



Inland Revenue
Te Tari Taake

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Provisional tax

A guide to understanding your provisional tax

Introduction

We've written this guide to explain provisional tax. We've included information for individuals and non-individuals (companies, Māori authorities, estates, trusts, clubs and societies).

Tax rate changes for individuals affect the way you calculate provisional tax instalments from 1 October 2010 onwards.

Pages 6 and 7 provide information about how to calculate 2012 provisional tax.

If you need more information, please call us on 0800 377 774.

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.

Online services save you time

We've introduced a number of new online services, making it quicker and easier to manage your tax and entitlements online.

Now you don't have to print out forms, send paperwork through the post or pick up the phone.

All your key information is in one place, making it simple to find balances, due dates and money you could be entitled to.

Register for a secure online services account today and:

- check if you're due a refund
- request and confirm personal tax summaries
- file an IR 3 tax return
- instantly update your bank accounts, phone numbers, addresses and email

details

- view payments to or from Inland Revenue (including child support)
- apply for/manage your Working for Families Tax Credits.

All these services are available 24 hours a day, seven days a week. Go to www.ird.govt.nz to register and find out more.

How to get our forms and guides

You can view copies of all our forms and guides mentioned in this guide by going to www.ird.govt.nz and selecting “Forms and guides”. You can also request copies by calling 0800 257 773.

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Changes to provisional tax for the 2010–2011 year

Tax rate changes announced in May 2010 affect the way you calculate provisional tax. These changes take effect from 1 October 2010.

The tables below show how these changes affect you, depending on which method you use to calculate your provisional tax instalments.

Standard option

If you're calculating your 2012 tax year provisional tax payments using your 2009 tax year residual income tax (RIT), the RIT needs to be reduced by 5%.

If you use the standard option and make three instalments each year

Provisional tax for the 2012 tax year			
Return filing dates	1st instalment (P1) due 28 August 2011	2nd instalment (P2) due 15 January 2012	3rd instalment (P3) due 7 May 2012
2011 tax return filed between 28 August 2011 and 15 January 2012	2010 RIT – 5% ÷ by 3 = amount due	2011 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2011 RIT – 5% – (P1) – (P2) = amount due
2011 tax return filed between 16 January 2012 and 7 May 2012	2010 RIT – 5% ÷ by 3 = amount due	2010 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2011 RIT – 5% – (P1) – (P2) = amount due
2011 tax return is filed after 7 May 2012	2010 RIT – 5% ÷ by 3 = amount due	2010 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2011 RIT – 5% – (P1) – (P2) = amount due

If you use the standard option and make two instalments each year

Provisional tax for the 2012 tax year		
Return filing dates	1st instalment (P1) due 28 October 2011	2nd instalment (P2) due 7 May 2012
2011 tax return is filed between 29 October 2011 and 7 May 2012	2010 RIT – 5% ÷ 2 = amount due	2011 RIT – 5% – (P1) = amount due
2011 tax return is filed after 7 May 2012	2010 RIT – 5% ÷ 2 = amount due	2011 RIT – 5% – (P1) = amount due

If you use the estimation option

You can choose to use the tax rates below when you calculate your instalments.

The new rates from 1 April 2011 to 31 March 2012 are:

Income range	Tax rate
\$ 0 – \$14,000	10.5%
\$14,001 – \$48,000	17.5%
\$48,001 – \$70,000	30%
\$70,001 and higher	33%

You must take reasonable care in working out the amount payable.

You may be charged penalties and interest if the estimate you make is lower than the actual amount of your provisional tax.

If your estimate is not fair and reasonable you may be charged a 20% shortfall penalty. We may pay you interest if your estimate is too high.

Payment due dates

- If you have two instalments the due dates are the 28th day of the seventh and thirteenth months after your balance date.
- If you have three instalments the due dates are the 28th day of the fifth, ninth and thirteenth months after your balance date.

Exceptions

- Payments that would otherwise be due on 28 December are payable on 15 January.
- Payments that would otherwise be due on 28 April are payable on 7 May.

If you use the ratio method

- We will calculate your ratio percentage and notify you.

Part 1 — General information

What is provisional tax?

Provisional tax is not a separate tax but a way of paying your income tax throughout the year.

Who has to pay provisional tax?

If, during the year, you have earned income which has either:

- not been taxed, or
- has not had enough tax deducted from it

and your residual income tax (RIT) to pay is more than \$2,500, you need to pay provisional tax for the following year.

Example

Rose is a self-employed photographer and has just completed her 2010 tax return. She also received some income from salary and wages at the start of the year. Her income details are:

Salary/wage income	\$ 7,550
Self-employed income	\$ 32,000
Total income	<u>\$ 39,550</u>
Less expenses	\$ 10,000
Total net income	<u>\$ 29,550</u>

Rose had PAYE deducted of \$1,475.25 (excluding ACC earners' levy) from her salary and wages. To work out her RIT, Rose works out the tax on her net income and subtracts her PAYE deducted and any tax credits.

Total net income	\$ 29,550.00
\$14,000 @ 12.5% = \$1,750	
\$15,550 @ 21% = \$3,265.50	
Total	\$ 5,015.50
Less PAYE deducted	<u>\$ 1,475.25</u>
RIT	<u>\$ 3,540.25</u>

Rose's RIT is \$3,540.25. As this is more than \$2,500, she is a provisional tax payer for the 2011 tax year and is now required to pay provisional tax throughout the year or she will incur penalties and may also be charged interest.

When is provisional tax due?

The number of provisional tax instalments you'll need to make depends on which provisional tax method you're using and if you're registered for GST, your GST filing frequency.

If you're GST-registered you will make combined GST and provisional tax payments and will complete combined returns.

- If you're not GST-registered, you'll need to pay three instalments.
- If you file your GST returns monthly or two-monthly, you'll also need to pay three instalments.
- If you file your GST returns six-monthly, you'll only need to pay two instalments of provisional tax.
- If you use the ratio method to calculate your provisional tax, you'll need to pay six instalments, so you'll also need to file your GST returns monthly or two-monthly.

The following table shows when your provisional tax is due, if you have the standard balance date of 31 March.

	1st instalment	2nd instalment	3rd instalment	4th instalment	5th instalment	6th instalment
Not registered for GST	28 August	15 January	7 May	N/A	N/A	N/A
GST-registered – one or two-monthly filer of GST returns	28 August	15 January	7 May	N/A	N/A	N/A
GST-registered – six-monthly filer of GST returns	28 October	7 May	N/A	N/A	N/A	N/A
GST-registered and elected to use the ratio option for provisional tax	28 June	28 August	28 October	15 January	28 February	7 May

Non-standard balance dates

You must have prior approval from us before using a non-standard balance date. Balance dates are only changed in certain situations. For more information about using a balance date other than 31 March, please contact your tax agent or call us on 0800 377 774.

