

Other taxes

Capital gains tax

New Zealand does not have a capital gains tax as such. However, gains resulting from the purchase and sale of real property (land and buildings) and personal property (including shares) acquired for the purpose of resale, or as part of a dealing operation, are subject to income tax at normal rates. Profits on the sale of real property may be taxable in other circumstances also.

Specific regimes such as the financial arrangements rules, foreign investment fund rules and the services-related payments rules also have the effect of blurring the capital/revenue distinction.

Fringe benefit tax (FBT)

FBT is payable quarterly by employers on the value of fringe benefits provided to employees and shareholder/employees. The value of fringe benefits provided is not included in the gross income of employees.

The FBT quarters end with the last day of June, September, December and March. Within 20 days of the end of the first, second and third quarter, any employer who has provided a fringe benefit is required to furnish a return setting out the fringe benefits received or enjoyed by employees in the quarter and a calculation of the amount of FBT payable on those benefits. The due date for furnishing the fourth (March) quarter return is 31 May.

Employers with PAYE and specified superannuation contribution withholding tax (refer PAYE & specified superannuation contribution withholding tax, page 47) deductions not exceeding \$100,000 per annum can pay FBT on an annual basis. An income year basis is also available for shareholder-employees.

FBT rates

Employers are able to choose to either:

- pay FBT at a flat rate of 64% on all benefits provided; or
- attribute fringe benefits to individual employees and pay FBT at rates based on the employees' marginal tax rates (the 'full' attribution option); or
- pay FBT at:
 - a flat rate of either 64% (major shareholders and associates) or 49% (others) on non-attributed pooled benefits; and
 - a flat rate of 63.93% on all attributed benefits.

Under the full attribution option, the applicable FBT rate depends on the net remuneration (including fringe benefits) paid to the employee. The attribution calculation, which is performed in the fourth quarter, treats the fringe benefit as if it was paid in cash and calculates FBT as the notional increase in income tax that would otherwise have arisen.

The multi-rates are:

Net remuneration	FBT
	Rate %
8,075 or less	17.65
8,076 - 30,590	26.58
30,591 - 45,330	49.25
> 45,330	63.93

Under the full attribution system, where possible, all benefits must be attributed to a particular employee, however, certain low value exemptions apply. The threshold for exempting unclassified benefits from FBT is \$200 per employee per quarter and \$15,000 per employer per annum.

All benefits not attributed are pooled and subject to FBT at 49% (or 64% for major shareholders and associates). A benefit will be attributable to an individual if the asset or benefit is 'principally' assigned, used or available for use by that employee during the quarter or income year as appropriate.

Examples of the value on which FBT is to be calculated are as follows:

Fringe benefit	Taxable value of benefit
<ul style="list-style-type: none">• Motor vehicle	Employers can value a vehicle on an annual basis either using 20% of the cost price or market value (GST inclusive) of the vehicle (depending on whether the vehicle is owned or leased by the employer) or 36% of the vehicle's tax written down value (GST inclusive). In each case, the FBT value must be reduced proportionately for whole days when the vehicle is not available for private use at any time.
<ul style="list-style-type: none">• Employment-related loan	<p>The amount by which the interest payable on the loan is less than the interest that would be payable if calculated using the prescribed rate. The prescribed rate is determined on a quarterly basis. The rate commencing on 1 October 2007 is 10.37%.</p> <p>Employers who are in the business of lending money to the public can elect to calculate FBT on employment-related loans using a market interest rate instead of the prescribed rate.</p>
<ul style="list-style-type: none">• Employer contributions to medical insurance	The whole amount of the contribution.

- Employer contributions to employee superannuation funds Subject to specified superannuation contribution withholding tax (SSCWT).
From 1 July 2007 employer contributions made to a KiwiSaver scheme or to certain superannuation schemes that have comparable lock-in requirements are exempt from SSCWT (up to the lesser of the employee's contributions or 4% of the employee's gross salary or wages) (refer KiwiSaver, page 9).
- Employer contributions to superannuation schemes The whole amount of the contribution.
- A benefit of any other kind received by an employee Price or cost of the goods or services that would be paid by an independent third party in the normal course of business.

FBT also applies to benefits received by an employee from a third party where there is an arrangement between the employer and the third party and where the benefit would be subject to FBT if it had been provided by the employer. Generally FBT does not apply to discounted goods or services received by an employee from a third party, if the price paid by the employee is not less than the price that would be charged to other groups of people.

