



Inland Revenue
Te Tari Taake

IR291
April 2017

NRWT – payer's guide

Introduction

If you pay non-resident passive income (NRPI), this guide tells you:

- when you're required to deduct NRWT (non-resident withholding tax)
- when to pay the deductions to us
- what information you're required to give to the people you pay the NRPI to.

The glossary on pages 34 to 36 explains the terms used in this guide. Not all words and phrases have their everyday meaning so you may find it useful to read the glossary first.

If you have any questions or need more information please write to us at:

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

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

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 or fill in forms online.

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.

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Part 1 – General information

If you're paying interest, dividends or royalties to people who aren't New Zealand residents (see page 36), you need to deduct NRWT (non-resident withholding tax) from the gross amount you pay. This amount is non-resident passive income (NRPI). For more information on tax residency see our guide *New Zealand tax residence (IR292)*.

If you pay NRPI, you need to register as an NRWT payer (see below) and pay the NRWT to us by the 20th of the month following payment of NRPI. There is more about this in Part 2.

Rules relating to related party transactions are covered in Part 4.

Registering as an NRWT payer

If you're paying NRPI, you're required to deduct NRWT and pay it to us. You can register online at www.ird.govt.nz or send us a completed *NRWT - payer registration (IR380)*. The information you give us when you register determines what certificates we send you and how often you receive your IR67P payment forms - see page 11.

Country codes

We publish a list of two-letter codes that are used to identify countries. The country code must be shown on the *New Zealand NRWT withholding certificate (IR67)* - see page 28.

Please make sure you use the correct two-letter code. It's important because we gather statistics from these country codes and use them to exchange information with double tax agreement countries.

The country codes are available on our website

<http://www.ird.govt.nz/nrwt/nrwt-payers/country-codes.html>

No longer paying NRWT

If you stop paying NRPI permanently please let us know so we can stop sending you the payment forms. You need to file a final reconciliation (IR67S) and complete IR67 certificates for all recipients before we can close your account. Send your final payment of NRWT, the reconciliation and certificates to us within 40 working days after the end of the month in which you stop paying NRPI. See Part 5 for more information about completing a reconciliation.

Record keeping

You need to keep full records of all the NRPI you pay, the NRWT you deduct and details of the recipients.

Your records must be in English (unless we have agreed in writing for you to keep your records in another language) and be kept for at least seven years.

For more help

Our Non-resident Centre in Dunedin is our specialist office for NRWT. Please contact them if you have any questions about NRWT - see page 2.

Non-residents not subject to NRWT

Some special categories of non-residents are not subject to NRWT on the New Zealand income they derive. These categories are as shown below.

| Category | Tax |
|---|---|
| Non-resident contractors are subject to non-resident contractors tax (NRCT) unless the contractor holds a certificate of exemption from tax in New Zealand. | Generally a NRCT rate of 15% applies |
| Non-resident contractors are exempt from NRCT provided they: <ul style="list-style-type: none"> • are present in New Zealand for less than 92 days in any 12-month period, and • they are fully relieved from tax under a double tax agreement we have with their country or territory of residence. | Tax exempt |
| Non-resident contractors with income amounting to less than \$15,000 in a 12-month period are exempt from having NRCT deducted. | Non-resident contractors pay any tax owing at the end of the tax year |
| Non-resident entertainers, sportspeople and speakers who are in New Zealand to perform activities publicly, such as actors, musicians and dancers, etc are taxed subject to the withholding tax regulations. | Withholding tax rate of 20% |
| Non-resident insurers are subject to tax on income from premium payments. | Annual tax rates |
| Dividends paid to non-resident persons that are non-portfolio shareholders (direct voting interest above 10%) from 1 February 2010 that are also fully imputed or under a double tax agreement are exempt from tax. | Dividend exempt NRWT |

For more information on non-resident contractors, please call us on 04 890 3056. For other categories, please call 03 951 2020.

Part 2 – Paperwork and payments

Deducting NRWT

If you're a payer of non-resident passive income (NRPI) (excluding interest payable under the approved issuer levy scheme or dividends to non-portfolio shareholders) you're required to deduct NRWT from the gross amount paid when you make the payment to the non-resident.

The rates at which NRPI is taxed are:

| | |
|------------|-----|
| Interest | 15% |
| Royalties | 15% |
| Dividends* | 30% |

* The exception is investment society dividends, which are treated as interest and taxed at 15%.

NRWT rates are reduced when the non-resident is a taxpayer of a country that New Zealand has a double tax agreement (DTA) with. Our website lists these countries and the rate of NRWT to deduct. Go to www.ird.govt.nz (search keywords: NRWT rates).

Example

| | |
|---|----------|
| Interest due to an Australian resident on 10 March 2012 | \$ 1,000 |
| NRWT to deduct on 10 March 2012 at 10% | \$ 100 |
| Interest (net) payable to Australian resident | \$ 900 |
| NRWT payable to Inland Revenue by 20 April 2012 | \$ 100 |

If the NRWT deducted is a minimum tax, the non-resident may have to file a tax return. The income is liable for tax at annual rates. For more information contact our Non-resident Centre - see page 2.

When to deduct NRWT

You need to deduct NRWT when you pay NRPI to a non-resident. For this purpose, "pay" includes:

- distribute to
- credit to an account
- deal with in a person's interest or on their behalf.

More information is available for certain related party transactions in Part 4.

