



**Inland Revenue**  
Te Tari Taake

**IR4GU**  
March 2017

# Company tax return guide 2017

Use this guide to help you complete your 2017 income tax, annual imputation and FDP (foreign dividend payment) account returns.



## **www.ird.govt.nz**

Go to our website for information and to use our services and tools.

- **Log in or register for a myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our guides and forms.

### **Forgotten your myIR user ID or password?**

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

## **How to get our forms and guides**

You can view copies of all our forms and guides by going to **www.ird.govt.nz** and selecting "All forms and guides" from the right-hand menu, or by entering the shoulder number in the search box. You can also order copies by calling 0800 257 773.

# Contents

	Page
<b>www.ird.govt.nz</b>	<b>2</b>
<b>How to get our forms and guides</b>	<b>2</b>
<b>Company returns</b>	<b>5</b>
Income tax return	5
Imputation return	8
FDP account return	8
<b>Questions</b>	
Q 1-8          Company details	9
Q 9            Non-resident	10
Q10 and 10A   Imputation	10
Q 11          Has the company ceased?	11
<b>Company tax return</b>	<b>12</b>
<b>Questions</b>	
Q 12          Non-resident entertainer, contractor or a specified agricultural/horticultural/ viticulural company/mineral mining tax credit	12
Q 13          New Zealand interest	12
Q 14          New Zealand dividends	14
Q 15          Māori authority distributions	17
Q 16          Partnership, estate or trust income	18
Q 18          Overseas income	19
Q 19          Business or rental income	23
Q 20          Insurance premiums paid to an overseas insurer	24
Q 21          Other income	25
Q 23          Donations	28
Q 25          Net losses brought forward	29
Q 26          Total income after net losses brought forward	30
Q 27          Net losses and subvention payments	30
Q 29E        Foreign investor tax credit	31
Q 29G        Imputation credits	32

Q 30	Refunds and/or transfers	32
Q 30B	Associated taxpayers	33
Q 31	Initial provisional tax liability	35
Q 32	2017 provisional tax	35
	Not taking reasonable care penalty	37
	Interest	37
	Tax pooling	38
	Payment dates	38
	How to make payments	39
	Late payment	40
Q 34	Foreign rights	40
Q 35	Share repurchases	41
Q 36	Foreign-sourced dividends	41
Q 37	Company controlled or owned by non-residents	42
Q 38	Lowest economic interests of shareholders	43
Q 39	Shareholder details - see also the IR4S	45

## **Annual imputation return** **47**

### **Questions**

Q 40	Opening balance	47
Q 41	Credits	47
Q 42	Debits	49
Q 43A	Adjustments to debit balance	50
Q 44	Imputation penalty tax	51
	Limitations on tax refunds	51
	Self-assessment by taxpayers	51
	Accident Compensation Act 2001	52

## **Services you may need** **53**

Need to speak with us?	53
0800 self-service numbers	53
Postal addresses	54
Privacy	54
If you have a complaint about our service	55

# Company returns

## Income tax return

All companies that are active and New Zealand resident for tax purposes (except for look-through companies) must file an IR4 income tax return each year, including bodies corporate and unit trusts.

Look-through companies (LTC) file an IR7 income tax return each year they're an LTC. For further information about LTCs refer to our *Look-through companies (IR879)* guide.

If yours is an Australian company or part of an imputation group, please see page 7.

## Non-active companies

A non-active company is a company that has:

- not received any gross income
- no deductions
- not disposed of any assets
- not been party to any transactions during the tax year that:
  - (i) gave rise to income for any person, or
  - (ii) gave rise to fringe benefits to any employee or any former employee, or
  - (iii) gave rise to a debit in the company's ICA (imputation credit account) or FDP account.

These companies may be excused from filing tax returns if they complete a *Non-active company declaration (IR433)* form.

## Return due date

If the company has a 31 March balance date, you have until 7 July 2017 to file 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. Call us on 0800 377 774 if you are not sure of the filing date.

If the company has a tax agent, you may have until 31 March 2018 to file the return. If this applies, contact your agent.

## Late filing penalties

If you have to file a return and you don't send us one, you may be charged a late filing penalty. You should apply for an extension of time if you are unable to file your return on time.

The penalty for filing your IR4 late depends on the company's net income. If your income is:

- below \$100,000, the penalty is \$50
- between \$100,000 and \$1 million (both figures inclusive), the penalty is \$250
- above \$1 million, the penalty is \$500.

If you need an extension to your tax return filing date, tell us your reasons before your return is due. If you get a late filing penalty before applying for an extension, the penalty will stand. If you use a tax agent who has an extension of time arrangement with us and the extension is withdrawn, we will notify you that you must now file your return.

## Tax sparing

Any company that has claimed a foreign tax credit for a tax sparing arrangement under a double tax agreement, must also complete a *Tax sparing disclosure return (IR486)* and send it to:

International Revenue Strategy  
Inland Revenue Department  
PO Box 2198  
Wellington 6140

## Group investment funds

If the company's income is solely from Category A income, you must file an IR4. If the income is solely from Category B income, you must file an IR6. If the income is a combination of both Category A and Category B income, you must file an IR4 and IR44E. Read the notes in the IR44E for further information.

## Research and development (R&D) tax losses

You may be able to cash out any R&D losses if your company is a loss-making company that is a resident in New Zealand and your expenditure on R&D salary and wages is 20% or more of your total salary and wage expenditure. For more information go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: R&D).

## Superannuation schemes

A superannuation scheme, not registered with the Financial Markets Authority (FMA), which lets beneficiaries contribute, will be treated as a company for tax purposes and must file IR4 returns.

## Trans-Tasman imputation and imputation groups

Australian companies can elect to maintain a New Zealand imputation account from the 2003-04 tax year. A form of grouping (for imputation purposes only) has also been introduced, which Australian companies may join.

### Return filing for trans-Tasman imputation

Australian companies that make a trans-Tasman imputation election are required to file an *Annual imputation return (IR4J)* by 31 July, after the end of the tax year. A *Companies income tax return (IR4)* isn't required, unless the company has a permanent establishment (eg, maintains an office) in New Zealand.

### Return filing for imputation groups

*Company tax return (IR4)*

Company returns must be filed by:

- all New Zealand companies that elect to be a member of an imputation group and
- Australian companies with New Zealand-sourced income.

*Annual imputation return (IR4J)*

The imputation return for an imputation group should be filed by the group representative on a separate IR4J return.

Imputation group members should not include any imputation details on page 6 of the IR4. An exception applies for nominated companies of a resident imputation group where there is an ICA debit balance.

*FDP account return (IR4D)*

This legislation does not alter the filing requirements for companies which have elected to maintain an FDP account.