Benefits that are not subject to FBT include specified superannuation contributions (which are separately taxed), the provision of accommodation by an employer (which is subject to PAYE), and the use of a business tool such as a mobile telephone or laptop (provided the tool is used primarily for business purposes and the cost of the tool does not exceed \$5,000). FBT is generally a tax-deductible expense, so the effective FBT cost generally corresponds to the relevant employee's marginal tax rate.

PAYE and specified superannuation contribution withholding tax (SSCWT)

Employers are required to make PAYE tax deductions from employee remuneration (refer PAYE, page 12) and SSCWT deductions from any employer superannuation contribution made to a superannuation fund.

From 1 July 2007, employer contributions made to a KiwiSaver scheme or an employee superannuation scheme with similar lock-in requirements (up to the lesser of the employee's contribution or 4% of the employee's salary or wages), are exempt from SSCWT (refer New developments – KiwiSaver, page 56).

Employers who made total deductions of \$100,000 or more in the preceding year must remit PAYE and SSCWT deductions twice monthly. The payments are due on the 20th day of each month (for days 1 to 15 of the same month) and the 5th day of the following month (for days 16 to month-end of the preceding month).

Employers who made total deductions of \$100,000 or less in the prior year make one remittance of PAYE and SSCWT deductions on the 20th of the month for deductions made in the previous month.

An employer can elect to withhold SSCWT on contributions it makes to a superannuation fund on behalf of an employee at 15%, 21% or 33% (depending on the employee's marginal tax rate). If no election is made the default rate of 33% applies.

Accident compensation insurance

All New Zealanders pay levies to fund a statutory scheme of accident insurance cover. These are paid by employers and self-employed people to cover work-related injuries and by earners to cover non-work injuries.

Motor vehicle accident cover is funded by a component of motor vehicle registration fees and a percentage of petrol sales. The Government funds the costs of cover for injuries to people who are not in the paid workforce.

The Accident Compensation Corporation (ACC) collects the employer levy, self-employed levy, residual claims levy and earners' account levy by issuing an invoice to the relevant party. Earner premiums are generally deducted by employers, together with PAYE, from an employee's income from employment and remitted to the IRD (as agent for ACC).

Employer levies

The ACC is the sole provider of workplace accident insurance in New Zealand providing statutory minimum entitlements. The private sector can write accident insurance contracts only if they provide cover above the minimum entitlements.

As a result of a previous regime, private insurers remain responsible for the continuing cost of workplace accidents that occurred between 1 July 1999 and 30 June 2000 for which they have provided cover.

All employers are required to pay employer levies to cover workplace accidents (minimum entitlement cover). The employer levy payable is determined according to the industry or risk classification of the employer and the level of earnings of employees. The levy may be adjusted up or down following an audit of the safety practices of the employer.

Employers also have the option of becoming accredited under the ACC Partnership Programme. Under the Programme, the employer takes responsibility for managing their employees' workplace injuries. This is a self insurance mechanism under

which the employer assumes liability for some, or all, of the costs of providing statutory entitlements directly to employees as agent for the ACC. In return, the ACC charges the employer reduced premiums.

Self-employed persons now have the option of purchasing the right to receive an agreed amount of compensation, rather than compensation calculated retrospectively after the injury and based on actual earnings.

Residual claims levy

In addition to work accident insurance cover, the residual claims levy is payable annually by employers and the self-employed. It funds the cost of claims outstanding from the 'old' ACC scheme ie the ongoing costs of:

- (i) work injury claims that occurred prior to 1 July 1999; and
- (ii) non-work injuries to earners that occurred prior to 1 July 1992.

This 'tail' of claims arises due to the 'old' ACC scheme being run on a 'pay as you go' system rather than fully funding all future claims.

The residual claims levy is risk rated on individual employers' industrial classifications. The residual claims levy rate varies from year to year depending on the success of the ACC rehabilitation programme in managing claim costs. The objective of this levy is to establish reserves over a 15 year period to fully fund the 'tail'. The ACC collects residual claims levies from employers and self-employed directly.

The residual claims levy is a deductible expense to the employer or self-employed person in the income year it is due and payable. Where a self employed person's terminal tax date has been extended to 7 April (because they are linked to a tax agent) the residual claims levy is deemed to be deductible in the previous income year, as if the levy were payable on 7 February.

Earners levy

All earners (employees and self-employed persons) are liable for an 'Accident Compensation Earner Levy'. For the 2007/2008 year, the levy is payable at the rate of \$1.30 per \$100 of liable earnings, GST inclusive.

