



Inland Revenue
Te Tari Taake

IR6G
March 2022

Estate or trust return guide 2022

Read this guide to help you fill in your IR6 return.

If you need more help, read our guide
Trusts' and estates' income tax rules - IR288.

Complete and send us your IR6 return by 7 July
2022, unless you have an extension of time to file.



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Who needs to complete an IR6 return

If you are a trustee of a trust, or the executor or administrator of a deceased person's estate, you need to complete an IR6 to account for income the estate or trust earns.

In this guide we use "trustee" or "you" to refer to the person or persons administering an estate or trust. The word trust also refers to estates unless we've stated otherwise.

This guide provides general information about how to complete the IR6 return. There are references throughout the guide to our other publications which may help you. If you need more help please contact us or a tax advisor.

Important changes from 1 April 2021

New disclosure requirements for NZ Domestic Trusts are effective for the income year beginning 1 April 2021 and subsequent income years. Refer to the checklist at Question 33 to see if your trust needs to comply.

If you are required to comply you will need to provide additional disclosures with your 2022 return, including:

- The details of any person who is a settlor of the trust. Complete an IR6S to provide the details of any person who is a settlor of the trust and attach it to your return.
- The nature and amount of any settlement made on the trust during the year. Complete an IR6S to record any settlements made on the trust during the year and attach it to your return.
- The details of any person who received a distribution from the trust during the year, and information about the amount and nature of the distribution. Complete an IR6B for any beneficiary who received a distribution during the year and attach it to your return.
- The details of any person who has the power to appoint or dismiss a trustee, add or remove a beneficiary, or amend the trust deed. Log into myIR to provide us this information, or complete an IR6P and attach it to your return.

IR6S: Settlements & settlors

If you are required to comply with the new NZ Domestic Trust disclosure rules you will need to supply additional information with your 2022 income tax return:

- The details of any person who has made a settlement on the trust (at any point in time) if those details have not already been supplied.
- The nature and amount of any settlement made during the year, and the details of the person who made the settlement (the settlor).

A settlor of the trust can include any person who at any time:

- transfers value
 - to a trust, or
 - for the benefit of the trust, or
 - on terms of the trust

These are called settlements. A settlement is any action that makes a person a settlor of a trust and includes any of the following:

- disposal of any property to the trust for less than market value
- property or funds made available to the trust for less than market value
- services provided to the trust for less than market value, unless those services are incidental to the operation of the trust
- any property acquired from the trust or any service from the trustee for greater than market value.

A settlement can also occur as a result of a transaction or series of transactions entered by a person that has the effect of making that person a settlor.

In most cases settlements must be valued at market value, unless the settlement is something that cannot be later distributed to a beneficiary, in which case it must be valued at NIL. For example,

- If a person provides land and buildings or other assets to a trust they must be valued at market value;

- If a person provides cash to a trust, it must be valued at market value (which is the face value of the currency, or NZ equivalent face value of foreign currency);
- If a person provides services to a trust those services have been consumed by the trust and can't later be distributed so they must be valued at NIL;
- If a person is owed money by a trust and chooses not to charge interest, the non-charging of interest is a transfer of value and therefore a settlement, but the trust has not gained anything that it can later distribute to a beneficiary so the settlement must be valued at NIL.

The value must be determined at the time the settlement is made. The total value of all settlements forms the corpus of the trust.

The minimum details you must supply on the IR6S:

- The name of the settlor
- The date of birth or commencement date of the settlor
- The jurisdiction of tax residency of the settlor
- The tax identification number (TIN) of the settlor:
 - if they are not required to hold an IRD number in NZ or a TIN in another jurisdiction, or the jurisdiction doesn't issue TINs tick the relevant box at question 1, leave boxes 2 and 3 blank;
 - if they are a NZ resident then enter their NZ IRD number in box 2;
 - if they are not a NZ resident enter their TIN in box 3;
 - if you do not hold the IRD number or TIN of the settlor:
 - If a settlement was made by this settlor in the current year, then you must ask them to provide it to you
 - If a settlement was not made by this settlor recently and you cannot reasonably obtain their IRD# or TIN (e.g. because they are deceased and the settlement was >7 years ago), leave boxes 2 and 3 blank.
- No settlement in the current year
 - If you are completing the IR6S in order to provide information about past settlors (who have not made a settlement this year) tick the box at question 4

- Settlement/s in the current year that are required to be valued at market value
 - **Cash:** if the settlor has provided one or more settlements of money during the year add them together and enter the amount at box 5
 - **Shares/ownership interests:** if the settlor has provided one or more settlements of shares/ ownership interests during the year add them together and enter the amount at box 6
 - **Financial arrangements:** if the settlor has provided one or more settlements of financial arrangements during the year add them together and enter the amount at box 7
 - **Services:** if the settlor has provided one or more settlements of services during the year add them together and enter the amount at box 8
 - **Land:** if the settlor has provided one or more settlements of land during the year add them together and enter the amount at box 9
 - **Buildings:** if the settlor has provided one or more settlements of buildings during the year add them together and enter the amount at box 10
 - **Other:** if the settlor has provided one or more settlements of any other type during the year add them together and enter the amount at box 11, enter a description of the nature of the settlement at box 12, if there are multiple 'other' settlements describe the one/s of the highest value.
- Settlement/s in the current year that are required to be valued at NIL
 - If a settlement has been made but the amount is required to be valued at nil, tick box 13.

Complete as many IR6S forms as you need to provide all of the required details and staple these to the back page of your return.

IR6P: Powers of appointment

If you are required to comply with the new NZ Domestic Trust disclosure rules you will need to supply additional information with your 2022 income tax return:

- The details of any person who has the power to appoint or dismiss a trustee, add or remove a beneficiary, or amend the trust deed (the appointer).

You only need to tell us about people who have these powers in the current year, and then let us know in future if they cease to hold them. You can also keep these details up to date in myIR.

The minimum details you must supply on the IR6P:

- The name of the appointer
- The date of birth or commencement date of the appointer
- The jurisdiction of tax residency of the appointer
- The tax identification number of the appointer:
 - if they are not required to hold an IRD number in NZ or a TIN in another jurisdiction, or the jurisdiction doesn't issue TINs tick the relevant box at question 1, leave boxes 2 and 3 blank;
 - if they are a NZ resident then enter their NZ IRD number in box 2;
 - if they are not a NZ resident enter their TIN in box 3;
 - if you do not hold the IRD number or TIN of the appointer you must ask them to provide it to you
- Enter date that the appointer was given this power in box 4. If the date is unknown (e.g. because it was many years ago and records are not available), enter a date that reflects a reasonable estimate.
- Enter the date that the appointer ceased to hold this power at box 5, if they currently hold these powers leave this field blank.

IR6B: Beneficiaries & distributions

If you are required to comply with the new NZ Domestic Trust disclosure rules you will need to supply additional information with your 2022 income tax return:

- The details of any beneficiary who has received a distribution from the trust during the year, and the nature and amount of that distribution.

This information should be included on the IR6B. Refer to question 27 for more information about how to complete the IR6B. Complete as many IR6Bs as you need to provide all the required details and staple them to your return.

Distributions

In addition to allocating beneficiary income, see page 12 for allocations, a trustee can make other distributions to beneficiaries. A distribution can include:

- tax-paid profits (trustee income or beneficiary income)
- capital gains of the trust
- corpus of the trust (the value of settlements made on the trust)
- the physical and intangible assets of the trust passing to beneficiaries
- the beneficiary using trust property for less than market value
- the beneficiary supplying goods or services to the trust and receiving more than market value in return (including charging a higher than market interest rate on loans to the trust)
- (for a foreign trust) non-taxed profits such as foreign sourced income.

The tax position of a distribution from a trust depends on the type of trust making the distribution and the residency of the beneficiary. See pages 17 to 19 of this guide. Generally, a distribution, other than beneficiary income, to a New Zealand resident beneficiary from:

- a complying trust is not taxable
- a foreign trust is taxable, to the extent it is not part of the corpus or capital gains, or
- a non-complying trust is taxable at 45 cents in the dollar, to the extent it is not part of the corpus.

How income of an estate or trust is taxed in general

In general, income of an estate or trust will be subject to income tax in New Zealand if it has a source in New Zealand regardless of the residency of the trustee.

The trustee is also liable for New Zealand income tax on income derived outside New Zealand where any settlor of the trust is resident in New Zealand at any time during the income year, or if the estate has a New Zealand trustee and the deceased was resident in New Zealand.

Allocations

Income of a trust is either trustee or beneficiary income. The trustee can allocate income as beneficiary income, provided the income either:

- vests absolutely in the beneficiary in the income year, or
- is paid or applied for the benefit of the beneficiary during that income year or within a specified period from the end of the income year. For more information see Question 21A on page 48.

Trust income allocated as beneficiary income is taxable income, except as covered below under the special rules for allocations to minor beneficiaries.

Allocations of beneficiary income to a minor

A minor is defined as a New Zealand resident under the age of 16 years on the balance date of the trust.

Allocations of beneficiary income that the minor beneficiary rule applies to are treated as trustee income. This means they are:

- taxed at 33%
- included in the trustee's tax calculation in the IR6 return, and
- included in the trustees' provisional tax calculations.

As these amounts are distributions of the trust, those trusts that are required to comply with the NZ Domestic Trust disclosure rules will still need to complete an IR6B for the minor beneficiary to disclose the amount of the distribution. Refer to Question 33 of the guide to see if your trust needs to comply.

The minor beneficiary should not include this income in their **Individual income tax return - IR3**.

Exceptions to the minor beneficiary rule

The following exceptions allow income allocated to a minor beneficiary to be treated as beneficiary income if the income:

- is derived by a minor for whom a child disability allowance is paid under the Social Security Act 2018
- is derived directly from either a group investment fund, the Māori trustee or a Māori authority, or
- the amount allocated to the minor from the trust is \$1,000 or less in an income year.

Note

If the \$1,000 threshold is exceeded, the total income allocated to the minor beneficiary is taxed as trustee income. For example, if a minor beneficiary is allocated \$1,200, the total amount of \$1,200 is taxed at 33%.

The general anti-avoidance rule may apply if a person establishes multiple trusts to increase the number of exemptions. See **Tax Information Bulletin (TIB) Vol 19, No 4 (May 2007)** for further information.

There are further exceptions to the minor beneficiary rule that relate to the nature of the settlements on the trust. For more information, please see our **Tax Information Bulletin (TIB) Vol 19, No 4 (May 2007)**

Return due date

If the estate or trust has a 31 March balance date, you have until 7 July 2022 to send in the return, unless you have been granted an extension of time. Contact us if you're not sure of the filing date.

