TAX FACTS 2023

Tax Rates

Individual Income Tax

Income		Rate
0 - 14,000		10.5%
14,001 - 48,000		17.5%
48,001 - 70,000		30%
70,000 – 180,000		33%
Over 180,000		39%

Cash refund for one-third of donations of $5 or more to approved charitable organisations (provided the value of gifts made do not exceed their taxable income).

Companies Income Tax

Companies (including branches or permanent establishments of non-resident companies & unit trusts)	**28%**

Allowed a deduction for approved charitable donations up to their taxable income.

Trusts

	Rate
Trustees	33%
Beneficiary income (excluding minor beneficiaries)	Individual rates (see above)
Minor beneficiaries (under age 16) with beneficiary income over $1,000 per trust	33%
Distributions from non-complying trusts	45%

Flow-through entities

	Rate
Limited partnerships (LP) & look-through companies (LTC)	Partner's or owner's rates (see above)

PAYE on salaries and Wages

Deductions from	Due date
1st to 15th of month	20th the same month.
Existing employees	5th of the following month, except for the 2nd December payment which has a due date of 15 January

Concession for small employers:

If the total PAYE (including ESCT) was less than $500,000 in previous year, there is only one payment due by the 20th of the following month (but an employer can choose to pay more often).

New employers:

A new employer can apply the small employer concession. However, if the total PAYE (including ESCT) passes the $500,000 threshold during the first year of employing, the employer needs to change to two payments per month (as per the above table).

Other tax types:

Employee ACC Earner Premiums, Student Loan repayments, Kiwisaver deductions, Kiwisaver employer contributions and Child Support deductions are all payable in the same manner.

PAYE on schedular payment

PAYE is a tax which is deducted at source from salary and wage payments. However, other types of payments for services might also need to have tax deducted at source. These payments would be for work done by non-employees - e.g. company directors, committee members, contractors, sales agents, entertainers, sportspeople.

If a particular activity is mentioned in Schedule 4 of the income tax legislation, a payment in relation to that activity could be a “schedular payment” which will need a special tax deduction.

There are some exemptions from the schedular payment rules:

- a payment for services provided by a public authority, a local authority, a Maori authority
- a payment made to a company, if the company is not one of the following : a non-resident contractor, a non-resident entertainer, a company involved in a “labour-hire arrangement” (see below), an agricultural, horticultural, or viticultural company
- a payment covered by an exemption certificate (a certificate is not allowed for some taxpayers, including taxpayers involved in a “labour-hire arrangement”)
- a payment for services provided by certain non-resident contractors

New schedular payment rules from 1 April 2017

Labour-hire arrangements are now subject to the schedular payment rules. These arrangements are generally where:

- one of the payer’s main activities is the business of arranging for a person (or persons) to perform work or services directly for clients of the payer, and
- the payment is made under an arrangement where some or all the work is done by the payee directly for a client of the payer, or directly for a client of another person, and

- the payer and payee are not "associated persons" (a special definition applies), although the payer can choose to deduct tax from a payment to an associated person

Voluntary schedular payments:

- if a taxpayer's activity is not otherwise subject to the schedular payment rules, they can now elect into the rules
- this election can also be used by a company to whom payments would otherwise be exempt from the rules

Withholding rate elections:

- a taxpayer who is subject to the schedular payment rules (other than a non-resident entertainer) is now able to elect their own withholding rate, as long as it is not less than the relevant minimum rate
- minimum withholding rates : 15% if the payee is either a non-resident or the holder of a temporary entry class visa as defined in section 4 of the Immigration Act 2009; 10% in all other cases
- in order to use a rate which is less than the minimum rate, or to have a zero rate when a certificate of exemption is not allowed, a taxpayer can apply to Inland Revenue for a special tax code certificate (also known as a tailored tax code certificate)

KiwiSaver Contributions

New employees	Automatically enrolled, unless they opt out
Existing employees	Can elect to join
Self-employed	Can voluntarily join
Not employed	Can voluntarily join

	Rate
Employee contribution	3, 4, 6, 8 or 10% Minimum of 3%
Employer contribution	3%
Member tax credit	50c for each $1 contributed by a member, to a maximum of $521.43

Member tax credit – matches 50c for every dollar of contribution paid up to the age of 65.

