



Inland Revenue
Te Tari Taake

IR 283
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RWT on interest – payer's guide

Information about RWT for people and
organisations who pay interest

www.ird.govt.nz

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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.

Introduction

If you pay interest under the RWT (resident withholding tax) rules this guide will tell you:

- when you must deduct RWT from the interest you pay
- when to pay the deductions to Inland Revenue, and
- what information you must give to the people you pay the interest to.

If you have questions or need more information you can call us on:

- 0800 377 774 if you're a business customer
- 0800 443 773 if you're a large enterprise customer.

Note

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

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Part 1 – General information

RWT (resident withholding tax)—what it is

RWT is a tax deducted from some kinds of investment income before the investor receives it.

Why we have it

Deducting RWT means that people who receive investment income don't have to pay all the tax in a lump sum at the end of the year. Also people who don't declare their investment income still have tax deducted from it. We still follow up on undeclared investment income, and take action against people who don't declare it.

Note

RWT must be accounted for, for the period 1 April to 31 March, regardless of your accounting year.

RWT rates are shown in the table on page 12.

Income that must have RWT deducted

Resident passive income must have RWT deducted. However, there are some exceptions listed on page 7.

Generally, resident passive income is interest paid on money lent and dividends paid on company shares. Interest includes any return on money lent out, except repayment of the original capital. For example, redemption payments on commercial bills (that is, the difference between the issue price and the price the purchaser receives when the bill is redeemed) are resident passive income. Commercial bills include government stock and local and public authority stock.

We don't cover RWT on dividends. For information about this, read our guide *Resident withholding tax (RWT) on dividends (IR 284)*.

Any income that fits the definition of resident passive income must have RWT deducted from it. Resident passive income includes all types of interest except those listed below.

- Exempt interest. This is:
 - interest paid on a debt for goods or services purchased in the course of a taxable activity (trade credit)
 - interest on hire purchases
 - interest under a specified lease entered into before 20 May 1999
 - interest paid on Bonus Bonds
 - interest paid on National Development Bonds or New Zealand Savings Certificates of less than \$500
 - interest or a redemption payment on money lent by a non-resident to the New Zealand Government or a New Zealand public authority
 - interest that is exempt from income tax under any Act except the Income Tax Act
 - financial leases.
- Any amount expressly exempted from income tax by any other Act, to the extent of the exemption so provided.
- Interest paid on an overpaid levy under section 173 of the Injury Prevention, Rehabilitation, and Compensation Act 2001.
- Interest paid to someone who has been issued with a valid certificate of exemption (explained on pages 12 to 17).
- Interest paid between two companies within the same group of companies.
- Interest paid to a non-resident (anyone who has been out of New Zealand for more than 325 days in any 12-month period and has had no enduring relationship with New Zealand in that time).
- Interest derived from outside New Zealand by a non-resident.
- Interest payable by a taxpayer on any unpaid tax.

Registering as an RWT payer

You must register with us as an RWT payer if you pay out more than \$5,000 a year in resident passive income, and:

- you pay the resident passive income as part of a taxable activity (such as a trade, profession or business, or an activity carried out by a non-profit body or local authority), or
- we've issued you a certificate of exemption from RWT, or
- you're a non-resident but are carrying on a taxable activity in New Zealand through a fixed establishment.

If you're not already registered as an RWT payer, you must contact us and register as soon as your resident passive income paid out for the year exceeds \$5,000. You won't have to retrospectively account for RWT on the resident passive income you paid out before you reached the \$5,000 threshold.

Banks, building societies and trustee companies that have a certificate of exemption must register as RWT payers, regardless of how much resident passive income they pay in a year.

Also, any taxpayer who holds a certificate of exemption and whose income is (or is estimated to be) more than \$2 million for any year must register as a payer if they pay out any resident passive income.

Note

If you're not required to register and you pay interest, you may still have disclosure obligations in your income tax return—see page 35.

To register, fill in a *Resident withholding tax – interest payer registration (IR 450)* form and send it back to us. Then we'll send you the other forms you'll need as an RWT payer.

Record keeping

With any RWT deductions you make, you must keep records for the:

- total resident passive income you pay
- total amount of RWT and date it was deducted
- full name and last known address of the recipient
- recipient's IRD number.

If you pay interest to someone who holds a certificate of exemption (see pages 14 to 18), you must also record:

- the full name and address of the person or organisation you pay interest to
- the total interest you pay
- the date RWT would have been deducted
- the exemption or IRD number (this is shown on the certificate of exemption).

You must always hold enough information so we can work out the total amount of interest you've paid. You must also keep details of all other financial arrangements that you've paid interest on at any time during the year.