If the estate or trust is the client of an agent, it may have until 31 March 2023 to complete the return. If this applies, contact your agent.

International obligations

You may also need to provide information about a trust to comply with the following international obligations.

The Common Reporting Standard (CRS)

For more information see:

- **IR Guidance on the CRS - IR1048** section 11
- **CRS: Is the Trust a Reporting Financial Institution - IR1052**
- **Family Trust obligations under the CRS - IR1053**
- ird.govt.nz/crs

Foreign Account Tax Compliance Act (FATCA)

For more information see:

- **FATCA Trusts Guidance - IR1087**
- **FATCA status of NZ trusts that are not US person - IR1086**
- ird.govt.nz/fatca

Questions

Questions 1 to 6

The information in Questions 1 to 6 of the return helps us to be sure that any correspondence we send goes to the right person at the right address.

Fill in these questions only if the correct information is **not** printed on the return.

Question 1 IRD number

If the estate or trust does not have an IRD number, complete an **IRD number application - resident non-individual - IR596** and send it in with the return.

Question 2 Name of estate or trust

If the estate or trust has changed its name since the last time a return was completed, please provide proof of the change so we can update our records, for example trustee resolution.

Questions 3 and 4 Postal address and phone number

If you have a new postal address, write the details at Question 3. If your new postal address is a PO Box number, show your box lobby if you have one. If you are unsure of your box lobby please contact New Zealand Post.

If the estate or trust uses its tax preparer's postal address, leave this panel blank. The tax preparer will let us know if they change their address. We ask for your daytime phone number at Question 4 in case we need to call you with questions about the return.

Question 5 Business industry classification (BIC) code

We're required to supply the Accident Compensation Corporation (ACC) with a code for your business or trading activity, for levy classification and calculation.

If your BIC code is not pre-printed on the return or is different from the pre-printed one, enter the correct code.

To work out your main business or trading activity and its code, go to **businessdescription.co.nz** or call ACC on 0800 222 776.

It's important that you choose the code which most accurately reflects your main business or trading activity.

Note

Please provide the **code only**. Do not provide a description.

Question 6 Bank account number

The fastest and safest way to get any refund is to have it direct credited to your New Zealand bank account or other deposit account, for example a building society account. If your bank account number is not preprinted on the return form, include it at Question 6.

If your suffix has only 2 digits, enter them in the first 2 squares of the suffix box.

Question 7A Has the estate or trust ceased?

If the estate or trust has ceased, include accounts showing the distribution of all assets and liabilities to the date the estate or trust was finalised.

If the estate or trust is registered for GST or as an employer, you'll need to complete a **Business cessation - IR315** form to finalise your records.

Question 7B Nil trust or estate returns

If the trust receives any income, for example interest, the trustee must complete a return regardless of the amount of income derived.

Where a trust has no prospect or intention of deriving any income in a given financial year, contact us with the trust's name and IRD number so we can record that a return is not required for that year.

If the trust subsequently derives income in a future year, the trust must send in a return.

A complying trust that is non-active and does not want to complete an income tax return can complete and send the **Non-active trust declaration - IR633**:

The complying trust needs to declare:

- it has not derived or been deemed to have derived any gross income from any source
- it has no deductions, and
- it has not been party to, or continued with, any transactions with assets of the trust that give rise to any of the following during the tax year:
 - a. income or deemed income in any person's hand, or
 - b. fringe benefits to any employee or former employee.

Question 8 Types of trusts

The type of trust determines the way certain distributions are taxed in the hands of beneficiaries. There are 3 types of estates or trusts for income tax purposes:

- complying
- foreign, and
- non-complying.

Complying trust

In general, a complying trust is one that has been taxed in New Zealand on all its trustee income since the date it began and the trustee has met all its tax obligations. Complying trusts include:

- trusts settled by New Zealand residents with New Zealand trustees and New Zealand beneficiaries
- estates of people who were New Zealand residents when they died, and
- foreign trusts that have elected to become complying trusts.

The trust can still be a complying trust if the trustee was not liable for New Zealand income tax because:

- the trust earned no income
- the income was exempt, or
- the trust was in a loss situation.

Foreign trust

A foreign trust is one where no settlor of the trust has been resident in New Zealand since 17 December 1987, or the date the trust was first settled, whichever is later, and on the date of distribution.

Non-complying trust

A trust that is not a complying trust or a foreign trust is a non-complying trust. Non-complying trusts include:

- trusts with a New Zealand-resident settlor, but non-resident trustees, that have not been liable for or have not paid New Zealand income tax on all trustee income since first being settled
- foreign trusts where the settlor has become a New Zealand resident and an election has not been made to be a complying trust, and
- trusts where all the beneficiaries are non-residents and all the income is passive income such as interest, dividends, and royalties.

Election to change category of trust for tax purposes

New residents or former residents who have settled a trust before coming to New Zealand may elect to pay New Zealand tax on future trustee income. Making this election will mean the trust becomes a complying trust for income derived on or after the date on which the election is made. An election can be made by a settlor, trustee or beneficiary using an **Election to pay income tax on trustee income - IR463** form.

If an election is not made the trust will become a non-complying trust. Elections must be made within 12 months of a new resident ceasing to be a transitional resident and within 12 months of the arrival for a former resident.

Unit trust

A unit trust is treated as a company for tax purposes. If you're preparing a tax return for a unit trust, please complete a **Companies income tax return - IR4**.

Group investment fund

If the income is:

- solely from Category B income, an IR6 must be completed
- solely from Category A income, an IR4 must be completed, or
- a combination of both Category A and Category B income, an IR4 and IR44E must be completed. Please read the notes on the IR44E for more information.

Superannuation schemes

A superannuation scheme that is not registered with the Financial Markets Authority and does not allow investors to contribute will be treated as a trust for tax purposes and must complete an IR6 return.

Income and credits section

Income received by a trust retains its character as it passes through the trust. For this reason we ask that you return different types of income in certain boxes.

Question 9 New Zealand interest

Include interest from all New Zealand sources at Question 9.

The interest payer will usually send you an RWT withholding certificate showing the gross interest paid and the amount of RWT deducted.

Write the total of all RWT deducted in Box 9A.

Add up all the gross interest amounts (before the deduction of any tax) and write the total in Box 9B.

Note

If expenses are deductible against the interest income (for example commission), claim them at Question 22. Read about expenses on page 50.

Do not send us interest statements or IR15 certificates with the return. Keep these in case we ask for them later

Interest on broken term deposits

If you've broken a term deposit during the year, you may have to account for negative interest. This is interest repaid on a term deposit and may reduce the amount of interest to declare in your return.

If the term deposit was broken in full, or it was business related, deduct the negative interest from the gross interest shown on the IR15 or equivalent statement.

Deduct the allowable negative interest component, using the worksheet below, before entering the gross amount at Box 9B on your return. In all other cases, the negative interest is deductible in a future income year when the term deposit matures.

Worksheet

Copy your gross interest from your RWT withholding certificate to Box 1.

1 ▶	\$	<input style="width: 100px;" type="text"/>	.	<input style="width: 20px;" type="text"/>
------------	----	--------------------------------------------	---	-------------------------------------------

Print any negative interest you've paid in Box 2.

2 ▶	\$	<input style="width: 100px;" type="text"/>	.	<input style="width: 20px;" type="text"/>
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Subtract Box 2 from Box 1 and print the answer in Box 3. Copy this amount to Box 9B of your tax return.

3 ▶	\$	<input style="width: 100px;" type="text"/>	.	<input style="width: 20px;" type="text"/>
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Interest paid or charged by Inland Revenue

If we paid you interest, include it in Box 9B for the income year the trust received the interest.

If the trust paid us interest, include it as a deduction in Box 22 of the return for the income year the interest is paid.

Interest from overseas

If the trust received interest from overseas, convert your overseas interest and tax credits to New Zealand dollars and show the amounts at Question 13. Read the notes about overseas income on pages 26 to 29.

Income from financial arrangements

The financial arrangement rules generally require income or expenditure from financial arrangements to be spread over the term of the arrangement. Financial arrangements include term deposits, government stock, local authority stock, mortgage bonds, futures contracts and deferred property settlements.

Trustees are required to use a spreading method unless they are a cash basis person.

A person is a **cash basis person** if:

- the value of all financial arrangements together is less than \$1 million, or
- the value of the income or expenditure from the financial arrangement is less than \$100,000, and
- the deferral of income or expenditure using the cash method rather than the actual method is less than \$40,000.

A special rule applies for deceased persons. If the deceased person was a cash basis person at the date of death, the concession applies in the year of death and up to 4 succeeding years.

Any RWT from a financial arrangement will be deducted on a cash basis.

Different rules apply for financial arrangements entered into prior to 20 May 1999.

Sale or maturity of financial arrangements

Whether or not the exemption from the spreading methods explained earlier applies, when a financial arrangement matures or is sold, remitted, or transferred, a "wash-up" calculation known as a base-price adjustment must be carried out.

Cash basis persons can use the **Sale or disposal of financial arrangements - IR3K** to perform the calculation. This form could be used, for example, to calculate the amount you need to account for if you have broken a term deposit in full.

For more information about the financial arrangements rules, please see **Tax Information Bulletin (TIB) Vol 11, No 6 (July 1999)**, page 3.

Any RWT will be deducted on a cash basis.

Question 10 New Zealand dividends

Dividends are the part of a company's profits that it passes on to its shareholders. Unit trusts are treated as companies for income tax purposes. Distributions from unit trusts will generally be taxable and are treated as dividends.

Note

All the trust's cash and taxable bonus issue dividends derived from a qualifying company must be distributed by the trustees as beneficiary income to the beneficiaries who are not trustees or companies that are not qualifying companies.

Complete Question 10 if you received any New Zealand dividends, including dividends from your local electricity or gas supplier. Do not include a dividend that's a distribution of the trust's capital and is tax free. The company or unit trust that paid you the dividend will send you a dividend statement.

Do not send us any dividend statements with the return, keep them in case we ask for them later.

Note

If expenses are deductible against the dividend income, claim them at Question 22.

Credits attached to dividends

"Imputation credits" are credits for part of the tax the company has already paid on its profits, which means the dividends are not taxed twice.

RWT is deducted from your dividend to bring the total credits withheld up to 33% of the gross dividend.

What to show in your return

Your dividend statements show the amount:

- you received (net dividend)
- of any imputation credits, and
- of any RWT credits.

Add all these amounts together to work out your total gross dividends and enter this in Box 10B.

Add up all the imputation credits and print the total in Box 10. Add any dividend RWT credits and print the total in Box 10A.

Shares instead of dividends

If the trust received shares instead of dividends, include them as income at Question 10B. Write the amount as if you received dividends instead of shares.

