

**Deloitte.**

2015 Tax & Accounting  
Training Seminars  
General tax compliance  
summary

China Services Group  
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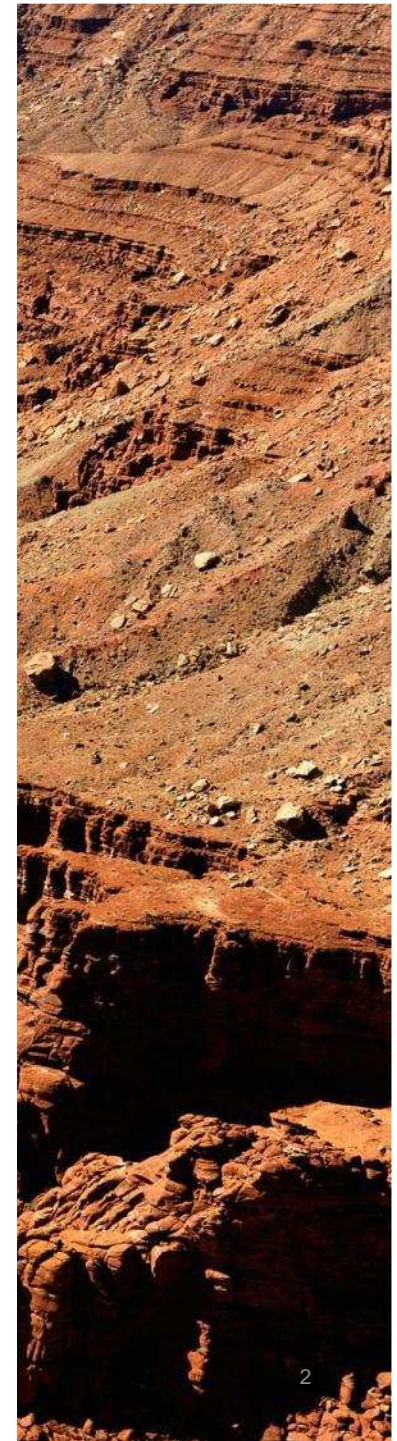
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# Provisional tax

# Provisional tax

## What is provisional tax?

- Interim payments of income tax are made as income is being earned by the taxpayer.
- Provisional tax payments are progress payments of tax that are paid to Inland Revenue before the final assessment of the income tax liability for a particular year.
- Most taxpayers who derive income other than from salary and wages will be required to pay provisional tax.



## How does it work?

- Provisional tax is generally payable in three instalments for most clients (although small taxpayers can choose a GST ratio method which results in 6
- At the end of the year the taxpayer is required to file a tax return and is subject to an assessment of income tax.
- Provisional tax paid is credited against the tax assessed which will result in either a refund of tax already paid or in a further tax liability.



# Provisional tax

## Method of Calculation

- Standard method
  - 105% of the preceding year's Residual Income Tax (RIT) or 110% of the RIT for the year before the preceding year.
- Estimation method
  - option to make a **fair and reasonable** estimate of RIT, at any time before an instalment of provisional tax falls due.
- GST ratio method
  - broadly bases provisional tax on a percentage of GST supplies (**GST ratio**, which is calculated by dividing RIT by GST taxable supplies.
  - only applies to taxpayers with RIT of less than \$150,000 and who file GST returns on a monthly or bi-monthly basis.

## Provisional Tax and Terminal Tax Dates for 2016 income year

Month of balance date	A	B	C	D	E	F	G	H
Oct	28 Jan	28 Mar	28 May	28 Jul	28 Sep	28 Nov	Sep	Nov
Nov	28 Feb	7 May	28 Jun	28 Aug	28 Oct	15 Jan	Oct	Dec
Dec	28 Mar	28 May	28 Jul	28 Sep	28 Nov	28 Jan	Nov	Jan
Jan	7 May	28 Jun	28 Aug	28 Oct	15 Jan	28 Feb	Dec	Feb
Feb	28 May	28 Jul	28 Sep	28 Nov	28 Jan	28 Mar	Jan	Mar
<b>Mar</b>	28 Jun	<b>28 Aug</b>	28 Oct	<b>15 Jan</b>	28 Feb	<b>7 May</b>	Feb	<b>Apr</b>
Apr	28 Jul	28 Sep	28 Nov	28 Jan	28 Mar	28 May	Feb	Apr
May	28 Aug	28 Oct	15 Jan	28 Feb	7 May	28 Jun	Feb	Apr
Jun	28 Sep	28 Nov	28 Jan	28 Mar	28 May	28 Jul	Feb	Apr
Jul	28 Oct	15 Jan	28 Feb	7 May	28 Jun	28 Aug	Feb	Apr
Aug	28 Nov	28 Jan	28 Mar	28 May	28 Jul	28 Sep	Feb	Apr
Sep	15 Jan	28 Feb	7 May	28 Jun	28 Aug	28 Oct	Feb	Apr

