



Inland Revenue
Te Tari Taake

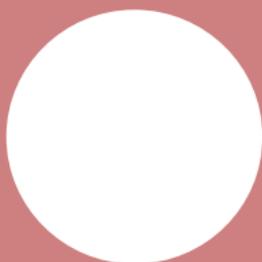
IR6G
March 2019

Estate or trust return guide 2019

Read this guide to help you fill in your IR6 return.

If you need more help, read our guide *Trusts' and estates' income tax rules (IR288)*.

Complete and send us your IR6 return by 7 July 2019, unless you have an extension of time to file.



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Who needs to file an IR6 return?

If you are a trustee of a trust, or the executor or administrator of a deceased person's estate you need to file an IR6 to account for income the estate or trust earns.

In this guide we use "trustee" or "you" to refer to the person or persons administering an estate or trust. The word trust also refers to estates unless we've stated otherwise.

This guide provides general information about how to complete the IR6 return. There are references throughout the guide to our other publications which may help you. If you still need help please call us on one of the telephone numbers listed under "Services you may need" at the back of this guide or contact a tax advisor.

How income of an estate or trust is taxed in general

In general, income of an estate or trust will be subject to income tax in New Zealand if it has a source in New Zealand regardless of the residency of the trustee.

The trustee is also liable for New Zealand income tax on income derived outside New Zealand where any settlor of the trust is resident in New Zealand at any time during the income year, or if the estate has a New Zealand trustee and the deceased was resident in New Zealand.

Allocations

Income of a trust is either trustee or beneficiary income. The trustee can allocate income as beneficiary income, provided the income either:

- vests absolutely in the beneficiary in the income year, or
- is paid or applied for the benefit of the beneficiary during that income year or within a specified period from the end of the income year. For more information see Question 18A on page 31.

Trust income allocated as beneficiary income is taxable income, except as covered below under the special rules for allocations to minor beneficiaries.

Distributions

In addition to **allocating beneficiary income**, a trustee can make **distributions** to beneficiaries. A distribution can be made up of:

- (a) tax-paid profits (trustee income or beneficiary income)
- (b) capital gains of the trust
- (c) corpus of the trust (the capital contributed to set up the trust)
- (d) (for a foreign trust) non-taxed profits such as foreign-sourced income.

The tax position of a distribution from a trust depends on the type of trust making the distribution and the residency of the beneficiary. See pages 11 to 12 of this guide.

Generally, a distribution to a New Zealand resident beneficiary from:

- (a) a complying trust is not taxable
- (b) a foreign trust is taxable, to the extent it is not part of the corpus or capital gains
- (c) a non-complying trust is taxable at 45 cents in the dollar, to the extent it is not part of the corpus.

Allocations of beneficiary income to a minor

A minor is defined as a New Zealand resident under the age of 16 years on the balance date of the trust.

Allocations of beneficiary income that the minor beneficiary rule applies to are treated as trustee income. This means they are:

- taxed at 33%
- included in the trustee's tax calculation in the IR6 return, and
- included in the trustees' provisional tax calculations.

The minor beneficiary should not include this income in their *Individual income tax return (IR3)*.

Exceptions to the minor beneficiary rule

The following exceptions allow income allocated to a minor beneficiary to be treated as beneficiary income if the income:

- is derived by a minor for whom a child disability allowance is paid under the Social Security Act 2018, or
- is derived directly from either a group investment fund, the Māori trustee or a Māori authority, or
- the amount allocated to the minor from the trust is \$1,000 or less in an income year.

Note

If the \$1,000 threshold is exceeded, the total income allocated to the minor beneficiary is taxed as trustee income. For example, if a minor beneficiary is allocated \$1,200, the total allocation of \$1,200 is taxed at 33%. The general anti-avoidance rule may apply if a person establishes multiple trusts to increase the number of exemptions. See *Tax Information Bulletin (TIB) Vol 19, No 4 (May 2007)* for further information.

There are further exceptions to the minor beneficiary rule that relate to the nature of the settlements on the trust. For further information, please see our *Tax Information Bulletin (TIB) Vol 13, No 5 (May 2001)*.

Return due date

If the estate or trust has a 31 March balance date you have until 7 July 2019 to send in the return, unless you have been granted an extension of time. If you have a balance date other than 31 March, the due date may be different. Call us on 0800 377 774 if you're not sure.

If the estate or trust is the client of an agent, it may have until 31 March 2020 to file the return. Contact your agent for more information.

International obligations

You may also need to provide information about a trust to comply with the following international obligations.

The Common Reporting Standard (CRS)

For further information see:

- *IR Guidance on the CRS (IR1048)* section 11
- *CRS: Is the Trust a Reporting NZ Financial Institution (IR1052)*
- *Family Trust obligations under the CRS (IR1053)*
- or go to www.ird.govt.nz/crs

Foreign Account Tax Compliance Act (FATCA)

For further information see:

- *FATCA Trusts Guidance (IR1087)*
- *FATCA status of NZ trusts that are not US person (IR1086)*
- go to www.ird.govt.nz/fatca

Questions

Questions 1 to 6

The information in Questions 1 to 6 of the return helps us to be sure that any correspondence we send goes to the right person at the right address.

Fill in these questions only if the correct information is **not** printed on the return.

Question 1 IRD number

If the estate or trust does not have an IRD number complete an *IRD number application - resident non-individual (IR596)* and send it in with the return.

Question 2 Name of estate or trust

If the estate or trust has changed its name since the last time a return was filed, please provide proof of the change so we can update our records, eg, trustee resolution.

Questions 3 and 4 Postal address and phone number

If you have a new postal address, write the details at Question 3. If your new postal address is a PO Box number, please show your box lobby if you have one. If you're unsure please contact New Zealand Post.

If the estate or trust uses its tax agent's postal address, leave this panel blank. Your tax agent will let us know of any change of address when updating their client list. We ask for your daytime phone number at Question 4 in case we need to call you with questions about the return.

Question 5 Business industry classification (BIC) code

We're required to supply the Accident Compensation Corporation (ACC) with a code for your business or trading activity, for levy classification and calculation.

If your BIC code isn't pre-printed on the return or is different from the pre-printed one, please enter the correct code.

To work out your main business or trading activity and its code, go to www.businessdescription.co.nz or call ACC on 0800 222 776.

It's important that you choose the code which most accurately reflects your main business or trading activity.

Note

Please provide the **code only**. Don't provide a description.

Question 6 Bank account number

The fastest and safest way to get any refund is to have it direct credited to your New Zealand bank account or other deposit account, eg, a building society account. If your bank account number isn't preprinted on the return form, please include it at Question 6.

If your suffix has only two digits, enter them in the first two squares of the suffix box.

Question 7A Has the estate or trust ceased?

If the estate or trust has ceased, include accounts showing the distribution of all assets and liabilities to the date the estate or trust was finalised.

If the estate or trust is registered for GST or as an employer, you'll need to complete a *Business cessation (IR315)* form to finalise your records.

Question 7B Nil trust returns

If the trust receives any income, eg, interest, the trustee must file a return regardless of the amount of income derived.

Where a trust has no prospect or intention of deriving any income in a given financial year, please call us on 0800 377 774 with the name and IRD number of the trust so we can record that a return isn't required for that year.

If the trust subsequently derives income in a future year, the trust must send in a return.

Note

This only applies to trust returns. Estates are still required to file a return of income regardless of whether they have derived income.

A complying trust that is non-active and doesn't want to file an income tax return can complete and send the *Non-active trust declaration* (IR633):

The complying trust needs to declare:

- It hasn't derived or been deemed to have derived any gross income from any source.
- It has no deductions.
- It has not been party to, or continued with, any transactions with assets of the trust that give rise to any of the following during the tax year:
 - a. Income or deemed income in any person's hand.
 - b. Fringe benefits to any employee or former employee.

