KEY FINANCIAL DATA FOR 2018

Thorners
solutions for you

All data and information is current as at 01 April 2018

Individual Income Tax Rates (including sole traders)

Current PAYE rates (excluding ACC earners' levy)		PAYE rates (including ACC earners' levy)	
$0 to $14,000	10.5%	$0 to $14,000	11.89%
$14,001 - $48,000	17.5%	$14,001 - $48,000	18.89%
$48,001 - $70,000	30%	$48,001 - $70,000	31.39%
$70,001 and over	33%	$70,001 and over	34.39%
No notification	45%	No notification	46.39%

For the income year 1 April 2018 to 31 March 2019 the max. liable earnings for ACC earners' levy are $126,286pa and max. levy payable is $1,755.37. For self-employed earnings, the max. levy payable is $1,724.33 on max. liable earnings of $124,053 pa.

Resident Withholding Tax (RWT) - on interest and dividend income

Annual total income range	Current Rate
Must provide a certificate of exemption from IRD	0%
$0 - $14,000	10.5%
$14,001 - $48,000	17.5%
$48,001 - $70,000	30%
$70,001 or over	33%
Companies	The issuer may apply a RWT rate of 28% or 33%
Dividend income (dividends plus imputation credits)	33%
If no IRD number	33%

KiwiSaver Contribution Rates

Contributor	Current Rates/Amounts
Employees	• Choose 3%, 4% or 8% of gross pay (default is 3%)
Employers (compulsory)	• Minimum 3% of gross pay (less withholding tax)
Self-employed, Contractors, Unemployed, Beneficiaries	• As per contract with scheme provider
Government	• Maximum of $521.43 pa as member tax credit contribution (subject to meeting criteria).

Important Dates

7 July 2018	• 2018 income tax returns due if you have a March balance date and do not have an extension of time or a tax agent.
28 August 2018	• 1st instalment for 2019 Provisional tax and student loan interim payments are due for people and organisations with a March balance date.

Secondary Tax Codes – with no student loan and excluding ACC earners' levy

Annual income range	Tax code	Tax rate
$0 - $14,000	SB	10.5%
$14,001 to $48,000	S	17.5%
$48,001 to $70,000	SH	30%
$70,001 or over	ST	33%

Independent Earner Tax Credit

- Must earn annual income between $24,000 and $48,000 pa.
- Worth $10 per week, abated at 13c per dollar earned above $44,000 up to $48,000.
- Not available to those receiving NZ Super or Veterans' pension, overseas pensions, other income tested government benefits and Working for Families Tax Credits.
- Must be NZ tax resident.

Other Tax Codes

WT	Schedular payments
CAE	Earnings of casual agricultural employees, shearer or shearing shed hand
EDW	Earnings of election day workers
NSW	Recognised seasonal workers
STC	Special tax code worked out to suit individual circumstances

Use of Money Interest (UOMI): Generally paid by IRD on overpayments of tax and charged by IRD on underpayments of tax. UOMI rates from 8 May 2017:

- 8.22% on underpayments of tax (deductible)
- 1.02% on overpayments of tax (assessable)

Depreciation: From the 2011/2012 income year no depreciation can be claimed on buildings with a useful economic life of 50 years or more.

Company and Trust Tax Rates

Company rate	28%
Trust income and minor beneficiary income (exemptions may apply)	33%
Widely-held super fund, unit trust, GIF	28%

Tax Codes

Code	Applies to main source of income
M	• When ME does not apply • No student loan
M SL	• Student loan borrower • When ME does not apply
ME	• No student loan • Income between $24,000 and $48,000 • NZ tax resident • Not entitled to Working for Families Tax Credits or an overseas equivalent, and not receiving NZ superannuation, or a veteran's pension, or overseas pensions
ME SL	• Income between $24,000 and $48,000 • Student loan borrower • NZ tax resident • Not entitled to Working for Families Tax Credits or an overseas equivalent, and not receiving NZ Superannuation, or a Veteran's pension, or overseas pensions
	Applies to secondary source of income
SB	• Total income is $14,000 or less • No student loan
SB SL	• Total income is $14,000 or less • Student loan borrower
S	• Total income between $14,001 and $48,000
S SL	• Total income between $14,001 and $48,000 • Student loan borrower
SH	• No student loan • Total income between $48,001 and $70,000
SH SL	• Total income between $48,001 and $70,000 • Student loan borrower
ST	• Total income over $70,000 • No student loan
ST SL	• Total income over $70,000 • Student loan borrower

