trustees of trusts with a common settlor are not associated if:

- either trustee is a charitable or non-profit body with charitable, benevolent, philanthropic or cultural purposes, and;
- the supply is made in carrying out, or enables them to carry out, these purposes.

For more information on the definition for associated persons go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: associated persons).

## GST on inbound tour operator facilitation fees

New legislation has clarified that the "facilitation fee" charged by inbound tour operators is liable for GST at the standard rate of 12.5%.

The facilitation fee relates to services a registered person provides in packaging one or more domestic tourism products and services in New Zealand and selling them outside New Zealand to a non-resident person. The tourism products and services may include accommodation, meals, transport and other activities.

A transitional period from 1 July 2007 to 30 June 2008 is intended to help minimise the impact of the legislative change. For this transitional period the GST on facilitation fees is zero-rated.

If you supplied facilitation services for inbound tour operations during the transitional period, and GST was paid on these services, you may be entitled to a refund of the amount of GST paid.

**Note:** The GST you can claim back during the transitional period is the GST on the facilitation fee only, not the GST on the whole package.

### Who is eligible for a refund?

You're eligible to receive a refund if:

- you were registered for GST and supplied the facilitation services between 1 July 2007 and 30 June 2008, and
- you can clearly show the separation of the facilitation fee from your other taxable income.

### How to apply for a refund

Applications requesting a refund must be made in writing before 8 June 2010, and include:

- a calculation confirming the separate amounts of facilitation fees and other taxable income, on a GST period-by-period basis, and
- confirmation you are an inbound tour operator.

Example	
GST sales	Period 1 July 2007–31 August 2007
General sales	\$10,000
Facilitation fee	\$1,250
Other income	\$500
<b>Total GST (inclusive) sales for period</b>	<b>\$11,750</b>

The GST refund for this period is the facilitation fee divided by 9:

$$\text{GST} = \$1,250 \div 9 = \$138.88$$

The refund amount must be:

- calculated for each taxable period that falls in the transitional period
- apportioned on a pro-rata basis for any days in the taxable period that fall outside the transitional period (eg, if the GST taxable period is from 1 June 2008–31 July 2008, the month of July 2008 is outside the transitional period).

Send your refund request to:

Inland Revenue Investigations Unit  
PO Box 33150  
Takapuna  
North Shore City 0740

### Minimum family tax credit rises

The annual amount of the minimum family tax credit that guarantees a family's after-tax income rises from \$20,540 to \$20,800 from 1 April 2010.