Records must be in English (unless we agree to another language being used) and you must keep them for seven years. If we're currently auditing or considering auditing your records, we may ask you to keep them for a further three years beyond the seven-year period—in which case you must do so.

Part 2 – Paperwork and payments

Deducting RWT

One of the first things you must do once you've advised us that you need to start deducting RWT, is to ask all the people you pay interest to for their IRD numbers. You must deduct RWT from all the non-exempted interest you pay. Taxpayers who earn interest can elect their own RWT rate. If they wish to do this they can complete a *Choose your RWT deduction rate (IR 456)* form.

Individuals

Individuals can choose a rate of 10.5%, 17.5%, 30% or 33%.

Electing the correct rate for the total income earned for the tax year ensures that the correct amount of tax is deducted from the interest. If the rate selected is too low, the individual may have a tax bill to pay at the end of the income year.

From 1 October 2010 if an individual doesn't elect an RWT rate, but they've given you a valid IRD number, deduct RWT at 17.5% for existing accounts, or 33% for new accounts.

If an individual hasn't provided you with their IRD number, RWT must be deducted at the no-notification rate of 33%.

Companies

Companies must notify their interest payers that they are a company.

From 1 October 2010 to 31 March 2011, a company may elect an RWT rate of 30% or 33%. The 30% rate is only available at the interest payers' discretion.

From 1 April 2011, a company can elect either the 28% or 33% RWT rate.

If a company doesn't choose an RWT rate, but they have notified you that they're a company and have given you a valid IRD number, deduct RWT at 33% until 31 March 2011, and then at 28% from 1 April 2011.

From 1 October 2010, if a company hasn't supplied their IRD number, the RWT rate will be 33%.

Note

Companies that are trustees aren't required to notify the interest payer of their company status and may use the 17.5%, 30% or 33% rate. If the trust is a testamentary trust, it may also elect the 10.5% rate if appropriate. Companies that are Māori authorities aren't required to notify their company status and may choose 17.5%, 30% or 33%. This reflects the obligation on trustees to act according to the tax position of the trust's beneficiaries.

All others

All other taxpayers can elect a rate of 17.5%, 30% or 33%. If they don't make a choice, but they have given you a valid IRD number, deduct RWT at 17.5% for existing accounts, or 33% for new accounts from 1 October 2010.

No-notification rate

You must deduct RWT at the no-notification rate of 33% for anyone who hasn't given you a valid IRD number.

If you deduct RWT at the no-notification rate because a recipient hasn't given you an IRD number, but they do later, you can't refund the extra RWT deducted. This is because at the time you made the deduction, the no-notification rate was correct. The recipient can only recover the extra tax deducted at the end of the year either through their personal tax summary or end-of-year income tax return.

Interest recipients electing inconsistent RWT rates

It's important that individuals and organisations you pay interest to, elect an RWT rate that is consistent with their taxable income. Using the correct RWT rate can help them avoid a tax bill at the end of the year.

We regularly check RWT rates against the income details we hold to make sure a consistent RWT rate is being used.

When we identify an interest recipient using an inconsistent RWT rate, we'll advise you to change it. We'll tell you which recipients are using inconsistent RWT rates and let you know which rate they should be on. To make sure affected recipients pay the correct amount of RWT, you'll need to change their RWT rate to the new rate as soon as possible.

We'll also write to the interest recipients to advise them that the rate they elected is inconsistent with their estimated income and that we've asked you, as their interest payer, to change it. We'll also ask them to check their RWT rate on our website. If they disagree with the RWT rate we've chosen, they can request that their interest payer change it.

RWT rates

Rate for deducting RWT	Who should use this rate
10.5%	<ul style="list-style-type: none"> Individuals who have a reasonable expectation of their annual income being \$14,000 or less* if they've provided their IRD number. Testamentary trusts may elect this rate if they provide their IRD number.
17.5%	<ul style="list-style-type: none"> Individuals whose annual income is from \$14,001 to \$48,000* if they've provided their IRD number. Individuals, Māori authorities and trusts who haven't elected a rate but have provided their IRD number (if they haven't opened a new account since 31 March 2010). Trusts and testamentary trusts may elect this rate if they've provided their IRD number.
28%	<ul style="list-style-type: none"> From 1 April 2011, companies may elect this rate if they've provided their IRD number. Companies that elected 33% or were moved to the 30% rate by 31 March 2011 will have RWT deducted at 28% from 1 April 2011.
30%	<ul style="list-style-type: none"> Individuals whose annual income is from \$48,001 to \$70,000* if they've provided their IRD number. Trusts and Māori authorities can elect this rate if they've provided their IRD number. Companies may use this rate if it's offered by the interest payer and the company has provided their IRD number. From 1 April 2011, this rate will no longer be available to companies.
33%	<ul style="list-style-type: none"> All interest recipients can elect this rate. Individuals whose annual income is \$70,001 or over*. Use this rate for all interest recipients who open a new account after 31 March 2010 who don't elect a rate. For all interest recipients this is the rate of RWT where an IRD number is not provided.