For further details go to [www.ird.govt.nz/business-income-tax/imputation/](http://www.ird.govt.nz/business-income-tax/imputation/)

## Imputation return

Most New Zealand resident companies, unit trusts, producer boards and cooperatives must file an imputation return each year. If you're an Australian company or part of an imputation group, please read page 7. The following bodies don't have to file imputation returns:

- non-resident companies
- look-through companies
- trustee companies (but not group investment funds with Category A income)
- any company with a constitution that prevents it distributing all its income or property to any proprietor, member or shareholder
- companies whose income is completely exempt from tax
- local authorities
- Crown research institutes
- non-active companies
- Māori authorities.

### Note

If you need to file the company's imputation return before the income tax return is due, to allow a refund to be released, complete an *Annual imputation return (IR4J)*.

## FDP account return

All companies that have elected to maintain an FDP account must file a return.

### Note

Complete the *Annual imputation return (IR4J)* and *FDP account return (IR4D)* for the tax year 1 April 2016 to 31 March 2017, regardless of the company's accounting year.

If we have a record of the company maintaining an FDP account we will have sent them a supplementary return in the company's taxpack. Staple the completed return to the back page of the IR4 return.



## Questions 1 to 8 Company details

Fill in Questions 1 to 8 only if the correct information is not printed on the return.

### Question 2 - Company name

If the company has changed its name since the last time a return was filed, please attach a copy of the new certificate of incorporation with the name change details or call us on 0800 377 774 so we can update our records.

### Question 4 - Postal address

If you have a new postal address, write the details at Question 4. If your new address is a PO Box number, please show your box lobby if you have one. If you are unsure of your box lobby please contact New Zealand Post.

Leave this address panel blank if the company uses its agent's postal address. The agent will let us know of any change of address when they update their client list.

### Question 6 - Business industry classification (BIC) code

If you're involved in a business or a trading activity, please write the BIC **code only** in Box 6. You don't need to give a description.

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

To work out your main business or trading activity and its code, go to [www.businessdescription.co.nz](http://www.businessdescription.co.nz) or call ACC on 0508 426 837.

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

### Question 7 - Phone number

We ask for your daytime phone number so we can contact you if we have any questions about your return.

### Question 8 - 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 8.

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

### Question 9 Non-resident

A company is a tax resident of New Zealand if:

- it's incorporated in New Zealand, or
- its head office or centre of management is in New Zealand, or
- its directors control the company in New Zealand.

Otherwise, it's a non-resident for tax purposes.

### Questions 10 and 10A Imputation

Page 6 of the IR4 return is the annual imputation return.

If you have made any monetary entries in the annual imputation return, tick "Yes" at Question 10A.

#### Note

If you have filed, or will file, a separate *Annual imputation return (IR4)*, tick "No" at Question 10.

## Question 11 Has the company ceased?

If this is a final return, include a set of accounts up to the date the company ceased trading and include details of any distribution of assets and liabilities.

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

Depending on the company's circumstances, a number of other issues may need to be finalised, for example:

- outstanding returns
- arrears
- FBT or ACC
- imputation account balances (for qualifying companies)
- specified superannuation contributions
- RWT on dividends
- 10-year bonus issues.

Find out how to finalise the company's tax accounts or deregister for GST at [www.ird.govt.nz](http://www.ird.govt.nz)

### Note

A company is still a legal entity until it is taken off the Companies Register. A company can stop trading (become non-active) but still have tax obligations such as filing returns. Non-active companies can be excused from filing - see page 5.

# Company tax return

## Question 12 Non-resident entertainer, contractor or a specified agricultural/horticultural/viticultural company

If the company has received any schedular payments, we will send you a summary of earnings (SOE).

Add up the total tax withheld and all the gross payments shown on the SOE and write the totals in Boxes 12A and 12B.

The *Summary of earnings (IR544)* form may not contain all the company's earnings information. If any details are missing, please include them at Question 12.

If the company received a payment with no tax deducted, include the gross amount in Box 12B.

### Mineral mining tax credit

Include in Box 12A the amount of refundable tax credit being claimed where a tax loss is incurred on disposal of land or by claiming rehabilitation expenditure.

## Question 13 New Zealand interest

Interest from all New Zealand sources must be shown in the return. Write the total of all RWT deducted in Box 13A. If the company has had NRWT deducted from New Zealand interest, include this in Box 13A. Add up all the gross interest amounts (before the deduction of any tax) and write the total in Box 13B.

### Interest on broken term deposits

If you have broken a term deposit during the year, you may have to account for "negative interest". This is interest repaid on the term deposit and 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 amount shown on the RWT withholding certificate (IR15 or equivalent statement).

Deduct the allowable negative interest part, using the worksheet below, before entering the gross amount at Question 13 of the tax return. In all other cases, the negative interest is deductible in a later tax return when the term deposit matures.

### Worksheet

Copy your gross interest from your RWT withholding 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 Box 13B of your tax return.

3 ▶ \$

### Interest paid or charged by Inland Revenue

If we pay interest, include the interest in Box 13B for the income year the company received the interest.

If the company paid us interest, include it as a deduction in the return for the income year the interest is paid.

#### Note

If expenses are deductible against the interest income, claim them at Box 19B.

**Don't send in the certificates or IR15 forms with the return, but keep them in case we ask for them.**

## Income from financial arrangements

If the company was a party to a financial arrangement, such as government stock, local authority stock, mortgage bonds, futures contracts or deferred property settlements, the income or expenditure from the financial arrangement may have to be calculated using a spreading method, rather than on a cash basis. If the financial arrangement matures or is sold, remitted or transferred, a "wash-up" calculation known as a base price adjustment must be made.

Any RWT will be deducted on a cash basis. Show the RWT deducted and any income from the financial arrangement in Boxes 13A and 13B.

## Question 14 New Zealand dividends

Generally, dividends are taxable. However, there is an exemption for dividends paid between members of a wholly owned group.


To work out the total gross dividends, add up all net dividends received, any imputation credits, any attached FDP credits and any RWT deductions. Write the total of all dividends in Box 14B.

### Dividend tax credits

The total tax credits for dividends (imputation credits and FDP credits) you can claim is limited to the income tax payable (28%) on each dividend the company receives. This is to ensure that surplus tax credits are not used to shelter tax on other income.

Work out whether you need to apply this limitation to the dividend tax credits you will claim.


Copy your total gross dividends (calculated for each dividend that had an imputation and/or FDP tax credit) from Box 14B to Box 1.

1  \$

Multiply Box 1 by 0.28 (28%), and write the result in Box 2.

2  \$

Write your total dividend tax credits (calculated for that dividend) in Box 3.

3  \$

For each dividend, claim a dividend tax credit for the lower amount shown in Box 2 or Box 3. You can apply this reduction to either FDP or imputation credits, or both.

Write the total dividend imputation credits you are allowed to claim in Box 14.

