

# GST and provisional tax

If you're GST-registered and pay provisional tax, you may be required to pay your provisional tax at the same time your GST returns are due.

Space has been provided on your GST return to make provisional tax payments.

- If you file monthly or two-monthly GST returns and you haven't selected the ratio payment option, you're required to make three provisional tax payments each year. You also have the option of making voluntary provisional tax payments when you file your other GST returns or at any time.
- If you file six-monthly GST returns you're required to make two provisional tax payments. You can also make voluntary payments at any time.

## GST return and provisional tax payment

Your GST return includes a provisional tax section so you can make a combined payment for provisional tax and GST.

## Transfer GST refund to provisional tax

Your GST return allows you to transfer part or all of a GST refund to offset any provisional tax you have to pay.

## Voluntary and compulsory payments of provisional tax

Your GST return indicates whether a compulsory provisional tax payment is due. Voluntary payments can be made at any time. Credit use-of-money may be calculated if your end-of-year tax is different to your provisional tax. For more information see our **Provisional tax guide - IR289**.

## Alternative option for calculating provisional tax (ratio option)

The ratio option is based on a percentage of your taxable supplies and reflects your cash flow. It's designed to benefit small to medium sized businesses so you can pay tax when you receive your income or if you have a fluctuating income and turnover.

## Eligibility criteria

To use the ratio option, you need to meet all of the following criteria:

- You must have been in business and GST-registered for all of the previous tax year (this must not have been your first year in business)
- Your residual income tax\*(RIT) for the preceding year was greater than \$5,000 (\$2,500 in 2019/20 and earlier years) and up to \$150,000
- Your business doesn't operate as a partnership
- Your ratio percentage, once calculated, is between 0% and 100%
- You file GST returns monthly or two-monthly.

\* End-of-year tax to pay, based on tax payable plus the independent earner tax credit, less any tax credit entitlements, but doesn't include other tax payments (including provisional tax) you may have paid during the tax year.

If you elect to use the ratio option you'll be required to make six provisional tax instalments.

## How it works

RIT and GST taxable supplies from the previous tax year are used to determine a percentage value or ratio. The ratio is applied to the current GST taxable supplies in each two-month period to determine the amount of provisional tax payable.

## Ratio calculation

$$\text{Ratio percentage} = \frac{\text{RIT from previous tax year}^*}{\text{GST taxable supplies from the previous income year}} \times \frac{100}{1}$$

\* Adjustments to calculations are needed because of changes affecting the 2011 and future income years. Please refer to our **Provisional tax guide - IR289** for further information and examples.

## RIT figures aren't available

If your previous tax year's income tax return hasn't yet been filed you may still be able to use the ratio option. In this case, we'd use the figures from the previous tax year to calculate your ratio percentage. Once you file your previous tax year's return we'll recalculate your ratio percentage and tell you what it is.

## Applying to use the ratio option

If you'd like to use the ratio option to calculate your provisional tax instalments, please call us on 0800 377 774 or write to us before the start of the tax year in which you want to use the ratio option.

## Ratio adjustments

Your ratio may need to be recalculated if:

- you file a later income tax return
- your income tax or any of the GST returns used to calculate your ratio percentage are reassessed.

## Ceasing to use ratio option

You can stop using the ratio option at any time during the tax year. If the due date for the first instalment has passed you'll only be able to use the estimation option (not the standard option) to calculate your provisional tax instalments for the rest of that tax year.

You won't be able to continue using the ratio option if:

- you cease your GST registration
- any of your GST returns are overdue by 60 days or more
- your ratio percentage changes and is no longer between 0% and 100% (we'll let you know if it's not)
- you change your GST filing frequency to six-monthly
- a new income tax assessment results in RIT below \$5,000 (\$2,500 in 2019/20 and earlier years) or above \$150,000

## Need to know more?

For more information read our **Provisional tax guide - IR289** or **GST guide - IR375**.

These guides are available from [ird.govt.nz](http://ird.govt.nz) or by calling 0800 257 773.

## Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to [ird.govt.nz/contact-us](http://ird.govt.nz/contact-us) and select the In person option to find out about requesting a visit.

Find a seminar or workshop near you at [ird.govt.nz/contact-us/seminars](http://ird.govt.nz/contact-us/seminars)

## Electing to use ratio option

If you'd like to make an election to use the ratio option, please send your request by message in the my GST section of myIR, or post your request.

Inland Revenue  
PO Box 39010  
Wellington Mail Centre  
Lower Hutt 5045



## [ird.govt.nz](http://ird.govt.nz)

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

- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - 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 forms and guides.

### Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

[New Zealand](http://www.newzealand.govt.nz) Government