* You're not required to confirm an individual's income level; you can accept the rate they provide.

If you're a Māori authority, you can use an RWT rate of 19.5% to deduct RWT from distributions of \$200 or less. You can also use this rate for distributions of over \$200 where the member has provided their IRD number, otherwise use 33%.

When to deduct RWT

You must deduct RWT at the time you pay resident passive income to the recipient. For this purpose, “pay” means to:

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

If you make automatic interest payments, you must deduct RWT and credit only the net amount to the recipient’s account.


Certificate of exemption

Don’t deduct RWT from any interest you pay to taxpayers who have a valid certificate of exemption from RWT on interest and dividends, or advise they are exempt under another Act other than the Income Tax Act. Reasonable care must be taken to confirm the exemption.

Example

Make sure that the person you’re paying the resident passive income to is the person shown on the certificate.

You may need to record this number. See “Checking a certificate of exemption” on page 16.

	Inland Revenue Te Tari Taake	CERTIFICATE OF EXEMPTION FROM RESIDENT WITHHOLDING TAX ON INTEREST/DIVIDENDS	
RHINO RUGBY CLUB C/ M R COACH BOX 474 NELSON		Exemption/IRD number 02-345-678	
This certifies that resident withholding tax deductions are not to be made from any interest and dividends paid to the named recipient from		06 FEB 2012	
“Commissioner’s name” Commissioner of Inland Revenue		This certificate is issued without alteration or erasure.	
		IR 15C	

This is the date you must stop deducting RWT. If the certificate is issued for a limited period, an expiry date will be shown here too.

Taxpayers can get a certificate of exemption by completing an *Application for exemption from resident withholding tax (RWT) on interest and dividends (IR 451)*.

People and groups who hold a certificate of exemption are called exempt recipients. They are divided into two categories:

Category A

Number	Description
--------	-------------

- | | |
|----|--|
| 1. | Registered banks or building societies |
| 2. | Trustee companies, the Public Trustee or the Māori Trustee |
| 3. | Taxpayers with annual gross income of more than \$2 million <ul style="list-style-type: none">– Any person or organisation who has filed all necessary returns by the due date and whose income in the most recent of those returns was more than \$2 million before deductions (for example, sales exceeded \$2 million). Companies within a group may aggregate their income, but transactions within the group must not be included.– Partnerships and trusts may also qualify for this exemption. |
| 4. | Taxpayers with estimated income of more than \$2 million <ul style="list-style-type: none">– Any person or organisation expecting their income before deductions for the next accounting year to be more than \$2 million. |
| 5. | Finance houses <ul style="list-style-type: none">– Any person or organisation whose principal activity is the business of borrowing and lending money. |
| 6. | Solicitors' trust accounts |
| 7. | Brokers' or solicitors' nominee companies |
| 8. | Portfolio investment entity. |

Category B

Number	Description
--------	-------------

- | | |
|-----|---|
| 9. | Charitable organisations or estates <ul style="list-style-type: none">– Any organisation set up exclusively for charitable purposes (the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community). |
| 10. | Amateur sports or racing clubs <ul style="list-style-type: none">– Any society or association set up for the purpose of promoting any amateur sport, such as a cricket club, or any racing club. |
| 11. | Improvement or research promoters <ul style="list-style-type: none">– Any club, society or association established for promoting or encouraging scientific or industrial research, efficient veterinary services or cattle herd improvement. |

- District improvement organisations established to develop or promote a city, borough or district.
- 12. Local or public authorities
 - Any local or public authority whose income is exempt from income tax.
- 13. Friendly societies or credit unions
- 14. Non-profit organisations
 - Any organisation whose activities are not carried on for the profit or gain of any member, and whose taxable income is less than \$1,000 in its most recently completed income year.
- 15. Taxpayers with tax losses (or anticipated tax losses) or a refund of over \$500 RWT
 - Any taxpayer who satisfies Inland Revenue that due to losses they'll have no income tax to pay, or that due to other limited circumstances they'll be entitled to a refund of RWT exceeding \$500. A set of budgeted accounts detailing the projected income, deductions, RWT credits and income tax liability must be sent with the application.
- 16. An Inland Revenue approved benefit provider
- 17. An amount expressly exempted from income tax by any other Act, to the extent of the exemption so provided.

Organisations seeking approval under Category B (except number 15) must supply a copy of their constitution with their application.

Unincorporated bodies

If an unincorporated body of persons, such as a partnership or a joint venture, has a certificate of exemption for a taxable activity, the certificate is issued in the name of the body and not in the name of the individual members.