In Box 14A write the sum of your total dividend RWT and any FDP credits you are allowed to claim.

### **Note**

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

## **Unit trusts**

Distributions from unit trusts will generally be taxable. The statement you receive from the unit trust should show the amounts to include in the return.

For unit trusts that are also portfolio investment entities (PIEs) see page 22.

## **Transfer of deductible expenses between member and master funds**

From the 2002-03 income year a member fund may, in certain circumstances, elect to transfer deductible expenses to a master fund. The master fund must invest, in whole or in part, in the member fund. The master fund can then deduct the transferred expenses.

A member fund can include a group investment fund that derives Category A income, a public unit trust or a superannuation fund. A master fund can include a group investment fund that derives Category A income or a public unit trust.

A public unit trust includes:

- retail unit trusts, whose units are offered to the public and which have 100 or more unit holders
- wholesale unit trusts, whose units are held by widely held investment vehicles such as other unit trusts or superannuation funds.

Member or master funds wanting to take advantage of this provision should include details of the adjustment in a tax reconciliation statement accompanying the return. The information should accompany the returns of both funds involved in the transfer.

For more information see our *Tax Information Bulletin (TIB)* Vol 13, No 11 (November 2001).

## **Qualifying companies**

Generally, if a qualifying company is a shareholder in a company that isn't a qualifying company, all dividends the qualifying company derives from the other company are taxable.

Dividends derived by a company (that has been a qualifying company at any time before deriving the dividends) are taxable.

If a qualifying company is a shareholder in another qualifying company, only dividends with imputation credits attached and a return of a 10-year bonus issue before the 10-year period expires, are taxable. Dividends with no imputation credits attached, or a return of a 10-year bonus issue 10 years from the payment date, are exempt income.

A distribution of a 10-year bonus issue before the 10-year period has expired, made when the company winds up, isn't taxable.

If you need more help, read our guide *Qualifying companies (IR435)*.

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



## Question 15 Māori authority distributions

Māori authorities can make various types of distributions.

Fill in Question 15 if you received any taxable Māori authority distributions between 1 April 2016 and 31 March 2017. 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 and is part of the tax the Māori authority has already paid on its profits, so the distributions are not taxed twice.

### What to show in your return

Your Māori authority distribution statement shows the amount of:

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

These amounts, not including any non-taxable distribution, will need to be transferred to the relevant boxes at Question 15.

#### **Example**

A Māori authority makes a pre-tax profit of \$10,000. It pays tax on this profit of \$1,750 (Māori authority tax rate of 17.5%) and distributes the entire profit to its 10 members. Each member will receive \$825 as a cash distribution and \$175 of Māori authority credits.

Each member of the authority liable to file an IR4 return would show the following information at Question 15:

- Box 15B - \$1,000 (made up of \$825 + \$175)
- Box 15A - \$175

## Question 16 Partnership, estate or trust income

If the company received any income from a partnership, estate or trust, write any tax credits in Box 16A and the income totals in Box 16B.

Don't include any:

- overseas income - show this at Question 18 along with any credits attached
- dividend imputation credits attached to dividends (include these in Box 14, RWT withheld in Box 14A and the gross dividend in Box 14B).

Add up any other tax credits from partnerships, estates or trusts and write the total in Box 16A.

Add up all the other income from partnerships, estates or trusts and write the total in Box 16B.

### Losses from limited partnerships

If the company is claiming a loss from a limited partnership and you need help working out the amount you can claim, please go to [www.ird.govt.nz](http://www.ird.govt.nz)

### Estate or trust income

If you received a taxable distribution from a non-complying trust, please attach a note with your return giving details of the amount and any associated tax credits.

We separate taxable distributions from a non-complying trust because they are taxed at a different rate. We need these details to work out your tax liability correctly.

## Question 18 Overseas income

If your company received income from or while based overseas, between 1 April 2016 and 31 March 2017, show it in New Zealand dollars at Box 18B. If the company is a New Zealand resident for tax purposes, you must include any foreign contract or service income in Box 18B.

### Foreign investment fund (FIF)

If the company held rights, such as shares, units or an entitlement to benefit in any foreign company, unit trust, superannuation scheme or life insurance policy, at any time during the 2017 income year, you may be required to calculate FIF income or loss.

If the company has an interest in a controlled foreign company (CFC), they must calculate any attributed income or loss from that interest.

Generally, the company will use the fair dividend rate to calculate FIF income.

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
- interest in certain Australian unit trusts
- limited exemptions for interests in certain venture capital interests that move offshore (for 10 income years from the income year in which the company migrates from New Zealand)
- a 10% or greater interest in a CFC.

## **CFC income and losses**

New rules were introduced in 2009 for calculating income or losses from a CFC.

If the company has an interest in a CFC, they must calculate any attributed income or loss from that interest.

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

When CFC income or losses are calculated under the new rules, transitional rules apply to the use of carried forward losses incurred under the old rules.

You can find more information on the new rules at **[www.ird.govt.nz](http://www.ird.govt.nz)** and in our *Tax Information Bulletin (TIB)* Vol 21, No 8 (October/November 2009).

## What to show in your return

You can convert all overseas income and tax credits to New Zealand dollars by:

- using the rates table available on our website (search keywords: overseas currencies)
- contacting the overseas section of a trading bank and asking for the exchange rate for the day you received your overseas income.

If the income was received from a financial arrangement, refer to Determination G9A or G9C under section 90 of the Tax Administration Act 1994.

Write the total of the allowable overseas tax paid in Box 18A. Include in Box 18B income before the deduction of any tax. Credit for tax paid overseas will be limited to the amount of New Zealand tax payable on that income. Please note that Australian franking credits or tax credits on dividends from the United Kingdom can't be claimed.

Staple proof of tax paid overseas to the top of page 3 of the return.

Foreign tax credits attached to dividends that are not required to be returned under the FIF rules can be claimed up to the amount of New Zealand tax payable on the FIF interest.

Some foreign dividends have New Zealand imputation credits attached or New Zealand RWT deducted. These credits are not subject to the foreign tax credit limitation rule.

## Investments in portfolio investment entities (PIEs)

Certain PIEs attribute their net income/loss and tax credits to the investors. Companies that are investors include the attributed income or loss in their tax return.

Each year, the PIE is required to provide an investor statement setting out the details of the income/loss attributed to the investor for the year. The statement also shows the various types of tax credits associated with the income that has been attributed. These tax credits are subject to the tax credit limits calculated in relation to the tax on the attributed PIE income.

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

The amount of income the company derives as a distribution by a PIE is excluded income unless it is fully imputed dividends from a listed PIE. Dividends from these PIEs are not liable for RWT.

For more information, go to [www.ird.govt.nz](http://www.ird.govt.nz) or read our guides, *Information for companies that invest in PIEs (IR857)* and *Portfolio investment entity: a guide for PIEs (IR860)*.

