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Te Tari Taake

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Fringe benefit tax return guide 2016



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

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Introduction

Using this guide

This guide will help you complete your fourth quarterly return *Fringe benefit tax quarterly return (IR 420)* (for the period 1 January to 31 March 2016) or annual or income year returns *Fringe benefit shareholder/employee income year tax return (IR 421)* and *Fringe benefit ordinary employee annual tax return (IR 422)* for the 2015–16 year. You should also use this guide if you've ceased employing and you're completing your final FBT (fringe benefit tax) return.

This guide explains the options for calculating FBT as well as how to treat attributed income and benefits provided to employees and shareholder-employees. We've included step-by-step instructions and examples to assist you. You can find examples of completed calculation sheets and FBT returns in our *Fringe benefit tax guide (IR 409)*. You can also complete alternate rate calculations and file your FBT returns online at www.ird.govt.nz "Get it done online".

Completing manual FBT calculations

If you're completing manual calculations using the calculation sheets enclosed with your return, this guide steps you through each question on the worksheets and provides examples to assist you.

You should also use this guide when you've ceased employing and you're completing your final FBT return. See page 40 for more information.

Completing FBT calculations online

To complete your taxable value and alternate rate calculations online, go to www.ird.govt.nz “Work it out”, “Fringe benefit tax (FBT)”.

You can complete the taxable value calculations online using the following onscreen calculators:

- Fringe benefit tax on motor vehicles
- Fringe benefit tax on goods and services
- Fringe benefit tax on low-interest loans
- Fringe benefit tax on contributions to funds, insurance and superannuation schemes.

You can complete the alternate rate calculations using either:

- the Fringe benefit tax alternate rate calculator—this calculates FBT for one employee at a time, or
- the Fringe benefit tax alternate rate calculation sheet—this calculates FBT for up to 10 employees at once.

Options to consider

Quarterly filers – fringe benefit options

If you filed *Fringe benefit tax quarterly* (IR 420) returns and paid FBT at the single rate of 49.25% in all of the last three quarters (periods ended 30 June 2015, 30 September 2015 and 31 December 2015), you have three choices in the fourth quarter (period ended 31 March 2016). These are:

- paying FBT at the 49.25% single rate. Record the benefits and complete your return as you've done in the three previous quarters. If you choose this option you must use this rate for all benefits provided during the year.
- using the full alternate rate calculation
- using the short-form alternate rate calculation.

If you paid FBT at the alternate rate of 43% in any of the first three quarters, you must use one of the alternate rate calculations in the fourth quarter.

The following factors may help you when deciding which option best suits your business's circumstances:

- If your employees receive fringe benefits and earn:
 - over \$70,000 annually, you should consider using either the single rate or the short-form alternate rate calculation
 - under \$70,000 annually, you should consider using the full alternate rate calculation.
- The amount of non-attributed benefits provided. Under the alternate rate options, non-attributed benefits are taxed at 42.86% (or 49.25% in the case of major shareholder-employees).
- The alternate rate process may require more extensive record keeping and calculations.

Note

You can only use one option. You can't use a combination of the single FBT rate and the alternate rate calculation options.

Annual and income year filers

If you file an IR 421 income year return, or an IR 422 annual return, you can either pay FBT at the 49.25% rate or apply one of the alternate rate calculation options to the benefits you provided during the year.

Completing your fourth quarter or yearly return

Quarterly returns using the single FBT rate

If you've chosen the single rate of 49.25%, complete this return as you normally would and indicate which option you've chosen. Please note, when you choose this option you're not required to attribute benefits to the individual employees receiving the benefits.

Annual and income year filers using the 49.25% FBT rate

If you've chosen the rate of 49.25%, show this option in Box 4 of your return.

Using the alternate rate calculations

You'll need the following information to complete the alternate rate calculation process.

- Your completed FBT taxable value calculation sheets for quarterly filers (quarters 1 to 4) IR 427, income year filers IR 428 or annual filers IR 429.

You can complete these calculations online—see page 4.

These show the amount of the taxable value for motor vehicles; free, subsidised or discounted goods and services; low-interest loans; and contributions to funds, insurance and superannuation schemes.

- Quarters 1 to 3 FBT returns (for quarterly filers only).

If you're using the full alternate rate calculation, you'll also need cash remuneration details for each employee where the fringe benefits they've received have been attributed to them.

Note

Benefits will need to be identified as attributed or non-attributed benefits on your calculation sheets—see “Attributed and non-attributed benefits” on page 11.

Attributed income

The definition of cash remuneration for FBT purposes includes any amount of income attributed under the attribution rule. The attribution rule applies where a person providing services puts an entity (trust or company) between themselves and the person who receives those services (the recipient). The person providing the services and the trust or company must be associated persons. The company or trust receives the payment for the services performed by the service provider. The attribution rule ensures the net income (income after expenses) of the entity is treated as the gross income of the service provider. The rule applies only in limited circumstances. For FBT purposes, when applying the alternate rate calculations to attributed benefits received from this entity, the cash remuneration includes the amount of any attributed income.