For balance dates other than 31 March, the provisional tax payment due dates for three instalments will be the 28th day of the fifth, ninth and thirteenth months after your balance date (with the exception of payments due on 28 December and 28 March, which are due on 15 January and 7 May)—see table below.

Balance date	1st instalment	2nd instalment	3rd instalment
April	28 September	28 January	28 May
May	28 October	28 February	28 June
June	28 November	28 March	28 July
July	15 January	7 May	28 August
August	28 January	28 May	28 September
September	28 February	28 June	28 October
October	28 March	28 July	28 November
November	7 May	28 August	15 January
December	28 May	28 September	28 January
January	28 June	28 October	28 February
February	28 July	28 November	28 March
March	28 August	15 January	7 May

Example

End-of-year balance date is 30 April 2011.

Dates for paying provisional tax are:

- 1st instalment 28 September 2010
- 2nd instalment 28 January 2011
- 3rd instalment 28 May 2011

If you need to pay two or six instalments, and you would like to check the due dates, go to www.ird.govt.nz or call us on 0800 377 774.

How much do I have to pay?

There are three options for working out how much provisional tax you have to pay:

- the standard option (see pages 17 – 20)
- the estimation option (see pages 21 – 24)
- the ratio option (see pages 25 – 32)

Note

We will automatically charge provisional tax based on the standard option unless you choose another one.

The amount of payment may change depending on whether your return of income for the immediately preceding year has been filed or not. You may also make voluntary payments towards your provisional tax during the year.

How do I make my payments?

When you've worked out your provisional tax option, you should keep a note of the dates each instalment is payable. You must pay each instalment by the payment date, even if you have not received your statement.

For further information, read our booklet *Making payments (IR 584)*.

Electronically through your bank

Major banks offer an online tax payment service on their website which ensures that sufficient payment reference details are included with your payment.

If your bank does not offer this service you can pay using their standard online service, but you need to ensure we have all the details to credit your payment to your account.

Provisional tax payment only

The tax type code you need to provide is INC and the period end date is for the income tax year you are making payments for, eg, if you have a standard balance date of 31 March, your provisional tax payment due on 28 August 2010 would have the tax code INC and the period end date 31/03/2011.

GST and provisional tax combined payment

The tax type code you need to provide is GAP and the period end date is for the combined return date you are making payments for, eg, if you have a standard balance date of 31 March, your combined return payment due on 28 August 2010 would have the tax code GAP and the period end date 31/07/2010.

Other electronic payment options include automatic payments and direct credit payments.

By cheque

Provisional tax only

If our records show that you owe provisional tax, we will send you a reminder letter before each instalment date. A payment slip and a pre-addressed envelope are included. Post your cheque and payment slip by the due date.

- Make your cheque payable to Inland Revenue.
- Cross it “Not transferable”.
- Do not send cash.

If you are paying provisional tax for the first time, please attach a note with your payment giving your IRD number, full name, address, tax type (of income tax) and the year the payment is for.

Provisional tax and GST

If our records show that you owe provisional tax and are registered for GST, you make a combined payment on your GST–provisional tax return. A payment slip and a pre-addressed envelope are included. Post your cheque and payment slip by the due date.

- Make your cheque payable to Inland Revenue.
- Cross it “Not transferable”.
- Do not send cash.

At Westpac

You can also make your payments by cash, cheque or eftpos at branches of Westpac. Please take your payment slip with you (if you have one) so the cashier has all the necessary information to process your payment correctly.

Note

Your reminder letter and statements may be sent to your tax agent if you have one.

What is tax pooling?

Tax pooling allows taxpayers to pool provisional tax payments, offsetting underpayments with overpayments within the same pool, which reduces the use-of-money interest. The pooling arrangement is made through a commercial intermediary, who arranges for participating taxpayers to be charged or compensated for the offset.

For more information about tax pooling, go to www.ird.govt.nz

Special tax codes

A special tax code is a tax deduction rate for payments you receive for salary and wages and/or schedular payments. It is calculated to suit your individual circumstances. This can be used to cover your provisional tax liability in certain circumstances and means that you pay the right amount of tax as you go. In the first year that you use a special tax code to reduce your provisional tax liability, you may want to look at estimating your provisional tax, as your residual income tax (RIT) will be less than the previous year's (see "Following year estimate", page 16). If you receive a special tax code, it only applies to the current year.

To find out more about receiving a special tax code, call us on 0800 377 774. You can also read our guide *How to tell if you need a special tax code or deduction rate (IR 23G)*.

Note

It's important that you give us all the details of your income when applying for a special tax code. You also need to let us know if your income changes during the year, so we can change your special tax code if necessary.

Part 2 — Is your residual income tax \$2,500 or less?

First year of business

Provisional tax

If this is your first year of business you are not required to pay any provisional tax if your residual income tax (RIT) in the previous year was \$2,500 or less. However, there are instances where you may become liable for interest. Please read Parts 6 and 7 of this guide.

Early payment discount

If you start receiving self-employed or partnership income and pay tax voluntarily in the year before you begin paying provisional tax, you may be eligible for a discount of 6.7% on your tax.

To qualify, you have to:

- be either self-employed or a partner in a partnership
- receive gross income mainly from a business (not interest, dividends, royalties, rents or beneficiary income)
- not be required to pay provisional tax in the income year
- make a voluntary income tax payment before the end of the income year (31 March for taxpayers with a standard balance date)
- elect to receive the discount within the timeframe for filing a return for that income year (use the tick box on the IR 3 income tax return).

Earlier income years

You may be eligible for the early payment discount for earlier income years if you have never:

- been required to pay provisional tax
- received an early payment discount
- derived assessable income from a business within four income years following the latest income year for which you received an early payment discount
- derived assessable income from a business within four income years following the latest income year for which you were required to pay provisional tax.

The discount is 6.7% of:

- the amount paid during the year, or
- 105% of the RIT liability,

whichever is lesser.

Example

Chris is a takeaway store owner operating as a sole trader (self-employed), who started his business on 15 February 2010. Chris was previously a wage earner. He has a standard balance date and his RIT to 31 March 2010 was only \$600.

For the tax year ended 31 March 2010, Chris is not a provisional tax payer, but it's likely that he will be for the 2011 tax year. Chris decided to make some voluntary payments during the 2011 tax year.

He made one payment of \$2,000 on 15 June 2010, one payment of \$1,750 on 21 September 2010 and a final payment of \$1,250 on 20 January 2011. Chris's RIT for 31 March 2011 came to \$7,600.