## Question 19 Business or rental income

Write the net profit or loss in Box 19B. This is the amount of income or loss after the deduction of all allowable business expenditure, including shareholders' salaries paid or credited. Also include any net rental income or loss in Box 19B.

**Don't** include any income already shown at Questions 12 to 16, losses from CFCs (see the notes to Question 34 on page 40) or claim donations here (see the notes to Question 23 on page 28).

### Note

If expenses are deductible against income declared in Questions 12 to 14, claim them here.

Attach either:

- a fully completed *Financial statements summary (IR10)* form, or
- the company's financial accounts.

The IR10 is a statistics form that sets out a general summary of information from the financial accounts.

If you complete an IR10 you don't need to send the financial accounts as well. You still need to complete them (unless the company is very small) and keep them in case we ask for them.

Very small companies are not required to prepare financial accounts if these conditions apply during the income year.

The company:

- is not part of a group
- has not derived income over \$30,000
- has not incurred expenditure over \$30,000.

Companies that don't prepare financial accounts must fill in an IR10 using information from their trial balance or financial records.

For more information about who has to prepare financial accounts and minimum financial reporting requirements, go to our website at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: financial reporting).

## The 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 to your organisation, it will affect the amount of taxable income in this return.

To find out how to apply this rule, please refer to our *Tax Information Bulletin (TIB)*, Vol 12, No 12 (December 2000) and Vol 13, No 11 (November 2001).

## Question 20 Insurance premiums paid to an overseas insurer

Special rules apply to any company paying a premium, including a reinsurance premium, to a non-resident insurer.

If you're paying a premium to a non-resident insurer you need to get a separate IRD number to account for the tax on the premium income. This is because you're considered to be the insurer's agent.

You will need to file an IR4 return under this separate IRD number and declare premiums paid as the only income received.

Only 10% of the total gross premiums paid to overseas insurers is subject to the company tax rate of 28%. This equals 2.8% of the total premiums paid. Any premiums paid to insurers in Switzerland aren't subject to tax in New Zealand and should be deducted from the total gross premiums paid.

Agency obligations also extend to other New Zealand residents, eg, brokers, who may initially collect premiums for payment to the non-resident insurer. If there is any default, the insured person is responsible for the tax.

Print the gross amount of premiums paid to a non-resident insurer in Box 20. Print the gross amount of premiums paid to Switzerland in Box 20A. Deduct the figure in Box 20A from Box 20 and multiply the net amount by 0.1 (10%). Print your answer in Box 20B and copy this amount to Box 28.

**No other income should be returned as an agent for an overseas insurer.**



The company still needs to declare other income under its original IRD number.

If you have any enquiries, contact:

Large Enterprises Services  
Investigations and Advice  
Private Bag 39984  
Wellington Mail Centre  
Lower Hutt 5045

Phone 0800 443 773

Fax 04 890 4502

## Question 21 Other income

Show any other income received by the company at Question 21. For example, the sale of:

- land and/or buildings
- shares or other property
- securities
- income from an undertaking or scheme.

The following notes explain what you need to do if the company received any of the types of income listed above.

### Income from sale of land and/or buildings

The profits are taxable if the company bought a property for the purpose of reselling it or is in the business of buying and selling land and/or buildings.

If the company purchased a property on or after 1 October 2015 and sold/disposed of it before the end of the income year, any profit will be taxable, whether the intention at the time of purchase was for resale or not.

The profits may be taxable if the company:

- is a building company and improved a property before selling it
- developed or subdivided land and sold sections
- had a change of zoning on company property and sold it within 10 years of buying it.

If the company 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](http://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.

Print the total profit in Box 21B.

If you're not sure if the income from the sale of land or buildings is taxable, please call us.

### **Income from sale of non-FIF shares or other property**

Profits from the sale of shares and other property are taxable if the company:

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

This does not apply if shares are FIFs.

List the details of income and expenses from these sales on a sheet of paper and staple it to the top of page 3 of the return. Include the total profit in Box 21B.

### **Losses from sale of land, buildings, non-FIF shares or other property**

If the company has made a loss from the sale of an asset that was not an FIF and you can show that if it had made a profit it would have been taxable, you 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 before the end of the income year, 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 at Box 21B.

## **Financial arrangements**

A company must account for income from financial arrangements on an accrual basis. Financial arrangements include government stock, futures contracts and deferred property settlements, excluding short-term agreements for sale and purchase of property. Changes to the rules for the treatment of financial arrangements have split the rules into two sets. Generally, the first set applies to financial arrangements entered into before 20 May 1999 and the second applies to financial arrangements entered into on or after that date.

Both sets of rules require the income or expenditure to be spread over the term of the financial arrangement.

This applies in every case - the company doesn't have to be in the business of buying or selling financial arrangements, or be intending to sell, as it would with shares. The company may, in certain cases, deduct any losses.

## **Sale or maturity of financial arrangements**

When a financial arrangement matures or is sold, remitted or transferred, a "wash-up" calculation, known as a base price adjustment, must be made. The calculation ensures that the total gains or losses from the financial arrangement are accounted for.

If you need any information on when losses can be deducted or how to calculate a base price adjustment, please call us on 0800 443 773.

## **Income from an undertaking or scheme**

Profits from any undertaking or scheme entered into for the purpose of making a profit are taxable. Describe the undertaking or scheme and list the details of income and expenses from them. Staple this information to the top of page 3 of the return and include the total profit in Box 21B.

## Question 21BA

If the company is an “offshore RLWT person” and has sold or transferred residential property located in New Zealand, RLWT may have been deducted from the sale price.

The company should have received a statement on the completion of the sale process showing the amount of RLWT deducted. The company can claim a credit for any RLWT deducted. Show the amount of RLWT deducted, less any RLWT paid back to the company and/or transferred to outstanding amounts during the income year.

If there was more than one amount of RLWT deducted, show the combined amount, less any RLWT paid back to the company and/or transferred to outstanding amounts during the income year.

## Question 23 Donations

A company (including an unlisted company with five or fewer shareholders) can claim a deduction for donations it makes to any society, institution, association, organisation, trust or fund that has donee organisation status. You can view the list of these organisations at [www.ird.govt.nz](http://www.ird.govt.nz)

### Note

State-funded tertiary education institutions, state schools and state-integrated schools don't have to be approved to have donee organisation status.

The deduction for donations can't be more than the company's net income after expenses (before the donation deduction is taken into account). Use the following steps to calculate the company's donation deduction.

- If the amount in Box 22 is a **loss**, print nil in Box 23B.
- If the donations made by the company **exceed** the amount in Box 22, copy the amount in Box 22 to Box 23B.
- If the donations made by the company **don't exceed** the amount in Box 22, print the amount of the donations in Box 23B.