Dividends from overseas

Please read about overseas income on pages 26 to 29 of this guide.

Question 11 Māori authority distributions

Māori authorities can make various types of distributions.

Fill in Question 11 if you received any taxable Māori authority distributions. The Māori authority that paid you the distribution will send you a Māori authority distribution statement.

Credits attached to distributions

The Māori authority may attach a credit to the distribution it makes to members. This credit will be classified as a Maori authority credit and is part of the tax the Maori authority has already paid on its profits, so the distributions are not taxed twice.

What to show in your return

Your Māori authority distribution statement shows the amount of:

- the distribution made to you, including the taxable portion and the non-taxable portion, and
- Māori authority credit.

Transfer these amounts, leaving out any non-taxable distributions, to the relevant boxes at Question 11.

Non-taxable distribution

You do not need to include in the IR6 return any other distributions received from a Māori authority that are not taxable in the hands of a Māori authority member. These amounts are non-taxable distributions and cannot have credits attached.

For more information read our **Māori authorities guide - IR487**.

Question 12 Partnership, estate or trust income

Partnership

If the estate or trust received any income from a partnership, write the details at Question 12.

Do not include:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits or dividend RWT (include these at Question 10)
- any Māori authority dividends and Māori authority credits (include these at Question 11), or
- any overseas income and qualifying tax credits attached (include these at Question 13).

Estate or trust

If the estate or trust has received income from a foreign or non-complying trust, complete a **Schedule of beneficiary's estate or trust income - IR307** and attach it to the return.

Add up all the other income from partnerships, complying and foreign trusts, and write the total in Box 12B. Add up any other tax credits and write the total in Box 12A.

Do not include:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits or dividend RWT (include these at Question 10)
- any Māori authority dividends and Māori authority credits (include these at Question 11), or
- any overseas income and qualifying tax credits attached (include these at Question 13).

If the estate or trust has received a taxable distribution from a non-complying trust, do not include the amount as income. Calculate tax on the taxable distribution at 45 cents in the dollar and add it to the amount in Box 28B.

You can use a loss to reduce the amount of the taxable distribution. Net losses brought forward from an earlier income year and losses incurred in the 2022 income year can be used to reduce the amount. If a loss is used in this way it is no longer available to offset other income.

The reduction is calculated using the following formula:

$$(\text{Tax loss} \times 0.33) \div 0.45$$

Losses from limited partnerships

If the estate or trust is claiming a loss from a limited partnership and you need help working out the amount that can be claimed, go to ird.govt.nz/index/calculators-and-tools

Question 13 Overseas income

If the trust received overseas income, for example interest or financial arrangements, show this at Question 13.

Convert all overseas income and qualifying overseas tax paid to New Zealand dollars. You can do this by:

- using the rates available on ird.govt.nz/managing-my-tax
- contacting the overseas section of a trading bank and asking for the exchange rate for the day you received your overseas income.

Include any overseas income and credits which you received from a partnership, look-through company (LTC), estate or trust here.

Include gross income before deducting any tax credits at Box 13B. Credit for tax paid overseas will be limited to the amount of New Zealand tax payable on that income.

How overseas income of an estate or trust is taxed

In New Zealand, overseas income is taxed according to the residency of the settlor. The rules for the 3 most common situations are described over the page.

New Zealand resident trustees and income derived outside New Zealand

As a general rule, where a trustee is resident in New Zealand, and the trustee derives an amount from outside New Zealand, that income will be income of the trustee.

The amount will be exempt income of the trustee if:

- no settlor of the trust except a transitional resident is resident in New Zealand at any time during the income year, or
- that trust is not a **testamentary** trust (trust created by a person under their will) or an **inter vivos** trust (trust created by the settlor during their lifetime) where any settlor of the trust died resident in New Zealand, whether in that income year or otherwise.

Non-resident trustees and income derived outside of New Zealand

A non-resident trustee is also liable for New Zealand income tax on income derived from outside New Zealand where:

- any settlor is resident in New Zealand at any time during the income year, or
- any settlor of an **inter vivos** or a **testamentary** trust died while they were resident in New Zealand, and a trustee is resident in New Zealand at any time during the income year.

Exceptions to the general rule for non-resident trustees and income derived outside New Zealand

There are 2 situations in which a non-resident trustee is not liable for income tax on trustee income derived from outside New Zealand. These apply where the trustee is resident outside New Zealand at all times during the income year and either:

- no settlement has been made on the trust since 17 December 1987, or
- the only settlements made on the trust were by settlors who were not resident in New Zealand at the time of settlement and who have not been residents in New Zealand since 17 December 1987.

Neither exception applies where an election to pay tax on trustee income has been made by the trustee. These exceptions do not affect the liability for income tax for any settlor of the trust, for example, where the settlor elects to pay tax on trustee income.

The trustee income remains liable for income tax for the purpose of determining whether the trust is a complying trust (formerly qualifying trust).

Overseas dividends

If you are a New Zealand resident trustee and at any time during the 2022 income year you held rights such as shares, units or an entitlement to benefit in any foreign company, foreign trust, foreign superannuation scheme, or foreign life insurance policy, you may be required to calculate foreign investment fund (FIF) income or loss on those investments and include this amount in Box 13B.

Generally, you will use the fair dividend rate to calculate FIF income. The trustees may also need to complete an additional FIF disclosure form. For more information read the guide to Question 26 on page 54.

You will not need to do this if the investment is covered by an exclusion. The main exclusions from an interest in an FIF are:

- investments in certain Australian resident companies listed on approved indices on the Australian stock exchange, that maintain franking accounts. Investments covered in the list are available at ird.govt.nz/fif in the **Australian share exemption list - IR871**
- interest in certain Australian units
- limited exemptions for interests in certain venture capital
- limited exemptions for interests in certain venture capital interests that move offshore (for 10 or more income years from the income year in which the company migrates from New Zealand), and
- a 10% or greater interest in a controlled foreign company (CFC).

A limited number of trusts are also excluded from the rules if the attributing interests are below \$50,000. These are:

- a testamentary trust
- a compensatory trust, or
- where the settlor of the trust is the Accident Compensation Corporation.

If the exclusions apply and the trust is under the threshold, include dividends received in Box 13B and any qualifying overseas tax credits in Box 13A.

Note

If your dividend exceeds your FIF income, the amount of imputation credit you can claim is calculated on the basis of your FIF income. If your FIF income exceeds your dividend, you can claim the entire imputation credit attached to the dividend. Any excess imputation credit cannot be carried forward to the next year or converted to a loss.

Please note you cannot claim Australian franking credits.

For more information about the FIF rules read **A guide to foreign investment funds and the fair dividend rate - IR461, Tax Information Bulletin Vol 19, No 3 (April 2007) page 28, Tax Information Bulletin Vol 20, No 3 (April 2008) page 110**, or go to ird.govt.nz/fif

CFC income or loss

If at any time during the 2022 income year the trust has attributed CFC income or loss, the trustees or beneficiaries may be required to calculate this in their own income tax returns.

A loss from a CFC cannot be used to offset domestic income or be included in domestic losses that are carried forward to the 2023 income year. Generally, these losses can only offset income or future income from CFCs that are resident in the same country as the CFC that incurred the loss.

The trustees may also need to complete an additional CFC disclosure form. See Question 26 on page 54.

Investments in portfolio investment entities (PIEs) and portfolio investor attributed income/loss

If you receive dividends from a PIE that is a listed company and does not use your prescribed investor rate (PIR), you may choose whether to include the dividends in your return.

The attributed PIE income/loss is included in the estate or trust's return for the period that includes the end of the PIE's income year. PIEs usually have a 31 March balance date.

The amount of income derived by the estate or trust as a distribution by a PIE is excluded income of the estate or trust other than fully imputed dividends from a PIE that is a listed company and does not use your PIR.

More information is available in our guide **Information for trustees who invest in PIEs - IR856**.

Question 14 Look-through company (LTC) income

If the estate or trust received any tax credits and/or income from an LTC write the details at Question 14.

Do not include any of the following types of income received from an LTC at Question 14:

- interest and RWT (include these at Question 9)
- any dividends, imputation credits, and dividend RWT (include these at Question 10)
- Māori authority distributions and credits (include these at Question 11)
- any overseas income and qualifying tax credits attached (include these at Question 13), or
- residential rental income (include this at Question 15).

The loss limitation rule limits the amount of deductions an LTC owner (shareholder) can claim if the amount exceeds the owner's "owner's basis" (equity) in the LTC.

For the 2017-18 and later income years, the loss limitation rule only applies to an LTC which is in a partnership or joint venture which includes another LTC.

The estate or trust can now claim the full amount of prior years' non-allowable deductions brought forward this year. This will not apply if the loss limitation rule continues to apply to limit the amount claimable.

The LTC will normally supply information about the non-allowable deductions and any other information required to complete your return.

Example

Trust A is an owner of an LTC which is not in a partnership or joint venture that includes another LTC.

For the 2021 - 22 income year Trust A has a net loss of \$4,000.00 from the LTC.

Trust A also has prior years' non-allowable deductions brought forward of \$5,000.00.

Trust A had no tax credits from the LTC for the year.

Trust A's tax return should show the following amounts in the following boxes:

- 14A: \$0.00
- 14B: \$4,000.00 -
- 14C: \$0.00
- 14D: \$5,000.00
- 14E: \$9,000.00 -

What to show on your return

Add up all other tax credits received from the LTC and print the total in Box 14A.

Add up all LTC income, deduct expenses not already included elsewhere and print in Box 14B. If a loss, put a minus sign in the last box.

Add up all non-allowable deductions this year and print in Box 14C.

There should not be non-allowable deductions this year unless the loss limitation rule applies.

Add up all prior year non-allowable deductions claimable this year and print the amount in Box 14D.

You'll be able to claim the full amount of non-allowable deductions brought forward from last year if the loss limitation rule no longer applies.

If you have an amount in Box 14C, add this to Box 14B and put the total in Box 14E.

If you have an amount in Box 14D, subtract this from Box 14B and put the total in Box 14E.

If you do not have any amounts in Box 14C or Box 14D, copy the amount from Box 14B to 14E.

Box 14E is your adjusted LTC income.

You can find more information about LTCs in the **Look-through companies - IR879** guide.

Question 15 Income and expenditure from residential property

This question applies to owners of residential property, including overseas property, that gives rise to net income from a bright-line sale, and property subject to the residential property deduction rules.

Bright-line property rule for residential property

The bright-line property rule needs to be considered when none of the other land sale rules at Question 18 apply to the disposal of the property.

This rule for residential property looks at the length of time a property is owned. If you sell or dispose of a residential property within a certain timeframe and no exclusion applies, then your profit on the sale will be taxable. This applies no matter what your reason was for buying the property or what kind of buyer you are.