Total payments made	\$ 5,000	
× 6.7% discount on payments	\$ 335	
Residual income tax (RIT)		\$ 7,600
Less 6.7% discount		\$ 335
Discounted RIT		= \$ 7,265

Chris needs to pay \$2,265 (\$7,265 less \$5,000) by 7 February 2012.

You can call us on 0800 377 774 to find out if you qualify for the discount.

Current year

If your return shows you are not liable for provisional tax because your RIT is \$2,500 or less, you may apply for a refund of any provisional tax paid.

Following year estimate

If your current RIT is more than \$2,500, but you expect the following year's RIT will be \$2,500 or less you can estimate your provisional tax for the following year to be nil. If your RIT works out to be more than \$2,500 and you haven't made payments during the year, you will incur interest on any unpaid provisional tax and you may be liable for shortfall penalties.

If you don't estimate and choose not to pay provisional tax for the following tax year under the standard option method, and your RIT works out to be more than \$2,500, you could incur interest and be liable for late payment penalties on any unpaid provisional tax.

Part 3 — Working out your provisional tax using the standard option

How it works

Using the standard option you subtract 5% from your residual income tax (RIT) liability without additional adjustment.

We will use the standard option to assess provisional tax unless you tell us otherwise.

Example

Louise is a real estate agent. For the 2011 income year, Louise's provisional tax will be calculated on the basis of her 2010 RIT liability less 5%.

Louise's RIT for 2010 was	\$4,200.00
Less 5%	\$ 210.00
Louise's 2011 provisional tax	<u>\$3,990.00</u>

Her provisional tax to pay and instalment dates are:

1st instalment	28 August 2010	\$1,330.00
2nd instalment	15 January 2011	\$1,330.00
3rd instalment	7 May 2011	\$1,330.00

Note

Special rules for companies

The tax rate reduced from 30% to 28% for companies and some savings institutions from the beginning of the 2011–12 income year. We've adjusted the way you calculate the standard option so the reduction is taken into account.

Instead of increasing your RIT by 5% you should reduce it by the percentage below.

Provisional tax year	Based on RIT for	Adjusted calculation
2011–12	2010–11	100% (2010–11 RIT) without adjustment
2012–13	2011–12	105% (multiply 2011–12 RIT by 105%)
2014 onwards	2012–13	105% (multiply 2012–13 RIT by 105%)

What if I haven't filed my tax return for the previous year?

If your tax return hasn't been filed before the provisional tax payments are due, and you don't have an extension of time to file your tax return, you are still required to pay provisional tax payments during the year. The amount to pay will be based on the RIT from this return, so you should file this as soon as possible to determine how much you need to pay. You will be liable for penalties and possibly interest on any short-paid provisional tax.

If you do have an extension of time to file your tax return after your provisional tax due dates, you can use one of the calculations on pages 19 and 20 to work out how much to pay.

RIT of more than \$2,500

If your RIT for the income year before the previous income year was more than \$2,500, you can deduct 5% from this total and then make payments for each provisional tax instalment based on this amount.

Example

Jacob is a plumber. He has an extension of time until 22 January 2011 to file his 2010 income tax return.

Jacob's RIT for 2009 was	\$ 4,200
Less 5%	<u>\$ 210</u>
Jacob's 2011 provisional tax	\$ 3,990

Based on this example, and using a standard balance date, a provisional tax payment of \$1,330 would be due on 28 August 2010. Because of his extension of time, the provisional tax payment due 15 January 2011 remains the same (\$1,330).

However, the provisional tax payment due on 7 May 2011 will be based on Jacob's RIT for 2010 less 5% less the provisional tax payments already made—see the table on page 19.

Companies should take into account the changes to the tax rate, explained on page 17.

Tax rate changes for individuals affect the way you calculate provisional tax instalments from 1 October 2010 onwards.

The table below shows you how to calculate 2011 provisional tax if you use individual tax rates.

Provisional tax for the 2011 tax year			
Return filing dates	1st instalment (P1) due 28 August 2010	2nd instalment (P2) due 15 January 2011	3rd instalment (P3) due 7 May 2011
2010 tax return filed between 28 August 2010 and 15 January 2011	2009 RIT + 10% ÷ by 3 = amount due	2010 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2010 RIT – 5% – (P1) – (P2) = amount due
2010 tax return filed between 16 January 2011 and 7 May 2011	2009 RIT + 10% ÷ by 3 = amount due	2009 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2010 RIT – 5% – (P1) – (P2) = amount due
2010 tax return is filed after 7 May 2011	2009 RIT + 10% ÷ by 3 = amount due	2009 RIT – 5% ÷ 3 × 2 – (P1) = amount due	2010 RIT – 5% – (P1) – (P2) = amount due

Even if, by 7 May, the 2010 tax return has not been filed, the payment is still based on the RIT from this return.

RIT of \$2,500 or less

If your RIT (less any adjustments) for the income year before the previous income year was \$2,500 or less you do not have to make any provisional tax payments until you file your tax return. Payment is then based both on your RIT for the previous year (less any adjustments) and the number of provisional tax instalments remaining.

Example

Jacob is a builder. He has an extension of time until 7 November 2010 to file his 2010 income tax return.

Jacob's RIT for 2009 was \$ 2,600

Less 5% \$ 130

Jacob's adjusted RIT \$ 2,470

Because the adjusted RIT for the tax year is less than \$2,500, Jacob doesn't have to pay 2011 provisional tax on this estimate.

If, when Jacob files his 2010 income tax return, his RIT (less 5%) is greater than \$2,500, his third payment for the 2011 tax year will be the full amount (2010 RIT less 5%), due 7 May 2011.

Companies should take into account changes to the tax rate, explained on page 17.

The table below shows when payments are due.

Provisional tax payments for the 2011 income year	1st instalment (P1) due on 28 August 2010	2nd instalment (P2) due on 15 January 2011	3rd instalment (P3) due on 7 May 2011
2010 tax return is filed between 29 August 2010 and 15 January 2011	–	$2010 \text{ RIT} - 5\% \div 2 = \text{amount due}$	$2010 \text{ RIT} - 5\% - (P2) = \text{amount due}$
2010 tax return is filed between 16 January and 7 May 2011	–	–	$2010 \text{ RIT} - 5\% = \text{amount due}$
2010 tax return is filed after 7 May 2011	–	–	$2010 \text{ RIT} - 5\% = \text{amount due}$

Even if, by 7 May, the 2010 tax return has not been filed, the payment is still based on the RIT from this return.

What happens when I file my return?

If the instalments you have paid are less than you should have paid:

- you must make up the difference when you pay your next instalment, or
- if you have paid your last instalment you must pay the difference immediately.