Employers have no tax credit

Employers deduct the employee's contribution from their earnings, add their employer contribution, and pass this on via the IRD to an approved scheme provider for investment on the employee's behalf.

Effective from 1 July 2019, people over 65 can now join a KiwiSaver scheme, but it is voluntary for employers to contribute for employees who are 65 or older.

Employer Superannuation Contribution Tax (ESCT)

ESCT is deductible from employer contributions to superannuation schemes, including employer contributions to KiwiSaver.

0 - 16,800	10.5%
16,801 - 57,600	17.5%
57,601 - 84,000	30%
84,000 – 216,000	33%
Over 216,000	39%

Fringe Benefit Tax (FBT) Rates

63.93% (single rate)	63.93% (single rate) or the alternate rate calculation (see below)
49.25% (Pooled alternate rate)	49.25% (pooled alternate rate)
49.25% (alternate rate)	alternate rate calculation (see below)

The alternate rate calculation applies the following rates.

Income plus Fringe Benefits Rate

0 - 12,530	**11.73%**
12,531 - 40,580	21.21%
40,581 - 55,980	42.86%
55,981 - 129,680	49.25%
Over 129,680	63.93%

Goods & Services Tax (GST)

GST is charged at the rate of 15% on all taxable supplies made in New Zealand. To find the GST component of a GST inclusive amount, multiply by 3, then divide by 23. Non-resident businesses can be refunded GST paid on New Zealand purchases, in some cases.

Tax Pooling

Taxpayers are able to use a tax pooling system to manage their provisional tax payments. Tax payments can be purchased or sold at pre-determined dates through an intermediary. Using a tax intermediary can give the seller a better interest rate return. For a purchaser, it can mean a reduced interest cost and, in certain circumstances, reduced penalties.

Tax pooling can also be used to purchase other types of tax in certain circumstances.

Provisional & Terminal Tax

Taxpayers who have a year-end "residual income tax" (RIT) liability exceeding $5,000 are generally required to pay instalments of provisional tax. Provisional tax payment dates are aligned with GST payment dates, depending on the GST status and the method used. Most taxpayers pay provisional tax in three instalments, with a payment cycle of five, nine and thirteen months after the start of the income year (see also the Income Tax Payment Due Dates section). However, taxpayers who file six-monthly GST returns pay their provisional tax in two instalments, with a payment cycle of seven and thirteen months after the start of the income year.

Taxpayers can use the tax pooling system to manage their provisional tax payments. Refer to the Tax Pooling section for more details.

Individuals, Companies and trusts

Taxpayer & Provisional	Year of RIT Used	Standard Uplift
2023	2021	110% of RIT
	2022	105% of RIT
2024	2022	110% of RIT
	2023	105% of RIT

Provisional tax can also be calculated using the estimation option, the GST ratio method (subject to certain criteria being met) or the accounting income method (subject to certain criteria being met). The year used in calculating the uplift is the year of the most recently filed income tax return.

The number of times provisional tax is payable depends on the option used to calculate provisional tax and how many times GST (if registered) is paid. Examples of payment dates for the most common balance dates are below. If the due date is not a working day, then it moves to the next working day. Terminal tax dates shown apply to taxpayers linked to a tax agent.