If the body is a trustee, the certificate of exemption is issued in the name of the trust.

Checking a certificate of exemption

Most certificates of exemption are issued for an unlimited period and remain valid unless they're cancelled. These certificates don't show an expiry date.

Whether or not you need to see the certificate of exemption depends upon the type of exempt recipient you pay interest to.

Here is what you must do for each type of recipient:

Category A, numbers 1 – 2

- Banks, building societies, trustee companies, the Māori Trustee or the Public Trustee. You don't need to see the certificate of exemption, but you must take reasonable steps to confirm the identity of the recipient.

Category A, numbers 3 – 8

- The holder must tell you that they have a certificate of exemption and give you the exemption or IRD number on the certificate, which you must record. You don't have to see the certificate of exemption.

Category B recipients

You must sight either the original certificate of exemption, or a photocopy or fax copy of it. You must also take reasonable steps to confirm that the recipient is the person named on the certificate. Keep a record of the exemption or IRD number shown on the certificate and a copy of the certificate.

Taxpayers with tax losses (Category B, number 15 on page 15) are issued with certificates limited to one income year. These are only valid until the expiry date shown on them.

When a holder shows you a certificate of exemption, you'll need to check that the expiry date hasn't passed.

As well as doing this, you must check that any certificate of exemption hasn't been cancelled. The next section tells you how to do this.

cancelling a certificate of exemption

If we cancel a person's certificate of exemption, you must deduct RWT from any further interest you pay to that person.

We may cancel a certificate of exemption if the holder:

- no longer meets the conditions for which it was issued
- has provided misleading information in the application for the certificate
- doesn't meet the \$2 million target (where the certificate was issued on the basis of estimated income of more than \$2 million) or fails to supply satisfactory evidence of annual income
- fails to pay any income tax payable by the due date.

The person who's had the exemption certificate cancelled must give you written notice of the cancellation within five working days of receiving the notification.

We publish a numerical list of all certificates cancelled for the previous quarter in the April, July, October and January issues of the *New Zealand Gazette*. We will publish an annual list of certificates cancelled during each year to 31 March. This appears in the *New Zealand Gazette* by 30 June each year.

Once this cancellation notice has appeared in the *New Zealand Gazette*, you have five working days to amend your records and start deducting RWT where appropriate.

We also publish in the *New Zealand Gazette* a list of certificates reissued to people whose previous certificates were cancelled.

You can see the information that's published in the *New Zealand Gazette* on our website at www.ird.govt.nz/rwt/ within two days of publication.

Due dates for payment

Once you've deducted the RWT you must send it to us. How often you have to send it in depends on the total amount of RWT that you deduct.

Note

If the due date falls on a weekend, or statutory or public holiday, the due date is the next working day.

RWT of \$500 or more per month

If you deduct RWT of \$500 or more each month, you must pay the deductions made in each month by the 20th of the following month.

Example – monthly payer

Each month, the ABC Building Society deducts RWT of more than \$500 when it credits interest to its customers' accounts. It must pay the RWT deductions to us as follows:

Month RWT deducted	Total RWT deducted	Total paid to us	Due date for payment
June 2012	\$2,500	\$2,500	20 July 2012
July 2012	\$2,500	\$2,500	20 August 2012

RWT of less than \$500 per month

If you deduct RWT of less than \$500 each month, you may pay on a six-monthly basis. We will send you returns for the following periods:

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

However, if the RWT deductions you've made accumulate to \$500 during a six-month period, you must send them in by the 20th of the month after the month they reach \$500.

Note

Once you've paid the RWT deductions to us, the \$500 accumulation threshold recommences.

Example – six-monthly payer

Matt Weaver’s Carpet Company deducts less than \$500 each month, so they must pay the deductions to us by the two regular six-monthly payment dates.

Month RWT deducted	Total RWT deducted	Total paid to us	Due date for payment
December 2011	\$200	Nil	–
January 2012	Nil	Nil	–
February 2012	\$200	Nil	–
March 2012	Nil	\$400	20 April 2012 (regular six-monthly payment date)

Example – deductions over \$500 accumulated

Collcar Investments Ltd deducts RWT of varying amounts. Some months the RWT deducted is more than \$500, other months it is less.

They must pay the RWT to us on the 20th of the month that follows the month when their accumulated deductions exceed \$500, and on the regular six-monthly payment dates.