Paying the deductions to us

Once you have deducted NRWT send it to us with a completed IR67P - see page 15. How often you have to send it in depends on the amount of NRWT you deduct for the year.

NRWT of \$500 or more per year

If you deduct \$500 or more NRWT each year, the deductions made in each month are due to be paid to us by the 20th of the following month.

NRWT of less than \$500 per year

If you expect to deduct less than \$500 NRWT in any one income year, you may file and pay on a six-monthly basis.

We'll send you returns to cover the following periods:

- 1 April to 30 September payment due on 20 October
- 1 October to 31 March payment due 20 April.

If your NRWT deductions accumulate to more than \$500 during the year, you need to send them in by the 20th of the month after they reach \$500. After that you need to file and pay monthly for the rest of the year. Contact the Non-resident Centre to request monthly returns - see page 2.

NRWT (non-resident withholding tax) (IR67P) form

When you register as a payer we'll ask you to indicate the months you'll pay interest, dividends or royalties. This is so we can send you an IR67P form for your future payments. If you expect your NRWT for the year to be less than \$500 (see previous page), tick March and September and we'll send you IR67P forms for the April and October due dates.

If you change the months you pay NRPI, please let us know. We'll send you IR 67P forms to align with your new payment dates.

If you're not sure which months you'll be paying NRWT, you have two options:

- receive an IR67P every month, or
- request one when you need it.

You choose one of these options when you register. To change your option, contact the Non-resident Centre - see page 2.

If you're due to make a payment but you don't have an IR67P form, contact the Non-resident Centre. Even if you don't receive your IR67P you're still required to pay the NRWT by the due date.

No NRWT deducted

If you receive IR67P forms for specific months or on request, you must return each one even if you haven't deducted NRWT for the period. If this happens, please write "nil" on the form and return it to us by the payment due date. If you don't, you may be charged penalties and interest.

If you don't know when you'll be paying NRPI let us know and we'll adjust your filing frequency accordingly. We'll send you monthly returns but you'll only need to file the returns in the actual month you pay the NRPI.

Completing the IR67P

We send you an IR67P about two weeks before your payment is due. It shows these preprinted details:

- your name and address
- your IRD number
- the period the IR67P covers
- the due date for payment.

There is an example of an IR67P on page 15 showing the preprinted details and the information you need to complete. Once you've completed it, tear off the bottom part (purple) and send it to us with your payment by the due date. Keep the top part (white) for your records.

If an incorrect address is preprinted on the IR67P, please attach a letter telling us your correct details.

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 to Inland Revenue (IR584)*.

Paying online by credit or debit card

You can make all your online payments by credit or debit card. Our bank, Westpac New Zealand, charges a 1.42% convenience fee on each transaction. You won't have to pay this fee if you're making overseas payments for a student loan or non-custodial child support.

Please use the correct forms and the envelope provided. This will make sure your payment is processed and credited quickly. If you don't have a pre-addressed envelope, send your payment to:

Inland Revenue
PO Box 39050
Wellington Mail Centre
Lower Hutt 5045

Note

Even if you pay electronically, you still need to complete and return the IR67P.

Late payment

We will 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, but if you have a good payment history with us we may contact you before we do this.

If your tax remains unpaid, we'll charge an initial 1% late payment penalty on the day after the due date. We'll charge a further 4% penalty if there's still an amount of unpaid tax (including penalties) seven days after the due date.

Every month the amount owing remains unpaid after the due date we'll charge a further 1% incremental penalty.

Interest and late payment penalties are not charged on outstanding amounts of \$100 or less.

Arrangements

If you're unable to 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. Arrangements can be agreed on, before or after the due date for payment. There are greater reductions in the penalties charged if the arrangement is made before the due date.

For more help

See our guide *Penalties and interest (IR240)*.

Statement of account

We'll send you a statement of account if you don't pay the full amount of NRWT owing. The statement has a payment section at the bottom. Please use this when you pay the amount due. If you can't make the payment by the due date, contact the Non-resident Centre - see page 2.

If the statement is showing an overpayment, a refund will be issued. If you want a statement you can request one by calling the 0800 self-service numbers (see page 41) or the Non-resident Centre.

Certificate of payment of tax

In some cases a non-resident may need to get a certificate during the income tax year to show the tax paid on their behalf. If a recipient asks you for this information, complete a *New Zealand non-resident withholding tax (NRWT) (IR386)* form - you can get this from www.ird.govt.nz

You may have to send the form to us for certification if the recipient asks you to. We don't have this information for a particular non-resident until the end of the tax year, so if a recipient asks us for certification we'll have to contact you for details. It's important to keep a record of the income and NRWT for each recipient throughout the year.

IR67P (example)



Inland Revenue
Te Tari Taake

NRWT (non-resident withholding tax)

IR 67P
May 2011

Your copy

ABC LTD
14 MONEY DRIVE
FINANCEVILLE

IRD number **1** ▶ 04-321-677

Period ended **2** ▶ 31 MARCH 2011

NRWT on dividends **3** ▶ \$ 2 0 0 . 5 0

NRWT on interest **4** ▶ \$ 1 0 5 6 . 2 4

NRWT on royalties **5** ▶ \$

Total NRWT deducted **6** ▶ \$ 1 2 5 6 . 7 4

- Please read the notes in our *NRWT payer's guide (IR 291)* to help you fill in this form and for payment information.
- For enquiries, please contact the Non-resident Centre, Inland Revenue, Private Bag 1932, Dunedin 9054, or call 03 951 2020.