Question 8 Types of trusts

The type of trust determines the way certain distributions are taxed in the hands of beneficiaries. There are three types of estates or trusts for income tax purposes:

- complying
- foreign
- non-complying.

Complying trust

In general a complying trust is one that has been taxed in New Zealand on all its trustee income since the date it began and the trustee has met all its tax obligations. Complying trusts include:

- trusts settled by New Zealand residents with New Zealand trustees and New Zealand beneficiaries
- estates of people who were New Zealand residents when they died
- foreign trusts that have elected to become complying trusts.

The trust can still be a complying trust if the trustee was not liable for New Zealand income tax because:

- the trust earned no income, or
- the income was exempt, or
- the trust was in a loss situation.

Foreign trust

A foreign trust is one where no settlor of the trust has been resident in New Zealand since:

- 17 December 1987, or the date the trust was first settled, whichever is later, and on the date of distribution.

Non-complying trust

A trust that isn't a complying trust or a foreign trust is a non-complying trust. Non-complying trusts include:

- trusts with a New Zealand-resident settlor, but non-resident trustees, that haven't been liable for or haven't paid New Zealand income tax on all trustee income since first being settled
- foreign trusts where the settlor has become a New Zealand resident and an election hasn't been made to be a complying trust
- all the beneficiaries are non-residents and all the income is passive income such as interest, dividends, and royalties.

Election to change category of trust for tax purposes

New residents or former residents who have settled a trust before coming to New Zealand may elect to pay New Zealand tax on future trustee income. Making this election will mean the trust becomes a complying trust for income derived on or after the date on which the election is made. An election can be made by a settlor, trustee or beneficiary using an *Election to pay income tax on trustee income (IR463)* form.

If an election isn't made the trust will become a non-complying trust. Elections must be made within 12 months of a new resident ceasing to be a transitional resident, and within 12 months of the arrival for a former resident.

Unit trust

A unit trust is treated as a company for tax purposes. If you're preparing a tax return for a unit trust, please complete a *Companies income tax return (IR4)*.

Group investment fund

If the income is:

- solely from Category B income, an IR6 must be completed
- solely from Category A income, an IR4 must be completed
- a combination of both Category A and Category B income, an IR4 and IR44E must be completed. Please read the notes on the IR44E for further information.

Superannuation schemes

A superannuation scheme that isn't registered with the Financial Markets Authority and doesn't allow investors to contribute will be treated as a trust for tax purposes and must file an IR6 return.

Income and credits section

Income received by a trust retains its character as it passes through the trust. For this reason we ask that you return different types of income in certain boxes.

Question 9 New Zealand interest

Include interest from all New Zealand sources at Question 9.

The interest payer will usually send you an *RWT withholding certificate (IR15)*, or similar statement, showing the gross interest paid and the amount of RWT deducted.

Write the total of all RWT deducted in Box 9A.

Add up all the gross interest amounts (before the deduction of any tax) and write the total in Box 9B.

Note

If expenses are deductible against the interest income (eg, commission), claim them at Question 19. Read about expenses on page 33.

Don't send in any interest statements or IR15 certificates with your return, but keep them in case we ask for them later.

Interest on broken term deposits

If you've broken a term deposit during the year, you may have to account for "negative interest". This is interest repaid on a term deposit and may reduce the amount of interest to declare in your 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 IR15 or equivalent statement.

Deduct the allowable negative interest component, using the worksheet below, before entering the gross amount at Box 9B on your return. In all other cases, the negative interest is deductible in a future income year when the term deposit matures.

Worksheet

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

1 ▶	\$	<input type="text"/>	.	<input type="text"/>
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Print any negative interest you've paid in Box 2.

2 ▶	\$	<input type="text"/>	.	<input type="text"/>
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Subtract Box 2 from Box 1 and print the answer in Box 3. Copy this amount to Box 9B of your tax return.

3 ▶	\$	<input type="text"/>	.	<input type="text"/>
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Interest paid or charged by Inland Revenue

If we paid you interest, include it in Box 9B for the income year the trust received the interest.

If the trust paid us interest, include it as a deduction in Box 19 of the return for the income year the interest is paid.

Interest from overseas

If the trust received interest from overseas, convert your overseas interest and tax credits to New Zealand dollars and show the amounts at Question 13. Please read the notes about overseas income on pages 20 to 24.

Income from financial arrangements

The financial arrangement rules generally require income or expenditure from financial arrangements to be spread over the term of the arrangement. Financial arrangements include term deposits, government stock, local authority stock, mortgage bonds, futures contracts and deferred property settlements.

Trustees are required to use a spreading method unless they are a cash basis person.

A person is a **cash basis person** if:

- the value of all financial arrangements together is less than \$1 million, or
- the value of the income or expenditure from the financial arrangement is less than \$100,000, and
- the deferral of income or expenditure using the cash method rather than the actual method is less than \$40,000.

A special rule applies for deceased persons. If the deceased person was a cash basis person at the date of death, the concession applies in the year of death and up to four succeeding years.

Any RWT from a financial arrangement will be deducted on a cash basis.

Different rules apply for financial arrangements entered into prior to 20 May 1999.

Sale or maturity of financial arrangements

Whether or not the exemption from the spreading methods explained earlier applies, when a financial arrangement matures or is sold, remitted, or transferred, a "wash-up" calculation known as a base-price adjustment must be carried out.

Cash basis persons can use the *Sale or disposal of financial arrangements (IR3K)* to perform the calculation. This form could be used, for example, to calculate the amount you need to account for if you have broken a term deposit in full.

For further information about the financial arrangements rules, please see *Tax Information Bulletin (TIB) Vol 11, No 6 (July 1999)*, page 3.

Any RWT will be deducted on a cash basis.

Question 10 New Zealand dividends

Dividends are the part of a company's profits that it passes on to its shareholders. Unit trusts are treated as companies for income tax purposes. Distributions from unit trusts will generally be taxable and are treated as dividends.

Note

All the trust's cash and taxable bonus issue dividends derived from a qualifying company must be distributed by the trustees as beneficiary income to the beneficiaries who are not trustees or companies that are not qualifying companies.

Complete Question 10 if you received any New Zealand dividends, including dividends from your local electricity or gas supplier. Don't include a dividend that's a distribution of the trust's capital and is tax free. The company or unit trust that paid you the dividend will send you a dividend statement.

Don't send any dividend statements with the return, but keep them in case we ask for them later.

Note

If expenses are deductible against the dividend income, claim them at Question 19.

Credits attached to dividends

"Imputation credits" are credits for part of the tax the company has already paid on its profits, which means the dividends aren't taxed twice.

RWT is deducted from your dividend to bring the total credits withheld up to 33% of the gross dividend.

What to show in your return

Your dividend statements show the amount:

- you received (net dividend)
- of any imputation credits
- of any RWT credits.

Add all these amounts together to work out your total gross dividends and enter this in Box 10B.

Add up all the imputation credits and print the total in Box 10. Add any dividend RWT credits and print the total in Box 10A.

Shares instead of dividends

If the trust received shares instead of dividends, include them as income at Question 10B. Write the amount as if you received dividends instead of shares.

Dividends from overseas

Please read about overseas income on pages 19 to 23 of this guide.

Question 11 Māori authority distributions

Māori authorities can make various types of distributions.

Fill in Question 11 if you received any taxable Māori authority distributions. The Māori authority that paid you the distribution will send you a Māori authority distribution statement.