Payment Dates

	31 March		30 June		31 Dec	
	2022	**2023**	**2022**	**2023**	**2022**	**2023**
1st instalment	28 Aug 2021	28 Aug 2022	28 Nov 2021	28 Nov 2022	28 May 2022	28 May 2023
2nd instalment	15 Jan 2022	15 Jan 2023	28 Mar 2022	28 Mar 2023	28 Sep 2023	28 Sep 2023

3rd instalment	7 May 2022	7 May 2023	28 Jul 2022	28 Jul 2023	28 Jan 2023	28 Jan 2024
Terminal tax	7 Apr 2023	7 Apr 2024	7 Apr 2023	7 Apr 2024	15 Jan 2024	15 Jan 2025

Calculation of Provisional Tax

Taxpayer & Provisional Tax Year Year of RIT Used Standard Uplift

2019	**2017,2018**	**110% of RIT, 105% of RIT**
2020	2018, 2019	110% of RIT, 105% of RIT

Final instalment calculation: if a taxpayer expects their RIT for the current tax year to be $60,000 or more, and has used the standard method for all of the instalments to date, their final instalment amount can be based on the expected RIT less the total of the earlier instalment amounts – they do not need to use the estimation method just for their final instalment.

Estimation method

A taxpayer can estimate or re-estimate their provisional tax up until the last instalment date.

GST ratio method

If a taxpayer is eligible for this method, they base their provisional tax payments on a percentage of the GST taxable supplies, and there are six instalments per year.

Accounting income method (AIM)

If a taxpayer is eligible for this method, they base their provisional tax payments on current year tax-adjusted accounting income. AIM-capable accounting software needs to be used. Taxpayers registered for monthly GST returns make twelve provisional tax payments per year. Those who are not GST-registered, or who are registered for two or six-monthly GST returns, will make six payments per year. A taxpayer can switch to the AIM method part way during a tax year if certain conditions are met.

Interest payable on underpayment or overpayment of provisional tax

Special rules apply if a taxpayer uses the GST ratio method or the accounting income method.

For all other taxpayers, one of the following calculation start dates will apply if any of these statements is true:

- the year's residual income tax is at least $60,000, or
- the year's provisional tax was estimated, or
- there has been a "provisional tax interest avoidance arrangement"

From the last instalment date, if all of the following statements are true:

- all the instalments were calculated using the standard method, and
- all instalments (except for the last one) were paid in full and on time, and
- all "provisional tax associates" also calculated all their instalments using the standard method OR used the GST ratio method, and
- there has been no "provisional tax interest avoidance arrangement"
- From an earlier instalment date in all other cases

Use of Money Interest Rates

	Underpayments	Overpayments
Prior to 09/05/2022	7.00%	0.00%
10/05/2022 to 29/08/2022	7.28%	0.00%
30/08/2022 to 16/01/2023	7.96%	1.22%
17/01/2023 to 08/05/2023	9.21%	2.31%
From 09/05/2023	10.39%	3.53%

Use of Money Interest on Provisional Tax

Use of money interest on provisional tax will arise at times outlined below provided payment is made on time based on the standard uplift for the taxpayer and associates.

Special rules apply in the first year of business.

Income	Standard Uplift		Estimate
	Actual RIT <$60,000	Actual RIT >$60,000	
1st instalment	N/A	N/A	Yes
2nd instalment	N/A	N/A	Yes
3rd instalment	N/A	Yes	Yes

Withholding Tax on Schedular Payments & Payments to Non Resident Contractors

	Rate
Minimum rate for residents	10%
Minimum rate for non-residents	15%
Non-resident entertainers	20%
IRD number not supplied (Company)	20%
IRD number not supplied (Individual)	45%

Schedular payments are payments for specific activities such as directorships, labour hire firm contractors, actors and commission sellers.

Recipients are able to choose their rate on the filing of an IR330C provided it is greater than the minimum rates above. Default rates apply where a rate is not chosen.

Rates for non-residents can apply to non-resident contractors performing services of any kind. Exemptions are available in some situations.

Imputation credits

The maximum imputation ratio is 28:72. Dividends are subject to resident withholding tax (RWT) at the rate of 33% to the extent the dividend is unimputed. Generally, an additional 5% RWT must be withheld where dividends are imputed at 28%, but this is not compulsory where the recipient is a company. The imputation credit account must have a credit balance at 31 March, or a 10% penalty will apply to the debit balance.