If the instalments you have paid are more than you should have paid:

- the excess credit may be transferred to another tax type, or
- you can receive a refund.

Note

The research and development (R&D) tax credit is included in your residual income tax. Consider using the estimation option for 2009–10 if:

- you received an R&D tax credit for the 2008–09 income year, and
- your provisional tax is assessed using the standard option.

Otherwise, you may be liable for use-of-money interest on any underpayments of provisional tax.

Part 4 – Working out your provisional tax using the estimation option

How it works

Using the estimation option, your provisional tax is calculated by estimating your income and then calculating the tax on this income. The tax payable will be the amount of provisional tax you have to pay for the next year.

Some of your income may already have had tax deducted from it, eg, interest. To get the right tax rate, you must add up all your estimated income first, work out the tax on the total, then subtract any tax credits you have, eg, RWT (resident withholding tax).

If your estimated income includes income that has PAYE deducted, eg, salary or wages, remember that the PAYE amount includes ACC earners' levy. For example, in the 2011 tax year the amount of the levy is \$2.04 for each \$100 up to a maximum income amount of \$110,018. Don't include this levy with the credits when you're working out your provisional tax estimate.

How do I make an estimate?

You can make an estimate by choosing that option on your tax return. If you have already filed your return, or want to re-estimate, complete a *Provisional tax estimation (IR 309)* form. You can complete this form online.

Points to remember about using the estimation option

- Once you make an estimate, you cannot change back to the standard option for that year.
- You can re-estimate any number of times up to your last instalment date. At this date your last estimate becomes final. If you have a farming, agricultural or fishing business affected by a self-assessed adverse event or qualifying event you can ask us to accept a late estimate of provisional tax.
- You must take reasonable care in determining the amount payable, and if your current estimate no longer reflects the amount payable you must file an amended estimate and pay on this basis. Interest and penalties may be imposed if the estimate you make is too low. If your estimate is not fair and reasonable you may be charged a 20% shortfall penalty. Interest may be paid to you if your estimate is too high.

Example 3

Kim knows she will have some untaxed income and a salary for the 2011 income year.

* Estimated gross salary	\$ 30,000
Estimated untaxed income	\$ 22,000
Total income	\$ 52,000

Tax on this income is calculated as follows:

Income up to \$14,000 @ 11.5%	\$ 1,610
Income from \$14,001 to \$48,000 @ 19.25%	\$ 6,545
Income over \$48,000 and up to \$70,000 @ 31.5%	\$ 1,260
Total tax on estimated income	\$ 9,415

Estimated PAYE deductions from salary	\$ 5,620
Less ACC earners' levy	\$ 612
Total estimated tax deductions	\$ 5,008

Provisional tax estimate

Tax on estimated income	\$ 9,415
Less estimated tax deductions	\$ 5,008
Total provisional tax payable	\$ 4,407

* PAYE will be deducted from Kim's gross salary

As Kim has a standard balance date of 31 March, the amount of provisional tax to pay and instalment dates are:

1st instalment	28 August 2010	\$ 1,469
2nd instalment	15 January 2011	\$ 1,469
3rd instalment	7 May 2011	\$ 1,469

If your tax is calculated at the individual tax rate and you want to calculate your provisional tax for 2012 please see page 6.

Note

Special rules for companies

The tax rate has reduced from 30% to 28% for companies and some savings institutions. This applies from the beginning of the 2011–12 income tax year. You should take the reduced rate into account when estimating your provisional tax.

Example 1

Goblin Greens Ltd estimated income for 2012 \$ 60,000

Tax on the income is calculated as follows:

Tax on this income @ 28%	<u>\$ 16,800</u>
Total tax	\$ 16,800
Provisional tax payable	\$ 16,800

For a standard balance date of 31 March, the amount of provisional tax to pay and instalment dates are:

1st instalment	28 August 2011	\$ 5,600
2nd instalment	15 January 2012	\$ 5,600
3rd instalment	7 May 2012	\$ 5,600

Example 2

Cot 'N' Candy Ltd estimates it's 2012 provisional tax at \$8,000.

It has a standard 31 March balance date and has paid the following instalments during the year:

1st instalment	28 August 2011	\$ 2,666
2nd instalment	15 January 2012	\$ 2,666
3rd instalment	7 May 2012	\$ 2,668

At the end of the year it prepares a tax return showing income of \$33,000.

Tax on \$33,000 @ 28%	\$ 9,240
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Because the company has paid provisional tax totalling \$8,000 and the total tax to pay is \$9,240, it will be charged interest on the difference of \$1,240. Interest will apply from 29 August 2011.

Use this worksheet to estimate your 2011 provisional tax

Print your estimated 2011 taxable income in Box 1.

1 ▶ \$.

Work out the tax on the amount in Box 1 using the tax rates on page 47 of this guide. Print your answer in Box 2.

2 ▶ \$.

Print your estimated 2011 credits (such as tax credits and PAYE) in Box 3 (don't include the ACC earners' levy).

3 ▶ \$.

Subtract Box 3 from Box 2.
Print your answer in Box 4.

4 ▶ \$.

Box 4 is your 2011 provisional tax. Divide the amount in Box 4 by 3 to get the amount you must pay for each instalment.

If you've estimated your income but need some help working out the tax, or you're unsure about estimating your provisional tax, contact your tax agent or call us on 0800 377 774 before you estimate.

When making an estimate, you're required to take reasonable care.

When you re-estimate your provisional tax, if the instalments you have paid are less than you should have paid, you must make up the difference when you pay your next instalment. If you have paid all three instalments you must pay the difference immediately.

If you have overpaid, you may be eligible to transfer your credit to another tax type or get a refund.

Part 5 – Working out your provisional tax using the ratio option

How it works

If you're liable for provisional tax, GST-registered and meet certain criteria, you can elect to use the ratio option for calculating your provisional tax. This option is based on your GST sales.

Your ratio percentage is calculated by dividing your RIT for the last tax year by your total GST taxable supplies for the same year. If your last year's figures are not available, the ratio is based on the RIT and total GST taxable supplies figures from the previous year.

Ratio percentage calculation

$$\text{GST ratio} = \frac{(\text{RIT from previous year less 10\%})}{\text{GST taxable supplies from the previous year}} \times 100$$

If the RIT being used is from two years prior, the formula is

$$\text{GST ratio} = \frac{(\text{RIT from two years prior less 15\%})}{\text{GST taxable supplies from the previous year}} \times 100$$

Note

If your RIT is from three years prior, the adjustment will be less 20%.