Credits attached to distributions

The Māori authority may attach a credit to the distribution it makes to members. This credit will be classified as a "Māori authority credit". It is usually part of the tax the Māori authority has already paid on its profits, which means the distributions aren't taxed twice.

What to show in your return

Your Māori authority distribution statement shows the amount of:

- the distribution made to you, including what portion is taxable and what portion is non-taxable
- Māori authority credit.

Transfer these amounts, leaving out any non-taxable distributions, to the relevant boxes at Question 11.

Non-taxable distribution

You don't need to include in the IR6 return any other distributions received from a Māori authority that aren't taxable in the hands of a Māori authority member. These amounts are non-taxable distributions and can't have credits attached.

For more information read our *Māori authorities guide (IR487)*.

Question 12 Partnership, estate or trust income

Partnership

If the estate or trust received any income from a partnership, write the details at Question 12.

Don't include:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits or dividend RWT (include these at Question 10)
- any Māori authority dividends and Māori authority credits (include these at Question 11)
- any overseas income and qualifying tax credits attached (include these at Question 13).

Estate or trust

If the estate or trust has received income from a foreign or non-complying trust, complete a *Schedule of beneficiary's estate or trust income (IR307)* and attach it to the return.

Add up all the other income from partnerships, complying and foreign trusts, and write the total in Box 12B. Add up any other tax credits and write the total in Box 12A.

Don't include:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits or dividend RWT (include these at Question 10)
- any Māori authority dividends and Māori authority credits (include these at Question 11)
- any overseas income and qualifying tax credits attached (include these at Question 13).

If the estate or trust has received a taxable distribution from a non-complying trust do not include the amount as income. Calculate tax on the taxable distribution at 45 cents in the dollar and add it to the amount in Box 25B.

You can use a loss to reduce the amount of the taxable distribution. Net losses brought forward from an earlier income year and losses incurred in the 2017 income year can be used to reduce the amount. If a loss is used in this way it is no longer available to offset other income.

The reduction is calculated using the following formula:

$$(\text{Tax loss} \times 0.33) \div 0.45$$

Losses from limited partnerships

If the estate or trust is claiming a loss from a limited partnership and you need help working out the amount that can be claimed, go to www.ird.govt.nz (search keywords: limited partnership loss deduction calculator).

Question 13 Overseas income

If the trust received overseas income, eg, interest or financial arrangements, show this at Question 13.

Convert all overseas income and qualifying overseas tax paid to New Zealand dollars. You can do this by:

- using the rates available on www.ird.govt.nz (search keywords: overseas currency)
- contacting the overseas section of a trading bank and asking for the exchange rate for the day you received your overseas income.

Include any overseas income and credits which you received from a partnership, Look-through company (LTC), estate or trust here.

Include gross income before deducting any tax credits at Box 13B. Credit for tax paid overseas will be limited to the amount of New Zealand tax payable on that income.

How overseas income of an estate or trust is taxed

In New Zealand, overseas income is taxed according to the residency of the settlor. The rules for the three most common situations are described over the page.

New Zealand resident trustees and income derived outside New Zealand

As a general rule, where a trustee is resident in New Zealand, and the trustee derives an amount from outside New Zealand, that income will be income of the trustee.

The amount will be exempt income of the trustee if:

- no settlor of the trust except a transitional resident is resident in New Zealand at any time during the income year,
- that trust is not a *testamentary* trust (trust created by a person under their will) or an *inter vivos* trust (trust created by the settlor during their lifetime) where any settlor of the trust died resident in New Zealand, whether in that income year or otherwise.

Non-resident trustees and income derived outside of New Zealand

A non-resident trustee is also liable for New Zealand income tax on income derived from outside New Zealand where:

- any settlor is resident in New Zealand at any time during the income year, or
- any settlor of an *inter vivos* or a *testamentary* trust died while they were resident in New Zealand, and a trustee is resident in New Zealand at any time during the income year.

Exceptions to the general rule for non-resident trustees and income derived outside New Zealand

There are two situations in which a non-resident trustee is not liable for income tax on trustee income derived from outside New Zealand. These apply where the trustee is resident outside New Zealand at all times during the income year and either:

- no settlement has been made on the trust since 17 December 1987, or
- the only settlements made on the trust were by settlors who were not resident in New Zealand at the time of settlement and who have not been residents in New Zealand since 17 December 1987.

Neither exception applies where an election to pay tax on trustee income has been made by the trustee. These exceptions do not affect the liability to income tax for any settlor of the trust, for example, where the settlor elects to pay tax on trustee income.

The trustee income remains liable for income tax for the purpose of determining whether the trust is a complying trust (formerly qualifying trust).

Overseas dividends

If you are a New Zealand resident trustee and at any time during the 2019 income year you held rights such as shares, units or an entitlement to benefit in any foreign company, foreign trust, foreign superannuation scheme, or foreign life insurance policy, you may be required to calculate foreign investment fund (FIF) income or loss on those investments and include this amount in Box 13B.

Generally, you will use the fair dividend rate to calculate FIF income. The trustees may also need to file an additional FIF disclosure form. For more information read the guide to Question 23 on page 36.

You will not need to do this if the investment is covered by an exclusion. The main exclusions from an interest in an FIF are:

- investments in certain Australian resident companies listed on approved indices on the Australian stock exchange, that maintain franking accounts. Investments covered in the list are available in the *Australian share exemption list (IR871)*
- interest in certain Australian units
- limited exemptions for interests in certain venture capital
- limited exemptions for interests in certain venture capital interests that move offshore (for 10 or more income years from the income year in which the company migrates from New Zealand)
- a 10% or greater interest in a controlled foreign company (CFC).

A limited number of trusts are also excluded from the rules if the attributing interests are below \$50,000. These are:

- a testamentary trust
- a compensatory trust
- where the settlor of the trust is the Accident Compensation Corporation.

If the exclusions apply and the trust is under the threshold, include dividends received in Box 13B and any qualifying overseas tax credits in Box 13A.

Note

If your dividend exceeds your FIF income, the amount of imputation credit you can claim is calculated on the basis of your FIF income. If your FIF income exceeds your dividend, you can claim the entire imputation credit attached to the dividend. Any excess imputation credit can't be carried forward to the next year or converted to a loss.

Please note you can't claim Australian franking credits.

For more information about the FIF rules read *A guide to foreign investment funds and the fair dividend rate (IR461)*, *Tax Information Bulletin (TIB) Vol 19, No 3 (April 2007)* page 28, *Tax Information Bulletin (TIB) Vol 20, No 3 (April 2008)* page 110, or go to www.ird.govt.nz/toii/fif

CFC income or loss

If at any time during the 2019 income year the trust has attributed CFC income or loss, the trustees or beneficiaries may be required to calculate this in their own income tax return(s).

A loss from a CFC can't be used to offset domestic income or be included in domestic losses that are carried forward to the 2020 income year. Generally, these losses can only offset income or future income from CFCs that are resident in the same country as the CFC that incurred the loss.

The trustees may also need to file an additional CFC disclosure form. See Question 23 on page 36.

Investments in portfolio investment entities (PIEs) and portfolio investor attributed income/loss

If you receive dividends from a PIE that is a listed company and doesn't use your prescribed investor rate (PIR), you may choose whether to include the dividends in your return.

The attributed PIE income/loss is included in the estate or trust's return for the period that includes the end of the PIE's income year. PIEs usually have a 31 March balance date.

The amount of income derived by the estate or trust as a distribution by a PIE is excluded income of the estate or trust other than fully imputed dividends from a PIE that is a listed company and doesn't use your PIR.

Further information is available in our guide *Information for trustees who invest in PIEs (IR856)*.

