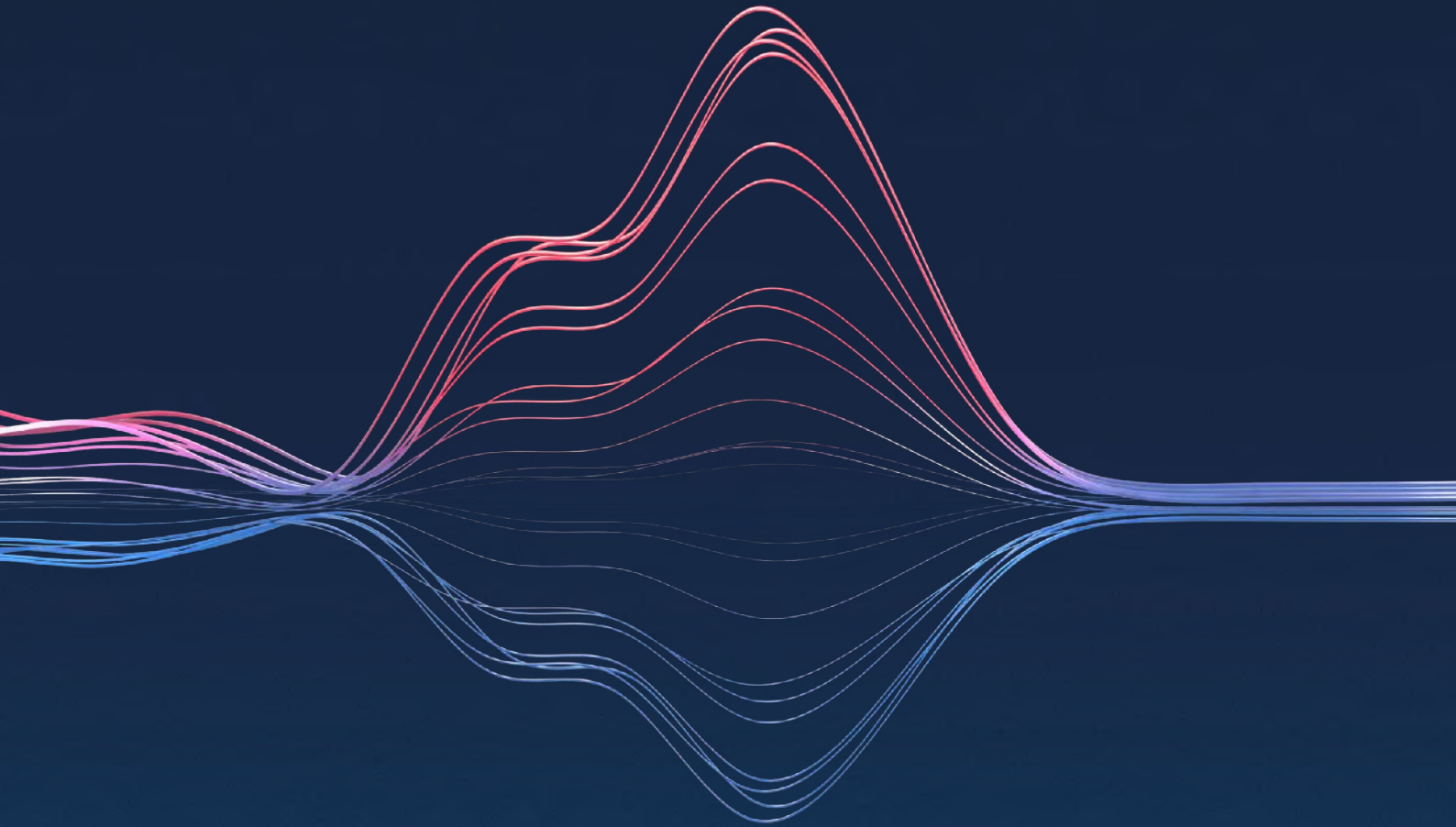


DLA PIPER - NEW ZEALAND START-UP PACK

# Tax Checklist



# Tax Checklist

The tax checklist is designed to cover some of the initial considerations that relate to tax and a start-up business. It briefly notes the main types of registrations that either you as an individual and/or the company that you have established may be required to complete. It only covers New Zealand (NZ) tax and assumes that you are a NZ tax resident.