▲ Keep the top part for your records.

▼ Send the purple part to Inland Revenue.

IR 67P



Inland Revenue
Te Tari Taake

NRWT return (non-resident withholding tax)

Inland Revenue copy

ABC LTD
14 MONEY DRIVE
FINANCEVILLE

IRD number **1** ▶ 04-321-677

Period ended **2** ▶ 31 MARCH 2011

NRWT on dividends **3** ▶ \$ 2 0 0 . 5 0

NRWT on interest **4** ▶ \$ 1 0 5 6 . 2 4

NRWT on royalties **5** ▶ \$

Total NRWT deducted **6** ▶ \$ 1 2 5 6 . 7 4

OFFICE USE ONLY

Operator code Corresp. indicator Payment attached Return cat.

Declaration I declare the information given in this return is true and correct.

Signature *D.A. Blain* Date 19 / 04 2011

Has payment been made electronically? (Tick one) Yes No

Contact phone number (02) 499 7737

Enter the total NRWT amount deducted for the period for each income type

Enter your total payment

Please show whether you are paying by direct credit

Print a contact number, in case we have any questions

This date is preprinted and shows you the end of the period the return is for

This date is preprinted and shows the date your return and payment are due to us by



Inland Revenue
Te Tari Taake

Payment slip

NRT 840

IRD number 04-321-677

Period ended 31 MARCH 2011

Post your return and any cheque to us by
20 APRIL 2011

Amount of payment **7** ▶ \$ 1 2 5 6 . 7 4

If the amounts in Boxes 6 and 7 are different please attach an explanation.

Correcting an error in your NRWT deduction

If you've made a mistake, for example you haven't deducted NRWT when you should have, you've deducted too much or too little, or you've deducted NRWT but the recipient isn't a non-resident, read the rest of this part.

NRWT under-deducted or not deducted

Correcting an under-deduction or a non-deduction of NRWT depends on when you discover the mistake. The information below explains what you need to do.

Current year

You can correct the error in one of two ways:

- by deducting the shortfall from subsequent payments to that non-resident in the same financial year and paying the extra amount to us, or
- by paying the amount of the shortfall yourself and then recovering it from the non-resident.

In either case, please send a letter of explanation with the payment that includes the shortfall, to help us credit it to the correct period(s).

Back year

If you find a mistake in an earlier tax year, please write to us explaining what has happened and give us the details of the recipient(s) affected. Please pay the underpaid amount - see page 12 for how to pay. We'll change the reconciliation you filed, as well as the NRWT certificate(s). If you haven't already paid, or if the amount is incorrect, we'll send you a statement of account.

You will also need to send the recipient(s) a letter showing the correct income and NRWT details. Please **don't** issue amended certificates or file an amended reconciliation.

If the recipient is a resident

If you deduct NRWT from a payment to a recipient, and then find out they are actually a resident, you'll need to let us know. RWT (resident withholding tax) must be deducted at the appropriate rate from interest (10.5%, 17.5%, 30% or 33%) and dividends (33%) paid to New Zealand residents.

If you don't have the recipient's IRD number you must deduct RWT from interest at 33%. As the NRWT rates are lower than the RWT rates, you'll have under-deducted tax overall.

For under-deductions, see page 16.

In your covering letter please explain that the recipient is a resident and tell us how much of the NRWT should be RWT. We'll transfer the payment to your RWT account. Make sure you give us the recipient's details, so we can amend any certificates and make sure they get the correct tax credits.

Note

After you find out that a recipient is a resident, you must start deducting RWT from any payments made. Our guide *New Zealand tax residence (IR292)* gives a full explanation of the residency rules.

If you'd like more information about RWT, see our guides *RWT on interest - payers guide (IR283)* and *Resident withholding tax (RWT) on dividends (IR284)*.

NRWT over-deducted

How to correct an over-deduction of NRWT depends on whether you have already filed your reconciliation for the year.

Current year

If you find the error before you've filed your reconciliation, you can deduct less NRWT from the next payment to that recipient and reduce the following NRWT payment. If you do this, please send a letter of explanation with your reduced payment, so we know not to charge you penalties. You need to let us know the period you over-deducted so we can transfer the credit. On your IR67P show the full NRWT that should have been deducted, but show the reduced payment in Box 7.

If the recipient is no longer one of your clients, you can't alter a future payment. The recipient must apply for the refund using an IR386 form which they can get from www.ird.govt.nz

Back year

If you find a mistake in a previous financial year, please complete and send us an IR386 refund application form for each recipient affected. Attach a covering letter explaining the situation. You'll also need to send the recipient(s) a letter showing the correct income and NRWT details. Please **don't** issue amended certificates or file an amended reconciliation. We'll change the reconciliation you filed, as well as the NRWT certificate(s).

IR386 refund request

In some cases you'll complete the details on the IR386 - in others, the recipient will ask you to complete a form they've started. Please complete all the information requested, as we need it to arrange the refund. You and/or the recipient must indicate on the form where the refund is to go. When we receive the IR386 we arrange to refund the credit from the payer's NRWT account, according to the instructions on the form.

The fastest option is for us to refund the credit to the payer, as the credit is in the payer's account and is linked to their IRD number. The payer should already have given the credit to the recipient and the refund is simply a reimbursement. In some cases the refund may have to go directly to the non-resident, particularly if they're no longer a client of that payer. If the non-resident has an IRD number, and an account with us, we transfer the credit from the payer's account and refund it from the recipient's account.