Question 14 Look-through company (LTC) income

If the estate or trust received any tax credits and/or income from an LTC write the details at Question 14.

Don't include any of the following types of income received from an LTC at Question 14:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits, and dividend RWT (include these at Question 10)
- Māori authority distributions and credits (include these at Question 11)
- any overseas income and qualifying tax credits attached (include these at Question 13)
- rental income (include this at Question 15).

The loss limitation rule limits the amount of deductions an LTC owner (shareholder) can claim if the amount exceeds the owner's "owner's basis" (equity) in the LTC.

For the 2017-18 and later income years, the loss limitation rule only applies to an LTC which is in a partnership or joint venture which includes another LTC.

The estate or trust can now claim the full amount of prior years' non-allowable deductions brought forward this year. This won't apply if the loss limitation rule continues to apply to limit the amount claimable.

The LTC will normally supply information about the non-allowable deductions and any other information required to complete your return.

Example

Trust A is an owner of an LTC which is not in a partnership or joint venture that includes another LTC.

For the 2018-19 income year Trust A has a net loss of \$4,000.00 from the LTC.

Trust A also has prior years' non-allowable deductions brought forward of \$5,000.00.

Trust A had no tax credits from the LTC for the year.

Trust A's tax return should show the following amounts in the following boxes:

- 14A: \$0.00
- 14B: \$4,000.00 -
- 14C: \$0.00
- 14D: \$5,000.00
- 14E: \$9,000.00 -

What to show on your return

Add up all other tax credits received from the LTC and print the total in Box 14A.

Add up all LTC income, deduct expenses not already included elsewhere and print in Box 14B. If a loss, put a minus sign in the last box.

Add up all non-allowable deductions this year and print in Box 14C.

There shouldn't be non-allowable deductions this year unless the loss limitation rule applies.

Add up all prior year non-allowable deductions claimable this year and print the amount in Box 14D.

You'll be able to claim the full amount of non-allowable deductions brought forward from last year if the loss limitation rule no longer applies.

If you have an amount in Box 14C, add this to Box 14B and put the total in Box 14E.

If you have an amount in Box 14D, subtract this from Box 14B and put the total in Box 14E.

If you don't have any amounts in Box 14C or Box 14D, copy the amount from Box 14B to 14E.

Box 14E is your adjusted LTC income.

You can find more information about LTCs in the *Look-through companies (IR879)* guide.

Question 15 Business or rental income

If the estate or trust has business or rental income, you must attach either:

- a fully completed *Financial statements summary (IR10)* form, or
- a set of the estate or trust's financial accounts for the year.

The IR10 summarises the information we need from the financial accounts. If you complete an IR10 you don't need to send us your financial accounts, but you still need to complete and keep them.

Business income

Write the net profit in Box 15B. This is the amount of income or net loss after all allowable business expenditure has been deducted. If the total is a loss, put a minus sign in the last box at Box 15B. When calculating business income, you can use the *Schedule of business income (IR3B)* form.

Rental income

If there is rental income, print the net profit or loss (total rents minus expenses) in Box 15B. When calculating rental income you can use the *Rental income (IR3R)* form.

Attribution rule

Under the attribution rule, anyone whose actions cause an associated person (company, trust or partnership) to earn income, can be personally liable for tax on that income. If this rule applies to persons associated with your estate or trust, it will affect the amount of taxable income in this return.

For more information read our *Tax Information Bulletin (TIB)* Vol 12, No 12 (December 2000) page 49 and TIB, Vol 13, No 11 (November 2001).

Question 16 Other income

At Question 16 show any other income received by the estate or trust, eg, income from:

- any undertaking or scheme
- sale of land and/or buildings
- sale of shares or other property
- sale or disposal of assets
- any schedular payments received by a trust
- certain settlements on a trust
- forgiveness of debt.

Read the following sections for more information on the above items.

Income from any undertaking or scheme

Profits made from any undertaking or scheme entered into for the purpose of making a profit, are taxable to the estate or trust. On a separate sheet of paper write down what the undertaking or scheme was and list the details of income and expenses from these undertakings and schemes. Staple it to page 3 of the return and include the total profit in Box 16B.

Income from sale of land and/or buildings

The profits are taxable if the estate or trust purchased a property for the purpose of reselling it or are in the business of buying and selling land and/or buildings.

If the estate or trust purchased a residential property on or after 1 October 2015 and sold/disposed of it within certain period of time, any profit will be taxable, even if it wasn't intend to sell when you purchased it. This is called the bright-line test, The bright-line test applies to:

- properties purchased/acquired on or after 1 October 2015 through to 28 March 2018 inclusive and sold/disposed of within two years, and
- properties purchased/acquired on or after 29 March 2018 and sold within five years.

The profits may also be taxable if the estate or trust:

- is in the business of building and improved a property before selling it
- developed or subdivided land and sold sections
- had a change of zoning on the property and sold it within ten years of buying it.

Disposals by a beneficiary, executor or administrator of residential land transferred to them on the death of a person are specifically excluded from the bright-line test. However, the disposals may still be subject to tax under the current land sale rules.

If the estate or trust is a New Zealand tax resident it will need to pay tax on its worldwide income under New Zealand tax law. This includes any property sales worldwide whether caught under the bright-line test for residential property sales or the other property rules.

Complete a *Property sale information (IR833)* form for each property sold/disposed of and include it with the return. The form explains how to calculate and correctly return the resulting profit or loss. The form can be downloaded from our website www.ird.govt.nz (search keyword: IR833). Complete the form even if the details have been included in a *Financial statements summary (IR10)* or set of accounts.

Include total profits in Box 16B.

Income from sale of shares or other property

Profits from the sale of shares or other property are taxable if the estate or trust:

- buys and sells shares or other property as a business
- buys shares or other property for the purpose of resale
- buys shares or property to make a profit.

List the details of income and expenses from these sales on a sheet of paper and staple it to page 3 of the return. Include the total profit in Box 16B.

Sale or disposal of assets

There are a number of rules that apply to the sale or disposal of assets. For further information read Part 3 of our guide *Depreciation - a guide for businesses (IR260)*.

Losses from sale of land, buildings, shares that aren't FIFs, or other property

If the estate or trust has made a loss and can show that if it had made a profit it would have been taxable, it may be able to claim the loss as a deduction.

If the property was purchased on or after 1 October 2015 with no intention to sell and it was sold/disposed of within two years, any excess deductions can't be claimed unless they can be offset against net income from other property sales. The *Property sale information (IR833)* form has more information on this.

For more information on property sales see our guide *Buying and selling residential property (IR313)*.

Show the loss with a minus sign in the the last box at Box 16B.

PAYE income accrued to date of death

The following types of PAYE income must be returned by the estate if it is accrued to the date of death and subsequently received by the estate:

- salary or wages
- holiday pay or other leave payments
- director's fees
- any other PAYE income (includes schedular payments).

Include the total gross amount in Box 16B and any tax credits in Box 16A. This income is assessed as trustee income.

Certain settlements on a trust

The following settlements of property on a trust are deemed to be trustee income. This means that these settlements of property are excluded from the definition of corpus:

- property settled by a trustee of another trust, so long as it would have counted as income if that trust had distributed the property to one of its beneficiaries instead.
- a settlement of a property on a trust, which, if not for the settlement, would have constituted:
 - income of the settlor, or
 - a dividend for which the settlor would have been liable to deduct an FDP (foreign dividend payment), formerly dividend withholding payment, if the settlor is currently resident or had been resident in New Zealand and subject to income tax at that time.

Forgiveness of debt

The financial arrangements rules treat debts that do not have to be repaid because they have been forgiven as income to the debtor. There is an exception in the case of trusts if the creditor is a natural person and forgives the debt:

- due to "natural love and affection" for natural persons who are beneficiaries of the trust, or
- of a trust that was established mainly for the benefit of charitable organisations.

