

About the IR 10

The *Financial statements summary (IR 10)* form is designed to collect information for statistical purposes. The IR 10 is only required to be completed where there is a business activity. The Income Tax Act 2007 defines a business as including any "profession, trade, or undertaking carried on for a profit". The IR 10 is a summary of the financial statements of a business. "Financial statements" mean financial statements/accounts of the business or financial records when these are not available.

A business has the option of attaching either a fully completed *Financial statements summary (IR 10)* form or a set of financial statements to its tax return.

Completing the IR 10

Copy the amounts from your financial statements to the corresponding boxes in the IR 10. Read the following notes. Where a term is not explained it has its normal accounting meaning. For full details on how to complete an IR 10 refer to the IR 10 guide that can be viewed by going to www.ird.govt.nz (search keywords: IR10G).

Notes

1 – Multiple activity indicator

Tick "yes" if there is more than one line of business, not just several divisions in the same business.

2 – Sales and/or services

This is gross income from the sales of goods and services. Include management fees and commissions if this is the main source of income. Include salaries, wages and schedular payments if it is the only income.

3 – Opening stock

This is the total of stock on hand including raw materials, livestock, grain or produce used in the business, work in progress and finished goods at the beginning of the year.

4 – Purchases

Enter the total amount of purchases and other direct costs. The direct costs (labour and other) of a business that provides services should be treated as purchases.

5 – Closing stock

This is the total of stock on hand including raw materials, livestock, grain or produce used in the business on hand, work in progress and finished goods at the end of the year.

8 – Dividends received

Enter the amount of dividends received as shown in the profit and loss statement, including inter-group dividends. You can gross up the dividends to the extent that they are taxable and the imputation credits are available to satisfy the business's income or tax liability. Or you can account for the taxable dividends on a net basis and make a tax adjustment for any imputation credits. Businesses that must prepare general purpose financial statements that comply with generally accepted accounting principles (GAAP) must account for imputation credits on a net basis as required by International Financial Reporting Standards (IFRS).

9 – Rental, lease and licence income

Enter the amount of gross rental, lease, licence and hire income before expenses as shown in the profit and loss statement. If licence income or hiring activities are part of normal business activities include the income in Box 2 (sales and/or services). Don't include hire purchase and finance lease income.

10 – Other income

Include salary, wages and schedular payments that have been included in the profit and loss statement where they have not been recorded in Box 2 (sales and/or services). Exclude exceptional items that should be included in Box 26.

16 – Professional and consulting fees

Professional fees include accounting, legal fees and taxation advice. Consulting fees include management advice, financial advisory fees, assistance with feasibility studies, and advice concerning mergers, acquisitions, financing and restructuring.

18 – Rental, lease and licence payments

Licence payments include franchise fees, royalties and licence fees.

21 – Related party remuneration

Enter the total amount of remuneration paid for services performed by the owner of the business and/or related parties. Include management fees and director's fees. Do not include indirect remuneration such as ACC levies, FBT and employer contributions to superannuation/KiwiSaver.

For the purpose of this form a related party is any individual or entity with a 25% or greater, direct or indirect interest in the business. When determining if an individual has a 25% or greater interest, the ownership interests of first-degree relatives (parents, siblings and children) and spouses/partners should be aggregated and treated as one related party.

Where a trust/trustee owns, directly or indirectly, 25% or more of a business, related party remuneration includes salary, wages or management fees paid to any settlor, trustee or beneficiary of that trust. Where the trust/trustee has a 25% or more interest in an underlying business entity/structure such as a company, related party remuneration includes any payments made to settlors, trustees or beneficiaries of that trust by that company or other business entity.

Refer to the IR 10 guide for more information on related party remuneration.

22 – Salaries and wages paid to employees

Include indirect employment costs such as KiwiSaver contributions and ACC levies. Do not include related party remuneration.

26 – Exceptional items

These are large income and/or expense items that do not arise as a result of normal business operations and are not expected to recur. The following six income and/or expense categories are exceptional items:

1. Results from the sale or disposal of the business or a significant part of it
2. Results from natural disasters
3. Major restructuring costs paid or provided for
4. Major impairments or write-offs
5. Reversal of major impairments, write-offs, or restructuring provisions
6. Large one-off non-operational receipts.

Only disclose exceptional items if the income and/or expense items of the above six categories total more than 5% of turnover.

27 – Net profit/loss before tax

This is the total of Box 11 (Total income) less Box 25 (Total expenses) and then adding Box 26 (Exceptional items) if it is a positive amount, or deducting Box 26 if it is a negative amount.

28 – Tax adjustments

These are the total of all adjustments that are required to go from the net profit/loss before tax as shown in Box 27 to the current year taxable profit/loss as shown in Box 29. If there is no difference between Box 27 and Box 29 leave Box 28 blank. Examples of causes of common tax adjustments are differences between accounting and tax depreciation, tax depreciation recovered, capital gains and losses on sale of assets, provisions not incurred at balance date and non-deductible expenditure.

29 – Current year taxable profit/loss

This figure should be equal to Box 27 (Net profit/loss before tax) plus Box 28 (Tax adjustments) if it is a positive amount, or deducting Box 28 if it is a negative amount. It should be before inter-company loss offsets and the utilisation of any losses carried forward.

32 – Other current assets

Include closing stock (inventory), work in progress, and the balance of the owners' current account where the owner owes funds to the business.

33 to 38 – Fixed assets

Enter the accounting book value (net of depreciation) of each category of fixed asset.

39 – Intangibles

Include the right to use intangible assets.

40 – Shares/ownership interests

Enter the accounting book value of profit sharing investments. This includes shares in companies, interest in a partnership or joint venture, equity in a unit trust and entitlements to trust distributions.

45 – Accounts payable (creditors)

Also include expenses that have been accrued at balance date.

47 – Other current liabilities

Include the balance of owners' current account where the business owes funds to the owner.

51 – Owners' equity

The owners' equity should be the amount shown in the balance sheet and be equal to total assets shown at Box 43 less total liabilities shown at Box 50.

52 – Tax depreciation

Tax depreciation is calculated in accordance with the Income Tax Act 2007 and associated depreciation determinations issued by IR. It includes depreciation on fixed assets, depreciable land improvements and depreciable intangible property. Do not include depreciation on buildings with an estimated useful life of fifty years or more.

53 – Untaxed realised gains/receipts

This includes all gains and receipts not subject to income tax. Common examples are capital gains on the sale of assets such as land or shares, gifts received and one off receipts of a capital nature.

55 – Disposals of fixed assets

Enter the proceeds from the sale of fixed assets and funds received as a result of scrapping fixed assets.

56 – Dividends paid

Enter the amount of dividends paid to shareholders or credited to their current account (including resident withholding tax). Do not include imputation credits attached to the dividends and dividends that were proposed but not paid at balance date. Include non-cash dividends such as expenditure for the benefit of the shareholders.

57 – Drawings

Enter the total drawings taken from the business by the proprietors or shareholders or partners or beneficiaries. Include all private use adjustments and private expenditure through the business that has not been treated as a dividend or a trust beneficiary distribution.

59 – Tax-deductible loss on disposal of fixed assets

Enter the total tax loss on disposal of fixed assets. Include the loss arising when fixed assets are scrapped.