Month RWT deducted	Total RWT deducted	Total paid to us	Due date for payment
January 2012	\$300	Nil	–
February 2012	\$300	\$600	20 March 2012 (more than \$500 accumulated)
March 2012	\$200	\$200	20 April 2012 (regular six-monthly payment date)
April 2012	\$200	Nil	–
May 2012	\$550	\$750	20 June 2012 (more than \$500 accumulated)

Completing the IR 15P

When you register as an RWT payer, we ask for some information about how much RWT you expect to deduct each month from interest that you will pay. This is so we can make sure you receive an *RWT on interest (IR 15P)* form for the months you need one.

We'll send this payment form to you automatically about two weeks before your payment is due. It will be preprinted with these details:

- your name and address
- your IRD number
- the period that the IR 15P covers
- the due date for payment.

There is an example of an IR 15P on page 21, showing the preprinted details and the information you need to fill in.

Please use the correct IR 15P for the period. If you use one with a different period preprinted or a photocopy, this will cause processing delays.

If the amount of RWT you pay alters (say you change from a six-monthly payer to a monthly payer because your deductions of RWT are \$500 or more every month), please let us know—see page 37 for contact numbers. We'll then send you IR 15P forms to suit your new payment due dates.

If you are a six-monthly payer, but you have to make an extra payment because your RWT deductions exceed \$500, you'll need to contact us.

Even if you don't receive your IR 15P, you must still pay any RWT to us by the due date. Attach a note showing these details:

- your IRD number
- the period the payment is for
- the amount of RWT deducted for the period
- the amount of the payment.

No RWT to pay

You must return each preprinted IR 15P form, even if you have no RWT to pay for the period. If this happens, please write "nil" on the form, sign it and return it to us by the payment due date. If you don't do this we'll ask you for an explanation for the non-payment.

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 (IR 584)*.

We don't generally send receipts for RWT paid to us. However, you can ask us to send you an RWT statement of account any time you want one by calling us—see page 37 for contact details.

If you make a mistake when deducting RWT

If you realise you haven't deducted RWT from a recipient's interest when you should have or if you haven't deducted enough, you can correct it in one of two ways:

1. Deduct the shortfall from subsequent payments to that recipient in the same income year, and pay the extra amount to us with a letter of explanation.
2. Pay the amount of the shortfall yourself and then recover it from the recipient.

If you realise that you've over-deducted RWT from a particular recipient through an error on your part, there are a number of different ways to correct this.

Residents

Current year over-deduction

If you discover the error before 31 March, you can repay the excess deductions to the recipient if:

- you haven't already given them a deduction certificate, or
- you've given a deduction certificate to them, but you get it back and cancel it, provided you haven't filed your annual IR 15S reconciliation statement.

If the excess deduction has already been paid to us, you can do one of two things:

- Offset the excess deduction against the recipient's future RWT deductions payable to Inland Revenue. If you do this, please send a letter of explanation with your reduced payment so we know not to charge you penalties. You'll need to let us know the period you over-deducted so we can transfer the credit to the period you under-deducted. On your *RWT on interest (IR 15P)* payment form, show the full RWT that should have been deducted in Box 3, but show the reduced payment in Box 4.
- If you won't be making any further deductions of RWT from interest paid to the recipient, the recipient should be advised to claim the over-deduction in their end-of-year income tax return. If they're an individual, they must contact us at the end of the income year to request a personal tax summary or an IR 3 to claim the excess deduction.

If the recipient is exempt from filing an end-of-year income tax return, and has a certificate of exemption, they should complete a *Resident withholding tax – refund request (IR 454)* form. Fill in the payer's details on the IR 454 and give the form to the recipient. They must then fill in the rest of the form and return it to us. We'll send the refund direct to the recipient.

Back year overpayments

If you find a mistake in a previous income year, the recipient can claim the excess deductions:

- in their personal tax summary, or
- in their end-of-year income tax return, or
- by completing an IR 454 form if they hold a valid certificate of exemption.

Please don't issue amended certificates or file an amended reconciliation.

For current year over-deductions or back year overpayments, if the recipient doesn't have a certificate of exemption, please write to us requesting a refund and explaining the error, and including the period in which it occurred. We'll send you the excess deductions, which you must forward to the recipient.

Note

If you've deducted too much RWT because of a recipient's mistake, you can't refund the excess. You must pay the full amount to us. The recipient can claim the over-deduction and get the excess RWT refunded at the end of the income year. If the recipient is an individual, they must contact us and request a personal tax summary or they may be required to file an IR 3.

Non-residents

Interest paid to non-residents is non-resident passive income, so it's not subject to RWT. Instead, you must deduct NRWT (non-resident withholding tax). If you deduct RWT and then find out that the recipient is a non-resident, this is what you should do:

Current year over-deduction

If you find the error before you have filed your reconciliation, you can simply deduct less NRWT from the next payment to that recipient, and reduce the following NRWT payment to Inland Revenue. If you do this, please send a letter of explanation with your reduced payment, so we know not to charge you penalties. You'll need to let us know the period you over-deducted so we can transfer the credit to the period under-deducted. On your *NRWT (non-resident withholding tax) (IR 67P)* payment slip show the full NRWT that should have been deducted in Box 6, but show the reduced payment in Box 7.