If the debt forgiven is distributed to a non-qualifying beneficiary, the trustee can be liable for tax.

For further information, please see our *Tax Information Bulletin* (TIB) Vol 11, No 6 (July 1999) page 20.

Question 16AA - Residential land withholding tax (RLWT) credit

The estate or trust can claim a credit for RLWT deducted from the sale of a property. If more than one amount was deducted, show the combined amount.

Show the amount of RLWT deducted, less any RLWT paid back to the estate or trust and/or transferred to outstanding amounts.

Show the name of the the estate or trust's withholder(s) in the "Name of payer" box.

Question 17

- Add up Boxes 9B to 13B, 14E, 15B and 16B and write the total in Box 17B. If there is a loss write a minus sign in the last box.

Add up Boxes 9A to 16A and write the total in Box 17A.
Do not include Box 10 in this total.

Question 18 Income allocation

Income derived by a trustee must be allocated between beneficiary income and trustee income in boxes 18A and 18B respectively.

Question 18A - Beneficiary income excluding minor beneficiaries

Beneficiary income is income of an estate or trust that vests in a beneficiary during the year or is paid to a beneficiary (or credited to them or dealt with in their interest or on their behalf) during the year or within a certain period after the end of the year.

The rest of the income generated by an estate or trust will be trustee income.

The income available to allocate to beneficiaries may be the income in Box 17B but it is important to note that Box 17B is a total of various amounts of estate or trust income. Some of the amounts, such as income from rental activities, are net amounts ie after deductions. Some of the deductions may be for non-cash outgoings, such as depreciation. This may result in there being income that can be distributed to beneficiaries despite Box 17B showing a loss, and providing the trust deed for the trust allows it.

This means there may be amounts that vest in or are paid to beneficiaries that have to be treated as beneficiary income. Identify any such vesting or payment and include the amount in Box 18A. The total must reconcile with the combined totals of Boxes 24H on the IR6B after deducting any taxable distributions included in Box 24G.

Timing of allocation of beneficiary income

Allocation of income to a beneficiary must be made within the income year, or by the later of the following:

- 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.

Example

A family trust is allocating income to beneficiaries for the year ended 31 March 2019. The trust return is due on 7 July 2019 and the trust plans to file by 30 June. The income should be allocated by the later of the following:

- 30 September 2019, or
- the earlier of:
 - 30 June 2019, or
 - 7 July 2019.

In this case the income must be allocated by September 2019.

If the trust has a tax agent, the extension of time for filing income tax returns may apply.

Question 18B - Trustee income including minor beneficiaries

Trustee income is any income generated by an estate or trust that isn't beneficiary income, see "Question 18A - Beneficiary income" on page 31. It includes income accrued to date of death and received afterwards.

Where Box 17B shows a loss, there will be no trustee income and Box 18B should be left blank. The loss in Box 17B will be taken into account by us in calculating the loss to carry forward.

Accrued income and non-apportionment clauses

As a general rule, accrued income to date of death is retained by the trustee and becomes part of the capital of the estate. This income is treated as trustee income.

However, where the will of the deceased taxpayer contains a non-apportionment clause, the beneficiary is entitled to receive the income accrued to date of death. So, if the accrued income is paid to the beneficiary, it's treated as beneficiary income.

Question 19 Expenses

The estate or trust may have incurred expenses in generating its income, for example:

- commission deducted from interest or dividends
- expenses for return preparation
- deductible trustee charges
- interest paid to Inland Revenue.

If these expenses haven't been claimed elsewhere in the return, write the amount claimed in Box 19.

Note

Certain expenditure is not deductible and this includes:

- private expenditure
- capital expenditure

penalties may apply if it is claimed incorrectly.

Question 20 Net losses brought forward

There are two types of losses the estate or trust can bring forward.

Specified activity net losses

These are net losses from specified activities incurred before the 1991 income year. Any loss balance in relation to a specified activity that remained at the end of the 2018 income year must be offset against net income for the 2019 income year, before taking into account other losses. The amount of this offset cannot exceed the net income.

If the loss balance from specified activities incurred before the 1991 income year exceeds the net income for the 2019 income year, that excess amount is added to the tax loss for the year. Any remaining tax loss is then carried forward to further income years.

Other net losses

All losses incurred from the 1991 income year onwards and other net losses that weren't limited before 1991 (including any net loss resulting from excess imputation credits) are "other net losses".

Enter the total of all specified activity net losses and other net losses the estate or trust can bring forward to 2019 in Box 20A. Enter the amount the estate or trust has offset against 2019 income in Box 20B.

Note

You'll find the amount of net loss the estate or trust has to bring forward on the loss notice we sent you with the 2018 income tax assessment. If you don't have a loss notice, call us to obtain the figure.

Losses cannot be transferred from the deceased's return to the estate's return. Any such losses lapse.

Trust losses cannot be passed to beneficiaries. They remain in the trust to be offset against future trustee income.

If the estate or trust can't offset any losses in 2018, enter "0.00" in Box 20B.

Questions 21 and 22 Distributions to beneficiaries by foreign and non-complying trusts

Question 21 - Distributions

At Question 21 print the total amount of distributions made to beneficiaries during the year.

A distribution is any income or property of the trust that vests in the beneficiary or is paid or applied for a beneficiary's benefit. It includes any property or service disposed of or provided to:

- a beneficiary for less than market value, or
- the trust by a beneficiary for greater than market value.

Attach a separate schedule to page 3 of the return showing the source and the amount of each distribution.

Distributions are considered to have come from different sources in the following order:

- beneficiary income
- accumulated trustee income
- capital profits or gains realised in the current income year
- capital profits or gains realised in previous years that have been accumulated by the trust
- the corpus of the trust.

The ordering establishes if the distribution is a taxable distribution - see Question 22. Capital gains and corpus distributed only after income derived by trustees in the year of distribution and in prior years has been distributed.

Further information about the ordering and taxability of distributions can be found in our *Trusts' and estates' income tax rules (IR288) guide*.

Question 22 - Taxable distributions

A taxable distribution is one made to a beneficiary by a foreign or non-complying trust that isn't beneficiary income.

For a foreign trust taxable distributions also do not include capital gains profits that aren't included in the taxable income of the trust except when derived from transactions with associated persons or a distribution from the corpus.

For non-complying trusts they do not include distributions from the corpus.

Write the total taxable distributions made to beneficiaries during the year in Box 22.

Where to include taxable distributions

Include the amount of the taxable distribution made to each beneficiary in the beneficiary's panel of the IR6B:

- in Box 24G if the trust is a foreign trust, or
- in Box 24J if the trust is a non-complying trust.

For tax payable on taxable distributions see Question 24J on page 39.

Schedule of beneficiary's estate or trust income

Each beneficiary (excluding minor beneficiaries) must attach a completed *Schedule of beneficiary's estate or trust income (IR307)* to their individual tax return if they receive income from a foreign or non-complying trust.

It's helpful if the trustee or agent also provides a completed IR307 when advising beneficiaries of their share of trust income. Beneficiaries don't then need to contact the trustee or agent when completing their own returns.

Question 23 Additional disclosure of foreign investments

If you calculated CFC or FIF income at Question 13 you may be required to complete an additional disclosure form for that investment.

If the trust is not widely held or a PIE, you may not require an additional disclosure if the investments are in countries New Zealand has a double tax agreement with as at 31 March 2013, and have used the fair dividend rate or comparative value method.

If the trust is widely held or a PIE you are required to file an additional disclosure.