Example

Sandy is employed by GHI Ltd and receives an annual salary of \$120,000 as well as annual attributed benefits of \$10,000. Sandy has formed a company that now receives the income for the services she provides to GHI Ltd. Sandy draws an income of \$60,000 from her company. For the purposes of FBT, Sandy's company shows cash remuneration of \$120,000 and attributed benefits of \$10,000 on its alternate rate calculation sheet.

If you elect the alternate rate calculation option when determining the rate to apply to an employee who has received attributed income under the attribution rules, there are three possible scenarios:

- If all the remuneration details relating to that employee are known, you must use one of the alternate rate calculations—see pages 19 to 25.
- If some of the remuneration details aren't available at the time you complete the return, you can use the rate of 42.86% to calculate the FBT payable on the attributed benefits provided to that employee. When you complete the following year's fourth quarter or annual FBT return, align the FBT payable with the actual remuneration received by the employee using the full alternate rate calculation.
- If some of the remuneration details aren't available at the time you complete your return, you can use the rate of 49.25% to calculate FBT payable on the attributed benefits provided. No further calculations are required the following year when using this option.

The options for attributed income don't apply to income year filers (shareholder-employees) as the due date for this return is aligned with the end-of-year tax date of the employer, so all income information would be known by this date. Income year filers can elect the single rate or alternate rate calculation option.

Attributed and non-attributed benefits

Attributing fringe benefits

If you choose to apply the alternate rate calculations you'll have to attribute the following fringe benefits to the individual employee receiving them. The fringe benefit categories are as follows:

- Motor vehicles (other than pooled vehicles)
- Subsidised transport, if the annual taxable value is \$1,000 or more per employee—an employer has the option to treat subsidised transport benefits as non-attributed if all employees have the same or similar entitlement to that benefit
- Low-interest loans (other than low-interest loans provided by life insurance companies)
- Employer contributions to any life insurance, pension insurance or personal accident or sickness insurance policy, funeral trust or insurance fund of a friendly society, if the annual taxable value of all contributions is \$1,000 or more per employee
- Employer contributions to any superannuation scheme, where ESCT (employer's superannuation contribution tax) doesn't apply, if the annual taxable value of all contributions is \$1,000 or more per employee
- Employer contributions to a sickness, accident, or death fund, if the annual taxable value of all contributions is \$1,000 or more per employee
- Benefits of any other kind (such as gifts, prizes and subsidised or discounted goods and services), if the annual taxable value of all those benefits is \$2,000 or more per employee.

You can choose to attribute benefits when the total value of that benefit, within a particular category, for an employee is below the stated threshold. However, if you choose to do this for one employee within a particular category, you must attribute all benefits in that category to all employees receiving them.

Non-attributed benefits

The rate of 42.86% applies to fringe benefits not attributed to an individual employee that are pooled or shared fringe benefits (such as motor vehicles where no one employee has principal use of that vehicle). The 49.25% rate applies if a major shareholder-employee, or an associated person of the major shareholder-employee (where the fringe benefit is not received as an employee), is one of the recipients of the non-attributed benefit.

A major shareholder-employee is a person who owns or controls or has the right to acquire 10% or more of the ordinary shares, voting rights or control of a close company and is also an employee of that company.

It may be necessary to create two pools and allocate non-attributed benefits to each pool. This will depend on whether a recipient of the benefit is a major shareholder-employee or an associated person of the major shareholder-employee.

The following examples show how to apply the rules when attributing or non-attributing benefits.

Benefit category	Threshold	Scenario 1 Employer GHI Ltd chooses to attribute only those benefits that exceed the category thresholds
Motor vehicles	–	Employee A \$5,000 (A)* Employee B – Employee C – *Principal usage
Low-interest loans	–	Employee A – Employee B – Employee C –
Subsidised transport	\$1,000	Employee A – Employee B – Employee C –
Employer contributions to employee's sickness, accident, or death fund	\$1,000	Employee A \$1,800 (A)** Employee B \$500 (N) Employee C \$500 (N) **Greater than the threshold of \$1,000
Employer contributions to specified insurance funds or friendly societies	\$1,000	Employee A – Employee B – Employee C –
Employer contributions to any superannuation scheme (where ESCT doesn't apply)	\$1,000	Employee A – Employee B – Employee C –
Any other benefit of any kind (such as gifts, prizes and discounted goods and services)	\$2,000	Employee A \$1,000 (N) Employee B \$550 (N) Employee C \$700 (N) No benefit is greater than the threshold

Key (A)–attributed benefit (N)–non-attributed benefit

Benefit category	Threshold	Scenario 2 Employer MNO Ltd chooses to attribute all benefits	
Motor vehicles	–	Employee A	\$4,000 (A)*
		Employee B	–
		Employee C	\$6,300 (A)*
		*Principal usage	
Low-interest loans	–	Employee A	–
		Employee B	–
		Employee C	–
Subsidised transport	\$1,000	Employee A	–
		Employee B	–
		Employee C	–
Employer contributions to employee's sickness, accident, or death fund	\$1,000	Employee A	–
		Employee B	–
		Employee C	–
Employer contributions to specified insurance funds or friendly societies	\$1,000	Employee A	\$750 (A)
		Employee B	\$750 (A)
		Employee C	\$750 (A)
Employer contributions to any superannuation scheme (where ESCT doesn't apply)	\$1,000	Employee A	–
		Employee B	–
		Employee C	–
Any other benefit of any kind (such as gifts, prizes, and discounted goods and services)	\$2,000	Employee A	\$200 (A)
		Employee B	\$1,550 (A)
		Employee C	\$2,500 (A)