Thin Capitalisation Ratios

Interest deductions can be restricted if both the New Zealand and worldwide group debt percentages are exceeded.

	Inbound	Outbound
New Zealand group debt exceeds	60%	75%
Worldwide group debt exceeds	110%	110%

Tax Penalties

Tax Shortfall

Lack of Reasonable Care	Unacceptable Tax Position	Gross Carelessness	Abusive Tax Position	Evasion
20%	20%	40%	100%	150%

Obstruction may result in a 25% penalty increase.

Penalties may be reduced if shortfall is:	Penalty
Disclosed before audit	100% penalty reduction for lack of reasonable care or taking an unacceptable tax position
Disclosed before audit	75% penalty reduction in all other cases
Disclosed before audit	40% penalty reduction
Temporary shortfall	75% penalty reduction
***Shortfall penalty for taking an unacceptable tax position only applies to income tax (not GST or withholding tax).**	

Penalties may be further reduced if the taxpayer satisfies the criteria for:

- Previous Good behaviour < This results in 50% further reductions

Late Filing

Return Type	Penalty
Income tax	$50 to $500
Employer monthly schedule	$250
GST	$50 or $250

Late Payment

Date	Penalty
Day following due date	1%
Seven days following due date	4%

The 1% incremental late payment penalty is not charged in relation to GST from 1 April 2017 or income tax from the 2018 income year.

Use of Money Interest

In some circumstances, the IRD can charge or credit interest on underpayments or overpayments of most types of tax.

UOMI rates:	
Payable to the IRD on underpayments	9.21% from 17 January 2023
Payable by the IRD on overpayments	2.31% from 17 January 2023

Fair Dividend Rate (FDR)

The FDR method of calculating taxable income applies to share/equity investments of less than 10% in most overseas companies if the holder is subject to the Foreign Investment Fund (FIF) regime. If the FDR method is used for an investment, the taxpayer is not taxed on the dividend income or the increase in the value of the investment. The FDR method can also be used for some investments where the taxpayer's ownership percentage is between 10% and 50%.

Individuals and most trusts can opt to be taxed at the lesser of:

5% of the opening value of their share portfolio*
(as at 1 April each year for standard balance date taxpayers)

or, their actual return calculated under one of the other FIF calculation methods *(normally the Comparative Value method, but losses cannot be claimed).*

Companies and other non-individuals use:

5% of the opening value of their share portfolio*.

**Quick sale adjustments must be made when a FIF has been bought and sold in the same income year.*

There are certain types of investment for which the FDR method is not allowed to be used.

The FIF rules do not apply to most shareholdings in companies which are tax-resident in Australia and listed on an ASX index.

For individuals, the FIF rules generally only apply if the total cost (as defined) of the individual's FIF interests is more than $50,000. This threshold exemption also applies to a very limited range of trusts. A taxpayer can voluntarily opt into the FIF regime if they are below the threshold (special rules apply).

Research & Development Tax Credit

Subject to legislation passing, a mostly non-refundable tax credit of 15% is available on specified research and development spending from 2019/20.

Approved Issuer Levy (AIL)

NRWT is deducted at 0% from interest paid by a New Zealand borrower to an overseas lender where the parties are not associated

(or the funds originate from an associate), the borrower is an approved issuer and the debt instrument is approved by Inland Revenue. Instead AIL equal to 2% or 0% (for certain securities) of the interest payments is payable.

Depreciation

Straight line or diminishing value can be applied on an asset-by-asset basis. Depreciation rates vary depending on estimated useful life. Assets costing $500 or less (subject to certain criteria) are deductible in the year acquired. The relevant thresholds for immediate deduction are:

Purchase Date	Deductibility Threshold	Purchase Date
17 March 2020 to 16 March 2021	$5,000	17 March 2020 to 16 March 2021
17 March 2021 and after	$1,000	17 March 2021 and after

Buildings

Residential buildings are not depreciable. Commercial and industrial buildings are depreciable at 2$ DV or 1.5% SL

Fit-Outs

Commercial fit-outs are depreciable. Residential fit-outs are non-depreciable, but chattels can be depreciated.