Go to www.ird.govt.nz (search keywords: international tax disclosure) for full details of the disclosure requirements and the appropriate form(s).

Find out more about the base erosion profit shifting (BEPS) hybrid mismatch rules at www.ird.govt.nz (search keywords: hybrid mismatch).

If you need assistance making a CFC or FIF disclosure please call 0800 443 773.

IR6B Estate or trust beneficiary details

Question 24 Beneficiary income and calculation of tax, excluding minor beneficiaries

See Question 18A on pages 31 and 32 for the definition of beneficiary income. Complete the details on the IR6B for each beneficiary and ensure an IRD number is shown for each. If you don't have the beneficiary's IRD number contact the beneficiary. Due to our privacy obligations under section 81 of the Tax Administration Act 1994 we cannot provide it to you.

Question 24B Non-resident beneficiaries

Please make sure you answer Question 24B about residency. This lets us work out correctly how the beneficiary income should be taxed.

Include all beneficiary income allocated to each non-resident beneficiary in Boxes 24C, 24D, 24E, 24F and 24G. Remember, the combined totals at Boxes 24H, less any taxable distributions from foreign trusts included at Box 24G must reconcile with the total of Box 18A.

Non-resident passive income

Non-resident passive income is interest, dividends and royalties for the supply of scientific, technical, industrial or commercial knowledge. These types of income are subject to non-resident withholding tax (NRWT) if the income has a New Zealand source.

This tax is deducted when the non-resident passive income is paid or credited to a non-resident beneficiary. The rates and methods of calculating the tax on a non-resident beneficiary's share of income differ according to the type of income derived and the country the beneficiary is resident in.

Include **all** income derived by each non-resident beneficiary in Boxes 24C, 24D, 24E, 24F and 24G.

Paying NRWT

When paying non-resident passive income to a non-resident beneficiary, the trust must complete certain forms and pay NRWT.

If you need more help, see our *NRWT - payer's guide (IR291)*.

When calculating the amount of income liable for income tax at the ordinary rates, don't include non-resident passive income or any overseas income in the taxable income figure in Box 24H for non-resident beneficiaries.

Question 24C New Zealand interest

If the allocation of beneficiary income includes any New Zealand interest, write the amount in Box 24C.

Question 24D New Zealand dividends

If the allocation of beneficiary income includes any New Zealand dividends, write the amount in Box 24D.

Question 24E Māori authority distributions

If the allocation of beneficiary income includes any Māori authority distributions, write the amount in Box 24E.

Question 24F Overseas income

If the allocation of beneficiary income includes any overseas income, write the amount in Box 24F.

Question 24G Other income and taxable distributions from a foreign trust

Add the remainder of any beneficiary income allocated to the beneficiary to any taxable distributions from a foreign trust and write the total in Box 24G.

Question 24H Taxable income of beneficiary from the estate or trust

Add up boxes 24C to 24G and write the total in Box 24H.

Question 24I Paying the tax on beneficiary income, excluding minor beneficiaries

The trustee must pay tax on behalf of the beneficiary for all income allocated to the beneficiary. However, the Trustee and the beneficiary can agree not to have tax deducted from Trust/Estate income before the beneficiary receives it. This might be done where the beneficiary has losses available to offset income.

Note

The trustees will be liable if the beneficiary defaults on payment of the tax obligations on trust income.

Tick 'Yes' if the estate or trust is paying the tax on behalf of beneficiaries, then complete all boxes 24A to 24S.

'Yes' means the trust/estate will retain any excess tax credits (except overseas credits and Imputation credits) for the trust/estate. The beneficiary must then show the gross income allocated to them as trust income and can only claim the amount of tax paid by the Trust at key point 24K, in the key point for Tax Paid by Trustees of their own income tax return.

Tick 'No' if the estate or trust is not paying the tax on behalf of beneficiaries. Then complete boxes 24A to 24J, and boxes 24L, 24N and 24P only.

Question 24J Taxable distributions by non-complying trust

Show taxable distributions to each beneficiary in Box 24J and the tax in Box 24R. Taxable distributions by a non-complying trust are taxable to the beneficiary at a flat rate of 45 cents in the dollar.

Question 24K Calculation of tax

Note

Do not fill out Box 24K if you ticked "No" in Box 24I.

If the estate or trust is paying tax on behalf of the beneficiaries calculate tax on taxable income of beneficiaries using the rates below.

2019 annual tax rates income range	Tax rate
Income to \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30.0%
\$70,001 and over	33.0%

Question 24L Beneficiary's share of overseas tax paid

Allocate any tax paid overseas to beneficiaries on the same basis as the allocation of income.

Minor beneficiaries' share of overseas tax is to be offset against tax payable on trustee income.

A New Zealand resident who receives a taxable distribution is not allowed a tax credit in relation to any income tax paid unless the tax is the same as non-resident withholding tax (NRWT). The amount of any credit is equal to:

$$\frac{\text{taxable income}}{\text{total distribution}} \times \text{foreign tax paid}$$

Question 24M Calculation

Subtract Box 24L from Box 24K.

Note

Do not fill out Box 24M if you ticked "No" in Box 24I.

Subtract Box 24L from Box 24K.

If the overseas tax paid (Box 24L) allocated to a beneficiary is greater than the tax payable in Box 24K, print 0.00 at Box 24M.

Question 24N Beneficiary's share of dividend imputation credits

If dividends have been allocated to a beneficiary, use the following formula to work out the credits attached to those dividends:

$$a \times \left(\frac{b}{c} \right)$$

- a is the total of all dividend imputation credits attached to all dividends distributed to beneficiaries during the income year
- b is the total distribution, including capital distributions made to the particular beneficiary during the year
- c is the total distribution, including capital distributions made to **all** beneficiaries during the year.

Show the beneficiary's share of imputation credits in Box 24N.

Question 24O Calculation

Note

Do not fill out Box 24O, if you ticked "No" in Box 24I.

Subtract Box 24N from Box 24M.

If the beneficiary's share of the imputation credits is larger than their tax payable in Box 24M, the excess credit cannot be refunded to the trust. Write 0.00 in Box 24O. The beneficiary should claim the balance of the unused imputation credits in their own tax return.

Minor beneficiaries' share of dividend imputation credits is to be offset against tax payable on trustee income in box 25E of the IR6.

Question 24P Beneficiary's allocation of RWT and other credits

Minor beneficiaries' allocation of RWT and other credits is to be offset against tax payable on trustee income.

Ensure that you include the following amounts in Box 24P for each beneficiary:

- allocation of RWT (Boxes 9A and 10A) including any RWT credits reallocated under the RWT substitution payment rules
- share of Māori authority credits (Box 11A)
- share of partnership, estate or trust tax credits (Box 12A)
- share of LTC tax credits (Box 14A)
- share of other income credits (Box 16A)
- If income from a property sale is treated as beneficiary income show their share of any residential land withholding tax credit (Box 16AA).

Note

Don't include any amounts already shown in either Boxes 24L or 24N of the IR6B.

Questions 24Q & 24S

Note

Do not fill out 24Q or 24S if you ticked 'No' in Box 24I.

Question 24R

Calculate tax on taxable distribution by non-complying trust in 24J at 45 cents in the dollar and print in this box.

Trustee income and calculation of tax

Question 25A Calculation of taxable income

If the result is negative the amount will be taken into account in the loss carried forward to the following year.

Question 25B Calculation of tax and tax on taxable distributions

If the trust has received a taxable distribution and tax has not been paid, calculate tax at 33 cents in the dollar and add it to the total.

Question 25C Credit for tax paid overseas

The amount of the credit for tax paid overseas on trustee income is limited to the amount of New Zealand tax on that income.