The bright-line property rule applies if you sell or dispose of a residential property you have owned for less than:

- 5 years for properties acquired between 29 March 2018 and 26 March 2021.
- 5 years for properties acquired as a result of an offer made on or before 23 March 2021 and that offer was not able to be revoked or withdrawn before 27 March 2021.
- 5 years for properties acquired on or after 27 March 2021 that qualify as a 'new build'.
- 10 years for all other properties acquired on or after 27 March 2021.

For tax purposes, a property is generally acquired on the date a binding sale and purchase agreement is entered into (even if some standard conditions like getting finance or a building report still need to be met). This date will determine which bright-line period (5 or 10 years) applies for your property. For more information on when a property is acquired, see our **Question we've been asked (QB) 17/02: Date of acquisition of land, and start date for 2-year bright-line test** at taxtechnical.ird.govt.nz

There are other dates that are relevant for figuring out whether your property sale is taxable under the bright-line property rule. Generally, your bright-line period starts when the legal title is transferred to you and ends when you enter into a binding sale and purchase agreement to sell the property. There are some different rules if you purchase "off the plan" in a new development, for example.

The bright-line property rule does not tax any profit made while the property was your main home. It also does not apply to a sale of inherited property, if you're the executor or administrator of a deceased estate, or if you transfer property to a partner or spouse under a relationship property agreement (however, for any subsequent sale the bright-line property rule will apply).

You can use the property tax decision tool on our website to work out if you need to pay tax on the sale of your property. For more information go to ird.govt.nz/brightline

Income and losses for property subject to the bright-line property rule are treated differently in the tax return. After a taxable bright-line sale:

- if you have net income from the sale of the property (a profit), the net income is included in Box 15A. Unless the property is part of a portfolio, expenses from other properties cannot be offset against the net income from the disposal.
- if you have made a net loss when the property is sold, the loss must be carried forward to a later income year when it can be used to offset net income from the land sale provisions, including from future disposals subject to the bright-line rule. A bright-line loss is not recorded in the tax return. Please keep your own record of any bright-line losses you have made.

Complete a **Bright-line residential property sale information - IR833** form for each bright-line property sold or disposed of and include it with your return. The form explains how to calculate the resulting profit or loss.

Complete the form even if the details have been included in a **Financial statements summary - IR10** or set of accounts, unless the income will be included in your return as part of your business income as a property speculator, property dealer, developer or builder.

If you sell/dispose of a residential property and the sale is taxable under the bright-line property rule, the amount of the previously denied interest under the interest limitation rules is treated as if it were part of the cost of the property in the year of disposal. If this results in a net loss, the deduction for the net loss is limited under the current rule that applies to losses from the disposal of bright-line property. If the disposal is not taxable, the interest previously denied a deduction remains non-deductible.

If you are a New Zealand tax resident you'll need to pay tax on your worldwide income under New Zealand tax law. This includes any property sales both in New Zealand and overseas subject to the bright-line property rule or the other land sale rules.

For more information on the land sale rules, go to ird.govt.nz/buying-selling or read our guide **Bright-line property tax - IR1227**. You can find our forms and guides at ird.govt.nz/forms-guides

Residential property deduction rules

Most residential rental properties are subject to the residential property deduction rules (also known as the ring-fencing rules). When they apply, your residential rental deductions generally cannot be more than your residential property income.

If your deductions are more than your income, the difference must be carried forward to the next year you earn residential income, including income from properties held on revenue account.

There are 2 levels of exclusions from the rules.

Any rental income or loss and net income or loss from a taxable disposal is fully excluded from the new rules if the property is:

- the main home
- property subject to the mixed-use asset rules (for example, a holiday home rented out part-time and not used for some of the year)
- certain employee accommodation.

For these types of property, the existing rules apply with the rental income or loss shown at box 17B and net income or net loss from a taxable disposal shown in box 18B.

Any rental net loss and net loss from a taxable disposal is partially excluded from the new rules if it is for:

- property that will always be taxed on sale, being revenue account property of a person in the business of building, developing or dealing in land, or
- other revenue account property the person has notified us they want the exclusion to apply to.

For these types of property any rental net loss is shown at Box 17B and taxable disposal net loss shown at Box 18B. Net rental income and net income from a taxable disposal plus any depreciation recovered is shown as residential income Box 15A.

All other residential property income is to be included in Box 17B.

Income or loss from the sale/disposal of residential property that is outside the rules is included in Box 18B. Refer to the **Rental income - IR264** guide for information on when the rules apply, how to calculate your income, the amount of deductions you can claim for this year, and the amount of any excess deductions that must be carried forward.

The residential property deduction rules also apply to a trust that has borrowed money to acquire an interest in certain entities with significant rental property holdings - a residential land-rich entity and has interest expenditure on the borrowed money.

Residential land-rich entity - a close company, partnership

or look-through company that holds more than 50% of its assets by value in residential land directly or indirectly. They come under the interposed entities rules as part of the residential property deduction rules.

For more information about the interposed entity rules, see page 60 of the **Tax Information Bulletin Vol 31 No.8 September 2019**.

Completing Question 15 in your return

You will use this question to record residential income and deductions that are subject to the residential property deduction rules.

Tick the method you have used to calculate your residential property income and deductions.

You can use 1 of the following methods:

- **Portfolio** basis - combine the income and deductions for all rental properties in the portfolio.
- **Individual**, property-by-property basis - income and deductions of individual property calculated separately to other property. You need to maintain separate records for each property to choose this option.
- **Combination** of the property-by-property basis and portfolio basis - choose to apply different methods to different property. Some properties are held in a portfolio and others are held on property-by-property basis.

If you are an owner of a look-through company (LTC) and have attributed residential income or residential rental deductions you need to use the same method the LTC used to attribute the income and deductions.

Calculate and identify the amounts for Boxes 15A to 15F using your chosen method.

Calculate your rental income and deductions as usual, as shown at boxes 4 and 14 on the **Rental income - IR3R** form. You can then enter these amounts in the **Residential property deductions worksheets - IR1226** to help calculate the amounts required to be entered in your return. You can print a copy off our website ird.govt.nz

Write the total residential income in Box 15A. This is the total of:

- (a) all rental income from the portfolio (and/or individual property)
- (b) all depreciation recovery income for assets disposed of from the portfolio (or individual property)
- (c) net income from the taxable sale/disposal of a property in your portfolio (or individual property), and
- (d) all net rental income, depreciation recovery income and net income from the taxable disposal of the property from residential property excluded because it is held on revenue account.

Only include the net income from a disposal once.

If you are a partner in a partnership or owner of a look-through company and have been attributed residential income (Box 27G on the IR7P or IR7L), include that here.

Write the total residential rental deductions for residential rental properties in Box 15B. This is the total deductions for the current year - Box 14 on the **Rental income - IR3R** if completed.

If you are a partner in a partnership or owner of a look-through company and have been attributed residential rental deductions (Box 27M on the IR7P or IR7L), include that here.

Do not include purchase costs, capital improvements or costs incurred when disposing of the property here. They are included when calculating the net income for taxable disposals.

Include the amount of any interest paid on an investment in a land rich entity that relates to the rental activity in Box 15B. Include the amount of interest paid that does not relate to the rental property in Box 17B.

Calculate the amount of allowable deductions you can claim this year, adjusting for excess deductions. Write the total residential rental deductions claimed this year in Box 15D. This should equate to Box 15B plus Box 15C less the amount of excess deductions for each property and/or property portfolio calculations shown in Box 15F.

The amount cannot exceed total residential income at Box 15A, unless there was a taxable sale/disposal of a rental property.

Combine the net income results (after adjusting for any excess deductions) for each property and or property portfolio calculations in Box 15E. Your total Net residential income in Box 15E cannot be a loss, unless the rental property or all the properties in the portfolio have been disposed of as taxable sales.

Any losses are counted as zero unless the loss is the result of either:

- excess deductions released as the result of either a taxable disposal of a property held on the property-by-property basis, or a taxable disposal of all properties or the last property held in a portfolio, or
- claimable interest paid on your investment in a residential land-rich entity. Refer to the **Rental income - IR264** guide.

Write the amount of all excess deductions for the year to be carried forward to next year in Box 15F. This is calculated as Residential rental deductions Box 15B plus 15C minus Residential rental deductions claimed this year Box 15D. Include the amount of any excess deductions to be carried forward for interest paid on an investment in a land rich entity in Box 15F.

Note 1

If you sell/dispose of an individual property and the sale is not taxable, or you sell/dispose of the last property in a portfolio and at least 1 of the sales in the portfolio was not taxable, any excess deductions will transfer to another property or portfolio and carried forward to a future year in which you earn income from a residential rental property (including properties on revenue account).

Note 2

If you sell/dispose of an individual property and the sale is taxable, or you sell/dispose of the last rental property in a portfolio, and the sale of all your rental properties in a portfolio were taxable, any remaining loss/excess deductions are released and can be offset against other income. However, this does not include any excess deductions transferred to the portfolio/property.

Note 3

If you want to claim that a property is held on revenue account where the sale may be taxable, you need to tell us the details of the property. You will be stating the sale will be a taxable sale when the property is disposed of. You must be able to separately identify the deductions relating to the property.

Refer to the **Rental income - IR264** guide.

Question 16 Interest incurred from residential property

This question applies to owners of residential property subject to the interest limitation rules.

You do not need to complete this question for the following types of property:

- Farmland
- Hospitals, hospices, convalescent homes, nursing homes
- Rest homes and retirement villages
- Hotels, motels, inns, camping grounds, hostels.

For interest to be deductible, the general deductibility rules must be met. The interest will also not be deductible to the extent to which it is of a private or domestic nature.

From 1 October 2021, interest is not deductible for residential property in New Zealand acquired on or after 27 March 2021, unless an exclusion or exemption applies (see below).

For properties acquired before 27 March 2021, the ability

to deduct interest on existing loans is being phased out between 1 October 2021 and 31 March 2025. For the 2022 tax year, you can claim:

- 100% of the interest incurred from 1 April 2021 to 30 September 2021
- 75% of the interest incurred from 1 October 2021 to 31 March 2022.

Interest on any new loans drawn down on or after 27 March 2021 is not deductible.

Special rules also apply for refinanced loans and for interest on revolving credit and overdraft facilities. Any interest on borrowings above the closing balance on 26 March 2021 is not deductible. For more information, go to ird.govt.nz/property/renting-out-residential-property

There are interposed entity rules to deny interest deductions for a customer who borrows to indirectly fund residential property through an interposed entity.