If the recipient is no longer one of your investors, you can't alter a future payment. The recipient must apply for the refund using a *New Zealand non-resident withholding tax (NRWT) – refund request or certification of NRWT paid (IR 386)* form.

Back year overpayments

If you find a mistake in a previous income year, the recipient can claim the excess deductions:

- in their end-of-year tax return (if they have an IRD number), or
- by completing an IR 386 refund application.

Please don't issue amended certificates or file an amended reconciliation.

IR 386 refund application

In some cases you'll fill in all the details on the IR 386, in others the recipient will ask you to complete a form that they have started. Please fill in all the information requested, so we can arrange the refund.

When we receive the IR 386 we arrange to refund the credit from the payer's RWT account, according to the instructions on the form.

Penalties

Late payment

We may charge you interest if you don't make your tax payment by the due date. We'll also charge you a late payment penalty if you miss a payment, but if you have a good payment history we may contact you before we do this.

Otherwise an initial 1% late payment penalty will be added 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.

A further 1% incremental penalty will be charged in every month the amount owing remains unpaid after the due date, unless you enter into an arrangement (see below).

Interest and late payment penalties aren't 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 to 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 *Penalties and interest (IR 240)* guide.

Relief from late payment

If late payment of RWT is due to circumstances beyond your control, we have the discretion to remit late payment penalties. To have your case considered, write to us (see page 37) explaining the reasons for the late payment.

Remission or cancellation of use of money interest

Interest will be remitted (“legally forgiven”) only in exceptional circumstances, and at our discretion. Remission occurs when interest is correctly imposed but a decision is made to relieve you of the liability to pay, eg, if we have given you incorrect advice, causing a return or payment to be late. You must be able to provide evidence to support the fact that incorrect advice was given.

Failing to account for RWT deductions

RWT that you’ve deducted is money held in trust for the Crown and there are penalties if you use it for any purpose other than payment to Inland Revenue.

Failing to deduct RWT

If the RWT rules require a deduction to be made, the payer and recipient can’t arrange between themselves not to deduct RWT.

In addition, fines and penalties may be incurred by anyone who fails to account for RWT deductions by:

- making a false or misleading application for a certificate of exemption
- altering any certificate of exemption or falsely claiming to be the recipient named on such a certificate
- holding a certificate of exemption and failing to tell us when they no longer meet the conditions under which it was issued
- failing to give a recipient an RWT withholding certificate when required to (see page 31), or
- obtaining or attempting to obtain a credit for RWT deducted from someone else’s resident passive income.

Statement of account

We'll send you a statement of account like the one shown on page 28 if you don't pay the full amount of RWT owing.

The statement has a payment section attached. Please use it for any amounts shown as payable on the statement. If you can't make the payment, please call us on 0800 227 771.

Ceasing to be a payer

You'll stop being an RWT payer if you cease to:

- carry on any taxable activity in New Zealand, for example, by disposing of it, closing it down or moving it overseas (and don't hold a certificate of exemption)
- hold a valid certificate of exemption (and you're not carrying on any taxable activity).

In either of these situations you must:

- pay us any RWT you are holding, by the 20th of the month after the month in which you stopped being a payer
- give all your recipients RWT withholding certificates (showing all the details listed on page 31) by the 20th of the month after the month in which you stopped being a payer
- fill in and send us an *RWT on interest reconciliation statement (IR 15S)* for the part of the year during which you deducted RWT (reconciliation statements are covered on page 35). This is due within 40 working days after the end of the month in which you stopped being a payer.

Note

Attach your copies of the *RWT withholding certificate (IR 15)* to the reconciliation statement when you send it to us.



Statement of account

IR 949
March 2011

NELSON
0800 377 774

Commissioner of Inland Revenue

CHRISTIE BLOCKS LTD
44 HAMILTON ROAD
MOTUEKA

IRD number 04-567-890

Date issued 30 JUNE 2012
Any payments made after this date will be on your next *Statement of account*.

Statement number 002 PAGE 01
Previous statement 21 FEB 2012

Date	Details	Debt \$	Credit \$	Balance \$
	RWT ON INTEREST 30 APR 2012			
20MAY12	Assessment	555.25		555.25
21MAY12	Late payment penalty	5.55		560.80
28MAY12	Late payment penalty	22.43		583.23
21JUN12	Late payment penalty	5.83		589.06
30JUN12	Interest	7.77		596.83

	Due date	Details	Amount \$
<ul style="list-style-type: none"> ● Please ignore this request if you have already paid. ● Please pay any overdue amount immediately. ● If you can't pay please call the phone number above. 	OVERDUE	RWT ON INTEREST	\$ 596.83

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● Use the payment slip below when paying. Tear off here ▼ Keep this top part for your records.