Remember to attach evidence of payment to page 3 of your return.

Question 25E Dividend imputation credits

If the trustee's share of the imputation credit exceeds the tax on trustee income at Box 25D, the excess credit can't be refunded. Write 0.00 in Box 25F. The excess credit is converted to a net loss to carry forward to the following year.

To calculate the net loss to carry forward to 2020, use the worksheet on page 44. We'll send you a notice confirming the amount of loss to carry forward.

Example

In this example the net loss to carry forward to the income year ending 31 March 2020 is \$151.00 in Box 4.

Trustee's share of imputation credits from Box 25E of the return.	1 ▶	\$	350	·00
Tax on trustee income from Box 25D of the return.	2 ▶	\$	300	·00
Subtract Box 2 from Box 1. Print your answer here.	3 ▶	\$	50	·00
Divide Box 3 by 0.33 (33%). Print your answer here.	4 ▶	\$	(151)	·00

Worksheet

Trustee's share of imputation credits from Box 25E of the return.	1 ▶	\$		·
Tax on trustee income from Box 25D of the return.	2 ▶	\$		·
Subtract Box 2 from Box 1. Print your answer here.	3 ▶	\$		·
Divide Box 3 by 0.33 (33%). Print your answer here.	4 ▶	\$		·

The amount in Box 4 is the net loss to carry forward to 2020.

Question 25G Trustee's share of RWT and other credits

The following amounts should be added together and printed in Box 25G:

- the trustee's allocation of RWT (Boxes 9A and 10A)
- the trustee's share of Māori authority credits (Box 11A)
- the trustee's share of partnership, estate or trust tax credits (Box 12A)
- the trustee's share of LTC tax credits (Box 14A)
- the total from Box 16A
- the trustee's share of any residential land withholding tax credit (Box 16AA).

Don't include any amounts already shown in either Boxes 24L or 24N of the IR6B.

Question 27 Refunds and/or transfers

Please be careful to copy the amount from Box 26E to Box 27 correctly.

Direct credit

If you choose direct credit you get your refund faster and you can withdraw your money as soon as it's credited because there's no clearance time.

We pay any refund direct into your New Zealand bank account or other deposit account, eg, a building society account as soon as we've processed your return. Make sure your correct account number is printed at Question 6 on the front page of your return.

Question 27A Overpaid provisional tax

If you've made payments towards your 2020 provisional tax and, after completing this return, find you have less or no provisional tax to pay, the overpayment can be included in the amount we refund or transfer. Print the overpaid amount in Box 27A.

Question 27C Transferring a refund to pay provisional tax

If you're entitled to a refund you can transfer all or part of it to your 2020 provisional tax. If you want to do this print the amount of the transfer in Box 27C.

Questions 27D to 27F Transfers to another taxpayer's income tax account

If you'd like your refund transferred to another account you'll need to tell us what date you'd like it transferred. The date you choose depends on what tax has been overpaid and whose account you want the credit transferred to. Different rules apply if the other taxpayer is associated to you.

Associated taxpayers

When transferring overpaid tax, associated taxpayers are:

- a company you're a shareholder-employee in
- a partner in the same partnership
- a relative (eg, child, parent, spouse, or partner)
- a trustee of a family trust you're a beneficiary of.

You can ask for your credit to be transferred at any date as long as it's not before the relevant date shown below.

Tick "Yes" or "No" at Box 27D to indicate whether the other taxpayer is associated and write their name in the boxes provided.

Write the IRD number of the other taxpayer at Box 27E.

Write the amount you wish to transfer at Box 27F.

Transfer dates

For refunds transferred to your account or an associated taxpayers account:

- If the credit is from excess tax deducted (eg, PAYE deducted), it's the day after your balance date (or 1 April if your balance date is before 31 March).
- If the credit is from overpaid provisional tax, it's the day you overpaid it.

Note

Special rules apply if the return period has had tax pooling refunds transferred in.

For credit transferred to a non-associated person's account, it's the later of the day you requested the transfer, or the day after you file your return.

Future transfer dates

If you'd like your credit transferred at a date in the future, attach a note to the front of your return with details of:

- the amount you want transferred
- the account you want it transferred to, and if it's the account of the associated person
- the date you'd like it transferred.

If you don't tell us the date you'd like your credit transferred, we'll transfer it at a date we think gives you the greatest advantage. Contact us if you'd like to change the transfer date and tell us if this transfer is to cover a debt.

For further information on transfers, read *Tax Information Bulletin* (TIB) Vol 14, No 11 (November 2002).

Refunds of less than \$5

If your refund is less than \$5 it will be carried forward to your next tax assessment. We'll offset it against any amount you may owe us or add it to any refund. If you don't want it carried forward, please call us on 0800 377 774.

Question 28 Initial provisional tax liability

If this is the first year the estate or trust started to derive gross income from a taxable activity, print the start date in Box 28.

Provisional tax isn't payable if the residual income tax (RIT) for the previous year was \$2,500 or less. Most new businesses don't pay provisional tax in their first year of operation because there's no RIT from the previous year to base the calculation on.

However, a special rule requires you to pay interest if you have an initial provisional tax liability.

The estate or trust has an initial provisional tax liability if:

- it starts to derive gross income from a taxable activity, and
- it had not derived income from a taxable activity within the preceding four years
- you have RIT of \$60,000 or more in the current year.

The interest cost can be reduced or eliminated by making voluntary provisional tax payments on the instalment due dates.

Interest rules for taxpayers with an initial provisional tax liability

Taxpayers with an initial provisional tax liability may be charged interest from the first, second or third instalment date. The instalment date that interest applies from is determined by the taxable activity's start date.

For estates and trusts whose balance date is 31 March, the start date for interest will be:

- 29 August, if the taxable activity started before 30 July of the same year
- 16 January, if the taxable activity started between 31 July and 16 December of the previous year
- 8 May, if the taxable activity started on or after 17 December of the previous year.

An estate or trust with a balance date other than 31 March generally pays provisional tax on the 28th day of the 5th, 9th and 13th months after the balance date, unless filing 6 monthly GST returns.

If you need help to work out whether the estate or trust has an initial provisional tax liability, read our guide *Provisional tax (IR289)*.

Question 29 2020 provisional tax

2019 provisional tax is charged for income the estate or trust will earn in the 2019 income year. It is payable in two, three or six equal instalments. There are three options for paying provisional tax - standard, estimation and ratio.

If the estate or trust's 2019 RIT is:

- \$2,500 or less it doesn't have to pay provisional tax, although it can make voluntary payments
- more than \$2,500 but expected to be \$2,500 or less for 2018, it may estimate 2020 provisional tax at nil (read "Estimation option" on page 49)
- more than \$2,500 and expected to be more than \$2,500 for 2019, it must pay 2020 provisional tax.

If you anticipate your RIT will exceed \$2,500 for the 2020 year, see "Interest" on page 51. You may be liable for interest from your first provisional tax instalment date.

Which option to use

Estates or trusts can use either the standard or estimation options to pay their provisional tax. If they're registered for GST they may also be able to use the ratio option.

Standard option

Using the standard option, the estate or trust's 2020 provisional tax will be equal to its 2019 RIT plus 5%. If you use this option enter **S** in Box 29A on the return and the amount of 2020 provisional tax in Box 29B.

- If the estate or trust's 2019 return hasn't been filed by the first instalment date of 2020 provisional tax, the provisional tax instalments payable is based on 2018 RIT plus 10% (divided by 3 or 2, depending on how many instalments are payable).

Estimation option

Estates or trusts can estimate their 2020 provisional tax. Trustees must include distributions to minor beneficiaries in their estimate. They can re-estimate any number of times up to and including their final instalment due date. If the estate or trust's 2020 RIT is expected to be less than its 2019 RIT, estimating may prevent the estate or trust from paying more tax than it has to.