If you sell/dispose of a residential property and the sale is taxable under the bright-line property rule, the amount of the previously denied interest under the interest limitation rules is treated as if it were part of the cost of the property in the year of disposal. If this results in a net loss, the deduction for the net loss is limited under the current rule that applies to losses from the disposal of bright-line property. If the disposal is not taxable, the interest previously denied a deduction remains non-deductible.

Completing Question 16 in your return

Complete this question for any interest expense you are claiming in this income tax return at Boxes 15B and 17B in relation to a house, apartment, flat or other structure that could be used for residential accommodation, either short-term or long-term. This includes if you have an arrangement to build such a structure, and bare land that could be used to build such a structure under the relevant district plan.

Write the total interest on residential property in Box 16A. This is the total interest incurred on your borrowings for all your residential properties for this year. If you are using an IR3R form to prepare a summary for each rental property,

this is the total of all the 7A Boxes.

Write the amount of interest expense claimed in Box 16B. If you are using an IR3R form to prepare a summary for each rental property, this is the total of all the 7B Boxes.

Note

If you are a partner in a partnership or owner of a look-through company that has incurred interest on residential property at Question 19 in the IR7, include your share of that here in proportion to your share in the partnership or effective look-through interest in the LTC.

If you have claimed an interest expense in Box 16B, at Box 16C tick the reason(s) for the interest expense claimed:

- **A Māori exempt company or not a residential land company** – The interest limitation rules do not apply to non-close companies or groups if less than 50% of its total assets consist of residential property (excluding development property but including shares in other companies that exceed this 50% test) at all times during the income year. A close company that is a Māori authority, eligible to be a Māori authority, or wholly-owned by an entity that is a Māori authority or eligible to be one is an exempt Māori company if it passes this 50% test.
- **Certain schedule 15 exclusions or property not in NZ** – The interest limitation rules apply to land in New Zealand only. Schedule 15 of the Income Tax Act 2007 also allows you to claim interest for the following:
 - main home – if a portion is used to earn income such as a flatting situation
 - business premises (for example, a villa now used as a dental clinic) except if the business premises is used for providing accommodation and it's not a person's main home
 - certain Māori land, papakāinga and kaumātua housing, and land transferred as part of settlement under Te Tiriti o Waitangi/Treaty of Waitangi
 - employee accommodation
 - student accommodation.

- **Loans drawn down prior to 27 March 2021 or interest incurred before 1 October 2021** – Interest incurred from 1 April 2021 to 30 September 2021 is fully deductible. From 1 October 2021, the ability to claim interest is being phased out for the following situations:
 - loans drawn down prior to 27 March 2021
 - property acquired before 27 March 2021 but the loan for the settlement of the property was not drawn down until on or after 27 March 2021
 - loans that relate to the purchase of a property acquired as a result of an offer made on or before 23 March 2021 and that offer was not able to be revoked or withdrawn before 27 March 2021.

In other situations where the property is acquired on or after 27 March 2021, interest cannot be claimed from 1 October 2021 onwards.

- **Emergency, transitional, social or council housing** – You can claim interest for loans if your property is used for emergency, transitional or social housing when leased to the Crown (for example, the Ministry of Housing and Urban Development or Kāinga Ora) or to a registered community housing provider.
- **New build exemption** - the exemption generally applies to new build residential properties for 20 years from the date a new build's Code Compliance Certificate (CCC) is issued under the Building Act 2004. A 'new build' includes a self-contained dwelling:
 - that received a CCC on or after 27 March 2020. The dwelling can be made from new or existing materials and can be constructed onsite or relocated onto the land
 - acquired off the plans that received a CCC on or after 27 March 2020
 - created by converting an existing dwelling into 2 or more dwellings, that received a CCC on or after 27 March 2020
 - converted from commercial premises that received a CCC on or after 27 March 2020

- converted from a hotel or motel and building consent authority records show that the conversion was completed on or after 27 March 2020
- that has been removed from the earthquake prone buildings register on or after 27 March 2020, provided there is proof the remediation has been completed (either in the form of a CCC being issued, or local or building consent authority records showing the work has been completed and verified by a suitably qualified engineer)
- that was remediated because of weathertightness issues, provided more than 75% of the dwelling has been re-clad and a CCC was issued on or after 27 March 2020.
- **Development or land business exemption** – The land business exemption applies to land held as part of a developing, subdividing, or land-dealing business, or a business of erecting buildings on land. The development exemption does not require you to have a ‘land business’ and applies to land that you develop, subdivide, or build on to create a new build. The development may be a one-off.

For more information about the interest limitation rules and how to calculate the amount of interest you can claim, go to ird.govt.nz/property/renting-out-residential-property or read our guide Rental income - IR264. You can find our forms and guides at ird.govt.nz/forms-guides

Question 17 Business or rental income

If the estate or trust has business or rental income (other than residential rental income see question 15), you must attach either:

- a fully completed **Financial statements summary - IR10** form, or
- a set of the estate or trust's financial accounts for the year.

The IR10 summarises the information we need from the financial accounts. If you complete an IR10 you do not need to send us your financial accounts, but you still need to complete and keep them.

Business income

Write the net profit in Box 17B. This is the amount of income or net loss after all allowable business expenditure has been deducted. If the total is a loss, put a minus sign in the last box at Box 17B. When calculating business income, you can use the **Schedule of business income - IR3B**.

Rental income

If there is rental income other than residential rental income, print the net profit or loss (total rents minus expenses) in Box 17B. When calculating rental income you can use the **Rental income - IR3R**.

Attribution rule

Under the attribution rule, anyone whose actions cause an associated person (company, trust or partnership) to earn income, can be personally liable for tax on that income. If this rule applies to persons associated with your estate or trust, it will affect the amount of taxable income in this return.

For more information read our **Tax Information Bulletin Vol 12, No 12 (December 2000) page 49** and **TIB, Vol 13, No 11 (November 2001)**.

Question 18 Income from taxable property sales/disposals

Include the total net income or loss from land.

Do not include net income or loss from a bright-line sale at Box 18B. Bright-line sales are included under residential income at Question 15.

Profits from land sales are taxable if you bought a property for the purpose of reselling it or are in the business of buying and selling land and/or buildings.

The profits may also be taxable if you:

- are a builder and improved a property before selling it
- developed or subdivided land and sold sections, or
- had a change of zoning on your property and sold it within ten years of buying it.

Show the total profit or loss from other property in Box 18B.

If you are a New Zealand tax resident you'll need to pay tax on your worldwide income under New Zealand tax law. This includes any property sales worldwide subject to the bright-line property rule for residential land, or the other land sale rules.

For more information on the land sale rules, go to ird.govt.nz/buying-selling or read our guide **Tax and your property transactions - IR361**. You can find our forms and guides at ird.govt.nz/forms-guides

Question 18A - Residential land withholding tax (RLWT) credit

The estate or trust can claim a credit for RLWT deducted from the sale of a property. If more than 1 amount was deducted, show the combined amount.

Show the amount of RLWT deducted, less any RLWT paid back to the estate or trust and/or transferred to outstanding amounts.

Show the name of the the estate or trust's withholder in the "Name of payer" box.

Question 19 Other income

At Question 19 show any other income received by the estate or trust, for example income from:

- any undertaking or scheme
- sale of shares or other property
- sale or disposal of assets
- any schedular payments received by a trust
- certain settlements on a trust, or
- forgiveness of debt.

Read the following sections for more information on the above items.

Income from any undertaking or scheme

Profits made from any undertaking or scheme entered into for the purpose of making a profit, are taxable to the estate or trust. On a separate piece of paper include what the undertaking or scheme was and list the details of income and expenses from these undertakings and schemes. Attach it to page 3 of the return and include the total profit in Box 20B.

Income from sale of land and/or buildings other than residential

The profits are taxable if the estate or trust purchased a property for the purpose of reselling it or are in the business of buying and selling land and/or buildings.

If the estate or trust is a New Zealand tax resident it will need to pay tax on its worldwide income under New Zealand tax law. This includes any property sales worldwide.

Calculate your profit or loss by completing a **Bright-line property sale information – IR833** form for each bright-line property you have sold or disposed of. Include the results of any profit in your return. You can download the IR833 from ird.govt.nz/forms-guides

Complete the form even if the details have been included in a **Financial statements summary - IR10** or set of accounts. Include total profits in Box 18B.

Income from sale of shares or other property

Profits from the sale of shares or other property are taxable if the estate or trust:

- buys and sells shares or other property as a business
- buys shares or other property for the purpose of resale, or
- buys shares or property to make a profit.

List the details of income and expenses from these sales on a sheet of paper and staple it to page 3 of the return. Include the total profit in Box 18B.

Sale or disposal of assets

There are a number of rules that apply to the sale or disposal of assets. For more information read Part 3 of our guide **Depreciation - a guide for business - IR260**.

Losses from sale of land, buildings, shares that are not FIFOs, or other property

If the estate or trust has made a loss and can show that if it had made a profit it would have been taxable, it may be able to claim the loss as a deduction.

If the property was purchased on or after 1 October 2015 with no intention to sell and it was sold/disposed of within 2 years, any excess deductions cannot be claimed unless they can be offset against net income from other property sales.

Bright-line property sale information – IR833 form has more information on this.

For more information on property sales see our guide **Buying and selling residential property - IR313**.

Show the loss with a minus sign in the last box at Box 18B.

PAYE income accrued to date of death

The following types of PAYE income must be returned by the estate if it is accrued to the date of death and subsequently received by the estate:

- salary or wages
- holiday pay or other leave payments
- director's fees, and
- any other PAYE income (includes schedular payments).

Include the total gross amount in Box 20B and any tax credits in Box 20A. This income is assessed as trustee income.

Certain settlements on a trust

The following settlements of property on a trust are deemed to be trustee income. This means that these settlements of property are excluded from the definition of corpus:

- property settled by a trustee of another trust, so long as it would have counted as income if that trust had distributed the property to 1 of its beneficiaries instead.
- a settlement of a property on a trust, which, if not for the settlement, would have constituted:
 - income of the settlor, or
 - a dividend for which the settlor would have been liable to deduct an FDP (foreign dividend payment),

formerly dividend withholding payment, if the settlor is currently resident or had been resident in New Zealand and subject to income tax at that time.

Forgiveness of debt

The financial arrangements rules treat debts that do not have to be repaid because they have been forgiven as income to the debtor. There is an exception in the case of trusts if the creditor is a natural person and forgives the debt:

- due to "natural love and affection" for natural persons who are beneficiaries of the trust, or
- of a trust that was established mainly for the benefit of charitable organisations.

If the debt forgiven is distributed to a non-qualifying beneficiary, the trustee can be liable for tax.

For more information, please see our **Tax Information Bulletin Vol 11, No 6 (July 1999) page 20**.

