



Inland Revenue
Te Tari Taake

IR 9GU
2002

Clubs' or societies' return guide

2002

This guide is designed to help clubs and societies meet their tax obligations. Use the notes in the guide to help you complete the return.

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

Introduction

The questions in the guide follow the same numbering as the return.

If you need more help after you've read the guide, these booklets provide detailed information:

- *Clubs and societies (IR 254)*
- *Charitable organisations (IR 255)*
- *Education centres (IR 253)*
- *Provisional tax (IR 289)*.

You can get these booklets from our website or order a copy through INFOexpress (see page 22).

Who has to file a return?

All New Zealand clubs and societies must file a tax return each year unless they derive only exempt income.

If we have sent you a taxpack but your organisation is tax exempt, phone us on 0800 377 774 so we can check our records.

Note

If your organisation has a certificate of exemption from resident withholding tax on interest and dividends this does **not** mean your income is exempt income.

Phone us if you are not sure whether your organisation is required to file a tax return (see page 21).

If your organisation's income is not exempt but the organisation did not have income that was liable for income tax during the year ended 31 March 2002, please fill in only:

- page 1 of the return, and
- the declaration on page 4.

A table of income that is liable for income tax is set out in our booklet *Clubs and societies (IR 254)*.

All other organisations must complete all parts of the return.

Return due date

If the club or society has a 31 March balance date you have until 7 July 2002 to send in the return unless you have been granted an extension of time. If you have a balance date other than 31 March this date may be different. Phone us on 0800 377 774 to check if you are not sure.

If the club or society is the client of an agent you may have until 31 March 2003 to file. Contact the agent for more information.

Question 3 Postal address

If you have a new postal address, write the details at Question 3. Leave this address panel blank if the club or society uses its agent's postal address. The agent will let us know of any change of address when updating their client list.

Question 6 Bank account number

Refund by direct credit

We recommend the club or society receives its refund by direct credit to its bank account because it is faster than a cheque.

If you want the refund direct credited and there is no account number preprinted, or the preprinted account number is not correct, write it in Box 6.

If the organisation's refund was direct credited last year and you are not using a preprinted IR 9 return, any refund due this year may go to the same account. If you want to change the account number for direct credits print the new account number in Box 6.

Refund by cheque

If a bank account number is shown but you want to receive the refund by cheque, you must tick Box 17G on page 3 of the return.

Question 8

Incorporation

An organisation is incorporated once it is issued with a certificate of incorporation under the Incorporated Societies Act 1908, Companies Act 1993, Friendly Societies and Credit Unions Act 1982 or the Charitable Trusts Act 1957.

Make sure that you complete this box as different tax rates apply for incorporated societies. See Question 16 on page 10 of this booklet.

Question 9

Has the club or society ceased?

If the club or society has ceased include a set of accounts (if accounts are required) to the date the organisation ceased.

If the organisation is registered for GST, or as an employer you will need to complete a *Business cessation (IR 315)* form to finalise your records. You can get an IR 315 from our website or by phoning INFOexpress (see page 22).

Question 10

Friendly societies

An organisation is a friendly society if it is registered under the Friendly Societies and Credit Unions Act 1982.

The net income to be shown in Box 10 is income arising from business transactions with people who are not members of the society, less all allowable expenses related to deriving the business income from non-members.

Any interest from investments that a friendly society earns is exempt income, providing it is not part of the income from a business that the society runs.

Where business activities cover both members and non-members, the income and expenses must be apportioned to calculate the taxable portion.

Print the net profit from business carried on with non-members in Box 10. (Show any net loss in brackets.)

Interest on broken term deposits

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

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

Deduct the allowable negative interest component using the worksheet below before entering the gross amount at Question 11 or 12 of the tax return. In all other cases the negative interest is deductible in a later tax return when the term deposit matures.

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

1 ▶ \$.

Print any negative interest you have paid in Box 2.

2 ▶ \$.

Subtract Box 2 from Box 1 and print the answer in Box 3. Copy this amount to Question 11 or 12 of your tax return.

3 ▶ \$.

Question 11

Exempt income

Generally, the income of the following types of club or society is exempt: amateur sports clubs, racing clubs, charitable societies, district improvement societies, veterinary services promoters, scientific or industrial research promoters and herd improvement promoters.