## Question 25 Net losses brought forward

Losses from CFCs are not included in Box 25 - see Question 36 on page 41.

Before a company is allowed to carry forward net losses, 49% continuity of minimum voting interest or market value interest must be maintained by a group of persons at all times, from the beginning of the year of net loss to the end of the year of carrying it forward (the continuity period).

To check whether the shareholder continuity requirements have been met, use the lowest percentage of economic interest held by each shareholder during the continuity period. To calculate the total lowest economic interest see Question 38 on page 43.

There are two types of net losses - specified activity net losses and other net losses.

### Specified activity net losses

These are net losses incurred before the 1991 income year, limited to \$10,000. If the company made a profit from a specified activity, it can offset it without limitation against net losses brought forward from this activity. If the net losses exceed the profit, it can offset up to \$10,000 against other income in the return.

### Other net losses

Other net losses are all those incurred from the 1991 income year onwards (including any net loss arising from excess imputation credits) and any net losses that were not limited before 1991.

Write the total of all specified activity net losses and other net losses the company can bring forward to 2017 in Box 25A, and the amount the company has offset against 2016 income in Box 25B.

If the company can't offset any net losses in the 2017 income year, write "0.00" in Box 25B.

**Note**

You should be able to find the amount of net loss the company has to bring forward on the loss notice sent to you with the company's 2016 income tax assessment. If you don't have a loss notice, enter the details from your own records.

## **Question 26 Total income after net losses brought forward**

If Box 24 is a net loss, add Box 24 and Box 25A (amount brought forward), and print your answer in Box 26. If Box 24 is a profit and is less than the amount in Box 25A, print the difference between Boxes 24 and 25A in Box 26. This is the total available net loss before net losses and/or subvention payments to or from other companies.

## **Question 27 Net losses and subvention payments**

To offset net losses there must be a common shareholding of at least 66%, and 66% continuity of minimum voting interest must also be maintained (or 66% market value interest if a market value circumstance exists). To calculate voting or market value interest see Question 38 on page 43.

To offset a net loss incurred during a current income year, the loss company and the profit company must be members of the same group at all times for that income year.

To offset a net loss brought forward, the loss company and the profit company must be members of the same group of companies for the entire period, beginning with the income year the net loss is incurred in and ending with the year of offset.

Record individual details of the losses claimed or transferred and subvention payments received or made at Questions 39E or 39F. The total of these must equal Boxes 27 or 27A respectively.

## Part-year grouping

The general part-year grouping rule is that only the part of the net loss incurred in the same period as the profit is derived may be offset, if, during the period:

- the loss company maintains continuity of shareholding, and
- commonality of shareholding between loss and profit companies has been maintained.

Net loss and profit amounts allowed to be offset are based on periods where continuity and commonality requirements are met for all companies taking part in a part-year grouping arrangement.

If the company received net losses from another company or made a subvention payment to another company, put a minus sign in the relevant last box. Attach a schedule setting out the names and IRD numbers of the companies and the amount of the payment or loss.

## Qualifying companies

Net losses are restricted for grouping and subvention payment purposes. A qualifying company loss can be offset against any group company profit (including non-qualifying company profits).

## Question 29E Foreign investor tax credit

The foreign investor tax credit rules reduce the combined income tax and NRWT imposed on foreign investors with interests in a New Zealand company. See *Tax Information Bulletin (TIB)* Vol 20, No 3 (April 2008) for details about the change of company tax rate. A company is entitled to a foreign investor tax credit when it pays a supplementary dividend of the same amount to its non-resident shareholders. The foreign investor tax credit can then be offset against the company's income tax liability.

The foreign investor tax credit arises in the income year the supplementary dividend is paid and is to be offset in the following order:

1. Against the company's income tax payable for the year the supplementary dividend is paid. Enter this amount in Box 29E.

2. At the company's election, either:
  - against the company's income tax liability for any of the previous four income years, or
  - against the income tax liability for another company in the same wholly owned group of companies for the year the supplementary dividend is paid in or any of the previous four income years.
3. Carried forward to subsequent years for offset against the tax liability of the company or another company in the same wholly owned group of companies.

If the company has a foreign investor tax credit that can't be fully offset against its own income tax liability in the income year the supplementary dividend is paid, attach a note to the front of the return giving details of how to treat any excess credit.

## **Question 29G Imputation credits**

If the company has imputation credits, it may have a net loss to carry forward. This will happen if the company's total imputation credits are greater than the tax payable at Box 29F.

To calculate the net loss to carry forward, subtract the amount at Box 29F from the total imputation credits (Box 29G) and divide the answer by 0.28 (28%).

If the deemed net loss is to be offset to other companies within the same group (rather than carried forward), reduce the amount of net loss shown at Box 27 by the amount offset.

## **Question 30 Refunds and/or transfers**

If you want your refund transferred to another account or to arrears being paid off by an instalment arrangement, please tell us the date you would like this done.

The date you can choose depends on what tax has been overpaid and whose account you want the credit transferred to.



**Note**

If the transfer is to arrears being paid off by an instalment arrangement, you'll need to include a note with your return authorising the transfer and giving the following information:

- that the transfer is to arrears currently under an instalment arrangement
- the name and IRD number of the taxpayer the transfer should be made to
- whether the taxpayer is an "associated taxpayer"
- the tax type and period
- the date you want the transfer to take place.

## Question 30B Associated taxpayers

For companies, the following persons are associated taxpayers for the purposes of transferring overpaid tax:

- another company in the same group of companies
- a shareholder-employee of the company
- a partner in the same partnership.

If you want your refund transferred to another person, you will need to show if they are an associated taxpayer.

### Transfer date

You can ask for your credit to be transferred at any date as long as it is not before the relevant dates set out as follows.

For credit transferred:

- to your account/an associated taxpayer's account

If the credit is from excess tax deducted (eg, RWT deducted on interest) 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. Please note that special rules apply if tax pooling funds have been transferred in.

- to a non-associated taxpayer'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 want your credit transferred at a future date, attach a note to the front of your return with the details of the amount you want transferred, the account you want it transferred to (if it's to another person and they are associated) and the date you want it transferred.

If you don't tell us the date you want your credit transferred, we will transfer it at a date we think gives you the greatest advantage. If you want the credit transferred at a different date, you can ask us to change it (even if we have transferred your credit to cover a debt).

### **Requesting transfers on your return**

You can ask us to transfer a refund to another account by filling out page 4 of the return. If you ask us to, we will transfer the refund to:

- the company's own account or an account of someone associated to the company on the later of:
  - the day after the balance date (or 1 April if your balance date is before 31 March)
  - the due date in the destination account.
- an account of someone not associated to the company on the day after the return was filed.