Deducting NRWT instead of paying approved issuer levy (AIL)

Before interest is paid, borrowers, payers and non-residents should decide whether NRWT or AIL will apply. This agreement can't be retrospective. If you deduct NRWT from a payment when you should have paid AIL, you need to let us know. Generally AIL is paid on interest at the rate of 2%, but in certain cases a zero rate applies. As the NRWT rates are higher than the AIL rate, you'll have over-deducted tax. Follow the steps on page 16 to correct the over-deduction.

In your covering letter please explain that the recipient is subject to AIL, tell us how much of the NRWT should be AIL and give us the recipient's details so we can correct any certificate. We'll transfer the credit.

Note

Generally where AIL is to apply the parties will not be associated.

Part 3 – Interest and dividends

Interest and dividends are the most common forms of non-resident passive income (NRPI).

Interest

Our website shows the rates of NRWT to deduct from interest paid to non-residents in the countries listed. Go to www.ird.govt.nz (search keywords: NRWT rates). Note that the rate for interest paid to associated persons (see glossary on page 34) may be different.

If the country is not shown on the table, the NRWT rate is 15%.

The exception is for non-resident businesses operating from or through a fixed establishment - see glossary on page 35. In this case the interest income is taxed at annual rates because interest on such income doesn't meet the definition of NRPI. A payer of NRPI to a non-resident may assume that the non-resident doesn't have a fixed establishment.

Redemption payments

NRWT must be deducted from the interest portion of the redemption sum in cases where the redemption payment of commercial bills and similar debt instruments exceeds the initial acquisition price, including interest.

Dividends

NRWT is calculated on the gross dividend. This excludes imputation credits. Our website shows the rates of NRWT to deduct from dividends paid to non-residents in the countries listed. Go to www.ird.govt.nz (search keywords: NRWT rates).

If the country is not shown on the table, the NRWT rate is 30%.

Please read the following sections on non-cash dividends and non-resident investors, as they may affect the way you calculate NRWT.

Non-cash dividends

Please see the glossary (page 35) for a definition of a non-cash dividend. You're required to deduct NRWT at the time the benefit of the non-cash dividend is provided to the shareholder. Use one of the formulas below to calculate the NRWT.

Where a non-cash dividend is fully imputed there's no obligation to either deduct or pay NRWT for that dividend. For non-cash dividends that are not fully imputed and not taxable bonus issues, use the formula:

$$\frac{a}{1 - a} \times b$$

In this formula:

- a** is the applicable NRWT rate
- b** is the amount of the dividend paid.

Example

Dollar Corp forgives a loan of \$750 to a shareholder, so this is a non-cash dividend. The NRWT is calculated as follows:

$$a = 0.30$$

$$b = \$750$$

$$\begin{aligned} \text{NRWT} &= \frac{0.30}{1 - 0.30} \times \$750 \\ &= 0.428571 \times \$750 = \$321.42 \end{aligned}$$

For taxable bonus issues, use the formula:

$$a \times c$$

In this formula:

- a** is the applicable NRWT rate
- c** is either:
 - the amount of money or money's worth offered as an alternative to the bonus issue, before the deduction of NRWT, or
 - the non-cash dividend.

Example

$$a = 0.30$$

$$c = \$750$$

$$\begin{aligned} \text{NRWT} &= 0.30 \times \$750 \\ &= \$225 \end{aligned}$$

Non-resident investors

The total New Zealand tax on most distributed company income (dividends) paid to non-resident investors is limited to 30%. Non-resident investors in certain cases are liable for NRWT on dividends, including supplementary dividends, which they derive from New Zealand companies.

Where a non-resident investor is subject to double taxation (a combination of company income tax and NRWT) they could get a reduction in company tax by a credit on the tax for the company. The credit is passed by the company to its non-resident shareholders as a supplementary dividend.

From 1 February 2010 where a non-resident investor has a non-portfolio interest (voting interest in the company of 10% or greater) any fully imputed distribution (dividend) is not liable for NRWT. Alternatively relief may be available under a double tax agreement.

If full imputation credits are attached to a company's dividends, the tax credit is set so that the total New Zealand tax is 30% on distributed company income. This applies to investors who are resident in countries that New Zealand has a double tax agreement with.

Note

The company tax rate has reduced to 28% from the 2012 income year. There is a transitional period where the dividend paying company can continue to attach imputation credits at 30% in certain circumstances. Therefore the imputation credits may be attached at 30% and not 28%.

For the 2013 income year all credits would be attached to a maximum of 28%.

Non-residents can't use imputation credits to meet their NRWT liabilities.

For further information read our *Tax Information Bulletin (TIB)*, Vol 7, No 11 (March 1996).

Part 4 – Special cases

This part covers in general details you may need to know as a payer of non-resident passive income (NRPI).

Related party transactions

Deferral calculation

A "deferral calculation" is required for a transaction with a related party if the financial arrangement expenditure exceeds a \$40,000 threshold for the previous year.

The deferral calculation is the accumulated payments divided by the accumulated accruals if they are equal to or greater than 90%.

Accumulated payments are the total interest paid from when the financial arrangement became a related party debt until the 20th of the third month after the end of the income year. For example if the income year ends 31 March, the accumulated payments are up to 20 June.

Accumulated accruals are the total expenditure the borrower incurs while the arrangement is a related party debt until the end of the year preceding the income year.