The income of these organisations is exempt unless the funds are able to be used for the private benefit of any of the organisation's members. Print any interest received in Box 11 and any dividends received in Box 11A.

Other income

Print the net profit in Box 11B. The net profit is the gross income less expenses related to deriving the income.

Note

Inland Revenue approval is required for any exemption from income tax. If you need more help, phone us (see page 21) or read our booklet *Clubs and societies (IR 254)*. You can get this from our website or order a copy through INFOexpress (see page 22).

Question 12

All other clubs and societies

A club or society's taxable income is based on its net profit or loss from revenue sources only, including:

- interest, dividends and rents
- sponsorship and admission fees
- transactions with people who are not members of the organisation
- advertising revenue from club journals, magazines or other printed material.

Any membership subscriptions or levies are not income for tax purposes. Deduct any costs incurred in earning income from taxable sources when you calculate the organisation's taxable income.

If you need more help, phone us (see page 21) or read our booklet *Clubs and societies (IR 254)*. You can view this on our website or order a copy through INFOexpress (see page 22).

Any trading the organisation does with its members (as long as this can be distinguished from non-member trading) is not liable for income tax. This is because of the “principle of mutuality”, which says that you can't make a profit from dealing with yourself.

Some income and expenses may relate partly to taxable activities and partly to exempt activities. For example, an organisation runs a seminar open to both members and non-members. The fees paid by members are not taxable, but the fees paid by non-members are.

Similarly, the proportion of the cost of running the seminar that relates to non-members is deductible, but the proportion relating to members is not deductible.

Print the taxable portion in Boxes 12, 12A and 12B.

Print the total in Box 12C.

Interest, dividends and other income

Print any net interest received in Box 12, dividends in Box 12A and the net profit from other income in Box 12B.

Note

Net income is the amount received from each source after deducting allowable expenses.

Payments of interest from Inland Revenue

Include interest paid by Inland Revenue in Box 10 if the organisation, is a friendly society. If the organisation is one to which Question 11 applies, show the interest in Box 11.

All others should show the interest paid in Box 12. If we adjust the interest for any year as a result of a reassessment the amended interest amount must be returned in the year following the reassessment. If your overall interest is also a negative amount, print the total in brackets.

Question 12D

Income tax deduction for non-profit bodies

A non-profit body can claim a deduction of up to \$1,000 on income derived beyond its circle of membership. This deduction is the smaller of:

- the amount at Box 12C, or
- \$1,000.

If the organisation's income is less than \$1,000 before the deduction, it will have no taxable income.

If you need more help, phone us (see page 21) or read our booklet *Clubs and societies (IR 254)*. You can get this from our website or order a copy through INFOexpress (see page 22).

Note

This deduction is not available to organisations covered by Questions 10 and 11.

Question 16

Tax calculation

Clubs and societies are taxed as follows.

Incorporated bodies:

- are taxed at 33 cents in the dollar, and
- are provisional tax payers, and so may have to make provisional tax payments. See Question 19 on page 12.

Unincorporated bodies:

- are assessed at individual tax rates but allowed no rebates, and may be provisional tax payers, and so may have to make provisional tax payments. See Question 19 on page 12.

If your organisation is an unincorporated body, calculate the tax on its taxable income using these rates.

<i>Income</i>	<i>Tax payable</i>
\$1 – \$38,000	19.5 cents in the dollar
\$38,001 – \$60,000	33 cents in the dollar
Over \$60,000	39 cents in the dollar

Claim any tax deducted from income paid to the organisation in Box 16A, 16C, 16E or 16G as appropriate.

Question 16C

Imputation credits

If the imputation credit at Box 16C is greater than the amount in Box 16B, the difference cannot be refunded. The excess credit must be converted to a loss to carry forward. If the organisation is an incorporated body divide the difference between Boxes 16B and 16C by 0.33. If it is not incorporated then divide the difference by 0.21. A net loss resulting from excess imputation credits can be carried forward to the organisation's 2003 return. We will send a notice confirming the amount of net loss to carry forward to the 2003 return.

Question 17

Refunds

If you would like us to transfer the organisation's refund to any other tax type or period write the details on a piece of paper and attach it to the front page of the return.

Question 18

New provisional tax payers

An organisation is a new provisional tax payer if:

- it starts to derive income from a taxable activity, and
- it had not derived income from a taxable activity within the last four years.