Question 20 Total income & total tax credits

Add up Boxes 9B to 13B, 14E, 15E, and 17B to 19B. Write the total in Box 20B.

Add up Boxes 9A to 14A, 17A and 19A. Write the total in Box 20A. Do not include Box 10 in this total.

Question 21 Income allocation

Income derived by a trustee must be allocated between beneficiary income and trustee income in boxes 21A and 21B respectively.

Question 21A - Beneficiary income excluding minor beneficiaries

Beneficiary income is income of an estate or trust that vests in a beneficiary during the year or is paid to a beneficiary (or credited to them or dealt with in their interest or on their behalf) during the year or within a certain period after the end of the year.

The rest of the income generated by an estate or trust will be trustee income.

The income available to allocate to beneficiaries may be the income in Box 20B but it is important to note that Box 20B is a total of various amounts of estate or trust income. Some of the amounts, such as income from rental activities, are net amounts, for example after deductions. Some of the deductions may be for non-cash outgoings, such as depreciation. This may result in there being income that can be distributed to beneficiaries despite Box 20B showing a loss, and providing the trust deed allows it.

This means there may be amounts that vest in or are paid to beneficiaries that have to be treated as beneficiary income. Identify any such vesting or payment and include the amount in Box 21A. The total must reconcile with the combined totals of Boxes 27I on the IR6B after deducting any taxable distributions included in Box 27H.

Timing of allocation of beneficiary income

Allocation of income to a beneficiary must be made within the income year, or by the later of the following:

- 6 months after balance date, or
- the earlier of:
 - the date on which the trustee completes the return of income for the income year, or
 - the date by which the trustee must complete a return for the income year.

Example

A family trust is allocating income to beneficiaries for the year ended 31 March 2022. The trust return is due on 7 July 2022 and the trust plans to complete by 30 June. The income should be allocated by the later of the following:

- 30 September 2022, or
- the earlier of:
 - 30 June 2022, or
 - 7 July 2022.

In this case the income must be allocated by September 2022.

If the trust has a tax preparer, the extension of time for completing income tax returns may apply.

Question 21B - Trustee income including minor beneficiaries

Trustee income is any income generated by an estate or trust that is not beneficiary income, see "Question 21A - Beneficiary income" on pages 48 and 49. It includes income accrued to date of death and received afterwards.

Where Box 20B shows a loss, there will be no trustee income and Box 21B should be left blank. The loss in Box 20B will be taken into account by us in calculating the loss to carry forward.

Accrued income and non-apportionment clauses

As a general rule, accrued income to date of death is retained by the trustee and becomes part of the capital of the estate. This income is treated as trustee income.

However, where the will of the deceased taxpayer contains a non-apportionment clause, the beneficiary is entitled to receive the income accrued to date of death. So, if the accrued income is paid to the beneficiary, it's treated as beneficiary income.

Question 22 Expenses

The estate or trust may have incurred expenses in generating its income, for example:

- commission deducted from interest or dividends
- expenses for return preparation
- deductible trustee charges, or
- interest paid to Inland Revenue.

If these expenses have not been claimed elsewhere in the return, write the amount claimed in Box 22.

Note

Certain expenditure is not deductible and this includes:

- private expenditure, and
- capital expenditure.

Penalties may apply if it is claimed incorrectly.

Question 23 Net losses brought forward

There are 2 types of losses the estate or trust can bring forward.

Specified activity net losses

These are net losses from specified activities incurred before the 1991 income year. Any loss balance in relation to a specified activity that remained at the end of the 2021 income year must be offset against net income for the 2022 income year, before taking into account other losses. The amount of this offset cannot exceed the net income.

If the loss balance from specified activities incurred before the 1991 income year exceeds the net income for the 2022 income year, that excess amount is added to the tax loss for the year. Any remaining tax loss is then carried forward to further income years.

Other net losses

All losses incurred from the 1991 income year onwards and other net losses that were not limited before 1991 (including any net loss resulting from excess imputation credits) are "other net losses".

Enter the total of all specified activity net losses and other net losses the estate or trust can bring forward to 2022 in Box 23A. Enter the amount the estate or trust has offset against 2022 income in Box 23B.

Note

You'll find the amount of net loss the estate or trust has to bring forward on the loss notice we sent you with the 2021 income tax assessment. If you do not have a loss notice, contact us to obtain the figure.

Losses cannot be transferred from the deceased's return to the estate's return. Any such losses lapse.

Trust losses cannot be passed to beneficiaries. They remain in the trust to be offset against future trustee income.

If the estate or trust cannot offset any losses in 2022, enter "0.00" in Box 23B.

Questions 24 and 25 Distributions to beneficiaries by foreign and non-complying trusts

Question 24 - Distributions

At Question 24 print the total amount of distributions made to beneficiaries during the year.

A distribution is any income or property of the trust that vests in the beneficiary or is paid or applied for a beneficiary's benefit. It includes any property or service disposed of or provided to:

- a beneficiary for less than market value, or
- the trust by a beneficiary for greater than market value.

Attach a separate schedule to page 3 of the return showing the source and the amount of each distribution.

Distributions are considered to have come from different sources in the following order:

- beneficiary income
- accumulated trustee income
- capital profits or gains realised in the current income year
- capital profits or gains realised in previous years that have been accumulated by the trust, and
- the corpus of the trust.

The ordering establishes if the distribution is a taxable distribution - see Question 23. Capital gains and corpus distributed only after income derived by trustees in the year of distribution and in prior years has been distributed.

More information about the ordering and taxability of distributions can be found in our **Trusts' and estates' income tax rules - IR288 guide**.

Question 25 - Taxable distributions

A taxable distribution is one made to a beneficiary by a foreign or non-complying trust that is not beneficiary income.

For a foreign trust taxable distributions also do not include capital gains profits that are not counted as taxable income, except when derived from transactions with associated persons or a distribution from the corpus.

For non-complying trusts they do not include distributions from the corpus.

Write the total taxable distributions made to beneficiaries during the year in Box 25.

Where to include taxable distributions

Include the amount of the taxable distribution made to each beneficiary in the beneficiary's panel of the IR6B:

- in Box 27H if the trust is a foreign trust, or
- in Box 27K if the trust is a non-complying trust.

For tax payable on taxable distributions see Question 27K on page 59.

Schedule of beneficiary's estate or trust income

Each beneficiary (excluding minor beneficiaries) must attach a completed **Schedule of beneficiary's estate or trust income - IR307** to their individual tax return if they receive income from a foreign or non-complying trust.

It's helpful if the trustee or tax preparer also provides a completed IR307 when advising beneficiaries of their share of trust income. Beneficiaries do not then need to contact the trustee or tax preparer when completing their own returns.

Question 26 Additional disclosure of foreign investments

If you calculated CFC or FIF income at Question 13 you may be required to complete an additional disclosure form for that investment.

If the trust is not widely held or a PIE, you may not require an additional disclosure if the investments are in countries New Zealand has a double tax agreement with as at 31 March 2013, and have used the fair dividend rate or comparative value method.

If the trust is widely held or a PIE you are required to complete an additional disclosure.

Go to ird.govt.nz/beps for full details of the disclosure requirements and the appropriate forms.

Find out more about the base erosion profit shifting (BEPS) hybrid mismatch rules at ird.govt.nz/beps

If you need help? making a CFC or FIF disclosure please call 0800 443 773.

Question 27 tax payable for beneficiaries

Print the combined total from box 27T from all IR6B's completed by the trust. Refer to the detail below on boxes 27A to 27AC for more information on how to complete the IR6B.

IR6B Estate or trust beneficiary details

Complete the details on the IR6B for each beneficiary who has received an income allocation from the trust. See Question 21A on pages 48 to 49 for the definition of beneficiary income. Complete boxes 27D to 27K to record any taxable income allocations made to the beneficiary. Complete boxes 27L to 27T to allocate tax credits and calculate tax payable.

If the trust is required to comply with the NZ Domestic Trust disclosure rules (see question 33 to see if you need to comply) you must also complete an IR6B for any beneficiary who has received a distribution from the trust during the year. Complete boxes 27V to 27AA to record distributions made, and boxes 27U, 27AB and 27AC to record beneficiary account movements.

Trusts required to comply with the NZ Domestic Trust Disclosure rules must supply each beneficiary's:

- Full name
- Date of birth or commencement date
- IRD number or Tax identification number (refer question 27A, 27B and 27C)
- Jurisdiction of tax residency

The question about jurisdiction of tax residency also lets us work out correctly how the beneficiary income should be taxed.

Include all beneficiary income allocated to each non-resident beneficiary in Boxes 27D, 27E, 27F, 27G and 27H. Remember, the combined totals at Boxes 27I, less any taxable distributions from foreign trusts included at Box 27H must reconcile with the total of Box 21A.

Non-resident passive income

Non-resident passive income is interest, dividends and royalties for the supply of scientific, technical, industrial or commercial knowledge. These types of income are subject to non-resident withholding tax (NRWT) if the income has a New Zealand source.

This tax is deducted when the non-resident passive income is paid or credited to a non-resident beneficiary. The rates and methods of calculating the tax on a non-resident beneficiary's share of income differ according to the type of income derived and the country the beneficiary is resident in.

Include all income derived by each non-resident beneficiary in Boxes 27D, 27E, 27F, 27G and 27H.

Paying NRWT

When paying non-resident passive income to a non-resident beneficiary, the trust must complete certain forms and pay NRWT.

If you need more help, see our **NRWT - payer's guide - IR291**.

When calculating the amount of income liable for income tax at the ordinary rates, do not include non-resident passive income or any overseas income in the taxable income figure in Box 27I for non-resident beneficiaries.

Question 27A Beneficiary does not have a tax identification number (TIN)

Tick one of these boxes to indicate why the beneficiary does not have a tax identification number.

Question 27B Beneficiary's IRD number

Enter the beneficiary's IRD number. If the beneficiary does not have an IRD number because, for example, they are a minor with no assessable income, tick the box at 27A to indicate "TIN not required in jurisdiction" and leave the field blank. If the beneficiary does not have an IRD number because they are not resident in NZ then leave this field blank and provide a TIN in box 27C.

If you do not have the beneficiary's IRD number contact the beneficiary. Due to our confidentiality obligations under section 18 of the Tax Administration Act 1994 we cannot provide it to you.

Question 27C Beneficiary's TIN

If the beneficiary is not a tax resident in New Zealand, enter the beneficiary's tax identification number from the tax jurisdiction they are resident in. If the beneficiary is not required to hold a TIN in that jurisdiction, or the jurisdiction does not issue TINs, tick one of the boxes at question 27A and leave this field blank.