If the calculation is less than 90%

If the calculation is less than 90% then the financial arrangement rules are used to calculate the accrued interest, ie non-resident financial arrangement income, (NRFAI). NRWT is payable on that accrued interest - the NRFAI.

Where the related party debt does not exceed the \$40,000 threshold or the calculation is satisfied (90% or greater) then NRWT is payable on interest using the payments basis.

Example

Three years ago, Sub Ltd. borrowed money from a non-resident associate.

Sub's financial arrangement expenditure on this arrangement is \$42,000 a year. In the following years Sub paid interest of \$19,000, \$20,000 and \$21,000.

At the end of the second year, the deferral calculation is $(\$19,000 + \$20,000) \div \$42,000 = 92.9\%$, so no NRFAI arises.

In the third year the calculation is $(\$19,000 + \$20,000 + \$21,000) \div (\$42,000 + \$42,000) = 71\%$. As this is below 90% NRFAI arises for the first time in the third year.

You don't need to repeat the calculation once the 90% threshold has been breached. NRWT continues to apply on an accrual basis as long as the financial arrangement is related party debt.

When you do the calculation

You do the deferral calculation in the second month after the borrower's balance date.

The accrued interest (NRFAI) is deemed to be paid on the final day of that second month after balance date.

Then the NRWT payable on the interest (NRFAI) is included in the return due on the 20th of the third month after balance date.

Example

NZ Sub income year ends 31 March. They must complete the deferred calculation at the end of May. The result of the calculation is 65.2% and financial arrangement income is \$30,000, NZ Sub must pay NRWT by 20th June on their NRFAI.

Foreign currency

If NRPI is paid in a foreign currency, the NRWT may be deducted in that currency, but the deductions must be paid to us in New Zealand currency. Use the exchange rate that applied on the day the NRWT was deducted.

Agents

Some non-residents have agents acting on their behalf in New Zealand. If you pay NRPI to an agent you must send written advice to the agent stating that you've deducted NRWT. You're required to do this each time you make a payment for that recipient.

If an agent receives a payment and NRWT hasn't been deducted, or has been under-deducted, the agent is responsible for deducting the shortfall and paying it to us.

Company migrations

From 21 March 2005 companies that migrate from New Zealand are considered to have liquidated on the date of migration and the normal tax rules for a liquidation apply.

The company will be required to withhold tax from any deemed dividend distribution immediately before it ceased to be a New Zealand resident company, under the NRWT rules.

An extension of time of up to three months from the original due date has been granted for migrating companies to file their final NRWT (IR67P) returns.

For further information read our *Tax Information Bulletin (TIB)* Vol 18, No 5 (June 2006).

Expenses

Expenses such as commission and agent's fees can't be deducted from NRPI before NRWT is calculated. NRWT is a tax on the gross amount of NRPI. Gross means without any deductions at all.

Joint accounts

Where the interest is earned by two or more people jointly and at least one of these persons is a New Zealand resident, RWT should be deducted at the appropriate rate from the total amount.

Exemption from NRWT

Some non-resident persons or organisations are entitled to be paid NRPI in full without having NRWT deducted. Unlike the exemption for RWT, certificates of exemption aren't issued. Instead we provide the payer with a letter granting the exemption.

The Non-resident Centre processes requests from overseas organisations to exempt their NRPI (derived from New Zealand sources) from tax. The main reason these organisations request an exemption is because they have tax-exempt status in their countries of residence, and they believe it should extend to other countries from which they derive income.

New Zealand tax laws don't automatically exempt organisations or their income from New Zealand tax simply because an exemption exists in their own countries of residence. However, overseas organisations can be considered for exemption from NRWT if any of these conditions are met:

- income is specifically exempted from income tax, including NRWT, under New Zealand tax law
- income is exempted from income tax by any other New Zealand legislation
- double tax agreements expressly provide for an exemption from tax on certain types of income.

Applications for exemption from NRWT

If you wish to have an organisation considered for a tax exemption, please apply to the Non-resident Centre and include the following information with your application:

- the particular provisions under which you seek exemption
- a copy of the constituting documents of the organisation such as the trust deed or memorandum and articles of association
- evidence of the organisation's tax exemption in its country of residence such as a letter from the appropriate revenue authority.

If you have any further questions about exemptions, please contact the Non-resident Centre - see page 2.

Grossing up

Some contracts and agreements with non-residents provide for domestic taxes to be borne by the payer. In these circumstances, the income must be "grossedup" to arrive at the true NRPI.

Here is the formula for grossing-up net income:

$$a \times \frac{100}{100 - b}$$

In this formula:

- a** is the net income
- b** is the NRWT rate.

Example

Here's how to grossup a net interest payment of \$170,000 with an NRWT rate of 15%:

$$\$170,000 \times \frac{100}{85} = \$200,000$$

In this example the gross amount is \$200,000. The correct NRWT is the difference between the gross amount (\$200,000) and the amount paid to the non-resident (\$170,000), that is, \$30,000.

Foreign embassies and diplomatic missions

Diplomats who are neither residents (for tax purposes) nor citizens of New Zealand aren't liable for income tax on their salaries or any income from outside New Zealand. Any interest or dividend they earn from New Zealand is liable for NRWT.

Many diplomats are New Zealand residents for tax purposes as they're usually here for more than 183 days in any 12-month period. In these cases, any interest or dividend earned is subject to RWT, not NRWT.