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

Provisional tax is not normally payable if the residual income tax for the previous year was less than \$2,500. Most new businesses do not pay provisional tax in their first year of operation because there is no residual income tax from the previous year on which to base the calculation.

However, if the organisation does need to pay provisional tax in its first year of operation it must pay on instalment dates arising more than 30 days after the start of the taxable activity. (See “Payment dates” on page 20.)

If you need help to work out whether the organisation has to pay provisional tax in its first year of operation, please phone us (see page 21) or read our booklet *Provisional tax (IR 289)*. You can get this from our website or order a copy through INFOexpress (see page 22).

Interest rules (read the notes on page 15) still apply from the organisation's relevant instalment dates.

The taxable activity start date will determine from which instalment interest will be calculated. Provisional tax is payable on instalment dates that occur more than 30 days after the taxable activity started, so if the start date is more than 30 days before the second instalment date and not more than 30 days before the first instalment date, interest will be charged from the second instalment date.

If the organisation doesn't have provisional tax to pay and it looks as if it will have a residual income tax liability at the end of the year, you may wish to estimate or make voluntary payments to reduce interest charged to the organisation.

Print the date the organisation started to derive income from the taxable activity in Box 18.

Question 19

2003 provisional tax

2003 provisional tax is charged for income the organisation will earn in the 2003 income year. It is payable in three equal instalments. If the organisation's 2002 residual income tax (at Box 16H of the return) is:

- **less than \$2,500** it does not have to pay provisional tax, but it can make voluntary payments (read the notes on interest on page 15)
- **\$2,500 or more, but expected to be less than \$2,500 for 2003** it may estimate 2003 provisional tax at nil (but read the "Estimation option" section on page 13)
- **\$2,500 or more, and expected to be \$2,500 or more for 2003** it must pay 2003 provisional tax using one of the options explained on page 13.

Note

2002 residual income tax is the amount of tax payable after deducting all credits, but not provisional tax payments. It is shown in Box 16H of the return.

Which option to use

All clubs or societies may choose one of the two options outlined below.

Standard option

2003 provisional tax is the 2002 residual income tax plus 5%.

If you use this option, write “S” in Box 19 of the return, and the amount of 2003 provisional tax in Box 19A.

If the organisations 2002 return has not been filed by the due date, read the section “2002 Return not filed by 2003 provisional tax instalment date” on page 17.

Estimation option

An organisation can estimate its 2003 provisional tax, and can do this as many times as it wishes up to its third instalment date. If the organisation's 2003 residual income tax is expected to be lower than its 2002 residual income tax, estimating may prevent it from paying more provisional tax than it has to. Reasons for estimating could be:

- **If the organisation's 2003 residual income tax is expected to be less than \$2,500**, it can estimate its 2003 provisional tax at nil. If, during the year, it looks as if its 2003 residual income tax will be \$2,500 or more, it should re-estimate its 2003 provisional tax on or before the day the next instalment is due.
- **If the 2003 residual income tax is expected to be \$2,500 or more**, but less than its 2002 residual income tax, it can estimate its 2003 provisional tax to the expected amount.
- **If the organisation chooses the standard option**, it still has the option of estimating its 2003 provisional tax any time up to its third instalment.

Unincorporated bodies

Tax rates for unincorporated bodies estimating for the 2003 income year are:

<i>Income</i>	<i>Tax payable</i>
\$1 – \$38,000	19.5 cents in the dollar
\$38,001 – \$60,000	33 cents in the dollar
Over \$60,000	39 cents in the dollar

An estimate must be fair and reasonable at each instalment it applies to. Read the notes on the Lack of reasonable care penalty below and Interest on page 15 if you use the estimation option.

If you need more help, phone us (see page 21) or read our booklet *Provisional tax (IR 289)*. You can get this from our website or order a copy through INFOexpress (see page 22).

Lack of reasonable care penalty

When you estimate the organisation's provisional tax, your estimate must be fair and reasonable. If the 2003 residual income tax is greater than the provisional tax paid, the organisation may be liable for a lack of reasonable care penalty of 20% of the underpaid provisional tax.

If the estimate of the organisation's provisional tax is greater than what would be payable under the standard option, reasonable care has been taken, and no penalty would apply.

If you use this option, write "E" in Box 19 of the return, and the amount of 2003 provisional tax in Box 19A.

Interest

Generally, if the organisation has paid too much provisional tax, we pay interest, or if it has not paid enough provisional tax, we charge interest. The interest rates are aligned with market interest rates.