Motor Vehicles Kilometre Rate

Available options are:

- The Inland Revenue kilometre rate for motor vehicles
- Other published kilometre rates (e.g. AA rates) Actual costs

Inland Revenue kilometre rates are:

Vehicle Type	First 14,000 kms	After 14,000 kms
Petrol or diesel	76 cents	26 cents
Petrol hybrid	76 cents	18 cents
Electric	76 cents	9 cents

Controlled Foreign Company (CFC) & Foreign Investment Fund (FIF)

	CFC	Non-portfolio FIF	Portfolio FIF
Definition	A foreign company controlled by New Zealand residents (either >40% by one resident, or >50% by two to five residents)	A foreign company not controlled by New Zealand residents, a foreign superannuation scheme or life insurance policy	A foreign company not controlled by New Zealand residents, a foreign superannuation scheme or life insurance policy
Ownership Interest	10% or above	10% or above	Less than 10%
Key exemptions	Active business exemption Companies resident and subject to tax in Australia	Active business exemption Companies resident and subject to tax in Australia and some Australian unit trusts Foreign superannuation schemes Most ASX-listed companies	Some Australian unit trusts Foreign superannuation schemes Certain ASX-listed companies For individuals and certain trusts: total cost does not exceed $50,000
Key taxing methods	Passive income is attributed if equal to or more than 5% of total income	Passive income is attributed if equal to or more than 5% of total income Fair dividend rate (FDR) Cost Comparative value (CV) Deemed rate of return (DRR)	Fair dividend rate (FDR) Cost Comparative value (CV) Deemed rate of return (DRR)

A foreign superannuation scheme entered into by a non-resident is subject to separate rules where lump sum withdrawals are made from the scheme. Regular pensions and commutation payments are taxed as income.

Non-Resident Withholding Tax (NRWT)

	Interest	Dividends	Royalties
Default	0%, 15%	0%, 15% or 30%	15%
Australia	0%, 10%	0%, 5%, 15%	5%
Canada	0%, 10%	0%, 5%, 15%	10%
China	0%, 10%	0%, 15%	10%
France	0%, 10%	0%, 15%	10%
Germany	0%, 10%	0%, 15%	10%
Hong Kong	0%, 10%	0%, 5%, 15%	5%
Japan	0%, 10%	0%, 15%	5%
Singapore	0%, 10%	0%, 5%, 15%	5%
UK	0%, 10%	0%, 15%	10%
USA	0%, 10%	0%, 5%, 15%	5%

Where a double tax agreement exists, the default NRWT rates may be reduced. Above are examples of rates for some common treaty partners (also including reduced rates where New Zealand rules permit). New Zealand's extensive treaty network means specific rates are dependent on individual circumstances (please seek professional advice)

Residential Land Withholding Tax (RLWT)

RLWT must be deducted from the proceeds of property sales where:

- The property being sold is residential;
- The vendor acquired the property on or after 1 October 2015 and has owned the property for less than two years; or
- The vendor acquired the property on or after 29 March 2018 and has owned the property for less than five years; and
- The vendor is an offshore person Where all three criteria apply, the lesser of the following amounts will need to be withheld by the vendor's conveyancing agent:
- 33% (or 28% where the vendor is a company) of the sale price less acquisition cost or 10% of the sale price
- The vendor can file a return to recover any overpayment.

Resident Withholding Tax (RWT)

Individual Income Bands Rate

0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
Over 70,000	33%
Companies	28%
Trusts	17.5%, 30% or 33%
Default	33%

Imputation Credits

The maximum imputation ratio is 28:72. Dividends are subject to resident withholding tax (RWT) at the rate of 33% to the extent the dividend is unimputed. Generally, an additional 5% RWT must be withheld where dividends are imputed at 28%, but this is not compulsory where the recipient is a company. The imputation credit account must have a credit balance at 31 March, or a 10% penalty will apply to the debit balance.

