

THE FOLLOWING IS A SUMMARY FROM IRD FACTSHEET IR1011

If you regularly make a profit from selling goods or services you're running a business and will have some tax responsibilities.

This factsheet gives business owners an overview of their tax responsibilities and entitlements.

Once you decide to start a business you'll need to choose the type of business structure that suits you. The most common types are:

- sole traders
- partnerships
- companies.

You may like to talk to an accountant or lawyer about what type of business will suit you.

For more information you can read our *Smart business (IR 320)* guide which is available online.

Registering your business

To get your business started, you'll need an IRD number. If you're a sole trader you can use your personal IRD number.

If you're in a partnership you'll need to complete an IRD number application form for a- non-individual.

Companies need their own IRD number. You can get this when you register your company.

Your business responsibilities

You'll need to file an income tax return at the end of each year showing all your income and expenses during the year.

To file your income tax return you'll need to keep enough records to calculate your income and expenses. These records include:

- account books, such as your cashbook, journals and ledgers, till tapes and reconciliations
- receipts and invoices issued
- bank statements and deposit slips
- details of who owes you money
- details of who you owe money to
- accounting records
- worksheet showing tax return calculations.

For business expenses, keep records like:

- your cashbook and petty cash book

- receipts and invoices received (including credit card receipts)
- bank statements and cheque butts
- depreciation calculations and list of business assets
- wage records for all employees
- details of stock purchases, sales and stock take forms
- travel expenses
- vehicle log book and home office calculations

You must keep your records for at least seven years. They must be in English unless you've got approval from us to keep them in another language.

GST (goods and services tax)

If you expect to sell goods/services worth \$60,000 or more in a year, you'll need to register for GST.

If you sell less than \$60,000 worth a year, you can still register for GST—it's your choice.

Registration means you must:

- charge GST at 15% on the goods and services you sell
- keep GST invoices and receipts for the goods or services you buy for your business
- complete your GST returns and make any payments to us by the due date.

Employing staff

If you decide to employ staff, you'll have to register as an employer.

As an employer you'll need to:

- get new employees to fill in a Tax code declaration (IR 330)
- deduct PAYE and any other deductions from your employees' wages
- complete IR345/IR348 forms each month and pay your employees' deductions to us
- have employment agreements in place.

For more information, see our First-time employers guide (IR 333).

KiwiSaver

KiwiSaver is a voluntary, long-term savings plan to help set individuals up for their retirement.

You must make Kiwisaver available to all employees, unless you've received an exemption.

As an employer you're required to:

- check whether new employees are eligible to join Kiwisaver
- check whether new employees should be automatically enrolled
- give a Kiwisaver employee information pack (KS 3) to new or existing employees—we'll send you copies of the KS 3 to give to your employees.

For more information, see the KiwiSaver employer guide (KS4).

FBT (fringe benefit tax)

As an employer, you have to pay tax on any benefits you give your employees. This is called fringe benefit tax. These benefits are generally not cash and can include:

- motor vehicles
- free, subsidised or discounted goods and services—this includes meals you may give your employees
- low-interest loans
- employer contributions to superannuation schemes.

You can get more information from our Fringe benefit tax guide (IR 409).

Income tax

The tax year runs from 1 April to 31 March (unless another date has been obtained from IRD, e.g. for farming).

Provisional Tax payments are made throughout the year towards the final income tax owing. Provisional Tax is based on the prior year taxable earnings.

Provisional Tax dates (for a March Balance Date) are 28 August, 15 January and 7 May.

Terminal Tax is the final tax due for an income year (payable 7 February after the relevant income tax year end).

In the first year of business Provisional Tax is not payable. This means that any tax due will be paid on the terminal tax date. Businesses should ensure the business cashflow can keep up to date with any Provisional Tax and Terminal Tax obligations.

More information

If any Tax Returns are incorrect, underpaid or not paid on time IRD will charge interest and penalties.

If you'd like to speak to IRD about your business tax responsibilities, please call us on 0800 377 774.

Language line is a free, phone-based interpreter service for people who speak languages other than English. You can call language line on 0800 000 471, from Monday to Friday 9am to 6pm and Saturday 9am to 2pm.

Tool for business

This online, interactive tool lets you find out what you need to know for your business.

Business tax information officers (BTIOs)

Our BTIOs offer free business tax advice to new businesses and organisations to help them meet their tax responsibilities. This service is available to individuals and groups.

Our BTIOs will tell you:

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

You can find out more about these services and arrange an appointment by calling 0800 377 774.