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FIF Rules Apply:

- If you hold a shareholding of less than 10% in a foreign company, foreign superannuation scheme, foreign life insurance policy or unit trust and it is an attributing interest.
- If you hold a shareholding of more than 10% in a foreign company or unit trust and the CFC and the rules don't apply. Note: investors that hold a 10%-50% shareholding in non-portfolio FIFs (10-50% in FIFS) that have passive income of less than 5% of their total gross income will not be required to attribute taxable income from that FIF interest. This applies retrospectively to income years starting on or after 1 July 2011.
- FIF investments held by an individual where the total cost is in excess of $50,000 at any time in that income year. There is a small range of trusts that also qualify for the $50,000 threshold (e.g. estates of a deceased person).
- FIF investments held by a company or trust.

AND in all cases none of the FIF exemptions listed below apply.

FIF rules exemptions

- **DE-MINIMIS EXEMPTION:** Interests in FIFs with a total original cost of less than NZ$50,000 (NZ$100,000 for a couple) at all times in that income year, if you are a resident individual investor or an eligible trust. Pay tax only on dividends received, unless the shares are held on revenue account.
- ASX-listed Australian companies. Refer to IR871 for list of exempt companies. Stapled securities do not qualify for Australian listed exemption.
- Australian unit trusts that turn over 25% of profitable assets or distribute 70% of income, and for which the investor has a RWT proxy.
- Shareholdings of 10% or more that come within the Controlled Foreign Company (CFC) rules for any type of investor. Passive income is attributed from a CFC that fails the active business test.
- Shareholding of 10% or greater in an Australian FIF and the person holding the interest is not a PIE, superannuation scheme, unit trust, life insurer, or a group investment fund.
- 10 year exemption for venture capital companies emigrating to grey list country.
- 10 year exemption for grey list company owning a NZ venture capital company.
- Shares in a grey list company acquired under a venture investment agreement.
- Employee share purchase scheme in grey list company.
- Foreign exchange control exemption.
- Income interest of non-resident or transitional resident.
- Non-resident's pension or annuity exemption.
- Most interests in a foreign superannuation scheme.

NOTES:

1. GPG exemption no longer applies from the 2012/13 income year.
2. Refer to IRD website (http://www.ird.govt.nz/technical-tax/determinations/other/) for an up to date list of funds that have obtained an IRD determination as to which FIF calculation method applies to that particular product.

Goods and Services Tax (GST)

- GST rate is 15%
- GST payments threshold < $2 million in annual revenue (to account for GST on a payments basis)
- GST registration threshold ≥ $60,000 in annual revenue
- GST six-monthly filing turnover threshold < $500,000

Calculating FIF Income

Calculation method	Taxable Income
Fair dividend rate (FDR)	*= (Opening Market Value at beginning of income year) x 5% + Quick Sale Adjustment* • Primary method to calculate tax on FIF unless investments prohibited from FDR rules. • Tax is still payable if total return is a loss. However, individuals and family trusts can use the CV method to reduce tax liability. If the CV method gives rise to a tax loss, the loss is not recognised. • Tax is calculated on total FIF portfolio, excluding any investments prohibited from FDR.
Comparative value (CV)	*= (Closing Market Value + Gains) - (Opening Market Value + Costs)* • All realised and unrealised capital gains and income streams (e.g. dividends) are taxed. • Losses can be claimed against other income unless the investments are also subject to FDR rules (see above where individuals and family trusts use CV method to calculate tax liability for their investments subject to FDR). • If practical, the CV method must be applied to: – Foreign equities offering guaranteed or fixed rate returns; – Interest held in offshore entity which invests 80% or more by value in fixed rate shares or financial arrangements that are denominated in NZ dollars or hedged to NZ dollars. NOTE: If it is NOT practical to use the CV Method, then the Deemed rate of return must be used.
Cost method	*= (Opening Value x 5%) + Quick Sale Adjustment* • 4 different methods can be used to obtain opening value.
Deemed rate of return	*= (Opening book value at end of previous income year) x deemed rate* • The Deemed rate is set by the Governor-General for the income year.