On Interest

All dividends and interest paid must be reported to Inland Revenue by the 20th of the month following payment, including details of the recipients of the interest or dividend.

Individual Income Bands	Individual Income Bands
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
70,001 - 180,000	33%
70,001 - 180,000	39%
Companies	28%
Trusts	17.5, 30 or 33%
Default (IRD Number Supplied)	33%
Default (IRD Number Supplied)	45%

Portfolio Investment Entities (PIE's)

Resident Individual Investors

Both thresholds must be met for the rate to apply. Row 2 applies if Row 1 thresholds are not met. Income is measured for either of the past two years. Trust, corporate and non-resident investors are subject to rates of between 0% and 30%, depending on the type of entity and other relevant circumstances. Please seek professional advice.

Income	Income Plus PIE Income/Loss	Rate
0 - 14,000	25%	10.5%
0 - 48,000	0 – 70,000	17.5%
All others		28%

Other Investors

	Rate
Non-resident investor	0%, 1.44%, 15%, 28% or 30%
Company, incorporated society or PIE	0%
Super fund and trustees	0%, 17.5% or 28%

Residential Rental Property

Interest

For residential property acquired on or after 27 March 2021, interest incurred from 1 October 2021 is not tax deductible

For property acquired before 27 March 2021, the deductibility of the interest is being phased out with no deductions allowed from 1 April 2025. The amounts of interest that will be denied a deduction are as follows:

Period that interest is incurred	Percentage denied
1 October 2021 to 31 March 2022	25%
1 April 2022 to 31 March 2023	25%
1 April 2023 to 31 March 2024	50%
1 April 2024 to 31 March 2025	75%
On and after 1 April 2025	100%

NZ does not generally tax a capital gain made on the sale of residential properties (i.e. not otherwise subject to tax). Until recently, the tax system allowed landlords to deduct interest expenditure, even if gains made on sale of the property were not taxed. New interest limitation rules have now limited the deductibility of interest expenditure incurred in relation to properties located in NZ.

- Properties acquired before 27 March 2021 : if a loan is in a foreign currency, no interest deductions are allowed from 1 October 2021 onwards; for other loans, deductions for interest are being phased out, starting with deductions limited to 75% from 1 October 2021, and ending with no deductions allowed from 1 April 2025.
- Properties acquired on or after 27 March 2021 (subject to certain exceptions) : no deductions for interest incurred from 1 October 2021 onwards.

Key points about this regime：

- There are special definitions, exceptions, and exemptions (e.g. for new houses)
- This regime does not apply to properties located in other countries
- This regime can apply to all types of taxpayers, including some companies
- Special "tracing" rules can apply - e.g. when borrowed funds are applied for purposes other than just the residential property, or when a variable balance loan such as an overdraft or a revolving credit facility is used
- This regime can also apply to properties subject to the “mixed-use asset” rules
- “Rollover relief” is provided for certain transfers or disposals to ensure that the phase-out rules continue to apply up to 31 March 2025
- Previously denied deductions can become deductible if the sale of the property is taxable
- Special anti-avoidance rules prevent companies and trusts being used to avoid this regime

Ring Fencing Rules

Special tax rules can mean that losses from residential rental properties are “quarantined” (i.e. suspended) and carried forward until there is enough “residential property income” to claim them against. As a general rule, this means that such losses can no longer be claimed against other types of income (e.g. salary and wages).

These rules applied from the beginning of the 2019/20 income year. Therefore, the start date was 1 April 2019 for standard balance date taxpayers but was earlier for early balance date taxpayers.