Questions 27D to 27T: Beneficiary income and calculation of tax, excluding minor beneficiaries

See Question 21A on pages 48 to 49 for the definition of beneficiary income. Complete boxes 27D to 27K to record any taxable income allocations made to the beneficiary. Complete boxes 27L to 27T to allocate tax credits and calculate tax payable.

Question 27D New Zealand interest

If the allocation of beneficiary income includes any New Zealand interest, write the amount in Box 27D.

Question 27E New Zealand dividends

If the allocation of beneficiary income includes any New Zealand dividends, write the amount in Box 27E.

Question 27F Māori authority distributions

If the allocation of beneficiary income includes any Māori authority distributions, write the amount in Box 27F.

Question 27G Overseas income

If the allocation of beneficiary income includes any overseas income, write the amount in Box 27G.

Question 27H Other income and taxable distributions from a foreign trust

Add the remainder of any allocated beneficiary income to any taxable distributions from a foreign trust and write the total in Box 27H.

Question 27I Beneficiary income from the estate or trust

Add up boxes 27D to 27H and write the total in Box 27I.

Question 27J Paying the tax on beneficiary income, excluding minor beneficiaries

The trustee must pay tax on behalf of the beneficiary for all income allocated to the beneficiary. However, the trustee and the beneficiary can agree not to have tax deducted from trust/estate income before the beneficiary receives it.

This might be done where the beneficiary has losses available to offset income.

Note

The trustees will be liable if the beneficiary defaults on payment of the tax obligations on trust income.

Tick 'Yes' if the estate or trust is paying the tax on behalf of beneficiaries, then complete all boxes 27D to 27T.

'Yes' means the trust/estate will retain any excess tax credits (except overseas credits and Imputation credits) for the trust/estate. The beneficiary must then show the gross income allocated to them as trust income and can only claim the amount of tax paid by the trust at key point 27L, in the key point for Tax Paid by Trustees of their own income tax return.

Tick 'No' if the estate or trust is not paying the tax on behalf of beneficiaries. Then complete boxes 27D to 27I, and boxes 27K, 27M, 27O, 27Q, 27U, 27V, 27W, 27X, 27Y, 27Z, 27AA, 27AB & 27AC only.

Question 27K Taxable distributions by non-complying trust

Show taxable distributions to each beneficiary in Box 27K and the tax in Box 27S. Taxable distributions by a non-complying trust are taxable to the beneficiary at a flat rate of 45 cents in the dollar.

Question 27L Calculation of tax

Do not fill out Box 27L if you ticked “No” in Box 27J.

If the estate or trust is paying tax on behalf of the beneficiaries first calculate tax on the total taxable income of each beneficiary, including other income not received from the estate or trust, using the rates below.

Then determine the portion of tax applicable to just beneficiary income (see **Trusts and estates income tax rules - IR288** and “Tax on beneficiary income”).

Income to \$14,000 10.5%

\$14,001 - \$48,000 17.5%

\$48,001 - \$70,000 30.0%

\$70,001 - \$180,000 33.0%

\$180,001 and over 39%

Question 27M Beneficiary’s share of overseas tax paid

Allocate any tax paid overseas to beneficiaries on the same basis as the allocation of income.

Minor beneficiaries’ share of overseas tax is to be offset against tax payable on trustee income.

A New Zealand resident who receives a taxable distribution is not allowed a tax credit in relation to any income tax paid unless the tax is the same as non-resident withholding tax (NRWT). The amount of any credit is equal to:

$$\frac{\text{taxable income}}{\text{total distribution}} \times \text{foreign tax paid}$$

Question 27N Calculation

Do not fill out Box 27N if you ticked “No” in Box 27J.

Subtract Box 27M from Box 27L.

If the overseas tax paid (Box 27M) allocated to a beneficiary is greater than the tax payable in Box 27L, print 0.00 at Box 27N.

Question 27O Beneficiary’s share of dividend imputation credits

If dividends have been allocated to a beneficiary, use the following formula to work out the credits attached to those dividends:

$$a \times \left(\frac{b}{c} \right)$$

- a is the total of all dividend imputation credits attached to all dividends distributed to beneficiaries during the income year
- b is the total distribution, including capital distributions made to the particular beneficiary during the year
- c is the total distribution, including capital distributions made to all beneficiaries during the year.

Show the beneficiary’s share of imputation credits in Box 27O.

Question 27P Calculation

Do not fill out Box 27P if you ticked “No” in Box 27J.

Subtract Box 27O from Box 27N.

If the beneficiary’s share of the imputation credits is larger than their tax payable in Box 27N, the excess credit cannot be refunded to the trust. Write 0.00 in Box 27P.

The beneficiary should claim the balance of the unused imputation credits in their own tax return.

Minor beneficiaries’ share of dividend imputation credits is to be offset against tax payable on trustee income in Box 28H of the IR6.

Question 27Q Beneficiary's allocation of RWT and other credits

Minor beneficiaries' allocation of RWT and other credits is to be offset against tax payable on trustee income.

Ensure that you include the following amounts in Box 27Q for each beneficiary:

- allocation of RWT (Boxes 9A and 10A) including any RWT credits reallocated under the RWT substitution payment rules
- share of Māori authority credits (Box 11A)
- share of partnership, estate or trust tax credits (Box 12A)
- share of LTC tax credits (Box 14A)
- if income from a property sale is treated as beneficiary income, show their share of any residential land withholding tax credit (Box 18A), and
- share of other income credits (Box 19A).

Note

Do not include any amounts already shown in either Boxes 27M or 27O of the IR6B.

Questions 27R & 27T

Do not fill out 27R or 27T if you ticked 'No' in Box 27J.

Question 27S

Calculate tax on taxable distribution by non-complying trust in 27K at 45 cents in the dollar and print this in Box 27S.

Questions 27U to 27AC: Distributions and beneficiary account movements

If the trust is required to comply with the NZ Domestic Trust disclosure rules (see question 33 to see if you need to comply) you must disclose the details of any beneficiary who has received a distribution from the trust during the year, refer to page 11 of the guide to read more about distributions. Complete boxes 27V to 27AA to record distributions made, and boxes 27U, 27AB and 27AC to record beneficiary account movements.

Question 27U: Opening balance

Enter the opening balance of any amount owing to the beneficiary from distributions made in prior years that have not been withdrawn or enjoyed by the beneficiary.

Question 27V: Accounting income and other distributions

Enter the total accounting income distributed to the beneficiary for the year.

This may be different from the total income allocated at questions 27D to 27H because:

- Taxable income allocations can include amounts allocated within 6-months of the end of the tax year;
- Taxable income may be calculated using different rules from accounting income, such as the FIF or PIE rules.

Include any other distributions that are not captured in questions 27W, 27X, 27Y and 27Z. An example of a distribution not captured below is where a beneficiary provides assets or services to a trust and receives higher than market value in return.

Question 27W: Distribution of trust corpus

Enter the total amount of trust corpus distributed to the beneficiary during the year. Trust corpus reflects amounts of any settlements made on the trust (less any distributions made).

Question 27X: Distribution of trust capital

Enter the total amount of trust capital distributed to the beneficiary during the year. Trust capital reflects tax paid profits and realised capital gains of the trust.

Question 27Y: Distribution arising when property is used by a beneficiary for less than market value

If a beneficiary enjoys the use of trust property for less than market value this is a distribution. If the cost of providing this to the beneficiary is NIL you can record zero at question 27Y, as long as this corresponds with the way it has been treated in the trust's financial statements. Alternatively you can use a fair market value.

Example

The trust owns a holiday home at the beach, all beneficiaries have free use of the property at any time. Each time a beneficiary uses the property they are receiving a distribution from the trust. Provided the trust does not incur any holding costs on the property then the amount of the distribution can be recorded as nil.

Question 27Z: Distribution of trust assets (other than cash)

Record the value of any trust assets (excluding cash) distributed to the beneficiary during the year. The amount of the distribution should align with the asset value recorded in the financial statements of the trust, which may reflect historical cost, tax book value or market value.

Question 27AA: Distribution arising from forgiveness of debt

Enter the amount of any debt owing by the beneficiary that has been forgiven by the trust during the year.

Question 27AB: Withdrawals and amounts enjoyed during the year

Record the total of:

- the value of assets used for less than market value (27Y)
- assets withdrawn (27Z)
- debt forgiven (27AA) and
- any cash withdrawals made by the beneficiary during the year

Question 27AC: Closing balance

Record the closing balance of amounts owed to the beneficiary at the end of the year.

Trustee income and calculation of tax

Question 28A Calculation of taxable income

If the result is negative, the amount will be taken into account in the loss carried forward to the following year.

Question 28B Calculation of tax and tax on taxable distributions

If the trust has received a taxable distribution and tax has not been paid, calculate tax at 33 cents in the dollar and add it to the total.

Question 28C Credit for tax paid overseas

The amount of the credit for tax paid overseas on trustee income is limited to the amount of New Zealand tax on that income.

Remember to attach evidence of payment to page 3 of your return.

Question 28E Dividend imputation credits

If the trustee's share of the imputation credit exceeds the tax on trustee income at Box 28D, the excess credit cannot be refunded. Write 0.00 in Box 28F. The excess credit is converted to a net loss to carry forward to the following year.

To calculate the net loss to carry forward to 2023, use the worksheet on page 66. We'll send you a notice confirming the amount of loss to carry forward.

Example

In this example the net loss to carry forward to the income year ending 31 March 2023 is \$151.00 in Box 4.

Trustee's share of imputation credits from Box 28E of the return.	1 ▶	\$	350.00
Tax on trustee income from Box 28D of the return.	2 ▶	\$	300.00
Subtract Box 2 from Box 1. Print your answer here.	3 ▶	\$	50.00
Divide Box 3 by 0.33 (33%). Print your answer here.	4 ▶	\$	(151.00)

Worksheet

Trustee's share of imputation credits from Box 28E of the return.	1 ▶	\$	<input type="text"/>
Tax on trustee income from Box 28D of the return.	2 ▶	\$	<input type="text"/>
Subtract Box 2 from Box 1. Print your answer here.	3 ▶	\$	<input type="text"/>
Divide Box 3 by 0.33 (33%). Print your answer here.	4 ▶	\$	<input type="text"/>

The amount in Box 4 is the net loss to carry forward to 2023.

Question 28G Trustee's share of RWT and other credits

The following amounts should be added together and printed in Box 28G:

- the trustee's allocation of RWT (Boxes 9A and 10A)
- the trustee's share of Māori authority credits (Box 11A)
- the trustee's share of partnership, estate or trust tax credits (Box 12A)
- the trustee's share of LTC tax credits (Box 14A)
- the total from Box 19A, and
- the trustee's share of any RLWT credit (Box 18A).