Definitions

Foreign Investment Fund (FIF)	An offshore investment held by a NZ tax resident who holds: • Less than 10% of the shares in a foreign company or of the units in a foreign unit trust that is a CFC and otherwise not exempt from the FIF rules; • Shares in a foreign company that is not a CFC and otherwise not exempt from the FIF rules; • An interest in a life insurance policy where a FIF is the insurer and the policy is not offered or entered into in NZ; • An interest in a foreign superannuation scheme in limited circumstances. It does not include term deposits, bonds, debentures, pensions, rental investments, money lent or foreign employment.
FIF income	Income derived from an attributing interest in a FIF, even though you may not have received any income at that point in time.
Attributing Interests	• A direct income interest in a foreign company or unit trust, or • A right to benefit from a foreign superannuation scheme, either as a beneficiary or a member, or • A right to benefit from a life insurance policy where a certain foreign investment fund is the insurer and the policy was not offered or entered into in NZ. • No exemption applies.
Quick Sale Adjustment	An adjustment amount calculated when you both buy and sell attributing interest in the same FIF in the same income year.

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Working for Families

Tax credits available	Eligibility	Weekly payments	
Family Tax Credit (current until 01 July 2018)	• Size of credit depends on family income, number of dependent children and their age • Have dependent children ≤18yrs • Ineligible if receive a foster care allowance, orphan's benefit or unsupported child's benefit for a child.	First child	Up to $101.98/week depending on age of child
		Subsequent children	Up to $91.25/week depending on age of children
Family Tax Credit (effective from 01 July 2018)	• Size of credit depends on family income, number of dependent children and their age • Have dependent children ≤18yrs • Ineligible if receive a foster care allowance, orphan's benefit or unsupported child's benefit for a child.	First child	$113.04/week up to the age of 18
		Subsequent children	$91.25/week up to the age of 18
In-Work Tax Credit	• Have dependent children ≤18yrs • Couples must work ≥ 30hrs/wk between them • Sole parents must work ≥ 20hrs/wk • Ineligible if receive an income tested benefit, a student allowance, a parent's allowance or children's pension.	If you have 1-3 children	Up to $72/week or up to $145/ fortnight
		If you have more than 3 children	A further $15/week or $30/fortnight for each extra child
Minimum Family Tax Credit	• Have dependent children ≤ 18yrs • Tops up the annual after tax income of a family to $26,156 • At least one parent must be working for salary/wages • Couples must work ≥ 30hrs/week between them. Sole parents must work ≥ 20hrs/wk. • Ineligible for the weeks your family income includes an income-tested benefit, parent's allowance or Veteran's pension. Also ineligible if you and/or your spouse or partner are on leave or sick leave without pay, on strike, or on lock out.	Ensures a minimum income of $503/week after tax.	
Parental Tax Credit (will be replaced with Best Start tax credit from 01 July 2018)	• If you are a family with a new-born, or a baby adopted within the first 70 days after birth. • Cannot get if the total family income for the full eight weeks includes: paid parental leave, NZ Super, a Veteran's pension, a student allowance, an income tested benefit (even if it is suspended) or accident compensation from ACC (unless on ACC < 3 months).	Up to $220/week for the first 70 days after birth (rate depends on family income (before tax), number of dependent children and their age).	
Best Start Tax (effective from 01 July 2018)	• All resident families for the first year of child's life. • For the second and third years, support will continue for low- and middle-income families. Best Start payments will be abated at 21% for income above $79,000. • For families receiving paid parental leave, Best Start payments will begin after paid parental leave ends.	$60 per week (or $3,120 per year) per child	
Paid Parental Leave	• Working employee parents and adoptive parents who take parental leave from their job(s) to care for the new-born or adopted child (< 6yrs old), Home for Life parents, whāngai, grandparents with full time care, and permanent guardians with eligibility determined by Employment Relations Service (Dept of Labour). • If you're self-employed & earn less than the minimum wage, for at least 10 hours work a week, the payment is $157.50 each week before tax.	Your normal pay (before tax) up to a maximum of $538.55/week before tax for a maximum of 18 weeks.	

Living Allowances (for child support paying parents)

Eligibility	Annual rate (gross)
Living allowance	$19,585.00
Living allowance if receiving supported living payments	$22,392.00
Minimum rate of child support (annually)	$919.00
Inflation factor	1.6%

Student Loans

Total annual interest rate for 2019 tax year	Interest free unless borrowers are away for 6 months (184 days) or more. If you are overseas the interest rate is 4.3%
Repayment threshold	$374 per week or $19,448 annually
Repayment obligation	12 cents for every dollar earned over the threshold

ESCT Rate for Contributions

Employee's salary/wages for year end 31 Mar (incl. gross superannuation employer contributions).	Rate of tax
$0 - $16,800	10.5%
$16,801 - $57,600	17.5%
$57,601 - $84,000	30%
$84,001 and over	33%