Special rules for companies

From the beginning of the 2011–12 income year, the tax rate for companies and some savings institutions has reduced from 30% to 28%. We'll take this into account when we calculate the ratio percentage.

Example

Rodney runs a fleet of fishing boats. He has a standard balance date of 31 March. He applies to use the ratio option for the 2011 tax year on 22 February 2010. His 2010 figures are not yet available, as he has an extension of time until 31 March 2011.

2009 RIT is	\$ 45,000.00
2009 GST taxable supplies	\$2,010,998.43

GST return periods	
31 May 2008	267,969.51
31 July 2008	310,016.07
30 September 2008	332,428.59
30 November 2008	461,947.59
31 January 2009	351,384.66
31 March 2009	287,252.01
Totals	2,010,998.43

$$\frac{\text{RIT value}}{\text{GST taxable supplies}} = \frac{(\$45,000.00 - 15\%)}{\$2,010,998.43} \times \frac{100}{1} = 1.9\% \text{ ratio percentage}$$

Eligibility criteria

To qualify to use the ratio option you must meet all the following criteria:

- You've been in business and GST-registered for all of the previous income year and this must not have been your first year in business.
- Your RIT for each of the preceding years is more than \$2,500 but not more than \$150,000.
- This entity is not a partnership.
- Your ratio percentage, once calculated, is between 0% and 100%.
- You file GST returns monthly or two-monthly.

Example

Frances runs a travel agency business. She applies in writing to use the ratio option for the 2011 tax year on 1 March 2010. She has a standard balance date and files GST returns every two months.

We check our records and work out that Frances' records show:

RIT for 2009 tax year is \$8,000 (she has not yet filed her 2009–10 return).

GST taxable supplies for 2009 tax year is \$125,000 $\times \frac{100}{1}$

Her ratio is $(\$8,000 \text{ less } 15\%) \div \$125,000 = \text{a ratio percentage of } 5.44\%^*$

Frances has a good history of filing returns so we'll send her a letter confirming her application to use the ratio option.

* In the ratio notification letter we'll round the 5.44% down to 5.4%.

How to use the ratio option

If you want to use the ratio option you need to apply before the beginning of the tax year in which you want to use it. If you want to continue to use the ratio option you don't need to apply the following year. An election is valid until you elect out, or until you no longer meet the eligibility criteria.

Apply in writing or by phone

If your application is successful we'll calculate your ratio percentage for you and let you know what it is.

If your application is declined you may choose to use the standard option (see Part 3) or the estimation option (see Part 4).

Working out your provisional tax payments

Note

The *GST-provisional tax return (GST 103)* will take you through the calculations step-by-step.

Once you know your ratio percentage, you'll use it to determine your provisional tax payments. You're required to pay six instalments of provisional tax a year. You'll work out your provisional tax payment on the combined GST-provisional tax return. If you file GST returns monthly, you'll have a provisional tax payment due with every second GST return.

To work out your provisional tax instalment, multiply your total GST taxable supplies for the period by your ratio. If you file GST returns monthly, add last month's GST taxable supplies to this month's and multiply by your ratio percentage.

For more information on the GST-provisional tax return please see our *GST guide (IR 375)*.

Example

Solid Enterprises Ltd's ratio percentage is 3.9%. It files two-monthly GST returns.

GST period	GST taxable supplies for the period	Ratio	Provisional tax payment	Date payment is due (with GST return)
1 April 2010 – 31 May 2010	\$10,000	3.9%	\$ 390.00	28 June 2010
1 June 2010 – 31 July 2010	\$ 9,500	3.9%	\$ 370.50	28 August 2010
1 August 2010 – 30 September 2010	\$20,000	3.9%	\$ 780.00	28 October 2010
1 October 2010 – 30 November 2010	\$15,500	3.9%	\$ 604.50	15 January 2011
1 December 2010 – 31 January 2011	\$40,000	3.9%	\$1,560.00	28 February 2011
1 February 2011 – 31 March 2011	\$ 5,000	3.9%	\$ 195.00	7 May 2011

Adjustments to the ratio

There are three situations in which the ratio may need to be adjusted—disposal of assets, new assessments and amended assessments.

Disposal of assets

You can ask us to adjust our ratio calculation if you've disposed of an asset.

We'll subtract the assets value from your GST supplies total in the relevant taxable period.

For an asset sale adjustment to be made, the following criteria must be met:

1. The asset is not revenue account property, and
2. The value of the asset is not less than the greater of either:
 - (a) \$1,000, or
 - (b) 5% of the total taxable supplies for the previous 12 months.

Example

Thomas is a landscape gardener. He has a standard balance date of 31 March and files GST returns two-monthly.

2010 RIT	\$ 15,198
2010 GST taxable supplies	\$ 262,542

$$2011 \text{ ratio} = \frac{(2010 \text{ RIT} - 10\%)}{\text{GST taxable supplies}} \times \frac{100}{1} = \frac{\$13,678.20}{\$262,542} \times \frac{100}{1} = 5.2\%$$

Thomas's ratio for the 2011 income tax year is 5.2%. In July 2010 (2011 income year) he sells an asset for \$65,000. Thomas shows this at keypoint 21 in his GST return. His provisional tax payments will be adjusted to reflect this. He uses the ratio percentage to calculate his provisional tax instalments for each period in the 2011 income year.

Provisional tax instalment due date	Taxable supplies	Asset adjustment	Net taxable supplies	Ratio %	Provisional tax
28 June 2010	\$51,133.00		\$51,133.00	5.2	\$2,658.91
28 August 2010	\$115,016.07	\$65,000.00	\$50,016.07	5.2	\$2,600.83
28 October 2010	\$37,971.00		\$37,971.00	5.2	\$1,974.49
15 January 2010	\$41,947.59		\$41,947.59	5.2	\$2,181.27
28 February 2011	\$26,984.34		\$26,984.34	5.2	\$1,403.18
7 May 2011	\$39,388.00		\$39,388.00	5.2	\$2,048.17
Totals	\$312,440.00		\$247,440.00		

Thomas's ratio calculation for the 2012 income year is:

2011 RIT	\$ 16,177
2011 GST <u>net</u> taxable supplies	\$ 247,440

$$2012 \text{ ratio} = \frac{(2011 \text{ RIT less } 10\%)}{2011 \text{ taxable supplies} - \text{asset adjustment (net taxable supplies)}} \times \frac{100}{1} = \frac{\$14,559.30}{\$ 247,440} \times \frac{100}{1} = 5.8\%$$

So, two adjustments are required:

1. In the relevant taxable period the asset was disposed of, subtract the value of the supply.
2. The amount is subtracted from the total taxable supplies figure when calculating the GST ratio percentage for the following tax year.