Any New Zealand residents (for tax purposes) who work for foreign embassies, consulates or diplomatic missions in New Zealand are liable for the usual New Zealand income tax on their income.

Foreign pension funds

NRWT is deductible from the NRPI paid to foreign non-resident pension funds.

Final or minimum tax

NRWT is a final tax in some cases and a minimum tax in other cases, depending on the type of income that has been paid to the non-resident.

Final liability

NRWT is the final tax liability when it is deducted from:

- dividends
- cultural royalties
- interest (or investment society dividends) paid to persons who are not "associated persons" with the payer
- interest payments zero-rated for NRWT (liable for approved issuer levy).

Minimum tax

NRWT is only a minimum tax when it's deducted from:

- interest (or investment society dividends) paid to associated persons
- industrial and commercial royalties. This includes payments for specialist knowledge or information, but doesn't include cultural royalties.

Exemptions from minimum tax

Double tax agreements

The double tax agreement treaties may limit the amount of tax chargeable to the amount of NRWT.

Companies

If the total New Zealand income of a non-resident company from all sources (excluding dividends and cultural royalties) is \$1,000 or less, the NRWT deducted is the final liability.

In most cases, payers are not affected by whether NRWT is a final or minimum tax. However, the above information becomes important if the payer is also acting as the agent for the recipient. In this case the payer must file a tax return on behalf of the recipient. Contact the Non-resident Centre for more details - see page 2.

Part 5 – End of the year

The *New Zealand NRWT withholding certificate (IR67)* is a summary of the income paid and NRWT deducted for the year.

You may give an IR67 certificate (see over the page) to each non-resident you have paid non-resident passive income (NRPI) to during the financial year, whether liable for NRWT or not.

Complete one certificate for each recipient and fill in the details for the year to 31 March. For joint accounts you only need to issue one certificate.

Information to show on the IR67

- income year covered
- recipient's full name and full overseas address
- recipient's IRD number (if you know it)
- recipient's date of birth
- country code
- gross NRPI liable for NRWT (in the appropriate boxes)
- amount of NRWT deducted from the gross NRPI (if any)
- net NRWT paid for the year
- your own name, address and IRD number
- your signature and the date.

After completing the certificates, send the top copy to each non-resident. Keep the bottom copies to send in with your IR67S reconciliation in May.

Note

For non-individuals you won't be able to show a surname and first name on the recipient's details. Please show the whole name on the "Surname" line.

IR67 (example)



Inland Revenue
Te Tari Taake
Income Tax Act 2007

New Zealand NRWT withholding certificate

IR 67
November 2011

• Please read the notes in our NRWT payer's guide (IR 291) to help you fill in this form.

Inland Revenue copy

Year ending 31 March **2011**

Recipient's details – Full name and overseas address of person receiving income

Surname Recipient's New Zealand IRD number (if known)

First name(s) (8 digit numbers start in the second box: 1 2 3 4 5 6 7 8)

Full overseas address

Street Recipient's date of birth

Suburb 1 5 0 5 | 1 9 7 7
Day Month Year

City Country code

Country

Income liable for NRWT

| | Gross amount paid or credited in NZ\$ | NRWT on gross amount in NZ\$ |
|--|---------------------------------------|------------------------------|
| Dividends | 4,963.00 | 496.30 |
| Interest | <input type="text"/> | <input type="text"/> |
| Copyright (cultural) royalties | <input type="text"/> | <input type="text"/> |
| Other royalties and know-how payments | <input type="text"/> | <input type="text"/> |
| Add Boxes 11 to 14 | | 496.30 |
| Less: FDP credits including gross amount in NZ\$ | | <input type="text"/> |
| Net NRWT paid in NZ\$ | | 496.30 |

Payer's details – Full name and address of person or company paying the tax

Name Payer's IRD number

Address Certificate number

Payer's signature Date

Day Month Year

Enter the year the income was paid or credited

Print the full name and full address of the non-resident here

Show the recipient's date of birth

Print the appropriate country code from the IR67G

Enter the gross non-resident income paid or credited

Enter the NRWT deducted from the gross income (if any, otherwise write 0.00)

This is the total NRWT deducted from this recipient's income (if nil write 0.00)

This is the net NRWT paid to Inland Revenue

Enter the payer's IRD number

Print the full name and full address of the person or company paying the NRWT

Sign and date

Alternative certificate format

To use an alternative form of certificate (such as a bank statement) you need to get approval from us first. Send a copy of your alternative form to the Non-resident Centre - see page 2. Any alternative certificate format is required to show all the information listed on page 27.

If you already have approval to use alternative RWT (resident withholding tax) certificates, you don't have to contact us again for approval to use the same alternative certificates for NRWT.

If you use alternative certificates you're required to send them to us electronically with your IR67S reconciliation. The notices you send to clients, or any summary reports, aren't acceptable as copies of certificates.

Filing certificates electronically

NRWT payers may choose to send their certificate details to us in an electronic format. Depending on the size of the file, it can be emailed or sent on a disk. In order to ensure the security of the file, it must also be encrypted.

Your data must meet specific format requirements. The specification for this format can be found on our website at www.ird.govt.nz/rwt/deducting/filing/

These instructions cover both how to create and how to encrypt your file(s). You will need to download and save our public key on your computer to encrypt your files.

Note

By using this key, you won't need to send any additional passwords.

If you have multiple RWT/NRWT files, you can zip the files first, and then encrypt the zip file.