Key (A)–attributed benefit

(N)–non-attributed benefit

Benefit category	Threshold	Scenario 3 Employer XYZ Ltd chooses to attribute all benefits except for those of any other kind	
Motor vehicles	–	Employee A	–
		Employee B	\$4,500 (A)*
		Employee C	\$8,600 (A)*
		*Principal usage	
Low-interest loans	–	Employee A	\$3,000 (A)
		Employee B	–
		Employee C	\$5,000 (A)
Subsidised transport	\$1,000	Employee A	–
		Employee B	–
		Employee C	–
Employer contributions to employee's sickness, accident, or death fund	\$1,000	Employee A	\$1,500 (A)
		Employee B	\$600 (A)
		Employee C	\$950 (A)
Employer contributions to specified insurance funds or friendly societies	\$1,000	Employee A	–
		Employee B	–
		Employee C	–
Employer contributions to any superannuation scheme (where ESCT doesn't apply)	\$1,000	Employee A	\$1,100 (A)
		Employee B	\$2,000 (A)
		Employee C	\$850 (A)
Any other benefit of any kind (such as gifts, prizes, and discounted goods and services)	\$2,000	Employee A	\$2,500 (A)
		Employee B	\$150 (N)**
		Employee C	\$120 (N)**
		**The employer has chosen not to attribute benefits under the threshold	

Key (A)–attributed benefit

(N)–non-attributed benefit

Shareholder-employees

A shareholder-employee is a shareholder and an employee of a company with no more than 25 shareholders. Any benefit they receive as an employee is a fringe benefit and FBT is payable unless you elect the benefit to be treated as a dividend. If you employ shareholder-employees you may not have all the cash remuneration details for these employees to calculate the fringe benefit-inclusive cash remuneration. For example, the shareholder-employee's salary and wages, where PAYE has not been deducted, may not be available as this information is aligned with the income tax return filing process.

The following options are available, depending on whether you elect 49.25% or the alternate rate calculations:

- If you elect the flat rate of 49.25%, you pay 49.25% on all benefits provided during the year, including those provided to shareholder-employees.
- If you elect the alternate rate when determining the rate to apply to a shareholder-employee, there are three possible scenarios.
 - If all the remuneration details relating to a shareholder-employee are known, you must use one of the alternate rate calculations—see pages 19 to 25.
 - If some of the remuneration details aren't available at the time you complete the return, you can use the rate of 42.86% to calculate the FBT payable on the attributed benefits provided to that shareholder-employee. When you complete the following year's fourth quarter or annual FBT return, you align the FBT payable from this year with the actual remuneration received by the shareholder-employee using the full alternate rate calculations.
 - If some of the remuneration details aren't available at the time you complete your return, you can use the rate of 49.25% to calculate FBT payable on the attributed benefits provided. No further calculations are required the following year when using this option.

Shareholder-employees' remuneration or attributed income unknown

If, at the time of completing your quarterly or annual return (for the period ended 31 March 2016), you don't know all the remuneration of your shareholder-employees or those receiving attributed income, you can apply either the 42.86% or 49.25% FBT rate to the value of the attributed benefits. If you use the 42.86% rate you'll be required to complete the alternate rate calculations for next year's return (period ended 31 March 2017). If you use 49.25% there are no further calculations to complete next year.

To calculate FBT payable for shareholder-employees or persons receiving attributed income for 2016, where the remuneration details are unknown, the fringe benefit-inclusive cash remuneration will be the annual amount of the attributed fringe benefit provided. The 42.86% or 49.25% FBT rate will then be applied to this amount.

Example

A major shareholder-employee has the following remuneration details at the time of completing the return.

Dividends*	\$ 6,000
Fringe benefits	\$ 5,000
Salary and wages (no PAYE deducted)	unknown

The fringe benefit-inclusive cash remuneration for this employee is only \$5,000. Dividends of \$6,000 will be included as part of the cash remuneration for the following year. The employer has chosen to use the 42.86% rate this year and complete the alternate rate calculations next year. The FBT payable this year is \$2,143 ($\$5,000 \times 0.4286$).

* Dividends are only included as cash remuneration where the recipient is a major shareholder-employee.

If you use the 42.86% FBT rate, it's important to keep the following information for your 2017 calculation of FBT to pay for each shareholder-employee and person receiving attributed income:

- total attributed benefits provided for the year
- the amount of FBT payable for the year on the taxable value of those attributed benefits provided.

Completing the alternate rate calculation

The following forms will help you complete the alternate rate calculation:

- *FBT alternate rate calculation sheet – quarterly returns (IR 417)*
- *FBT alternate rate calculation sheet – income year return (IR 418)*
- *FBT alternate rate calculation sheet – annual return (IR 419).*

Note

The alternate rate calculators available at www.ird.govt.nz “Work it out” will calculate your FBT and give you a schedule which you can print and keep with your FBT records. If you use our onscreen calculator you won’t need to complete the alternate rate calculation sheet.