A company with a March balance date is required to pay provisional tax in three instalments (on 28 August, 15 January and 7 May).

The amount owing at year end, if any, is terminal tax. Terminal tax is due on 7 April if the tax agents' extension of time applies.

# Use of Money Interest (UOMI)

- UOMI is interest:
  - paid by Inland Revenue for the overpayment of tax; or
  - charged by Inland Revenue for the underpayment of tax.
- The purpose of UOMI is to:
  - compensate the Commissioner for the loss of use of money through taxpayers paying too little tax;
  - compensate taxpayers for the loss of use of money through their paying too much tax; and
  - encourage taxpayers to pay the correct amount of tax on time.





# UOMI rates

UOMI rates are currently:

- Interest charged = 9.21%
- Interest paid = 2.63%

UOMI is calculated on a daily basis on the amount of overpaid or underpaid tax.

When the return is filed, the actual residual income tax is compared to the amount paid at each instalment and interest is calculated on the difference.

Ability to use tax pooling agent to reduce UOMI.



# Example

Rich Ltd has a 31 March balance date. Based on the 2014 income tax return which it filed on 7 July 2014, Rich Ltd's RIT for the 2014 income year was \$100,000. The company thinks its taxable income for the 2015 income year may only be about \$150,000. Rich Ltd is on the Deloitte tax agent listing.

- Calculate the provisional tax that is required to be paid for the 2015 income year at each date assuming the standard uplift method is used?
- Rich Ltd wonders whether it would be better to pay based on an estimate rather than the uplift basis. What do you advise?
- The RIT for 2015 is \$360,000 due to the unexpected transaction just before year end.
- Is Rich Ltd subject to any late payment penalties?

# Resident & Non-Resident Withholding Tax

# Resident Withholding Tax (RWT)

- Resident passive income (such as interest, dividends and royalties) are taxed at the source.
- The person making the payment is responsible for collecting the tax.
- The rate of withholding depends on the type of resident passive income.
- Dividends are taxed at 33% with a reduction for imputation credits attached.
- Interest can be taxed at the recipient's marginal tax rate.



# Non-Resident Withholding Tax (NRWT)

- NRWT is a tax charged on payments of passive income (such as interest, dividends and royalties) made to non-residents.
- The person making the payment is responsible for collecting the tax.
- Dividends are taxed at 0%, 15% or 30% depending on certain factors. Otherwise NRWT rate is 15%.
- Persons borrowing from non-residents are able to enter the approved issuer levy (AIL) regime and elect to pay AIL at a rate of 2%.



# PAYE

# PAYE

- Tax from employment income is collected by the employer and deducted at the time of payment to the employee.
- The PAYE rules generally apply to salary & wages, extra pay, **accommodation benefits** and taxable allowances.
- Small employers are required to pay PAYE over to Inland Revenue on a monthly basis, by the 20<sup>th</sup> of the following month.
- Large employers must pay the deduction from wages paid between 1<sup>st</sup> and 15<sup>th</sup> of the month by the 20<sup>th</sup> of the same month, and from wages paid between the 16<sup>th</sup> and the end of the month by the 5<sup>th</sup> the following month.



# Fringe Benefit Tax (FBT)



# Fringe Benefit Tax (FBT)

- FBT is a tax paid by employers on non-cash benefits enjoyed by employees e.g. motor vehicles.
- The intention is to tax non-cash benefits at a similar effective rate to cash benefits such as wages and salaries which are taxed under the PAYE rules.
- FBT return and payment due dates are 20 July, 20 October, 20 January and 31 May.



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