## Income Tax

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### Individual

#### REGISTRATION

Most individuals will be registered with the Inland Revenue Department (**IRD**) and have a 9-digit tax file number, commonly called an IRD number. If you are not registered, you will need to do this. You can obtain the registration form, along with other forms and guides, from the IRD website: [www.ird.govt.nz](http://www.ird.govt.nz).

Look for *IR595 IRD number application – resident individual*. Also, you may choose to register for myIR, so that you can deal with the IRD through its online secure services: see *IR492 How to register for myIR*.

#### RETURNS

If you derive income that is not adequately taxed at source, you will need to complete an annual tax return, an IR3. The standard tax year runs from 1 April to 31 March. The IR3 will be due to be filed by 7 July, unless you use a tax agent who has an extension of time arrangement with the IRD.

#### PROVISIONAL TAX

The provisional tax regime requires certain taxpayers to pay their income tax by instalments during the income year, with a final wash-up payment following the year-end. If your prior year's residual income tax was \$5,000 or more, you will be under the provisional tax rules. There are various methods by which provisional tax can be calculated, so you will need to consider which is right for you: refer to *IR289 Provisional tax guide*. If you are not required to pay provisional tax you may voluntarily choose to do this in your first year in business so that you do not face a double whammy in year two (of tax on year one and provisional tax for year two).

Note: by 'taxed at source' we mean that the payer of the income has deducted tax on your behalf (e.g., wages and salary where deductions have been returned by your employer through the PAYE system, interest paid by a NZ bank on which withholding tax has been deducted, etc.).

### Company

#### REGISTRATION

A company will need to obtain an IRD number. If your company is not registered already, it will need to do this: see *IR596 IRD number application – non-individual*.

You can register for an IRD number at the same time you incorporate a company.

A start-up should also consider whether it is appropriate to register as a look-through company (LTC). To do this: see *IR596 Choose to become a look-through company*.

#### RETURNS

A company (unless it is not active and has filed the relevant declaration) must file an annual income tax return, an IR4. The standard tax year runs from 1 April to 31 March. The IR4 will be due to be filed by 7 July, unless the company uses a tax agent who has an extension of time arrangement with the IRD.

#### PROVISIONAL TAX

The provisional tax rules also apply to companies – see the comments about provisional tax in the Individual box above.

# Goods and Services Tax (GST)

## Individual and/or company

### REGISTRATION

An individual / a company must register for GST if the person / company expects to make (or has made) taxable supplies in excess of the registration threshold. The threshold is \$60,000 in a 12 month period (so consider both the current month and preceding 11 months, and, the current month and the upcoming 11 months). For more information see *IR365 GST – Do you need to register?* This is available on the IRD website: [www.ird.govt.nz](http://www.ird.govt.nz). To register, complete *IR360 GST registration*.

You can register for GST at the same time you incorporate a company.

If registered (or required to be registered), you / your company (supplier) must account for GST on its taxable

supplies to the IRD (known as output tax).