Using the short-form alternate rate calculation

Under this option you classify benefits as either attributed or non-attributed. All attributed benefits are subject to the flat rate of 49.25%. All non-attributed benefits are subject to the flat rate of 42.86%, or 49.25% where one or more recipients is a major shareholder-employee. Two pools for non-attributed benefits may be necessary in this situation. This option would appeal to employers who predominantly provide attributed benefits to employees who earn more than \$70,000 gross equivalent.

Using the short-form alternate rate option, complete the alternate rate calculation sheet (IR 417, IR 418 or IR 419) as follows

Column 1

Write “attributed” and “non-attributed” on separate lines.

Column 9

Write the total amount (whole dollars only) of attributed or non-attributed benefits. You may find this easier to do if you first transfer the totals from your FBT taxable value calculation sheets.

If you're a quarterly filer show the values used in each quarter of the FBT taxable value calculation sheets in the respective boxes on the alternate rate calculation sheet. These are quarter 1 Box 5, quarter 2 Box 6, quarter 3 Box 7 and quarter 4 Box 8. Add them together and write the total value in Box 9.

Column 10

Write the rate you're using to calculate FBT payable (attributed 49.25%, non-attributed 42.86% and non-attributed major shareholder 49.25%).

Column 11

Multiply column 9 by column 10 and enter the total.

Annual and income year filers—add up column 11 and transfer this amount to Box 5 of your FBT return.

Quarterly filers—complete Boxes A, B and C. Transfer the amount from Box C to Box 6 of your return.

Where full remuneration or attributed income details were unknown at the time of completing last year's annual or fourth quarter return and you used the 43% rate, transfer this amount to the remuneration adjustment sheet. See page 35.

Using the full alternate rate calculation

If you use this option, you'll need to do a separate calculation for each employee who has received attributed benefits. When completing the alternate rate calculation for the year, all attributed benefits are subject to the individual employee's personal tax rate. All non-attributed benefits are subject to the rate of 42.86% or 49.25% in the case of non-attributed benefits provided, where one or more recipients is a major shareholder-employee. Two pools for non-attributed benefits may be necessary in this situation. This option would appeal to employers who predominantly provide benefits to employees who earn less than \$70,000 gross equivalent.

Using the full alternate rate option—(IR 417, IR 418 or IR 419) complete the alternate rate calculation sheet as follows

Column 1 – Employee's name or non-attributed benefits

Write the names of the employees who received fringe benefits attributed to them for the year. Enter each employee's name once. You'll find this information on the FBT taxable value calculation sheet. If your employee is a shareholder-employee, tick the circle next to their name.

If you haven't identified the benefits to be attributed, this will be your first step in completing the alternate rate calculations.

If there were any pooled vehicles or non-attributed benefits, write "pooled vehicles" and "non-attributed" on separate lines below the list of employee's names.

Use a separate line for non-attributed benefits to major shareholder-employees.

Note

Columns 2 to 4 aren't required for non-attributed benefits and benefits provided to shareholder-employees and persons receiving attributed income, where their income is unknown, because the rates used are flat rates.

Column 2 – Employee's income

Write the total cash remuneration paid to each employee using your salary records for the year ended 31 March 2016, using whole dollars beside the name of the employee. See page 46 for a definition of cash remuneration.

If an employee only worked part of the year the cash remuneration is the amount you've paid them during that year.

Column 3 – Tax on employee's income (cash remuneration)

For each employee, calculate the amount of tax on the cash remuneration in column 2. Write the total in column 3. This is not the amount of PAYE deducted from your employee's income. See the examples on the following pages.

Note

The amount of tax you record in column 3 is to the second place after the decimal point. Don't round this amount up or down.

For each employee you'll need to ask yourself the following questions and complete the appropriate step. Is my employee's cash remuneration:

- \$14,000 or less? If "yes" go to A below
- from \$14,001 to \$48,000? If "yes" go to B below
- from \$48,001 to \$70,000? If "yes" go to C on page 24
- over \$70,000? If "yes" go to D on page 25.

A – Employee's cash remuneration is \$14,000 or less

If your employee's annual cash remuneration is \$14,000 or less, follow these instructions to calculate the amount of tax:

- Multiply your employee's cash remuneration, whole dollars, by the tax rate of 0.105 (10.5%).
- Transfer this amount to column 3 of your FBT alternate rate calculation sheet.

Example

Employee A receives \$8,750 for the year. The tax on this amount is:

Cash remuneration	\$8,750.00
Multiplied by tax rate	<u>0.105</u>
Total tax on \$8,750	\$918.75

B – Employee's cash remuneration is from \$14,001 to \$48,000

If your employee's annual cash remuneration falls in this range, follow these instructions to calculate the amount of tax:

- Deduct \$14,000 (remuneration threshold) from your employee's cash remuneration. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.175 (17.5%).
- Add the cumulative tax total on \$14,000 (\$1,470.00).
- Transfer the total tax calculated to column 3 of your FBT alternate rate calculation sheet.