The earners levy on earnings from self-employment is a deductible expense to the self-employed person in the income year it is due and payable.

Earners levies payable by employees are deducted via the PAYE system (ie built into the PAYE deduction tables).

Earnings of the following nature are not liable for the earner levy:

- withholding payments;
- retirement or redundancy payments;
- student allowances;
- various benefits; and
- pensions and tax-free allowances.

The maximum amount of liable earnings in the 2007/2008 income year is \$96,619 for self-employed persons and \$99,817 for other earners.

Liable earnings includes both earnings as an employee and other earnings derived as a result of personal exertion.

Goods and services tax (GST)

GST is a consumption tax which is imposed under the Goods and Services Tax Act 1985. GST is imposed on the supply of goods and services in New Zealand and on goods imported into New Zealand (in addition to any Customs duty).

It is levied at the rate of 12.5%, although some supplies are taxed at zero percent and certain specified supplies are exempt from the tax.

The tax is generally borne by the final consumer. Goods and services are taxed at each transaction stage, with a credit being given to registered persons for GST previously paid on goods or services.

Normally GST will have no impact on business profits, except for additional administration and compliance costs and cash flow effects. However, there are instances where the tax will fall on the business taxpayer as a final consumer, eg GST on fringe benefits supplied to employees or GST on deemed supplies of non-deductible entertainment expenditure.

GST is normally accounted for on an accrual (invoice) basis but where turnover in a given 12-month period is less than \$1.3 million, there is an option to account for GST on a cash basis.

Registered person

Any person who, in a given 12-month period, makes total taxable supplies in excess of \$40,000 in New Zealand in the course of all taxable activities is liable to be registered for GST. Note that this is a turnover threshold - the level of profit/loss is irrelevant. Registered persons must generally file a GST return once every two months. However, a person may apply to file on a six-monthly basis if taxable supplies do not exceed \$250,000 in a given 12-month period. Where turnover exceeds \$24 million per annum registered persons are required to submit GST returns on a monthly basis.

Exempt supplies

Certain supplies, known as exempt supplies, are specifically excluded from the imposition of GST. These include:

- supply of financial services (other than those which are zero-rated);
- letting of residential accommodation; and
- supply of fine metal (except for those which are zero-rated).

Being exempt means that no GST is payable on such supplies. However, GST on associated costs is not recoverable as 'input tax'.

Zero-rated supplies

Certain supplies, known as zero-rated supplies, are taxed at the rate of zero percent. While no GST is payable on zero-rated supplies, in contrast to exempt supplies GST on associated costs is recoverable as input tax. Zero-rated supplies include:

- exported goods;
- services supplied to a New Zealand resident in connection with temporary imports;
- goods situated overseas;
- a taxable activity disposed of as a going concern;
- certain 'exported' services including supplies in relation to exported goods where the services are supplied to a non-resident who is outside New Zealand at the time the services are performed; and
- business-to-business supplies of financial services.

Imported services

A 'reverse charge' mechanism requires the self-assessment of GST on the value of services imported by some registered persons. The reverse charge applies to imported services that are acquired for purposes other than making taxable supplies and that would have been subject to GST if they had been provided in New Zealand.

Customs duty

Customs duty is levied on some imported goods at rates generally ranging from 3% to 10%.

Excise duty

Excise duty is levied, in addition to GST, on alcoholic beverages (eg wines, beers, and spirits), tobacco products and certain fuels (eg compressed natural gas and gasoline).

Gift duty

Gift duty is payable by donors on gifts which exceed \$27,000 in aggregate in any 12-month period. A gift statement must be filed when the value of gifts exceeds \$12,000 in aggregate in any 12-month period. Some relief is granted from the imposition of gift duty where income tax is payable on the gift.

The rates of gift duty are as follows:

Value of gift	Rates of duty
not exceeding \$27,000	nil
\$27,001 - \$36,000	5% on amounts over \$27,000
\$36,001 - \$54,000	\$450 plus 10% on amounts over \$36,000
\$54,001 - \$72,000	\$2,250 plus 20% on amounts over \$54,000
Exceeding \$72,000	\$5,850 plus 25% on amounts over \$72,000

Estate duty

Estate duty has been abolished in respect of the estates of persons who die on or after 17 December 1992.

Stamp duty

Stamp duty has been abolished in respect of instruments executed after 20 May 1999.

Cheque duty and credit card transaction duty

Duty is payable at the rate of 5 cents per cheque transaction. Credit card transaction duty has been repealed.