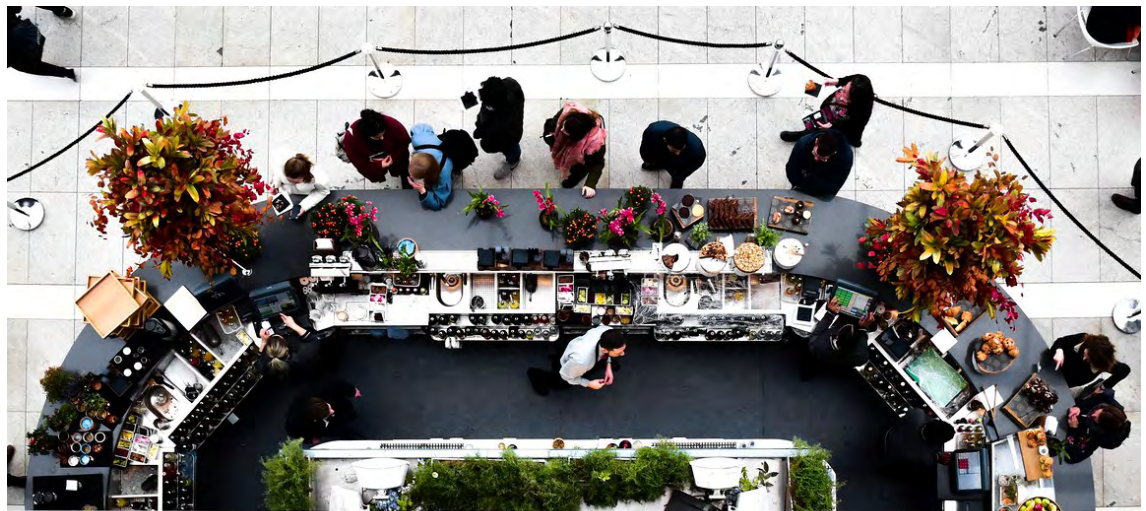
Therefore, the supplier should charge GST to its customer to recoup this.

The standard rate of GST is 15%, although some supplies are zero-rated (or exempt). The supplier will be charged GST (known as input tax) on local acquisitions for its business for which it usually can claim a credit.

### RETURNS

The frequency of filing GST returns will depend upon a number of factors:

see *IR375 GST guide* for more information. In simple terms, if the output tax exceeds the input tax, the supplier will pay the difference to the IRD, and, if the input tax exceeds the output tax, the supplier will claim a GST refund from the IRD.



# Employers

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## Individual and/or company

### REGISTRATION

If you / your company is an employer, you / your company must register as an employer and deduct tax and other amounts from your employees' earnings under the PAYE system (which stands for 'pay as you earn'). You can register by completing *IR334 Employer registration*, which is available on the IRD website: [www.ird.govt.nz](http://www.ird.govt.nz).

You can register as an employer at the same time you incorporate a company.

The employer must obtain from each of its employees a completed *IR330 Tax code declaration*.

### RETURNS

Most employers will file an employment information with the IRD, which, if filed electronically is due within

2 working days of each payday, or if paper filed, is due within 10 working days of each payday: see *IR348 employer monthly schedule* for paper filings or enrol to e-file. The return covers various amounts required to be deducted from employees' earnings in addition to income tax, such as ACC, student loan repayments, child support deductions and KiwiSaver contributions. It also covers the employer's KiwiSaver contributions and ESCT (the tax on those contributions). E-filing is mandatory if the employer's gross annual PAYE and ESCT deductions are \$100,000 or more.

The IRD's website has on-line calculators to work out the deductions or you can look at the tax tables: *IR340 Weekly and fortnightly PAYE deduction tables* and *IR341 Four-weekly and monthly PAYE deduction tables* (check you use the correct year).

# ACC

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## Individual and/or company

### REGISTRATION

You and your company will be liable for various levies, collectively called ACC levies, including:

- (i) work-account levies, payable by the self-employed and businesses; and,
- (ii) earners' levies payable by employees and the self-employed.

The work account levies are activity-based, so you / your company will need to select the appropriate industry classification: see the ACC website for more information [www.acc.co.nz](http://www.acc.co.nz).

### RETURNS

Levies payable by the self-employed and businesses are invoiced by ACC based on information it receives from the IRD – you do not need to file a return for these.

The earner's levy payable by employees is collected from the employer through the

PAYE system – see comments about Returns in the Employers box above.

Note that the IRD online calculators and tax tables combine this with the income tax amount rather than showing it separately.



## Get in touch

**Please get in touch if you would like to discuss any of the information provided, or how we can assist in meeting your business goals.**

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