Note

An estimate must be "fair and reasonable" at each instalment it applies to. If you use this option, see page 51 on "Not taking reasonable care penalty" and "Interest". If you estimate your provisional tax, your instalments should be one-third of your estimation.

Use the worksheet on page 50 to calculate provisional tax using the estimation option. If you use this option enter **E** in Box 29A and the amount of 2020 provisional tax in Box 29B.

Estimating provisional tax on beneficiary income

When working out the tax on estimated beneficiary income, calculate the tax separately for each beneficiary, including estimated tax credits where applicable. The table below shows the 2020 individual tax rates for provisional tax.

2020 annual tax rates income range	Tax rate
Income to 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30.0%
\$70,001 and over	33.0%

When using these tax rates to calculate 2020 provisional tax, you'll also need to estimate the tax credits the beneficiary may be entitled to.

Use this worksheet to calculate the estate or trust's 2020 provisional tax using the estimation option.

Print the estate or trust's estimated 2020 income to be allocated in Box 1. **1** ▶ \$

Estimated allocation of income:

- Beneficiary income **2** ▶ \$
- Trustee income **3** ▶ \$

Work out the tax on the amount in Box 2, using the rates above. **4** ▶ \$

Print your answer in Box 4.

Multiply the amount in Box 3 by 0.33 (33%). **5** ▶ \$

Print your answer in Box 5.

If the estate or trust is non-complying, multiply the estimated taxable distributions, if any, by 0.45 (45%). **6** ▶ \$

Print your answer in Box 6.

Add Boxes 4, 5 and 6. **7** ▶ \$

Print your answer in Box 7.

Print the estimated 2020 credits (trustees' share only) in Box 8. **8** ▶ \$

Subtract Box 8 from Box 7. Print your answer in Box 9. **9** ▶ \$

Box 9 is the estate or trust's 2020 provisional tax.

Copy it to Box 29B of the return and print E in Box 29A.

Divide the amount in Box 9 by three to get the amount to pay for each instalment.

If you need more help read our guide *Provisional tax (IR289)*.

Ratio option

If the trust is GST registered you may qualify to use the ratio option to calculate your provisional tax.

Only enter **R** at Box 29A if you've already elected to use the ratio option. Your application to use the ratio option must be made by phone or in writing before the beginning of the income year you want to use it in.

If you've already elected to use the ratio option and want to continue using it, enter **R** at Box 29A.

More information about the ratio option is in our guide *Provisional tax (IR289)*.

Not taking reasonable care penalty

When you estimate the estate or trust's 2020 provisional tax, your estimate must be fair and reasonable. If the 2020 RIT is greater than the provisional tax paid, you may be liable for a not taking reasonable care penalty of 20% of the underpaid provisional tax.

Interest

If the estate or trust has paid too much provisional tax on trustee income we may pay interest, or if it hasn't paid enough, we may charge interest.

Interest for estates or trusts is calculated only on the tax payable on trustee income. Interest isn't calculated if all income is distributed to the beneficiaries.

Interest the estate or trust pays is generally tax-deductible, while interest we pay is taxable income.

For more information about interest and penalties read our guide *Penalties and interest (IR240)*.

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

Election to be a provisional tax payer

An estate or trust is a provisional tax payer for the 2019 year if its RIT for 2019 is more than \$2,500. If the 2019 RIT is \$2,500 or less, and

- the estate or trust made provisional tax payments for that tax year, and
- payments were made under the estimation method (other than using the estimation method for its final instalment only),

It may elect to be a provisional tax payer for 2019. This may affect the interest it may be entitled to for that year.

To elect to be a provisional tax payer for the 2019 year, attach a letter to the front of the return.

Change in balance date

There are special rules about when provisional tax is due and how interest is calculated if there has been a change in balance date. Read our *Provisional tax (IR289)* guide for more information.

Tax pooling

Tax pooling allows taxpayers to pool provisional tax payments, offsetting underpayments by overpayments within the same pool. This reduces their possible exposure to late payment penalties and use-of-money interest.

The pooling arrangement is made through a commercial intermediary, who arranges for participating taxpayers to be charged or compensated for the offset. For more information about tax pooling, including a list of intermediaries, go to www.ird.govt.nz (search keywords: tax pooling).

Payment dates

2020 provisional tax

Generally, an estate or trust with a 31 March balance date pays provisional tax by the following due dates:

- First instalment 28 August 2019
- Second instalment 15 January 2020
- Third instalment 7 May 2020

An estate or trust with a balance date other than 31 March pays provisional tax on the 28th day of the 5th, 9th and 13th months after the balance date.

Where payments would otherwise be due on 28 December or 28 April the due date is extended to 15 January or 7 May.

These dates will alter if:

- the estate or trust is registered for GST, and
- the GST filing frequency is six-monthly, or
- provisional tax is paid by the ratio option.

If either of these situations apply to you, read our guide *Provisional tax (IR289)*.

2019 end-of-year income tax

Estates or trusts that have an agent and an extension of time may have until 7 April 2020 to pay their tax. If you think this applies to you contact your agent for more information.

Otherwise, an estate or trust with a balance date between 1 March and 30 September must pay its end-of-year income tax and any interest by 7 February 2020.

An estate or trust with a balance date between 1 October and 28 February must pay its end-of-year income tax by the 7th day of the month before the following year's balance date.

How to make payments

You can make payments:

- electronically
- by credit or debit card.

We recommend making electronic payments because it's the most accurate and reliable method. These electronic options are available through your bank:

- online banking
- automatic payment
- direct credit, and
- direct debit.

When making electronic payments, include:

- your IRD number
- an account type code
- the period the payment relates to.

Go to www.ird.govt.nz/pay for full details of our payment options.

Late payment

We may charge you a late payment penalty if you miss a payment or it's late. We'll also charge you interest if you don't make your tax payment by the due date.

Call us if you can't pay your tax by the due date. We'll look at your payment options, which may include an instalment arrangement depending on your circumstances.

For more information go to www.ird.govt.nz (search keywords: managing penalties).

Self-assessment by taxpayers

Taxpayers have to assess their own liability as part of their return filing obligations. We may amend your assessment if a correction is required.

If you dispute our assessment please go to www.ird.govt.nz (search keyword: disputes) for more information. The four-month period for you to issue a notice of proposed adjustment (NOPA) to your self-assessment will start on the date Inland Revenue receives your return.

Services you may need

0800 self-service numbers

This service is available to callers seven days a week except between 5am and 6am each day. Just make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN. Registering for voice ID is easy and only takes a few minutes. Call 0800 257 843 to enrol.

Order publications and taxpacks	0800 257 773
Request a summary of income	0800 257 778
All other services	0800 257 777

When you call, just confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Need to speak with us?

Have your IRD number ready and call us on one of these numbers:

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

Our contact centres are open 8am to 8pm Monday to Friday, and 9am to 1pm Saturday. We record all calls. Our self-service lines are open at all times and offer a range of automated options, especially if you're enrolled with voice ID.

For more information go to www.ird.govt.nz/contact-us

Postal addresses

Returns

Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

General correspondence

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

For a full list of addresses click the “post” icon at www.ird.govt.nz/contact-us and choose from the dropdown options.

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 for the personal information we hold about you, we'll give it to you and correct any errors, unless we have a lawful reason not to. Call us on 0800 775 247 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.

For more information, go to www.ird.govt.nz (search keyword: complaints) or call us on 0800 274 138 between 8am and 5pm weekdays.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, go to www.ird.govt.nz (search keyword: disputes).