Interest the organisation pays is generally tax deductible, while interest we pay is taxable income. We deduct resident withholding tax from any interest paid unless we hold a current RWT exemption for you.

Interest applies from the organisation's first provisional tax instalment date if:

- the organisation's 2002 residual income tax is \$2,500 or more
- the organisation is a new provisional tax payer and the taxable activity started more than 30 days before the first instalment date (see notes below).

If the organisation pays the total tax plus interest assessed within 30 days of the date of the notice of assessment, no further interest will be charged on that amount. Otherwise interest will continue to accrue daily until the tax is paid. Interest no longer stops at the due date for payment of end-of-year tax.

If the organisation has been charged interest, it should pay the interest by the due date for end-of-year tax (7 February or 7 April).

If we pay interest it continues to accrue until the date we refund the overpaid tax or apply it to another liability.

Interest rules for new provisional tax payers

There are special rules that apply to the timing of when interest may be charged for new provisional tax payers.

New provisional tax payers may be charged interest from the first, second or third instalment date. The instalment date that interest applies from is determined by the start date of the taxable activity.

For organisations whose balance date is 31 March, the start date for interest will be:

- 7 July if the taxable activity started before 7 June of the same year
- 7 November if the taxable activity started between 7 June and 7 October of the same year
- 7 March if the taxable activity started after 7 October of the previous year.

If your organisation has a balance date other than 31 March, the provisional tax payment date will be the 7th of the month every four months following the balance date month.

Election to be a provisional tax payer

A club or society is a provisional tax payer for the 2002 year if its residual income tax for that year is \$2,500 or more. If the 2002 residual income tax is less than \$2,500 but the club or society paid provisional tax for the year, the organisation may elect to be a provisional tax payer for that year. This may affect the interest the organisation may be entitled to for that year.

To elect to be a provisional tax payer for the 2002 year, attach a letter to the front of the 2002 return.

2002 return not filed by 2003 provisional tax instalment date

Standard filing date

If you do not have an extension of time to file (that is, your return is due by 7 July), each provisional tax instalment will be one-third of your 2002 residual income tax (RIT) plus 5%.

Extension of time

If you have an extension of time to file your 2002 return, and have not sent us your return before your first, second or third instalments are payable, the following applies to you.

Note: Read the section on interest on page 15 as this may apply.

Standard option

2001 residual income tax less than \$2,500 (debit)

If your 2001 RIT was less than \$2,500 (debit), you were not a provisional taxpayer for the 2001 income year. Your 2003 provisional tax instalments will be payable after your 2002 return is filed or your third instalment date, whichever is earlier. Please see table A below.

Table A: 2001 RIT less than \$2,500 (debit), standard balance date of 31 March

	First instalment due 7 July	Second instalment due 7 November	Third instalment due 7 March
2002 return filed between 8 July 2002 and 7 November 2002	Nil	2002 RIT plus 5% divided by 2	2002 RIT plus 5% divided by 2
2002 return filed between 8 November 2002 and 7 March 2003	Nil	Nil	2002 RIT plus 5%
2002 return filed after 7 March 2003	Nil	Nil	2002 RIT plus 5%

2001 residual income tax more than \$2,500 debit

If your 2001 RIT was more than \$2,500 (debit), each provisional tax instalment due before you have filed your 2002 return will be one-third of your 2001 residual income tax plus 10%. You will need to recalculate any 2003 provisional tax instalment amounts after your 2002 return is filed or your third instalment date, whichever is earlier. Please see Table B below.

Table B: 2001 RIT more than \$2,500 debit, standard balance date of 31 March

	First instalment (P1) due 7 July	Second instalment (P2) due 7 November	Third instalment (P3) due 7 March
2002 return filed between 8 July 2002 and 7 November 2002	2001 RIT plus 10% divided by 3	2002 RIT plus 5% divided by 3, multiplied by 2, less P1	2002 RIT plus 5% less (P1 plus P2)
2002 return filed between 8 November 2002 and 7 March 2003	2001 RIT plus 10% divided by 3	2001 RIT plus 10% divided by 3	2002 RIT plus 5% less (P1 plus P2)
2002 return filed after 7 March 2003	2001 RIT plus 10% divided by 3	2001 RIT plus 10% divided by 3	2002 RIT plus 5% less (P1 plus P2)

Example

The following is an example of a taxpayer with an extension of time, who filed their return on 10 July 2002 (after the first instalment but before the second) and whose 2001 RIT was greater than \$2,500.

