

Trustee's name

# Look-through company election

**IR862** April 2017

## For help completing this form please read the notes on the back. Section 1 - Director notice To be completed by a director or agent with appropriate authority - see note 6. I certify that Name of company (8 digit numbers start in the second box. 12345678) IRD number meets the eligibility criteria to be a look-through company (see note 1) from the start of the income year (see note 7), and all owners of a look-through interest (see note 3) in the company have signed and dated the attached notices and unanimously agreed for the company to be a look-through company. Capacity Signature Date Contact person's name Contact number Daytime Section 2 - Owner of look-through interest elections Section HB 13 of the Income Tax Act 2007 Please read notes 3, 4, and 5 before completing an owner's election. This section continues on page 2. If there are more than eight owners of look-through interests please photocopy page 2, complete the required details, and attach it to this form. I/we elect that Name of company IRD number will become a look-through company from the start of the income year onwards (see note 7), and by signing the notice below I/we agree to apply section HB 1 of the Income Tax Act 2007. Signature Owner's name IRD number For trustee owners only (see note 4) Trustee's IRD number Trustee's name Signature Owner's name Date IRD number For trustee owners only (see note 4) Trustee's IRD number

Section 2 - Owner of look-through interest elections (continued)	
Owner's name  IRD number	Signature / / / Date
For trustee owners only (see note 4)	
Trustee's name	Trustee's IRD number
Owner's name	Signature
IRD number	/ / Date
For trustee owners only (see note 4)	
Trustee's name	Trustee's IRD number
Owner's name	Signature / /
IRD number	Date
For trustee owners only (see note 4)	Trustee's IRD number
Trustee's name	
Owner's name  IRD number	Signature / / Date
	/ / Date
IRD number	/ /
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name	Trustee's IRD number  Signature
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name  IRD number	/ / Date  Trustee's IRD number
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name  IRD number  For trustee owners only (see note 4)	Trustee's IRD number  Signature
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name  IRD number	Trustee's IRD number  Signature  / / Date
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name  IRD number  For trustee owners only (see note 4)	Trustee's IRD number  Signature  / / Date
IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name  IRD number  For trustee owners only (see note 4)  Trustee's name  Owner's name	Trustee's IRD number  Signature  Trustee's IRD number  Signature

## **Notes**

## Note 1: Criteria for look-through company (LTC) status

A look-through company must meet the LTC eligibility criteria at all times in the income year. Go to www.ird.govt.nz (search keyword: LTC) for more information.

#### Note 2: Re-election

If the company was previously an LTC, but lost its LTC status due to either an owner's revocation or by failing to meet the eligibility criteria, it cannot elect to use the LTC rules again for the year when it lost the LTC status, or for either of the two following income years.

## Note 3: Look-through counted owner

A look-through counted owner is:

- a natural person who is not a trustee, and has a look-through interest for the entity.
- For the 2016-17 and earlier income years
  - a natural person who has received, as beneficiary income of a trust, income that arose from a direct or indirect beneficial interest in a lookthrough interest for the entity for the current income year or one of the last three income years
  - a trustee of a trust that has a look-through interest for the entity or
    a direct or indirect beneficial interest in a look-through interest for
    the entity, treating co-trustees as one person, and has not distributed,
    as beneficiary income, all income that arose from a direct or indirect
    beneficial interest in a look-through interest for the entity for the current
    income year and all of the last three income years.
- For the 2017-18 and later income years
  - a natural person who has received, as beneficiary income of a trust, income that arose from a direct or indirect beneficial interest in a lookthrough interest for the entity for the current income year or one of the last three income years
  - a natural person who has received a distribution from a trust with a direct or indirect beneficial interest in a look-through interest for the entity in the current year or one of the last three income years, if the relevant year is after the 2016-17 income year

**Note:** A "distribution" includes all distributions made by the trust to a beneficiary, including the allocation of income. Distributions of trustee income accumulated in previous years, trust corpus and capital are all included for the purposes of the look-through counted owners test, unless the distribution is sourced from income derived by the trust before the 2017-18 income year.