Thomas must notify Inland Revenue of both the disposal of the asset and the value of its supply, either in writing or by telephone.

New assessments

Your ratio percentage may need to be adjusted each time you file an income tax return. A new ratio will apply to provisional tax instalments that fall after 30 days from the date that we notify you of your new ratio percentage.

Example

Aaron owns a DVD store. He applied to use the ratio option on 29 January 2010 for the 2011 tax year. He files GST returns two-monthly. Because his 2010 figures aren't available, his ratio is calculated from 2009 figures. Aaron's 2009 RIT was \$4,500.

2009 RIT (\$4,500 less 15%)	\$ 3,825
2009 GST taxable supplies	\$ 124,500

His ratio is 3%.

Aaron filed his 2010 income tax return on 7 July 2010. Confirmation of his ratio was sent to him on 14 July.

His 2010 RIT (\$6,000 less 10%)	\$ 5,400
His 2010 GST taxable supplies	\$ 200,000

So, his ratio changed to 2.7%.

Aaron was informed of the new ratio, and will use it to calculate provisional tax instalments from the instalment due 28 August.

GST period	GST taxable supplies for the period	Ratio	Provisional tax payment	Date payment is due (with GST return)
1 April 2010 – 31 May 2010	\$28,000	3%	\$ 840	28 June 2010
1 June 2010 – 31 July 2010	\$34,000	2.7%	\$ 918	28 August 2010
1 August 2010 – 30 September 2010	\$32,000	2.7%	\$ 864	28 October 2010
1 October 2010 – 30 November 2010	\$46,000	2.7%	\$ 1,242	15 January 2011
1 December 2010 – 31 January 2011	\$90,000	2.7%	\$ 2,430	28 February 2011
1 February 2011 – 31 March 2011	\$20,000	2.7%	\$ 540	7 May 2011

Interest

If you elect to use the ratio option for your entire tax year and make the correct provisional tax payments by the due date, you won't be charged any interest on provisional tax payments. You're not liable for or entitled to any interest until your end-of-year tax due date.

For more information on interest go to Part 6.

Ceasing to use the ratio option

You can use the ratio option to calculate your provisional tax payments until you elect to change your provisional tax option, or until you no longer meet the eligibility criteria.

You won't be able to continue using the ratio option if:

- you cease your GST registration
- any of your GST returns are 60 days overdue
- your ratio percentage changes and is no longer between 0% and 100%
- you change your GST filing frequency to six-monthly
- your RIT is no longer more than \$2,500 or is over \$150,000.

We'll tell you if you're not eligible. You can write to us or call us if you want to stop using the ratio option.

Which provisional tax options can I use now?

If you cease using the GST ratio method before your first instalment of provisional tax you can choose to use the standard or estimation options. We'll use the standard option (see Part 3) unless you tell us otherwise. If you want to use the estimation option please complete a *Provisional tax estimation (IR 309)* form.

If you cease using the GST ratio method after your first instalment of provisional tax, you must use the estimation option. You'll need to complete a *Provisional tax estimation (IR 309)* form. See Part 4 for more information.

Part 6 – Interest

In certain circumstances we pay interest to provisional tax payers who have paid too much provisional tax, and charge interest to those who have not paid enough tax. Interest is calculated on the difference between residual income tax (RIT) for the year and the provisional tax paid. The interest rates are aligned with market rates.

Who can receive or be charged interest?

- an individual taxpayer whose RIT is over \$50,000
- a taxpayer who estimated their provisional tax and whose RIT is more than \$2,500
- a taxpayer who elected to be a provisional tax payer, paid more than \$2,500 before the third or final instalment date and had a reasonable expectation, when making the first payment, of being a provisional tax payer in that year. Note, if you are a natural person* the date when interest starts will depend on whether or not you estimated your provisional tax.
- all non-individual taxpayers who are provisional tax payers
- any taxpayer with a certificate of exemption for RWT
- any taxpayer with an unpaid tax bill by the due date.

What happens if we charge or pay interest?

If we charge you interest, it keeps accruing until the tax owing is paid. If we pay you interest it continues to accrue until the date we refund your overpayment, or use it to pay any debt you may have.

Interest you pay is generally tax-deductible, while interest paid to you is taxable.

* An individual (unless acting as a trustee)

When is interest applied?

If you have underpaid your provisional tax we will charge you interest and if you have overpaid your provisional tax, we will pay you interest.

Electing to be a provisional tax payer

If you paid more than \$2,500 by your last instalment date, but later found out that your RIT for the tax year was \$2,500 or less, you may be eligible for interest to be paid to you on overpaid provisional tax. When interest applies depends on whether you are a natural person or a non-individual.

If this situation applies to you attach a note to the front page of your tax return, telling us that you elect to be a provisional tax payer for the year. If you file your return electronically, send us a letter making the election at the same time. We will work out any interest you may be entitled to.

Individuals

Interest will be calculated from the day after your first instalment date if:

- your RIT is \$50,000 or more (whether or not you believed you were a provisional tax payer for that particular income year), or
- you hold a *Certificate of exemption from resident withholding tax (IR 15C)* and your RIT was more than \$2,500, or
- you estimated your provisional tax, and your RIT is more than \$2,500, or
- you elected to be a provisional tax payer because your RIT is \$2,500 or less and you estimated your provisional tax.

In all other circumstances interest does not apply until the day after your end-of-year tax due date.

Note

If your RIT is likely to exceed \$50,000 at any time during the income year, you should either call us on 0800 377 774, or make a voluntary payment of provisional tax to help minimise the amount of interest that will be charged.

Non-individuals

A non-individual whose RIT is more than \$2,500 (except those with an initial provisional tax liability) is liable or eligible for interest from the day after their first instalment date.

A non-individual whose RIT is \$2,500 or less and who makes an election to be a provisional tax payer is eligible for interest from the day after their first instalment date.

How do I calculate the amount of interest to pay?

The amount of interest payable is calculated daily using the following formula:

$$\frac{t \times r}{365} \times d$$

In this formula:

- t** is the unpaid or overpaid tax on which the interest is payable (the difference between your RIT and the provisional tax you paid, including penalties for late or short payments)
- r** is the interest rate on that day (to find out the correct rate, go to www.ird.govt.nz or call us on 0800 377 774)
- d** is the number of days subject to interest.

Include the first and last days when calculating the number of days.

We will tell you about any interest charged when we acknowledge your return. You do not have to pay the interest, or the tax it is charged on, until the due date shown on your return acknowledgment. However, interest continues to grow until the amount is paid. This interest is shown on your statement of account.

If you'd like an explanation of how we calculated your interest, please call us on 0800 377 774.