Once the file is encrypted, check the size of the file. If the file is smaller than 20MB, you can attach it to an email and send it to rwt.certificate.filing@ird.govt.nz

If the file is larger than 20MB, you can burn it to a CD/DVD and mail to:

Operations Delivery Upper Hutt
Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

Please mail the accompanying IR67S to the same address.

For detailed instructions on this process, please refer to the RWT certificate filing website www.ird.govt.nz/rwt/deducting/filing/

IR67S reconciliation statement

Each year you're required to complete an NRWT reconciliation statement for the year to 31 March. It balances the NRWT owing on the interest, dividends and royalties you paid, with the NRWT paid during the year.

After 31 March we'll send you an NRWT reconciliation statement which you need to complete and send back to us by 31 May. If you don't have a pre-addressed envelope, send the reconciliation to:

Operations Delivery Upper Hutt
Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

To complete the reconciliation you must record these details:

- total of each type of NRPI (interest, dividends, copyright royalties and other royalties)
- total NRWT calculated on the gross income
- total NRWT paid for the year to 31 March.

See an example of an IR67S form on page 32.

Attach all your IR67 certificates to your reconciliation and in Box 16 show how many are attached. We use this figure to send you certificates for the following year. If you prefer, you may send these electronically by disk - see page 29. Don't forget to complete Box 17 if you're filing electronically.

Finalising the reconciliation

At Box 15 of the reconciliation you might find that it results in an overpayment or underpayment of NRWT. Here's what to do in each case.

Overpayments

In this situation we need a letter from you, explaining how the overpayment happened. We also need to know what you would like done with the credit. You can have a refund, or we can transfer it to another tax account. Please attach your letter to the reconciliation.

Underpayments

Any extra NRWT owing at 31 March is due for payment by 20 April. Please attach a letter to your reconciliation explaining the reasons for the underpayment.

If you need more help with the reconciliation contact the Non-resident Centre - see page 2.

IR67S (example)



NRWT on interest, dividends and royalties reconciliation statement

IR 67S
March 2016

ABC LTD
14 MONEY DRIVE
FINANCEVILLE

IRD number **1** 04-321-677
Year ended 31 March 2011

← Your details are preprinted here

Income Tax Act 2007

- Please read our NRWT reconciliation statement guide (IR 67SG) to help you fill in this form.
- Print all amounts in New Zealand dollars (NZ\$).
- This reconciliation is due by 31 May. Any amount owing in Box 15 is due by 20 April.

Gross interest, dividends and royalties – NZ\$

Print the total gross dividends (include both dividends liable for NRWT and dividends zero rated).

2 ▶ \$ 16,040.00

Print the total gross interest liable for NRWT.

3 ▶ \$ 126,748.80

Print the total gross copyright (cultural) royalties liable for NRWT.

4 ▶ \$

Print the total gross other royalties and know-how payments liable for NRWT.

5 ▶ \$

Add Boxes 2 to 5. This is the total gross amount paid or credited.

6 ▶ \$ 142,788.80

← Enter the combined totals for each income type for the year. This gives you the total gross amount for that income type

NRWT – NZ\$

Print the total NRWT calculated on the gross dividends (if NRWT is nil please put 0.00 in Box 7).

7 ▶ \$ 2,406.00

Print the total NRWT calculated on the gross interest.

8 ▶ \$ 12,674.88

Print the total NRWT calculated on the gross copyright (cultural) royalties.

9 ▶ \$

Print the total NRWT calculated on the gross other royalties and know-how payments.

10 ▶ \$

Add Boxes 7 to 10. This is the total amount of NRWT calculated.

11 ▶ \$ 15,080.88

Print the FDP credits included in gross dividends.

12 ▶ \$

Subtract Box 12 from Box 11. This is the total NRWT payable.

13 ▶ \$ 15,080.88

Print the total NRWT paid from IR 67Ps sent to Inland Revenue.

14 ▶ \$ 15,000.00

Subtract Box 14 from Box 13 and print the answer in Box 15.

15 ▶ \$ 80.88

← Enter the total NRWT amount deducted for the year for each income type

← Show the total NRWT paid, from the IR67P forms sent to Inland Revenue during the year

If Box 13 is larger than Box 14 the difference is the amount to pay. **You must pay this by 20 April.** If Box 14 is larger than Box 13 the difference is your refund.

(Tick one) Refund Tax to pay

Has payment been made electronically?

(Tick one) Yes No

Print the number of IR 67 certificates attached in Box 16.

16 ▶ 12 67

Have you filed your IR 67 certificates electronically (by email or on a disc)?

17 ▶ Yes No

← Tick to show whether or not you've sent your certificates electronically

← Show the number of certificates attached to this reconciliation

Declaration I declare the information given in this return is true and correct.

Signature
D. A. Blexie

30 05 2011
Date

OFFICE USE ONLY

Scanner

18 ▶

Operator code

Corresp. indicator

Payment attached

N

Return cat.

← Sign and date here

Post this reconciliation and your NRWT withholding certificates or disk in the envelope provided by 31 May, or within 40 working days after the end of the month of cessation. **Keep a copy for your records.**

Part 6 – Approved issuer levy

An approved issuer is anyone who has been granted approval by us to pay interest to non-residents at a zero rate of NRWT (non-resident withholding tax). Approved issuers are required to pay a levy on the securities that are registered with us. The levy, known as approved issuer levy (AIL), is calculated generally at a rate of 2 cents in every \$1 of interest paid on a registered security or any redemption payment on a bond issued at a discount. In certain circumstances the AIL levy rate may be a zero rate.