Payment slip

IRD number 04-567-890
CHRISTIE BLOCKS LTD

Post your payment in the Inland Revenue envelope provided to:
Inland Revenue Department
PO Box 3754 Christchurch

Payment due IMMEDIATELY \$ 596.83

If the payment you're making is different from the payment due write the details here.	Year/period	Tax type	Amount \$
	Total payment made		\$

Part 3 – Special cases

Joint accounts

Generally, you should deduct RWT from interest paid on a joint account, in the same way as if the account belonged to one person. You should deduct RWT at the rate nominated by the account holders, provided they supply at least one valid IRD number.

If the joint account holders are in different tax brackets, we recommend using the higher rate as this avoids the higher earner having an end-of-year tax bill.

If a resident and a non-resident hold a joint account, deduct RWT from all interest paid on the account. The non-resident may claim a refund from Inland Revenue by completing either an IR 3NR tax return or a *New Zealand non-resident withholding tax (NRWT) – refund request (IR 386)* form.

If a person has a valid certificate of exemption and has a joint account with someone who doesn't have a certificate of exemption, deduct RWT from all interest you pay on the account. You only pay interest without deducting RWT if all account holders are exempt.

Issue one deduction certificate only for any account. If the owners of a joint account nominate one owner's name, you can issue the certificate in that person's name. If they don't make a nomination, issue the certificate in the joint names.

Non-residents

Interest paid to non-residents is non-resident passive income, so it's not subject to RWT. Instead, you must deduct NRWT (non-resident withholding tax).

If you're not familiar with NRWT, please read our *NRWT – payer's guide (IR 291)*.

The NRWT rates vary from country to country depending on where the person is resident. Our *NRWT rates (IR 290)* information sheet shows the correct rate at which to make the NRWT deduction.

If you mistakenly deduct RWT from payments made to a non-resident, read page 24 to find out what to do.

Foreign currency

If paying interest in a currency other than New Zealand dollars, deduct RWT in the same currency. The tax deduction certificate must show both the income and deduction in New Zealand dollars.

If you have deducted RWT in a foreign currency, you must still pay it to Inland Revenue in New Zealand dollars. Convert these deductions at the close of trading spot rate on the first working day of the month after the month in which you made the deductions. Most trading banks and financial institutions provide these on their website.

Agents or trustees

If you receive resident passive income as an agent or trustee for another person, you only have to deduct RWT from the payment if the payer should have deducted it and either failed to, or didn't deduct the full amount. This liability to deduct includes situations where the payer didn't have to deduct RWT because of specific provisions.

If a person who has a valid certificate of exemption receives interest as trustee of a trust that isn't a bare trust, they don't have to deduct RWT before passing it on to the trust. (A bare trust is a trust where the trustee's only duty is to convey the property of the trust to the beneficiary.)

An agent or trustee who carries on a taxable activity through a fixed establishment in New Zealand (whether resident or non-resident) must deduct RWT from interest payments made on behalf of another person.

Note

RWT deducted from distributions from Māori authorities, agents or trustees and RWT proxies are recorded on the *RWT on specified dividends/Māori authority distributions (IR 17P)*, *RWT deduction certificate (IR 17)* and *Resident withholding tax (RWT) reconciliation statement (IR 17S)*. For more information refer to our *Resident withholding tax (RWT) on dividends (IR 284)* guide.

Part 4 – At the end of the year

RWT withholding certificate (IR 15)

You must supply a withholding certificate to each recipient you have paid interest to with RWT deducted. You can send this information electronically and you can still issue an *RWT withholding certificate (IR 15)* (see example on page 33). As an alternative to using the IR 15 certificate, you may prefer to produce your own.

All certificates must show:

1. the full name, address and IRD number of the payer
2. the full name, address and IRD number of the recipient (if known)
3. a statement that the resident passive income is interest
4. the amount of RWT and the amount of resident passive income related to the certificate
5. the rate or rates used to deduct the RWT on interest. To do this you can either enter the:
 - average rate for the year, or
 - rate that would be applied if the interest was paid at the end of the year, or
 - details for each RWT rate deducted during the year (you may need to complete more than one certificate)
6. the reference/account number used to identify the payee if you have allocated one
7. if the account is a joint account.

You can give this information to the recipients either progressively or at the end of the year.

Whichever form you use, you must give this information to the recipient by:

- 20 May (for an end-of-year notice), or
- the 20th of the following month if you're ceasing to be a payer, or
- within 20 days of when a recipient requests it (in any other case).