Example 1**Individual with RIT over \$50,000**

Daniel is a sole trader working as a computer consultant. He has a standard balance date of 31 March. For the 2010 tax year his RIT was \$38,001. Using the standard option, his provisional tax for the 2011 tax year is \$36,101 (\$38,001 less 5%) with three instalments due. He made the following payments:

28 August 2010	\$ 12,033
15 January 2011	\$ 12,033
7 May 2011	<u>\$ 12,035</u>
Total provisional tax paid	\$ 36,101

When Daniel filed his 2011 tax return on 7 July 2011, his RIT came to \$54,000. To avoid interest he needed to have made payments of \$18,000 on each of the three provisional tax due dates.

Interest was applied as follows:

Dates interest applied	Shortfall to date	Interest
29 August 2010–15 January 2011	\$5,966 (\$18,000 – \$12,033)	\$203.92
Calculation ($\$5,967 \times 8.91\% \div 365 \times 140$ days)		
16 January 2011–7 May 2011	\$11,934 (\$36,000 – \$24,066)	\$326.27
Calculation ($\$11,934 \times 8.91\% \div 365 \times 112$ days)		
8 May 2011–7 August 2011	\$17,899 (\$54,000 – \$36,101)	\$401.97
Calculation ($\$17,899 \times 8.91\% \div 365 \times 92$ days)		
Total		\$932.16

Daniel pays his tax of \$17,899 (\$54,000 – \$36,101) on 7 August 2011 to avoid further interest being charged.

Daniel can either pay \$932.16 interest at the same time or wait until his end-of-year due date to pay the interest.

Example 2

Non-individual

Sugarplum Toys Ltd has a standard balance date of 31 March. For the 2009 tax year its RIT was \$16,500. Using the standard option, its provisional tax for the 2010 tax year was \$16,500 without adjustment, with three payments of \$5,500 due.

The company made the following payments:

28 August 2009	\$ 5,500
15 January 2010	\$ 5,500
7 May 2010	\$ 5,500
Total provisional tax paid	\$16,500

When Sugarplum Toys Ltd filed its 2010 tax return, its RIT came to \$25,500 (\$9,000 more than the provisional tax that was paid). Interest was applied as follows:

Dates interest applied	Shortfall to date	Interest
29 August 2009–15 January 2010	\$3,000 (\$8,500 – \$5,500)	\$ 102.52
Calculation ($\$3,000 \times 8.91\% \div 365 \times 140$ days)		
16 January 2010–7 May 2010	\$6,000 (\$17,000 – \$11,000)	\$ 164.04
Calculation ($\$6,000 \times 8.91\% \div 365 \times 112$ days)		
8 May 2010–7 February 2011	\$9,000 (\$25,500 – \$16,500)	\$ 606.36
Calculation ($\$9,000 \times 8.91\% \div 365 \times 276$ days)		
Total		\$ 872.92

Sugarplum Toys Ltd paid its tax of \$9,000 (\$25,500 – \$16,500) and interest of \$872.92 on 7 February 2011. The total payment was \$9,872.92.

Note

Interest continues to apply until the total tax owing is paid—unless the amount owing is less than \$100. Even if you receive a statement saying that tax is not due until 7 February (7 April if you're a client of a tax agent) interest will still be charged daily. To find out the current rate of interest go to www.ird.govt.nz

Example 3**Individual with RIT over \$50,000**

Tom is a salary and wage earner and receives no other income. On 21 January 2010 Tom takes up a share option as set out in his employment agreement with his employer. The share option is untaxed income and when Tom files his 2010 income tax return on 7 July 2010 his RIT is \$52,000. Tom will be liable for interest as he has made no voluntary payments of 2010 provisional tax.

Dates interest applied	Shortfall to date	Interest
29 August 2009–15 January 2010	\$ 17,333.33	\$ 592.37
Calculation ($\$17,333.33 \times 8.91\% \div 365 \times 140$ days)		
16 January 2010–7 May 2010	\$ 34,666.66	\$ 947.79
Calculation ($\$34,666.66 \times 8.91\% \div 365 \times 112$ days)		
8 May 2010–7 July 2010	\$ 52,000	\$ 774.31
Calculation ($\$52,000 \times 8.91\% \div 365 \times 61$ days)		
Total		\$2,314.47

Tom pays his tax of \$52,000 on 7 July 2010 to avoid further interest being charged. Tom can either pay \$2,314.47 interest at the same time or wait until his end-of-year due date to pay the interest.

Tom could also consider using tax pooling to pay his tax and reduce his interest (see page 13).

Part 7 — New provisional tax payers

Provisional tax

In most cases provisional tax payers are not required to pay provisional tax if their RIT in the previous income year was \$2,500 or less.

Interest

If you have an initial provisional tax liability, you will have to pay interest. The interest cost may be reduced by making voluntary provisional tax payments on the instalment due dates.

Interest will be charged from the day after the first instalment date. The number of provisional tax instalments is based on the number of instalments which fall due after your first business day.

Individuals

You will have an initial provisional tax liability if:

- your RIT for the current year is \$50,000 or more, and
- your RIT did not exceed \$2,500 in any of the four previous years, and
- during the current income year, you cease receiving income from employment and, following that, you start to receive gross income from a taxable activity.

Number of instalments

If you have an initial provisional tax liability and you do not file GST six-monthly, you will have:

- **three instalments** if you ceased employment and then started to receive gross income from a taxable activity more than 30 days before your first instalment date
- **two instalments** if you ceased employment and then started to receive gross income from a taxable activity no earlier than 30 days before your first instalment date, and more than 30 days before your second instalment date
- **one instalment** if you ceased employment and then started to receive income from a taxable activity 30 days or less before your second instalment date.

Example 1

Bob is not registered for GST. He ceased employment and started to receive gross income from a taxable activity on 2 June 2010. If he has a standard balance date (31 March), he will have three provisional tax instalments due:

- 28 August 2010
- 15 January 2011
- 7 May 2011

Example 2

Sara ceased employment and started to receive gross income from a taxable activity on 8 January 2011. She also registered for GST at the same time. If she has a standard balance date (31 March), she will have one provisional tax instalment due on:

- 7 May 2011

Note

If you are an individual and are paying provisional tax for the first time for the year ended 31 March 2011, attach a note to the front page of your 2011 IR 3 return telling us the date you stopped receiving income from employment, and the date you started to receive gross income from a taxable activity.

Non-individuals

You will be a new provisional tax payer if:

- during the current income year, you first started to receive business income from a taxable activity, and
- you did not receive income from a taxable activity in any of the four previous years, and
- you have RIT of more than \$2,500 in the current year.