	First instalment (P1) due 7 July	Second instalment (P2) due 7 November	Third instalment (P3) due 7 March
Example: 2001 RIT = \$3,000 2002 return filed 10 July 2002 2002 RIT = \$4,000	2001 RIT plus 10% divided by 3 ● \$3,000 plus \$300 divided by 3 equals	2002 RIT plus 5% divided by 3, multiplied by 2, less P1 ● \$4,000 plus \$200 divided by 3, multiplied by 2, less \$1,100 equals	2002 RIT plus 5% divided by 3 ● \$4,000 plus \$200 divided by 3 equals
2003 provisional tax = \$4,200	\$1,100	\$1,700	\$1,400

Estimation option

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

Payment dates

For a club or society with a 31 March balance date, the due dates for payment are:

2003 provisional tax

First instalment	7 July 2002
Second instalment	7 November 2002
Third instalment	7 March 2003

2002 Tax to pay Box 16J 7 February 2003

If the organisation is the client of an agent and has a standard or a late balance date, it may have until 7 April 2003 to pay the 2002 tax. If this applies, contact the agent for more information.

If the organisation has a balance date other than 31 March the provisional tax payment date will be the 7th of the month every four months following the balance date month.

Late payment

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

For penalties imposed on or after 1 April 2001 and up to 31 March 2002

A 5% late payment penalty will be charged on the day after the due date. A further 1% penalty will be added every month the amount owing remains unpaid.

For penalties imposed on or after 1 April 2002

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

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

Instalment arrangements

If you are unable to pay your tax by the due date, please contact us to discuss an instalment arrangement. In some situations, if you are in financial difficulties, we may agree to you paying your tax and any penalties and interest this way.

Instalment arrangements can be agreed upon before or after the due date for payment. However, there are greater reductions in the penalties charged if the arrangement is made before the due date.

Amounts of \$100 or less

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

For more help

If you have any queries, phone us on the 0800 numbers listed below. Our customer service representatives (CSRs) are available from 8 am to 8 pm, Monday to Friday, and 9 am to 1 pm on Saturdays.

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

Our busiest day is Monday. If you can call on other days you are less likely to experience delays.

Customer service quality monitoring

We randomly record calls made to Inland Revenue to monitor and improve the quality of our customer service. Please note that we store these recordings securely for a limited time and destroy them after use.

Inland Revenue's website

Visit our website at:

www.ird.govt.nz

for detailed information about tax and social policy, and online access to our booklets, returns, forms, newsletters, public rulings and the many other services we offer.

INFOexpress

INFOexpress is our automated telephone service. These are some of the things you can do by phoning INFOexpress:

- order Inland Revenue forms and booklets
- get tax payment information
- get updates on your account balances (income tax, GST, employer accounts for PAYE, child support, SSCWT, fringe benefit tax and student loans)
- request or change a personal identification number (PIN).

All you need to use INFOexpress is a touch tone phone and your IRD number. It's also helpful if you know the number of any forms or booklets you are ordering. For personal information, such as account balances, you will need an INFOexpress PIN. You can get a PIN by phoning 0800 257 777 and following the instructions given.

INFOexpress is available between 6 am and 12 midnight, seven days a week.

You can call these numbers for:

- Forms and stationery 0800 257 773
- Taxpacks 0800 257 772
- All other services 0800 257 777

Privacy Act 1993

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

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

We may exchange information about you with Work and Income NZ, the Department for Courts, the Ministry of Education, the Accident Compensation Corporation, or their contracted agencies. Information may be provided to overseas countries with which New Zealand has an information supply agreement. Inland Revenue also has an agreement to supply information to Statistics New Zealand for statistical purposes only.

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

If you have a complaint about our service

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

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

If you're still not satisfied, we have a Complaints Management Service that can take a fresh look at your complaint. You can call toll-free on 0800 274 138 between 8 am and 5 pm weekdays or, if you prefer, you can put your complaint in writing and send it to the Complaints Management Service, Inland Revenue, PO Box 1072, Wellington.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, read our leaflet *If you disagree with an assessment (IR 778)*. You can get it from our website or order a copy by phoning INFOexpress—see page 22.