Note

The RWT *withholding certificate (IR 15)* and RWT *on interest reconciliation statement (IR 15S)* must cover the period 1 April to 31 March regardless of your accounting year.

You can either give the form to the recipient personally or post it to the last known mailing address. For joint accounts, you only have to send one notice.

Note

If you pay interest of \$50 or less to a recipient, you don't have to supply a withholding certificate unless they ask for one in writing. In that case, you must supply the certificate within 20 working days of receiving the recipient's written request.

Note

RWT deducted from distributions from Māori authorities, agents or trustees and RWT proxies are recorded on the *RWT on specified dividends/Māori authority distributions (IR 17P)*, *RWT deduction certificate (IR 17)* and *Resident withholding tax (RWT) reconciliation statement (IR 17S)*. For more information refer to our *Resident withholding tax (RWT) on dividends (IR 284)* guide.

You may also wish to provide recipients with details regarding their tax obligations as set out below:

The RWT rate you should use is dependent on your income level. To make sure you're on the right rate for you, and to find out about your obligations after the end of the tax year, go to www.ird.govt.nz/rwt or call 0800 870 700.

Filing certificates electronically

RWT certificate details can be sent 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'll 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 IR 15S to the same address.

For detailed instructions on this process and access to the public key, please refer to the RWT certificate filing website <http://www.ird.govt.nz/rwt/deducting/filing/>

Reconciliation statement (IR 15S)

At the end of the year we'll send you an *RWT on interest reconciliation statement (IR 15S)* that you must fill in and send back to us by 31 May. You'll need to record these details:

- total resident passive income liable for RWT (this doesn't include exempt interest or interest paid to a non-resident)
- total resident passive income paid to recipients who had a valid certificate of exemption
- total RWT calculated on the total resident passive income paid
- total RWT paid to Inland Revenue for the year ended 31 March.

Note

The *RWT withholding certificate (IR 15)* and *RWT on interest reconciliation statement (IR 15S)* must cover the period 1 April to 31 March regardless of your accounting year.

Also, attach to your *RWT on interest reconciliation statement (IR 15S)* the full name, last known address, total interest paid and IRD number for each recipient that you paid interest to who had a certificate of exemption. Full instructions on completing the reconciliation statement are on the form.

If your *RWT on interest reconciliation statement (IR 15S)* shows an amount to pay, payment is due by 20 April.

Disclosures in your income tax return

Transactions in financial arrangements

If you have a valid certificate of exemption and you acquire or dispose of a financial arrangement, or make a redemption payment under a financial arrangement, you might have to send some information with your income tax return for the year in which the transaction took place.

However, you don't have to send the information if the other party to the transaction:

- is the issuer of the financial arrangement, or
- has a certificate of exemption at the time of the transaction and the interest would have otherwise been subject to RWT.

In all other cases, the information to send is:

- the other person's full name and last known address
- the other person's IRD number (they must give you this within 10 working days of your asking for it)
- the date of the transaction
- the total amount you paid or received in the transaction (excluding fees).

You should also clearly show that you are providing this information as part of a financial arrangement.

Part 5 – Services you may need

If you need more help

If you need to contact us about anything in this publication, please call 0800 377 774 if you are a business customer or 0800 443 773 if you are a large enterprise customer.

0800 self-service numbers

This service is available to callers seven days a week (but please note we're closed between 5 am and 6 am each day). Have your IRD number with you when you call.

For access to individuals' personal information, you'll need to be enrolled for voice ID or have a personal identification number (PIN). Enrol for voice ID by calling 0800 257 843 and reset an existing PIN by calling 0800 257 777.

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 our self-service numbers, we'll ask you to say why you're calling. We'll then direct you to a self-service line where you can get the information you want. If you need to talk to us, we'll direct your call to an advisor who has the specific information to help you.

Postal addresses

Payments	Returns	General correspondence
Inland Revenue PO Box 39050 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39090 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39010 Wellington Mail Centre Lower Hutt 5045

For a full list of addresses, go to www.ird.govt.nz/contact-us/

Supporting businesses in our community

Our Community Compliance teams offer a free tax education service to businesses and not-for-profit organisations to help them meet their tax obligations. The service is available to individuals (one-on-one meetings) and groups (workshops or seminars).

Use this service to find out more about:

- the records you need to keep
- the taxes you need to know about
- how to best use our online services
- completing your tax returns (eg, GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Our kaitakawaenga Māori are available to advise Māori organisations and individuals.

Have a look at our short videos at www.ird.govt.nz/introbizvids then go to www.ird.govt.nz (search keywords: seminar, advisory) or call us on 0800 377 774.

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 (IR 778)*.