Number of instalments

If you are not registered for GST or are registered and file once or twice monthly, you will have:

- **three instalments** if you start a business more than 30 days before your first instalment date
- **two instalments** if your business start date is no earlier than 30 days before your first instalment date
- **one instalment** if you start a business 30 days or less before your second instalment date.

Example 3

Kay's Ltd started business on 1 August 2010. It is not registered for GST. If Kay's Ltd has a standard balance date (31 March), it will have two provisional tax instalments due on:

- 15 January 2011
- 7 May 2011

Part 8 — Budgeting for provisional tax

Like all other business expenses, you have to budget ahead for your taxes, so it's important to know when the provisional tax payments are due and how much they will be.

Do I have to pay tax in my first year of business?

Yes—the first year you are in business is not tax-free. In your first year of business you should budget and put money aside for tax or make payments to us. If you pay us in your first year of business you may be entitled to a 6.7% discount—see page 14.

Budgeting for your first year will ease the cashflow in your second year of business, when you will need to pay provisional tax instalments for that year, plus any end-of-year tax for the first year of business.

Example

Michael started business as an electrician on 1 April 2009. His first business tax return is for the year ended 31 March 2010. The RIT on this return is \$4,200, which is also the amount of end-of-year tax he has to pay. As his RIT less 5% is more than \$2,500 he also has to pay provisional tax during the 2011 income year.

Using the standard option, Michael's provisional tax is \$3,990 (previous year's RIT less 5% without additional adjustment) and is due in three equal instalments during the year.

Due date	Tax year and tax type	Amount
28 August 2010	2011 provisional tax	\$1,330
15 January 2011	2011 provisional tax	\$1,330
7 February 2011	2010 end-of-year tax	\$4,200
7 May 2011	2011 provisional tax	\$1,330
Total		\$8,190

From 1 April 2009 to 27 August 2010, Michael did not have to make any tax payments. But, in the second year of business he has to pay provisional tax for the 2011 tax year as well as end-of-year tax for the 2010 tax year.

One way to spread the cost of your first year's tax is to make voluntary payments during the year.

How much should I save?

Here's a guide to show how much tax may be payable on your profit (assuming your only income is from your business and you are self-employed). If you have other income as well, the tax rate on your business income will probably be very different.

Monthly profit \$			Effective tax rate	How much to put aside for tax \$		
0	–	500	11.50%	0	–	58
501	–	1,000	11.50%	58	–	115
1,001	–	1,500	13.22%	115	–	198
1,501	–	2,000	14.73%	199	–	295
2,001	–	2,500	15.63%	295	–	391
2,501	–	3,000	16.24%	391	–	487
3,001	–	3,500	16.67%	487	–	583
3,501	–	4,000	16.99%	584	–	680
4,001	–	4,500	18.60%	680	–	837
4,501	–	5,000	19.89%	837	–	995
5,001	–	5,500	20.95%	995	–	1,152
5,501	–	6,000	21.93%	1,152	–	1,316

Refunds of overpaid provisional tax

If you've paid more than you needed to, you can ask for a refund of the overpayment. You can do this by:

- writing to us saying you want a refund of your overpaid provisional tax
- completing the relevant details under the question "Getting a refund — how do you want it paid?" on your tax return, or
- calling us on 0800 377 774.

When writing to us, you need to give us all the details about the overpayment. Before refunding it, we may offset it against any debts you may have.

Note

We may pay your refund directly into your bank account so, when requesting your refund, it's important to tell us if your bank account details have changed.

Part 9 — Late returns and payments

Extension of time

If you are not able to send your return to us by the due date (7 July for a 31 March balance date) and you don't have a tax agent, you should call us on 0800 377 774 to apply for an extension of time to file. If a tax agent prepares your return they will usually arrange this for you.

Late returns

If you file your return late and do not have an extension of time (or file after your extension of time expires) you will be liable for late filing penalties. These are:

Income less than \$100,000	\$50
Income \$100,000 – \$1,000,000	\$250
Income over \$1,000,000	\$500

How you calculate your provisional tax depends on whether you have filed your tax return, and whether you have an extension of time.

Late or short-paid provisional tax payments

If your provisional tax instalments are paid late or short-paid, we will charge penalties and interest if the amount outstanding is more than \$100.

Penalties

- An initial 1% late payment penalty will be charged on the day after the due date.
- A further 4% penalty will be charged on any unpaid or short-paid amount (including penalties) at the end of the 7th day from the due date.
- Every month after that a further 1% penalty will be added.

Interest

You may also be liable for interest. See Part 6 of this guide for details.

What if I can't pay?

If you're unable to pay your provisional tax by the due dates, please go to www.ird.govt.nz to find out about other payment options or call us on 0800 377 771.

Part 10 — Tax rates

These are the current tax rates.

Individuals and unincorporated societies		
	2011 income year (normally 1 April 2010 to 31 March 2011)	2012 income year (normally 1 April 2011 to 31 March 2012)
Income	Cents in the dollar	Cents in the dollar
Up to and including \$14,000	11.5	10.5
\$14,001 to \$48,000	19.25	17.5
\$48,001 to \$70,000	31.5	30
Over \$70,000	35.5	33

Non-individuals	
	Cents in the dollar
Companies, including non-resident companies	28 from the start of the 2012 income year.
Trustees of group investment funds	28 from the start of the 2012 income year.
Māori authorities	19.5
Undistributed rents, royalties and interest of the Māori Trustee	25
Other trustee income	33
Incorporated societies	28 from the start of the 2012 income year.
Non-complying trusts	45
Certain unit trusts, widely held superannuation funds and widely held group investment funds	28 from the start of the 2012 income year.

Part 11 — Services you may need

Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're here to take your call between 8 am and 8 pm Monday to Friday and Saturday between 9 am and 1 pm. Remember to have your IRD number with you when you call.

For more information go to www.ird.govt.nz (keywords: contact us).

Business tax information officers and kaitakawaenga Māori

Business tax information officers (BTIOs) offer a free business tax information service to new businesses and organisations to help them meet their tax responsibilities. This service is available to individuals and groups.

Most of our offices also have a kaitakawaenga Māori who can advise Māori organisations and individuals on their tax responsibilities. Our BTIOs and kaitakawaenga Māori will tell you:

- which taxes you need to know about
- what records you need to keep
- how to complete your tax returns (eg, GST and employer returns)
- when to file returns and make payments.

Find out more about these services and our free seminars at www.ird.govt.nz or by calling us on 0800 377 774.

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we record all phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at www.ird.govt.nz

0800 self-service numbers

This service is available seven days a week (any time, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For personal information, such as account balances, you'll also need a personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

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

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 (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 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* (IR 778).