Example

Employee B receives \$21,500 for the year. The tax on this amount is:

Cash remuneration	\$21,500.00
Less remuneration threshold	<u>\$14,000.00</u>
Balance of cash remuneration	\$7,500.00
Multiplied by tax rate	<u>0.175</u>
Tax on balance	\$1,312.50
Add tax on remuneration threshold	<u>\$1,470.00</u>
Total tax on \$21,500	\$2,782.50

C – Employee's cash remuneration is from \$48,001 to \$70,000

If your employee's annual cash remuneration falls in this range, follow these instructions to calculate the amount of tax:

- Deduct \$48,000 (remuneration threshold) from your employee's cash remuneration. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.30 (30%).
- Add the cumulative tax total on \$48,000 (\$7,420.00).
- Transfer the total tax calculated to column 3 of your FBT alternate rate calculation sheet.

Example

Employee C receives \$54,275 for the year. The tax on this amount is:

Cash remuneration	\$54,275.00
Less remuneration threshold	<u>\$48,000.00</u>
Balance of cash remuneration	\$6,275.00
Multiplied by tax rate	<u>0.30</u>
Tax on balance	\$1,882.50
Add tax on remuneration threshold	<u>\$7,420.00</u>
Total tax on \$54,275	\$9,302.50

D – Employee's cash remuneration is over \$70,000

If your employee's annual cash remuneration falls in this range, follow these instructions to calculate the amount of tax:

- Deduct \$70,000 (remuneration threshold) from your employee's cash remuneration. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.33 (33%).
- Add the cumulative tax total on \$70,000 (\$14,020.00).
- Transfer the total tax calculated to column 3 of your FBT alternate rate calculation sheet.

Example

Employee D receives \$79,375 for the year. The tax on this amount is:

Cash remuneration	\$79,375.00
Less remuneration threshold	<u>\$70,000.00</u>
Balance of cash remuneration	\$9,375.00
Multiplied by tax rate	<u>0.33</u>
Tax on balance	\$3,093.75
Add tax on remuneration threshold	<u>\$14,020.00</u>
Total tax on \$79,375	\$17,113.75

Column 4 – Net income

For each benefit attributed to an employee, subtract the amount in column 3 (tax on employee's income, ie, cash remuneration) from the amount in column 2 (cash remuneration). This is the employee's net cash remuneration and is completed for each employee. Write this total in column 4.

Columns 5, 6, 7 and 8 – Total benefits provided to an employee, or non-attributed benefits

Complete this step for each employee, shareholder-employee and person receiving attributed income, where the benefit has been attributed, and for non-attributed benefits.

Quarterly filers

Transfer the information from the FBT taxable value calculation sheets. For each quarter:

- total the taxable value of the benefits attributed to each employee, or the taxable value of the non-attributed benefits, and
- write the quarterly totals next to each employee's name or in the "non-attributed" row:
 - Quarter 1 (1 April to 30 June) – write the total in column 5
 - Quarter 2 (1 July to 30 September) – write the total in column 6
 - Quarter 3 (1 October to 31 December) – write the total in column 7
 - Quarter 4 (1 January to 31 March) – write the total in column 8.

To check all the figures have been correctly transferred, add up the column for each quarter (columns 5, 6, 7 and 8). This total should be the same as the taxable value shown on Box 3 of the IR 420.

Annual and income year filers

For annual and income year filers, the taxable value of the fringe benefits attributed to the individual employees is written in the following columns:

- Column 5 – write the total for motor vehicles (A)
- Column 6 – write the total for other fringe benefits (B)
- Column 7 – write the total for low-interest loans (C)
- Column 8 – write the total for insurance and superannuation (D).

Write the total amount next to the employee's name, or non-attributed benefit in each of the columns.

To check all the figures have been correctly transferred, add up the column for each benefit type (columns 5, 6, 7 and 8). The combined total should be the same as the taxable value shown on Box 3 of the IR 421 or IR 422 FBT return.

You don't have to attribute certain benefits if they fall under the threshold for their category—see page 11.

Column 9 – Fringe benefit-inclusive cash remuneration

Add columns 5 to 8 together (whole dollars only), then add the dollar value from column 4 to this figure and write your answer in column 9. This is the fringe benefit-inclusive cash remuneration (FBICR). This total is the annual net income (cash remuneration) from column 4 and the attributed benefits provided to each employee (columns 5 to 8).

For shareholder-employees or persons receiving attributed income, where all their remuneration is unknown at the time of completing this return, the FBICR for this year is the annual total of attributed benefits provided to the individual shareholder-employee or person receiving attributed income—see the example on page 17.

For non-attributed benefits these are the annual total benefits not attributed to an individual employee.

Column 10 – Tax on fringe benefit-inclusive cash remuneration for attributed benefits

For each employee, calculate the amount of tax on the FBICR in column 9. Write the total in column 10—see the examples on the following pages.

Note

The amount you record is to the second place after the decimal point. Don't round this amount up or down.

This step doesn't have to be completed for non-attributed benefits, or shareholder-employees and persons receiving attributed income, where their remuneration is unknown at the time of completing this return. In this column write the rate of FBT being applied to these benefits—either 42.86% or 49.25%.