All government stock qualifies for the AIL.

Our *Approved issuer levy (AIL) (IR395)* guide answers questions about the AIL scheme and explains how to get approval for zero-rated NRWT.

To get AIL status please complete an *Approved issuer levy (AIL) - payer registration (IR396)*. However, if you already have approved issuer status, use an *Application to register security or securities for approved issuer levy (AIL) (IR397)*.

Please use the *Approved issuer levy (IR67A)* form to pay AIL.

If you need more information about NRWT, AIL or zero-rating of NRWT on interest, please contact our Non-resident Centre - see page 2.

Glossary

Approved issuer

An approved issuer is a borrower who has approval from us to use the approved issuer levy (AIL) scheme, which allows them or a person on their behalf to pay interest to a non-resident without having to deduct NRWT.

Approved issuer levy

Approved issuer levy (AIL) is a payment calculated generally at the rate of 2 cents in every \$1 of the interest paid on a registered security or any redemption payment on a bond issued at a discount.

Associated persons

The following are associated persons:

- a group of persons whose total voting interests in each company are 50% or more
- a company and non-company (generally individual) if the individual's voting interest in the company is 25% or more. For these purposes, the individual is treated as holding anything held by a person associated with them, eg, if two sisters own 15% of the shares in a company, both sisters would be associated with the company
- relatives related to the second degree of blood relationship
- two persons who are married, in a civil union or in a de facto relationship
- two persons if one person is within two degrees of blood relationship to the other person's spouse, civil union or de facto partner (ie, a person is associated with their parents-in-law and step-children)
- a child by adoption is treated as a natural child
- a person and a trust where the person is a beneficiary of the trust or is a relative of a beneficiary of the trust
- the trustees of two trusts if they have a settlor in common
- a trustee and a settlor of the trust
- a beneficiary of a trust is associated with a settlor of the trust
- a trustee and a person with power of appointment or removal
- a partnership and its partners
- two persons if they are each associated with the same third person by different tests (tripartite test).

Refer also to "Indirect associated funding", "Non-resident lending body" and "Related party debt" below.

There is more information about associated persons at www.taxpolicy.ird.govt.nz/publications or in *A guide to associated persons definitions for income tax purposes (IR620)*.

Cultural royalties

These are royalties paid for the use, production or reproduction (or the right to do any of these things) of any literary, dramatic, musical or artistic work on which there is a copyright.

Fixed establishment

A place of business from which a substantial business is carried out, such as a retail shop, hotel, factory or farm. A property let for rent is generally regarded as an investment rather than a business.

Gross interest

Interest with no deduction made from it.

Indirect associated funding

A non-resident person (indirect lender) provides funds directly or indirectly to another person (direct lender) who provides funds to the borrower. Or the indirect lender reimburses the direct lender or compensates them for providing the funds to the borrower.

Interest

Interest is any amount paid or credited in relation to money lent. For the purpose of NRWT it also includes:

- redemption payments
- investment society dividends
- payment(s) that give rise to expenditure under the financial arrangement rules.

Non-cash dividends

Companies may provide other benefits to shareholders rather than paying a cash dividend. These benefits are also treated as dividends and NRWT must be deducted. Some examples are interest-free or low-interest loans to shareholders, and payment of private expenses. The formula for calculating NRWT on non-cash dividends is on page 20.

Non-resident

A person is a non-resident if they:

- are away from New Zealand for more than 325 days in any 12-month period, and don't have an "enduring relationship" with New Zealand, or
- are in New Zealand for less than 183 days in any 12-month period, and don't have an enduring relationship with New Zealand.

Non-resident owning bodies

For a company - A group consisting of 2 or more members who are each a non-resident and who each holds ownership interests in the company or have a linked trustee holding ownership interests in the company.

Non-resident passive income (NRPI)

This is interest, dividends and royalties that a non-resident derives or is deemed to have derived from New Zealand.

Non-resident financial arrangement income (NRFAI)

This is a sub category of NRPI. It is for transactions over \$40,000 with a related party (parties) where there is a timing mismatch between income and expenditure. The financial arrangement rules are used to calculate income subject to NRWT.

Paid

For the purposes of NRPI, paid means distributed, credited or dealt with in the interest of, or on behalf of, a person. Pay and payment have similar meanings in this context. If a payer compounds interest to capital on behalf of a person, the payer has "dealt with it in the interest of" that person.

Person

Person can refer to an individual, a company and to other entities.

Related party debt

All financial arrangements where a non-resident provides funds to an associated NZ resident (or NZ branch of an associated non-resident) and the borrower is allowed a deduction under the financial arrangement rules.

Royalties

A royalty is defined in the income tax laws as any payment for using (or having the right to use) anything such as copyrights, patents, designs, films, audio or videotapes, specialist knowledge or information, and mining or cutting rights. It also covers payments to authors, editors or composers for each copy of a work sold, performed or broadcast.

It doesn't matter what such payments are called for accounting purposes (for example, management fees, technical fees, administration charges, head office charges), if they fit the definition of a royalty, NRWT must be deducted.

Tax resident

A person is a New Zealand tax resident if they:

- are in New Zealand for more than 183 days in any 12-month period, or
- have an enduring relationship with New Zealand, or
- are away from New Zealand in the service of the New Zealand Government.

For more help

0800 self-service numbers (New Zealand callers)

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.

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 (IR778)*.

New Zealand Government