If you want the company's refund transferred at a different date from those listed earlier, you can attach a note to the return, including the details of the account you want the refund transferred to and the transfer date you want. If the transfer is going to another person, tell us if they are associated to the company.

## Question 31 Initial provisional tax liability

A company has an initial provisional tax liability if it:

- starts to derive income from a taxable activity in the tax year, and
- had not derived gross income from a taxable activity within the preceding four years.

New businesses don't pay provisional tax in their first year of operation because there is no residual income tax (RIT) from the previous year to base the calculation on.

However, companies that have an initial provisional tax liability may be charged interest from the first, second or third instalment date. The instalment date interest applies from is determined by the business start date. Some new businesses make voluntary payments to reduce liability for interest.

More information about the dates interest applies from is available in our guide *Provisional tax (IR289)*.

There are special rules about how interest is calculated when a company has an initial provisional tax liability **and** has changed its balance date. For further information, see our *Provisional tax (IR289)* guide.

Print the date the company started to derive income from the taxable activity in Box 31.

## Question 32 2018 provisional tax

2018 provisional tax is charged for income the company will earn in the 2018 income year. It is payable in two, three or six instalments. There are three options for calculating your provisional tax - standard, estimation and ratio.

If the company's 2017 RIT is:

- **\$2,500 or less** it does not have to pay provisional tax, but it can make voluntary payments
- **more than \$2,500 but expected to be \$2,500 or less for 2018** it may estimate 2018 provisional tax at nil
- **more than \$2,500 and expected to be more than \$2,500 for 2018** it must pay 2018 provisional tax using one of the payment options.

### Standard option (S)

Under this option, your 2018 provisional tax is your 2017 RIT (where it is more than \$2,500) plus 5%.

#### Note

If you think your income for 2018 will be more than your 2017 income, you can make voluntary payments over and above the amount you have to pay under the standard option.

### Estimation option (E)

Companies can estimate their 2018 provisional tax. They can re-estimate any number of times up to their final instalment due date. If the company's 2018 RIT is expected to be less than its 2017 RIT, estimating may prevent the company from paying more than it has to.

#### Note

An estimate must be fair and reasonable at each instalment it applies to. If you use the estimation option, see "Not taking reasonable care penalty" and "Interest" on page 37.

If the company estimates its provisional tax, write **E** in Box 32A and the amount of 2018 provisional tax in Box 32B.

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

If you're using the ratio option and select **E** at Box 32A this will mean you are electing to stop using the ratio option.

## Ratio option (R)

If you're GST registered, you may qualify to use the ratio option to calculate your provisional tax.

Only enter **R** at Box 32A if you have 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.

If you've already elected to use the ratio option and want to continue using it, enter **R** at Box 32A.

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

## Not taking reasonable care penalty

When you estimate the company's 2018 provisional tax, your estimate must be fair and reasonable. If the 2018 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

Generally, if the company has paid too much provisional tax, we pay interest. If it has not paid enough provisional tax, we charge interest.

Interest the company pays is tax deductible, while interest we pay is taxable income.

## Election to be a provisional tax payer

A company is a provisional tax payer for the 2017 year if its RIT for that year is more than \$2,500. If the 2017 RIT is \$2,500 or less but the company paid provisional tax for the year, the company may elect to be a provisional tax payer for that year. This may affect the interest the company may be entitled to for that year.

To elect to be a provisional tax payer for the 2017 year, attach a note to the front of the 2017 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 the balance date.

For more information, read our guides *Penalties and interest (IR240)* and *Provisional tax (IR289)*.

## 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 interest. For more information about tax pooling, including a list of intermediaries, go to [www.ird.govt.nz](http://www.ird.govt.nz)

## Payment dates

### 2018 provisional tax

Generally, a company with a 31 March balance date pays provisional tax by the following due dates:

First instalment	28 August 2017
Second instalment	15 January 2018
Third instalment	7 May 2018

A company 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.

There are two exceptions:

- If it would be due on 28 December it is due on 15 January.
- If it would be due on 28 April it is due on 7 May.

These dates will alter if the company is registered for GST, and

- the GST filing frequency is six-monthly, or
- provisional tax is paid through the ratio option.

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

## 2017 end-of-year income tax

Companies that have an agent and an extension of time may have until 7 April 2018 to pay their tax. If you think this applies to your company, contact your agent.

A company with a balance date between 1 March and 30 September must pay its end-of-year income tax (Box 29L) and any interest by 7 February 2018.

A company 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
- by posting a cheque.

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.

When making electronic payments, include:

- your IRD number
- a tax type code
- the period the payment relates to.

Go to [www.ird.govt.nz/pay](http://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.

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

Go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: managing penalties) for more information.

## Question 34 Foreign rights

If you calculated CFC or FIF income at Question 18 you may be required to complete an additional disclosure form for that investment.

For all interests of 10% or more in a foreign company, the additional disclosure is required.

For other investments, the requirement for an additional disclosure depends on the company you are preparing the *Companies income tax return (IR4)* for.

- If the company isn't widely held or a PIE, additional disclosure isn't required if the investments are in countries New Zealand holds a double tax agreement with (as at 31 March 2016) and the fair dividend rate or comparative value has been used.
- If the company is widely held or a PIE you are required to file an additional disclosure.

The disclosure forms are available at [www.ird.govt.nz](http://www.ird.govt.nz) Please call 0800 377 774 if you need help to find the appropriate disclosure form.

For information on foreign exchange rates, go to our website (search keywords: overseas currencies).



## Question 35 Share repurchases

When amounts distributed to shareholders on cancellation or repurchase of shares fall below specified thresholds, the amounts are taxable in full to shareholders as dividends.

When distributions on repurchases exceed those thresholds, or occur through the stock exchange, the distributions will be deducted from available subscribed capital of the company and will be tax-free to the shareholders. However, this is only to the extent that the distributions are not in lieu of dividends. If the subscribed capital of the company has been depleted, the distributions will be taxable.

Specific rules also govern the repurchase and subsequent sale of Treasury stock.

The total value entered on the return should be the aggregate value of all distributions made by the company during the year for company shares repurchased, redeemed, cancelled or purchased as Treasury stock.

## Question 36 Foreign-sourced dividends

Rules were introduced which remove the requirement for companies to withhold foreign dividend payments (FDP) on dividends received from non-portfolio FIFs and CFCs. These rules apply from the beginning of the 2010 income year for all companies with balance dates from 30 June to 30 September (inclusive) and from the beginning of the 2011 income year for all other companies.

Note that under the FIF rules, dividends received from overseas companies, except companies covered by the exclusions listed under FIF income at Question 18 on page 19, are no longer separately taxable.

Generally, funds would use the default FIF income calculation method (the fair dividend rate) which does not tax dividends separately. However, the foreign tax deducted from the dividend can be claimed as a credit against the tax payable on the calculated FIF income.