For each employee ask yourself the following questions and complete the appropriate step. Is my employee's FBICR:

- \$12,530 or less? If "yes" go to A below
- from \$12,531 to \$40,580? If "yes" go to B on page 29
- from \$40,581 to \$55,980? If "yes" go to C on page 30
- over \$55,980? If "yes" go to D on page 31.

A – Employee's FBICR is \$12,530 or less

If your employee's annual FBICR is \$12,530 or less, follow these instructions to calculate the amount of tax:

- Multiply your employee's FBICR by the tax rate of 0.1173 (11.73%).
- Transfer this amount to column 10 of your FBT alternate rate calculation sheet.

Example

Employee A receives total benefits and income of \$7,750 for the year. The tax on this amount is:

FBICR	\$7,750.00
Multiplied by tax rate	<u>0.1173</u>
Total tax on \$7,750	\$909.07

B – Employee's FBICR is from \$12,531 to \$40,580

If your employee's annual FBICR falls in this range, follow these instructions to calculate the amount of tax:

- Deduct \$12,530 (remuneration threshold) from your employee's FBICR. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.2121 (21.21%).
- Add the cumulative tax total on \$12,530 (\$1,469.00).
- Transfer the total tax calculated to column 10 of your FBT alternate rate calculation sheet.

Example

Employee B receives \$13,875 for the year. The tax on this amount is:

FBICR	\$13,875.00
Less remuneration threshold	<u>\$12,530.00</u>
Balance	\$1,345.00
Multiplied by tax rate	<u>0.2121</u>
Tax on balance	\$285.27
Add tax on remuneration threshold	<u>\$1,469.00</u>
Total tax on \$13,875	\$1,754.27

C – Employee's FBICR is from \$40,581 to \$55,980

If your employee's annual FBICR falls in this range, follow these instructions to calculate the amount of tax:

- Deduct \$40,580 (remuneration threshold) from your employee's FBICR. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.4286 (42.86%).
- Add the cumulative tax total on \$40,580 (\$7,419.00).
- Transfer the total tax calculated to column 10 of your FBT alternate rate calculation sheet.

Example

Employee C receives \$45,275 for the year. The tax on this amount is:

FBICR	\$45,275.00
Less remuneration threshold	<u>\$40,580.00</u>
Balance	\$4,695.00
Multiplied by tax rate	<u>0.4286</u>
Tax on balance	\$2,012.27
Add tax on remuneration threshold	<u>\$7,419.00</u>
Total tax on \$45,275	\$9,431.27

D – Employee's FBICR is over \$55,980

If your employee's annual fringe benefit-inclusive cash remuneration is over \$55,980, follow these instructions to calculate the amount of tax.

- Deduct \$55,980 (remuneration threshold) from your employee's FBICR. This gives you the balance of the cash remuneration.
- Multiply the balance by the tax rate of 0.4925 (49.25%)
- Add the cumulative tax total on \$55,980 (\$14,019.00)
- Transfer the total tax calculated to column 10 of your FBT alternate rate calculation sheet.

Example

Employee D receives \$65,500 for the year. The tax on this amount is:

FBICR	\$65,500.00
Less remuneration threshold	<u>\$55,980.00</u>
Balance	\$9,520.00
Multiplied by tax rate	<u>0.4925</u>
Tax on balance	\$4,688.60
Add tax on remuneration threshold	<u>\$14,019.00</u>
Total tax on \$65,500	<u>\$18,707.60</u>

Column 11 – FBT payable for the year

Column 11 is the annual amount of FBT payable for attributed and non-attributed benefits.

Attributed benefits

To calculate the amount of FBT payable in a year for each employee's attributed benefits, take the total from column 10 (tax on FBICR) and subtract the total in column 3 (tax on employee's income).

Shareholder-employees or persons receiving attributed income – remuneration unknown

If the 42.86% rate is used, multiply your total in column 9 by 42.86% and write your total in column 11. If 49.25% is used, multiply your total in column 9 by 49.25% and write your total in column 11. See page 17 for more information about unknown remuneration.

Non-attributed benefits

Calculate the FBT payable for the year by using the 42.86% rate on the combined total of all non-attributed benefits provided during the year. Use the 49.25% rate on the total non-attributed benefits received by a major shareholder-employee. See page 12 for more information about non-attributed benefits. Multiply your total in column 9 by either 42.86% or 49.25%, and write the rate you've used in column 10 and the amount in column 11.

Box A – Total FBT to pay

Add up column 11 and write the total in Box A.

If you file income year returns, Box A is your FBT payable. Transfer this amount to Box 5 of your IR 421 return.

If you file annual returns, Box A is your FBT payable. Transfer this amount to Box 5 of your IR 422 return, or where full remuneration or attributed income details for shareholder-employees were unknown at the time of completing last year's return and you used the 43% rate, transfer this amount to the remuneration adjustment sheet—see page 35.

If you're a quarterly filer, Box A is your FBT payable for the year. Continue to Box B.

Box B – FBT assessed in quarters 1 to 3 (quarterly filers only)

To work out the amount of FBT to pay in this quarter you'll need to total the amount of FBT assessed (excluding any interest or late payment penalties) in the last three quarters (ending 30 June, 30 September and 31 December). You'll find these totals in Box 6 of your *Fringe benefit tax quarterly return (IR 420)*.