- a trustee of a trust that has a look-through interest for the entity, or a direct beneficial interest in a look-through interest for the entity, treating co-trustees as one person, if the trust has no beneficiary that is counted as a look-through counted owner.
- a natural person who has a voting interest or a market value interest in relation to a company that has received, as beneficiary income from a trust, income that arose from a direct or indirect beneficial interest in a lookthrough interest for the entity for the current income year or one of the last three income years, and has a look-through interest for the entity.

**Note:** For the 2017-18 and later income years when a trustee owner makes a distribution to a beneficiary which is a company, the entity no longer meets the criteria to be an LTC for the income year, or the two following income years.

## Note 4: Look-through interest

Look-through interest means a person's shares in an entity or in a look-through company, if every shareholder in the entity or LTC has the same rights, proportionally, to vote on:

- any distributions, including capital distributions made by the entity or LTC
- the constitution of the entity or LTC
- any capital variation of the entity or LTC
- the appointment or election of the directors of the entity or LTC
- any acquisition, cancellation or redemption of shares in the entity or LTC.

For the 2017-18 and later income years an LTC can have shares with different rights to vote on the above decisions, however all shares must carry the same rights, proportionally, to distributions from the entity or LTC.

Only a natural person, trustee (including corporate trustee) or another LTC can own shares in an LTC.

The owner's election(s) in section 2 can only be signed by a natural person or trustee owner of a look-through interest. LTC owners are "looked-through" and cannot make the election - see note 5.

## Note 5: Who must sign

#### Section 1

A director or agent with appropriate authority must sign section 1.

A director is any person:

- occupying the position of director, regardless of the name the are called, and
- on whose instructions the directors of the company are accustomed to act.

An agent with appropriate authority is any person authorised by the owners and/or director(s) to complete section 1.

If the director/agent is also an owner of a look-through interest, they will also have to complete the separate owner's election (section 2) agreeing to the company becoming a look-through company.

#### Section 2

The owner's election(s) in section 2 can only be signed by a natural person or trustee owner of a look-through interest. LTC owners are "looked-through" and cannot make the election - see note 7.

## Note 6: Trustee owners of a look-through interest

Where the owner of a look-through interest in an LTC is a trustee of a trust, enter the owner's name as "Trustee in [name of trust]" and the trust's IRD number in section 2. Enter the name and IRD number of the trustee signing the election in the spaces provided.

Only one trustee needs to complete this section for each trustee owner, because co-trustees are treated as one natural person for the purpose of the owner of a look-through interest.

## Note 7: LTC owners of a look-through interest

If an LTC owns shares in another LTC it is looked through to find either the natural person or trustee (including a corporate trustee) who is the ultimate owner of the look-through interest.

Do not enter the name and IRD number of a shareholding LTC as owner in section 2 of this form. The election in section 2 can only be made by owners who are either natural persons or trustees (including corporate trustees).

All the natural person or trustee owners of a shareholding LTC are required to sign this election.

## Note 8: Application date of elections

Inland Revenue must receive elections before the start of the income year in which the company wants to become an LTC.

For a new company or a company that has not previously been required to file an income tax return, elections apply from the beginning of the first income year, provided we receive the election within the time required to file the first return of income, including any extension of time (if granted).

## More information

If you need more information please talk to a tax advisor or read our guide *Look-through companies* (IR879). You can view a copy on our website or order one by calling 0800 257 773. Please have your IRD number handy when you call.

## www.ird.govt.nz

Go to our website for information, services and tools.

- Secure online services login to check your account information, file an
  employer schedule, confirm personal tax summaries and update your family
  details and income.
- Get it done online complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- Work it out use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- Forms and guides download our guides, and print forms to post to us.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.