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Determining PIR (based on NZ taxable income received in previous two tax years)

NZ TAX RESIDENT INDIVIDUAL INVESTORS

In either of the two income years before the current tax year

If your taxable income was …	*And your taxable income and PIE income…*	*Your PIR is*
$14,000 or less	$48,000 or less	10.5%
$48,000 or less	$70,000 or less; and you do not qualify for the 10.5% rate	17.5%
If you do not qualify for 10.5% or 17.5% rate		28%
No notification of IRD number		28%
No notification of PIR		28%

INVESTORS LEAVING OR ARRIVING IN NZ

If you are…	*…and…*	*Your PIR is*
an investor who has become a NZ tax resident	you have not previously invested in a PIE	Your PIR is determined as if you were a NZ tax resident individual investor however you must include your 'worldwide' income in the calculation of taxable income in determining your PIR, in the year you become NZ tax resident.
a NZ tax resident invested in a PIE	you cease to be a resident	28% rate would apply for the whole year, unless the investor withdraws and re-invests. (PIE systems may not be able to cope with residence rate change during the year.)

OTHER INVESTORS

If you are a…	*…and…*	*Your PIR is*
Non-resident individual, company, partnership or trust	-	28%
Company, incorporated society, PIE or portfolio investor proxy (PIP)	-	These entities must all choose 0% and therefore include the PIE income in their tax return. However please note a PIE does have the ability to elect either 28% or 17.5%.
Trustees (excluding charitable trusts) and Super funds.	-	Trustees can choose a PIR of 0%, 17.5% or 28%. If they choose 0% or 17.5%, they must include PIE income and pay any applicable tax themselves and will receive a credit for tax satisfied by the PIE. However, these trustees cannot include PIE losses in their trust's tax return. Note: A testamentary trust can also choose a PIR of 10.5%.
Registered charitable trust	-	0% Tax exempt (provided a tax exempt certificate is obtained). Do not have to declare PIE income.
Joint investment, partnership or unincorporated society	Each partner has the same individual PIR (for example 17.5%)	0%, 10.5%, 17.5% or 28%.
	All partners have different individual PIRs	0%, 10.5%, 17.5% or 28%. Split investment and provide individual PIRs and IRD numbers to the PIE.

NZ Superannuation and Veterans Pension Rates

Category		Fnightly rate (net)	Fnightly rate (net)
		"M" tax code	"S" tax code
Single, living alone		$801.74	$764.04
Single, sharing		$740.06	$702.36
Married, civil union, de facto: both qualify	**Total**	$1,233.44	$1,158.04
	Each	$616.72	$579.02
Married, civil union, de facto: only one partner qualifies	**Total**	$1,172.36	$1,096.96
	Each	$586.18	$548.48
Qualified partner in rest home, with non-qualified partner in the community		$538.30	$500.60
Hospital rate		$89.06	Only taxed at the 'M' rate.

Provisional Tax Due Dates

Balance date (BD)	Not GST registered	GST registered			
		Standard / estimation method		Ratio method	
		1 or 2-mthly	6-mthly	1 or 2-mthly	6-mthly
31 March	28-Aug, 15-Jan, 7-May	28-Aug, 15-Jan, 7-May	28-Oct, 7 May	28-Jun, 28-Aug, 28-Oct, 15-Jan, 28-Feb, 7-May	Option not available

Note: if you have a balance date other than 31 March, or you file six-monthly GST returns, please talk to your tax agent or the IRD for more information.

Provisional tax can be calculated using four methods:

1. Accounting income method (AIM): If you are using MYOB, Reckon or Xero and your turnover is less than $5m, you can pay provisional tax as you earn profit. Please check with your accountant if you can use this method.

2. Standard option: Provisional tax is calculated based on the last income tax return filed. If the previous year's tax return has been filed, the provisional tax amount is the residual amount, plus 5%. If the previous year's tax return has not been filed, then the calculation is on the year prior to the previous year, plus 10%. For example, provisional tax for 2019 will be 2018's RIT + 5%, or 2017's RIT + 10%, depending on when the last income tax return was filed.

3. Estimation method: It is the fair and reasonable estimate of the 2019 residual income tax.

4. GST ratio method: Applies to GST registered taxpayers whose previous year's residual income tax is between $2,500 and $150,000. This option calculates provisional tax by reference to GST taxable supplies in the relevant provisional tax instalment period.