Quarter 1, Box 6

\$.

Quarter 2, Box 6

\$.

Quarter 3, Box 6

\$.

Note

If your return has been reassessed by Inland Revenue, use the amount of FBT to pay (GST-exclusive) from the reassessment, not the original return.

Total assessed in the three quarters

\$.

Copy this total to Box B on your alternate rate calculation sheet.

Box C – Total FBT to pay or refund due (quarterly filers only)

Box A (FBT payable for the year) less Box B (FBT assessed) will give you the amount of FBT you'll have to pay or be refunded in this quarter. Write this total in Box C. Transfer this amount to Box 6 of your IR 420 return. Where full remuneration or attributed income details for shareholder-employees were unknown at the time of completing last year's fourth quarter return and you used the 43% rate, transfer this amount to the remuneration adjustment sheet.

Completing the remuneration adjustment worksheet

This worksheet will help you to calculate any adjustment required, where full remuneration or attributed income details for shareholder-employees (or those receiving attributed income) were unknown at the time of completing last year's fourth quarter or annual return.

The remuneration adjustment worksheet is available on www.ird.govt.nz "Work it out". You'll also find an example in the *Fringe benefit tax guide (IR 409)*.

If you elected to use the 43% rate in your fourth quarter or annual return for the period ended 31 March 2015 for shareholder-employees, where all remuneration or attributed income details were unknown, you must make an adjustment using the full alternate rate calculation.

You'll need the following information for each of the shareholder-employees:

- total attributed benefits provided last year
- last year's income
- the amount of FBT paid in last year's return.

Column 1 – Shareholder-employee's name

Write the names of the shareholder-employees whose full remuneration details were unknown last year and you elected the 43% rate.

Column 2 – Last year's income

Show the total cash remuneration paid to each shareholder-employee for the year ended 31 March 2015. Enter this information using whole dollars in column 2, beside the name of the shareholder-employee.

Column 3 – Tax on income

In column 3, calculate the amount of tax on the cash remuneration paid to the shareholder-employee in column 2.

For each shareholder-employee you'll have to identify which income range they are in and decide which tax rate has to apply. Refer to page 23 to help you calculate the tax.

Column 4 – Last year's net income

Subtract the amount in column 3 (tax on income) from the amount in column 2 (last year's cash remuneration). This is the shareholder-employee's net cash remuneration. Write this total in column 4.

Column 5 – Attributed benefits provided last year

Show the total amount of attributed benefits provided to the individual shareholder-employee last year.

Column 6 – Fringe benefit-inclusive cash remuneration

Add columns 4 and 5 together and write your answer in column 6. This is the FBICR. This total is last year's annual net income (cash remuneration) and attributed benefits provided to each shareholder-employee.

Column 7 – Tax on fringe benefit-inclusive cash remuneration

For each shareholder-employee, calculate the amount of tax on the total in column 6. Refer to page 28 to help you calculate the tax.

Column 8 – FBT payable last year

Column 8 is the FBT payable for last year. To calculate the amount of FBT payable for each shareholder-employee, take the total from column 7 (tax on FBICR) and subtract the total in column 3 (tax on cash remuneration).

Column 9 – FBT paid for shareholder-employees in last year's return

Show the amount for each shareholder-employee from column 11 of last year's alternate rate calculation sheet. This was the amount payable from the information known at the time of completing last year's return.

Column 10 – Adjustment required

Subtract column 9 from column 8 (where column 9 is larger than column 8, the result is a credit). Show the difference in column 10 (show credits in brackets).

Box D – Total of all adjustments

Add up column 10, remembering to subtract figures shown in brackets (credits). Where all amounts are in brackets or the total amount in brackets is greater than the debits, the total will be a credit.

Box E – Total from your alternate rate calculation sheet

Transfer the amount from Box C (quarterly filers) of your *FBT alternate rate calculation sheet – quarterly returns (IR 417)* or Box A (annual or income year filers) of your *FBT alternate rate calculation sheet – annual return (IR 419)* to Box E. Remember to tick “FBT to pay” or “FBT refund”.

Box F – FBT to pay or refund

If Box D is a debit

If Box E is a refund, subtract from Box D. If Box E is larger than Box D, the result is an FBT refund. If Box D is larger than Box E, the result is FBT to pay. Write the result in Box F.

If Box E is FBT to pay, add Box D. The result is FBT to pay. Write the result in Box F.

If Box D is a credit

If Box E is FBT to pay, subtract from Box D. If Box E is larger than Box D the result is FBT to pay. If Box D is larger than Box E, the result is an FBT refund. Write the result in Box F.

If Box E is an FBT refund, add Box D. The result is an FBT refund. Write the result in Box F.

Copy the amount in Box F to Box 6 (IR 420 for quarterly returns) or Box 5 (IR 421 or IR 422 for annual returns) of your FBT return. Remember to tick “FBT to pay” or “FBT refund” on your return.

Further information

Due dates

Last quarterly return and annual filers

The due date for this return and any payment is 31 May 2016.