This will also apply to a deemed dividend under the attributed repatriation rules, which may arise if the foreign company is a CFC in which the company held an income interest of 10% or greater. The deemed dividend is derived by the company six months after the end of the CFC's accounting period.

A credit for any tax paid by the foreign company (on its earnings) may be allowed under the underlying foreign tax credit (UFTC) rules in calculating the amount of FDP payable by the New Zealand company. Any NRWT deducted from the foreign dividend paid to the New Zealand company may also be allowed as a credit.

### **Information about exempt foreign dividends**

Although most foreign dividends received by companies are exempt from tax, you should still answer "Yes" to this question if the company receives an exempt foreign dividend.

Foreign dividends from some investments are taxable. These should be included in the tax return as income from overseas. Dividends on foreign investments are taxable in three situations:

- When the investment gives the company a direct income interest of less than 10% in a foreign company, but the investment is one of certain investments that are excluded from the normal FIF rules (see Question 18 on page 19 for the most common exclusions).
- When the dividend relates to an investment in fixed-rate shares ("fixed-rate foreign equity").
- When the dividend paid is tax-deductible in a foreign country by a foreign company (a "deductible foreign equity distribution").

## **Question 37 Company controlled or owned by non-residents**

We need to know whether the company is owned or controlled by non-residents because we may need to apply subpart FE or sections CH 9, GC 6-14 and GB 2 of the Income Tax Act 2007.

## Question 38 Lowest economic interests of shareholders

The ownership tests measure a shareholder's voting and market value interests in a company. They apply to the net loss carry forward and grouping provisions, imputation credit carry forward provisions and the qualifying company rules.

A shareholding individual's economic interest in a company will generally be measured by referring to the percentage of voting power they hold in that company.

### Example

A company has two shareholders, Barbara and Maria. The company has two classes of shares:

- Class A shares carry a right to vote on matters other than the payment of dividends and appointment of directors.
- Class B shares carry unrestricted voting rights.

Barbara holds all 100 of the A shares in the company while Maria holds all 100 of the B shares.

Barbara's percentage of voting interest in the company is measured as follows:

Distributions		Variation in capital								
Constitution		Directors								
$\frac{0}{100}$	+	$\frac{50}{100}$	+	$\frac{50}{100}$	+	$\frac{0}{100}$	=	$\frac{100}{400}$	=	25%

Maria's percentage of voting interest is 75%, calculated as follows:

Distributions		Variation in capital								
Constitution		Directors								
$\frac{100}{100}$	+	$\frac{50}{100}$	+	$\frac{50}{100}$	+	$\frac{100}{100}$	=	$\frac{300}{400}$	=	75%

The percentage of voting interest is the total percentage of rights a person has, by reason of their holding of shares (and options), to vote on:

- the dividends or other distributions to be made by the company
- the constitution of the company
- any variation in the capital of the company
- the appointment or election of directors.

The continuity thresholds will be satisfied by taking into account the lowest economic percentage of rights attached to shares held by each shareholder of a company.

If Barbara and Maria hold these proportions of shares for the entire income year, the "total lowest economic interest of shareholders" or the minimum continuity is 100%, because Barbara's 25% plus Maria's 75% equals 100%.

If the proportion of shares held does not change during the entire income year, the total lowest economic interest of shareholders will always be 100%, as shown in the example below:

### Example

On 1 September 2015 Barbara and Maria swapped shares and held these proportions to 31 March 2016, the company's balance date.

	1 April 2015	1 Sep 2015	31 Mar 2016	Lowest
Barbara	25%	75%	75%	25%
Maria	75%	25%	25%	25%

The lowest percentage of rights held by each shareholder during the income year is 25%. So, the total lowest economic interest of shareholders, or the minimum continuity, is 50%.

In certain circumstances the shareholders' economic interests in a company will also be determined by the market value interests in the company. This is where the voting interests don't reflect the true economic interests held in a company.

A shareholder's market value interest in a company equals their percentage share of the total market value of shares (and options) held in that company.

The specific factors that require a market value interest to be calculated are called market value circumstances. A market value circumstance exists where:

- the company has on issue debentures to which sections FA 2 and FZ 1 of the Income Tax Act 2007 apply
- the company has on issue shares where payment of dividends is guaranteed by a third party
- there's an option to acquire shares in the company
- an arrangement exists with the purpose of defeating a provision that depends on measurement of voting and market value interests.

Add together the lowest economic interest of each shareholder and print the **total** in Box 38. Write percentages in the following format, for example, show 50% as 50.00, and 100% as 100.00.

### **Effect on the imputation credit account (ICA)**

If you keep an ICA and have had a change of shareholding of more than 34% you may need to make an adjustment on your annual imputation return at Box 42D ("Other debits")  
- see page 49.

## **Question 39 Shareholder details - see also the IR4S**

Complete Question 39 if shareholders, directors and relatives of shareholders received remuneration or a loan. Remuneration is liable for ACC levies.

### **Shareholders' salaries**

Write all remuneration with no PAYE deducted that the company paid to that person in Box 39B.

For the company to claim a deduction for shareholder remuneration it must be paid either:

- during the income year, or
- within the time allowed for the company to file its return.

If the remuneration isn't paid in time, the deduction can't be claimed until the following year.

### **Loss offsets and subvention payments**

Record details of any losses claimed or transferred from or to each group member at Box 39E.

Record details of any subvention payments claimed or transferred from or to each group member at Box 39F.

The total of Boxes 39E must be recorded at Box 27. The total of Boxes 39F must be recorded at Box 27A.

### **Current account balance**

If the shareholder's current account balance has been overdrawn, (that is, the shareholder owes the company money) then it is a debit balance.

# Annual imputation return

The annual imputation return must be completed for the period 1 April 2016 to 31 March 2017, regardless of your accounting year.

If you're a member of an imputation group, see page 7.

For more information please read our guide *Imputation (IR274)*.

## Question 40 Opening balance

This is the same as the closing balance at 31 March 2016.

Tick either "Credit" or "Debit" below Box 40. New companies won't have a closing balance to bring forward. Write "0.00" in Box 40.

## Question 41 Credits

### Question 41A Income tax paid

Include in Box 41A all payments of income tax and provisional tax made from 1 April 2016 to 31 March 2017 for 1989 and subsequent income years.

Don't include any FBT, ESCT, interest on tax, late payment penalties, imputation penalty tax or RWT.

### Question 41C RWT on interest received

If the company received interest with RWT deducted between 1 April 2016 and 31 March 2017, print the total RWT in Box 41C.

### Question 41D Imputation and FDP credits attached to dividends received

If the company received dividends with imputation credits or FDP credits attached between 1 April 2016 and 31 March 2017 while it had not elected to maintain an FDP account, print the total credits in Box 41D.

