

Working in the real estate industry

If you're a self-employed real estate salesperson/agent it's important to know what your tax responsibilities are. This factsheet provides an overview of your income tax and GST obligations.

Income tax

You pay income tax on your net profit for the year, this is your gross income less any expenses or losses you have. Commissions paid to real estate salesperson/agents are schedular payments and are usually taxed at a flat rate of 20%. Tax is worked out on the GST exclusive amount. Tax on schedular payments is deducted by the person who pays you, unless you have a valid certificate of exemption.

For more information go to www.ird.govt.nz (search keywords: schedular payments).

Expenses

To claim a deduction for business expenses

- You must have spent the money yourself and weren't reimbursed.
- It must be directly related to earning your business income.
- You must have a record to prove it.

Refer to IR830A.

End of year tax return

You will receive an automatic income tax assessment in myIR at the end of the tax year. You need to check the information, including any schedular income, is showing correctly and add in your expenses.

GST

GST is a tax added to the price of most goods and services by a GST-registered person. GST is charged at a rate of 15%.

In most cases, the agency you work for will require you to be GST-registered (because they are GST-registered and charge their customers GST on commissions). If your agency doesn't require you to be GST-registered, you must register if your commission sales (turnover) are:

- Over \$60,000 for the last 12 months, or
- Expected to go over \$60,000 for the next 12 months.

Note: As a salesperson/agent selling on behalf of a GST-registered agency, your commission should include GST. But it doesn't always, so it's important you speak to your agency and/or tax agent first.

For more information go to www.ird.govt.nz (search keyword: GST).

Tips for filing GST returns

How often you file GST returns is called a filing frequency.

The options are:

- Monthly
- Two-monthly
- Six-monthly

How you report your GST to us is called an accounting basis. The options are:

- Payments
- Invoice
- Hybrid

The default filing frequency is two-monthly and the default accounting basis is the invoice basis but you can choose a different one depending on your turnover.

Your tax invoices will show your total commission, tax and GST. When completing your GST return, include your total commission based on your invoice. If you use the figure from your bank statement, you'll be missing the tax and under-declaring your income.

See our example on the following page of a tax invoice to a real estate salesperson/agent.

Example invoice to a real estate salesperson/agent

Our example invoice to a real estate salesperson/agent will help you understand which figures you'll include in your GST and income tax returns.

Real estate agency		Tax Invoice		
21 George Street Dunedin		GST number:	108-765-432	
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Date:	20 April 2016			
To:	Mr Phillip Laing 144 Rattray Street Dunedin	GST number:	102-345-678	
Contract number	Property sold	Gross commission	Commission rate (%)	Agent commission
4688	Baldwin Street	\$2,475.00	60	\$1,485.00
8	SP - Bonus sales	\$600.00	100	\$600.00
4721	Highlanders Road	\$5,416.66	60	\$3,250.00
Total agent commission (GST-exclusive)				\$5,335.00 A
GST@ 15%				\$800.25
Net commission calculation				
Gross agent commission (GST-inclusive)				\$6,135.25 B
Tax on Total agent commission (GST-exclusive)@ 20%				\$1,067.00 C
Net agent commission due				\$5,068.25 D

Schedular income which needs to be included in your automatic income tax assessment.

Amount to be included under "Total sales and income" in your GST return.

Tax is worked out on the GST exclusive amount.

Net payment to real estate salesperson/agent.

If you think you have made an error in your tax affairs you might like to consider making a voluntary disclosure. For more information refer to our guide [Putting your tax returns right - IR280](#).



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 myIR 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.

FREE ADVISORY SERVICE

Our community compliance officers run free tax seminars and workshops for new businesses and organisations. For more information or to register to attend one of these sessions go to www.ird.govt.nz (search keyword: seminar) or phone 0800 377 774.

New Zealand Government