If the due date falls on a non-business day the payment will be due on the following working day.

Income year filers

This return and any payment are aligned with your balance date and are due at the same time your end of year income tax is payable.

Note

The due date calculator on our website will work out your due dates for you. Go to www.ird.govt.nz “Work it out”, “Important dates”.

If you permanently cease employing staff

If you've permanently stopped paying wages, call us on 0800 377 772 to let us know, even if your business is still going.

Note

If you're still providing fringe benefits to former employees you must continue to pay FBT on these benefits.

Completion of final FBT return where you've ceased to employ staff and provide fringe benefits

If you've ceased employing staff and don't intend to employ any more staff in the current tax year, you should complete sections A, C and D of your final return for the quarter you ceased to employ (quarterly filers only). You may choose to pay FBT at the flat rate of 49.25% rather than using the alternate rate calculation. However, if you choose this option you must apply the 49.25% rate to all fringe benefits provided from the beginning of the tax year to the date you ceased to employ, taking into account FBT already paid during the year. Please note, if you continue to provide fringe benefits to former employees, the above doesn't apply.

It's a good idea to note "final return" next to the circles at the top of the IR 420 return. Where you're asked to indicate whether the return is for quarter 4 there's no need to tick either circle.

Due dates for final return

If you're filing your final FBT return in quarters 1, 2 or 3, the due date shown on the return will be the standard quarterly due date (20th of the month following the quarter). The actual due date for filing a final return in quarters 1, 2 or 3 is extended to the end of two months immediately following the end of the quarter in which employment stopped.

Return period	Final return and payment due date	Due date on return
Quarter 1 1 April to 30 June	31 August	20 July
Quarter 2 1 July to 30 September	30 November	20 October
Quarter 3 1 October to 31 December	28 February	20 January

Note

In some situations, where the alternate rate calculation option is elected outside the fourth quarter, we may contact you to confirm this is your final FBT return.

Where to send FBT returns

If you've misplaced your reply envelope, post your return to:

Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

How to make payments

You can make payments:

- electronically
- by credit or debit card
- by posting a cheque.

Electronic payments are made through your bank by:

- online banking
- automatic payment
- direct credit.

When making electronic payments, include:

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

For full details of our payment options, go to www.ird.govt.nz/pay or read our factsheet *Making payments (IR 584)*.

Late payment

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

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.

Read our guide *Penalties and interest (IR 240)* for more details.

Services you may need

0800 self-service numbers

This service is available to callers seven days a week (but please note we're closed between 5 am and 6 am each day). Have your IRD number with you when you call.

For access to individuals' personal information, you'll need to be enrolled for voice ID or have a personal identification number (PIN). Enrol for voice ID by calling 0800 257 843 and reset an existing PIN by calling 0800 257 777.

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 our self-service numbers, we'll ask you to say why you're calling. We'll then direct you to a self-service line where you can get the information you want. If you need to talk to us, we'll direct your call to an advisor who has the specific information to help you.

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 (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 (IR 778)*.

Terms we use

Associated person

For FBT purposes an associated person is someone associated with the employer or the employee:

- by within 2 degrees of blood relationship or one person is within 2 degrees of blood relationship to the other person's spouse, civil union partner, or de facto partner
- by marriage, civil union or de facto relationship
- by business partnership, or
- by shareholding interest.

The association rules are complex, therefore it's important you seek professional advice if you think there's any possibility of an association applying to you.

Note

Fringe benefits provided to an associate of an employee are to be taxed as though they were given to the employee, rather than the associate.

Attributed benefit

A fringe benefit that an employee has the principal use or enjoyment of during the year. See pages 11–15 for rules and thresholds.

Cash remuneration

The employee's gross salary or wages, bonuses, overtime and other taxable income from all sources associated with the company (including subsidiaries) during the year, less tax payable.

For a major shareholder-employee, cash remuneration also includes any interest or dividends received from the employer, or a related employer who pays cash remuneration.

Close company

A company that has five or fewer natural person shareholders.

Company

A formal and legal entity in its own right, separate from its shareholders (or owners). It is formed when a group of people exchanges money and/or property for shares in an enterprise registered under the Companies Act 1993.

Fringe benefit-inclusive cash remuneration (FBICR)

The taxable value of attributed fringe benefits plus the cash remuneration.

If you're using the alternate rate calculation process, calculate FBICR for each employee who has fringe benefits attributed to them.

Major shareholder-employee

A person who owns, controls or has the right to acquire 10% or more of the ordinary shares, voting rights or control of a close company, and is also an employee of that company.

Non-attributed benefit

Non-attributed benefits are pooled or shared fringe benefits not attributed to an individual employee.

Non-resident employee

If remuneration is paid to a non-resident employee, the calculation of the amount of tax payable on the remuneration includes any tax credit as if the employee was a resident for FBT purposes.

Shareholder-employee

A shareholder and employee of a company that has no more than 25 shareholders. Any benefit a shareholder-employee receives as an employee is a fringe benefit and FBT is payable.

Subsidised transport

The subsidised transport exception that allows employers to pool benefits at the rate of 42.86% (if all employees have the same or similar entitlement to the benefit) includes employers who are close companies.

New Zealand Government