**Note**

This is the total imputation/FDP credits attached to dividends received. This amount is not limited to the tax payable on your dividends and is not necessarily the same amount as the imputation credits being claimed in Box 14.

In Box 47B on the *FDP account return (IR4D)* include any FDP credits attached to dividends received while the company maintained an FDP account.

**Question 41E Other credits**

List any other credits made to the ICA from 1 April 2016 to 31 March 2017. Use a separate sheet of paper if necessary. Attach it to the top of page 3 and print the total in Box 41E.

Other types of credits include:

- RWT on dividends received
- provisional tax allocated to the company by a company in the same wholly owned group that has overpaid its provisional tax
- residential land withholding tax (RLWT) credit deducted from the sale or transfer of residential land located in New Zealand during the income year, less any RLWT paid back to the company and/or transferred to outstanding amounts during the income year.

**Supplementary available subscribed capital account (SASCA)**

If you're a public unit trust or a group investment fund that maintains a SASCA and you're eligible to transfer credits from that account to the ICA, record the credits being transferred to the ICA in Box 41E (other credits).

All public unit trusts or group investment funds maintaining a SASCA should, by the due date for filing the 2017 IR4 or IR4J, send a copy of that memorandum account together with any written queries to:

Investment Desk  
Large Enterprises  
Inland Revenue  
PO Box 2871  
Christchurch 8140



For more information on negative dividends and the SASCA rules, see our *Tax Information Bulletin (TIB)* Vol 14, No 11 (November 2002).

### **Qualifying company election tax (QCET) payments**

Include any QCET payments made after 17 May 2007 as a credit in the ICA when working out the balance. Use the account balance in the formula, when calculating the imputation credit to be attached to a dividend paid by the qualifying company.

See our *Tax Information Bulletins (TIBs)* Vol 11, No 5 (May/June 1999) and Vol 20, No 3, page 127 (April 2008).

## **Question 42 Debits**

### **Question 42A Income tax refunded**

Print in Box 42A the company's total income tax refunds received from 1 April 2016 to 31 March 2017 for 1989 and subsequent income years. Don't include any interest on tax received or income tax refunded for any year before 1989.

### **Question 42B FDP refunds**

Include in Box 42B FDP refunded while the company had not elected to maintain an FDP account. If the company received any refunds while operating an FDP account, include these in Box 48B on the supplementary *FDP account return (IR4D)*.

### **Question 42C Imputation credits attached to dividends paid**

If the company paid dividends from 1 April 2016 to 31 March 2017 with imputation credits attached, print the total credits in Box 42C.

### **Question 42D Other debits**

List any other debits in the ICA and print the total in Box 42D. Examples of other types of debits are:

- any provisional tax allocated by the company to a company in the same wholly owned group that has underpaid its provisional tax
- an adjustment for a change of shareholding of more than 34% during the period 1 April 2016 to 31 March 2017, regardless of your accounting year

- an adjustment for a change in an imputation ratio
- tax payable by a company on any part of a distribution not sourced from the subscribed capital of the company, where that company repurchases a share on-market.

### Qualifying companies

The 66% continuity of shareholding requirement does not apply to qualifying companies. There is no need to make an adjustment where there has been a change of shareholding, except in the year the company ceases to be a qualifying company.

## Question 43A Adjustments to debit balance

If a qualifying company received an income tax refund after 1 April 1995 that created a debit balance in the ICA, no further income tax is required to the extent of any refunds received.

If the qualifying company has a debit balance as a result of income tax refunded from 1 April 2016, please subtract the amount refunded at Box 43A.

If the closing balance is a credit, there is no tax to pay.

If the closing balance at Box 43B is a debit, it must be paid by **20 June 2017**.

### Note

There are two types of relief from payment of debit ICA balances. These are:

- the offsetting income tax payments
- same debit ICA balances reflected in successive years.

For more information see our *Tax Information Bulletin (TIB)* Vol 16, No 1 (February 2004).

## Question 44 Imputation penalty tax

Imputation penalty tax of 10% of the debit closing balance is also payable by **20 June 2017**. Work out the 10% penalty in Box 44.

If the total in Box 44A exceeds \$100 and is not paid by the due date, late payment penalties and interest will apply - see page 40.

## Limitations on tax refunds

We may hold all or part of a refund if:

- the company is expecting an income tax refund, and
- the credit balance in the ICA at 31 March 2017 is less than the refund.

If there have been additional credits to the ICA since 31 March 2017, the company may file an interim 2018 IR4J return in anticipation of an IR4 annual return being filed at a later date. We may then be able to release the refund.

We can apply non-refundable overpaid income tax to a company's previous years' income tax liabilities, where these debits exist, rather than transferring the credit forward to the next year's provisional tax.

This avoids further payments having to be made to meet back-year debts.

## 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 read our factsheet *If you disagree with an assessment (IR778)*. 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.

## **Accident Compensation Act 2001**

Under the Accident Compensation Act 2001, Inland Revenue is required to provide the earnings information at Box 39B from this return to the Accident Compensation Corporation (ACC). The information is used by ACC to invoice all ACC levies. ACC invoicing for close companies (including earners' levy for shareholder-employee earnings with no PAYE deducted) starts from September each year.

### **Maximum earnings from multiple companies**

The maximum amount of earners' levy that can be collected from a shareholder-employee is \$1,741.01. A shareholder-employee may be due for a refund from ACC if the shareholder-employee's combined total remuneration from two or more companies is over \$120,070. Please call ACC on 0800 222 776 to find out about the refund process.

### **ACC earners' levy**

Shareholder-employees' salaries or directors' fees without PAYE deducted are liable for ACC earners' levy. The company will be invoiced by ACC for this levy. For more information about refunds or levies, please go to [www.acc.co.nz](http://www.acc.co.nz) or call ACC on 0800 222 776.

# Services you may need

## 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 centre hours are 8 am to 8 pm Monday to Friday, and Saturday between 9 am and 1 pm. 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](http://www.ird.govt.nz/contact-us)

## 0800 self-service numbers

This service is available to callers seven days a week except between 5 am and 6 am 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 earnings	0800 257 778
Request a personal tax summary	0800 257 444
Confirm a personal tax summary	0800 257 771
All other services	0800 257 777

When you call, 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.

## Postal addresses

### Payments

Inland Revenue  
PO Box 39050  
Wellington Mail Centre  
Lower Hutt 5045

### 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](http://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 to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: privacy).

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it. You can call the staff member you've been dealing with or, if you're not satisfied, ask to speak with their team leader/manager. If your complaint is still unresolved, you can contact our Complaints Management Service. For more information, go to **www.ird.govt.nz** (search keyword: complaints) or call us on 0800 274 138 between 8 am and 5 pm weekdays.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, read our factsheet *If you disagree with an assessment (IR778)*.