Key points about this regime:

- There are special definitions and exceptions (including a "main home exclusion")
- From 1 October 2021, deductions for interest expenditure could be phased out or denied altogether (see also the “Residential Property Interest Expenditure” section)
- An owner can apply the rules on a portfolio basis or a property-by-property basis
- Special rules apply if the owner is a look-through entity – i.e. a partnership or a look-through company (LTC)
- Special rules apply if the owner is a company that is not an LTC
- Special anti-avoidance rules prevent trusts, companies, LTCs or partnerships being used to avoid the ring-fencing rules

Residential Land “bright Line” Test

New Zealand does not generally tax a capital gain made on the sale of private residential land (i.e. not otherwise subject to tax).

However, a special “bright-line” test was added to the income tax legislation with effect from 1 October 2015.

Residential land sold within 2 years of acquisition can be taxed if the acquisition date was between 1 October 2015 and 28 March 2018.

Effective from 29 March 2018, the bright-line test period was extended to 5 years. Residential land sold within 5 years of acquisition can be taxed if the acquisition date was between 29 March 2018 and 26 March 2021.

Effective from 27 March 2021, the bright-line test period has been extended to 10 years. Residential land sold within 10 years of acquisition can be taxed if the acquisition date was on or after 27 March 2021. However, some acquisitions might still be subject to the 5-year rule.

Key points about this regime :

- There are special definitions and exceptions
- There is a "main home exclusion" (special rules apply)
- The test does not apply to property acquired through an inheritance
- There is a "rollover relief" for some ownership change scenarios, including when property is transferred as part of a relationship property agreement
- A loss will be "ring-fenced"
- Special anti-avoidance rules prevent companies and trusts being used to avoid the test

ACC

The earners' account levy is **$1.53** per $100 of earnings (GST inclusive) for the **2023/2024** income year and the minimum and maximum liable earnings are as follows.

	Minimum	**Maximum**
Employees	$1	$139,384
40,581 - 55,980	$43349	$139384

Student Loans

The repayment threshold has increased to $22,828, with the repayment rate at 12%.

Repayment holidays are one year in length for borrowers who go overseas and apply for one.

Losses cannot be used against income to reduce a liability for student loan repayments.

Thin Capitalisation Ratio

Interest deductions can be restricted if both the New Zealand and worldwide group debt percentages are exceeded.

	Inbound	**Outbound**
New Zealand group debt exceeds	60%	75%
Worldwide group debt exceeds	110%	110%

Entertainment

Entertainment Deductions

If an employee enjoys the benefit of the entertainment expenditure outside of their employment duties or can choose when to receive or use the benefit, the FBT rules might apply instead of the 50% deduction rule.

When a deduction for an entertainment expense is limited to 50%, a GST adjustment is may also be required.

Entertainment expenditure is limited to a 50% deduction in certain scenarios	
Venue off-premises	corporate box, holiday accommodation, boat
Food/drink off-premises	social event, business lunch
Food/drink on-premises	party, or in area, not open to all employees

A full 100% deduction is allowed for: (this is not a full exemption listing)	
Food/drink on-premises	subsidised staff cafeteria open to all staff
Food/drink - business trip	unless an existing or potential business contact is a guest, or unless the event is a celebration meal, a party, or other similar social function
Entertainment outside NZ	
Promotional samples	

Gift Duty

Gift duty was abolished from 1 October 2011.

Mixed – Use Assets

A special tax regime deals with mixed-use assets, but only for specific types of assets which are used partly for earning income and partly for private use, and for which there is a period of non-use during the year (generally at least 62 days).

Application dates for land and improvements (including buildings):

Income tax returns	2014/15 income year
GST returns	17 July 2014

Application dates for boats & aircraft:

Income tax returns	2015/16 income year
GST returns	1 April 2015

Key points about the new regime:

- There are special definitions and exceptions
- From 1 October 2021, deductions for interest expenditure on accommodation could be phased out or denied altogether (see also the "Residential Property Interest Expenditure" section)
- Expenditure deductions are subject to special apportionment rules
- These rules can take precedence over the entertainment expenditure rules, the FBT rules, and the residential property ring-fencing rules
- A net loss for an asset might be quarantined until there is net income from the same asset
- A taxpayer can possibly opt out of this regime, but no expenditure deductions would be allowed