Do not include any amounts already shown in either Boxes 27M or 27O of the IR6B.

Question 30 Refunds and/or transfers

Please be careful to copy the amount from Box 29E to Box 30 correctly.

Direct credit

If you choose direct credit, you get your refund faster and you can withdraw your money as soon as it's credited because there's no clearance time.

We pay any refund direct into your New Zealand bank account or other deposit account, for example a building society account, as soon as we've processed your return. Make sure your correct account number is printed at Question 6 on the front page of your return.

Question 30A Overpaid provisional tax

If you've made payments towards your 2023 provisional tax and, after completing this return, find you have less or no provisional tax to pay, the overpayment can be included in the amount we refund or transfer. Attach a separate note to your return to request this.

Question 30B Transferring a refund to pay provisional tax

If you're entitled to a refund you can transfer all or part of it to your 2023 provisional tax. If you want to do this print the amount of the transfer in Box 30A.

Questions 30C to 30D Transfers to another taxpayer's income tax account

If you'd like your refund transferred to another account you'll need to tell us what date you'd like it transferred. The date you choose depends on what tax has been overpaid and whose account you want the credit transferred to. Different rules apply if the other taxpayer is associated to you.

Associated taxpayers

When transferring overpaid tax, associated taxpayers are:

- a company you're a shareholder-employee in
- a partner in the same partnership
- a relative (for example child, parent, spouse, or partner), or
- a trustee of a family trust you're a beneficiary of.

You can ask for your credit to be transferred at any date as long as it's not before the relevant date shown below.

Tick "Yes" or "No" at Box 30B to indicate whether the other taxpayer is associated and write their name in the boxes provided.

Write the IRD number of the other taxpayer at Box 30C.

Write the amount you wish to transfer at Box 30D.

Transfer dates

For refunds transferred to your account or an associated taxpayers account:

- If the credit is from excess tax deducted (for example PAYE deducted), it's the day after your balance date (or 1 April if your balance date is before 31 March).
- If the credit is from overpaid provisional tax, it's the day you overpaid it.

Note

Special rules apply if the return period has had tax pooling refunds transferred in.

For credit transferred to a non-associated person's account, it's the later of the day you requested the transfer, or the day after you complete your return.

Future transfer dates

If you'd like your credit transferred at a date in the future, attach a note to the front of your return with details of:

- the amount you want transferred
- the account you want it transferred to, and if it's the account of the associated person, and
- the date you'd like it transferred.

If you do not tell us the date you'd like your credit transferred, we'll transfer it at a date we think gives you the greatest advantage. Contact us if you'd like to change the transfer date and tell us if this transfer is to cover a debt.

For more information on transfers, read **Tax Information Bulletin Vol 14, No 11 (November 2002)**.

Refunds of less than \$1

If your refund is less than \$1 it will be carried forward to your next tax assessment. We'll offset it against any amount you may owe us or add it to any refund. If you do not want it carried forward, please contact us.

Question 31 Initial provisional tax liability

If this is the first year the estate or trust started to derive gross income from a taxable activity, print the start date in Box 31.

Provisional tax is not payable if the residual income tax (RIT) for the previous year was \$5,000 or less. Most new businesses do not pay provisional tax in their first year of operation because there's no RIT from the previous year to base the calculation on.

However, a special rule requires you to pay interest if you have an initial provisional tax liability.

The estate or trust has an initial provisional tax liability if:

- it starts to derive gross income from a taxable activity, and
- it had not derived income from a taxable activity within the preceding 4 years, or
- you have RIT of \$60,000 or more in the current year.

The interest cost can be reduced or eliminated by making voluntary provisional tax payments on the instalment due dates.

Interest rules for taxpayers with an initial provisional tax liability

Taxpayers with an initial provisional tax liability may be charged interest from the first, second or third instalment date. The instalment date that interest applies from is determined by the taxable activity's start date.

For estates and trusts whose balance date is 31 March, the start date for interest will be:

- 29 August, if the taxable activity started before 30 July of the same year
- 16 January, if the taxable activity started between 31 July and 16 December of the previous year, or
- 8 May, if the taxable activity started on or after 17 December of the previous year.

An estate or trust with a balance date other than 31 March generally pays provisional tax on the 28th day of the 5th, 9th and 13th months after the balance date, unless completing six-monthly GST returns.

If you need help to work out whether the estate or trust has an initial provisional tax liability, read our guide **Provisional tax - IR289**.

Question 32 2023 provisional tax

2023 provisional tax is charged for income the estate or trust will earn in the 2023 income year. It is payable in 2, 3 or 6 equal instalments. There are 3 options for paying provisional tax - standard, estimation and ratio.

If the estate or trust's 2022 RIT is:

- \$5,000 or less it does not have to pay provisional tax, although it can make voluntary payments
- more than \$5,000 but expected to be \$5,000 or less for 2023, it may estimate 2023 provisional tax at nil (read "Estimation option" on page 71), or
- more than \$5,000 and expected to be more than \$5,000 for 2022, it must pay 2023 provisional tax.

If you anticipate your RIT will exceed \$5,000 for the 2022 year, see "Interest" on page 73. You may be liable for interest from your first provisional tax instalment date.

Which option to use

Estates or trusts can use either the standard or estimation options to pay their provisional tax. If they're registered for GST they may also be able to use the ratio option.

Standard option

Using the standard option, the estate or trust's 2023 provisional tax will be equal to its 2022 RIT plus 5%. If you use this option enter **S** in Box 32A on the return and the amount of 2023 provisional tax in Box 32B.

- If the estate or trust's 2022 return has not been completed by the first instalment date of 2023 provisional tax, the provisional tax instalments payable is based on 2021 RIT plus 10% (divided by 3 or 2, depending on how many instalments are payable).

Estimation option

Estates or trusts can estimate their 2023 provisional tax. Trustees must include distributions to minor beneficiaries in their estimate. They can re-estimate any number of times up to and including their final instalment due date. If the estate or trust's 2023 RIT is expected to be less than its 2022 RIT, estimating may prevent the estate or trust from paying more tax than it has to.

Note

An estimate must be "fair and reasonable" at each instalment it applies to. If you use this option, see page 73 on "Not taking reasonable care penalty" and "Interest". If you estimate your provisional tax, your instalments should be one-third of your estimation.

Use the worksheet on page 72 to calculate provisional tax using the estimation option. If you use this option enter **E** in Box 32A and the amount of 2023 provisional tax in Box 32B.

Estimating provisional tax on beneficiary income

When working out the tax on estimated beneficiary income, calculate the tax separately for each beneficiary, including estimated tax credits where applicable. The table on the following page shows the 2023 individual tax rates for provisional tax.

2023 annual tax rates income range	Tax rate
Income to \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30.0%
\$70,001 - \$180,000	33.0%
\$180,001 and over	39.0%

When using these tax rates to calculate 2023 provisional tax, you'll also need to estimate the tax credits the beneficiary may be entitled to.

Use this worksheet to calculate the estate or trust's 2023 provisional tax using the estimation option.

Print the estate or trust's estimated 2023 income to be allocated in Box 1. **1** ▶ \$.

Estimated allocation of income:

- Beneficiary income **2** ▶ \$.
- Trustee income **3** ▶ \$.

Work out the tax on the amount in Box 2, using the rates above. **4** ▶ \$.

Print your answer in Box 4.

Multiply the amount in Box 3 by 0.33 (33%). **5** ▶ \$.

Print your answer in Box 5.

If the estate or trust is non-complying, multiply the estimated taxable distributions, if any, by 0.45 (45%). **6** ▶ \$.

Print your answer in Box 6.

Add Boxes 4, 5 and 6. **7** ▶ \$.

Print your answer in Box 7.

Print the estimated 2023 credits (trustees' share only) in Box 8. **8** ▶ \$.

Subtract Box 8 from Box 7. Print your answer in Box 9. **9** ▶ \$.

Box 9 is the estate or trust's 2023 provisional tax.

Copy it to Box 32B of the return and print E in Box 32A.

Divide the amount in Box 9 by three to get the amount to pay for each instalment.

If you need more help read our guide **Provisional tax - IR289**.

Ratio option

If the trust is GST registered you may qualify to use the ratio option to calculate your provisional tax.

Only enter **R** at Box 32A if you've already elected to use the ratio option. Your application to use the ratio option must be made by phone or in writing before the beginning of the income year you want to use it in.

If you've already elected to use the ratio option and want to continue using it, enter **R** at Box 32A.

More information about the ratio option is in our guide **Provisional tax - IR289**.

Not taking reasonable care penalty

When you estimate the estate or trust's 2023 provisional tax, your estimate must be fair and reasonable. If the 2023 RIT is greater than the provisional tax paid, you may be liable for a not taking reasonable care penalty of 20% of the underpaid provisional tax.

Interest

If the estate or trust has paid too much provisional tax on trustee income we may pay interest, or if it has not paid enough, we may charge interest.

Interest for estates or trusts is calculated only on the tax payable on trustee income. Interest is not calculated if all income is distributed to the beneficiaries.

Interest the estate or trust pays is generally tax-deductible, while interest we pay is taxable income.

For more information about interest and penalties read our guide **Penalties and interest - IR240**.

If we pay interest, it continues to accrue until the date we refund the overpaid tax, or apply it to another liability.

Election to be a provisional tax payer

An estate or trust is a provisional tax payer for the 2023 year if its RIT for 2022 is more than \$5,000. If the 2022 RIT is \$5,000 or less, and

- the estate or trust made provisional tax payments for that tax year, and
- payments were made under the estimation method (other than using the estimation method for its final instalment only),

It may elect to be a provisional tax payer for 2023. This may affect the interest it may be entitled to for that year.

To elect to be a provisional tax payer for the 2023 year, attach a letter to the front of the return.

Change in balance date

There are special rules about when provisional tax is due and how interest is calculated if there has been a change in balance date. Read our **Provisional tax - IR289** guide for more information.

Tax pooling

Tax pooling allows taxpayers to pool provisional tax payments, offsetting underpayments by overpayments within the same pool. This reduces their possible exposure to late payment penalties and use-of-money interest.

The pooling arrangement is made through a commercial intermediary, who arranges for participating taxpayers to be charged or compensated for the offset. For more information about tax pooling, including a list of intermediaries, go to ird.govt.nz/tax-pooling

Payment dates

2023 provisional tax

Generally, an estate or trust with a 31 March balance date pays provisional tax by the following due dates:

- First instalment 28 August 2022
- Second instalment 15 January 2023
- Third instalment 7 May 2023

An estate or trust with a balance date other than 31 March pays provisional tax on the 28th day of the 5th, 9th and 13th months after the balance date.

Where payments would otherwise be due on 28 December or 28 April the due date is extended to 15 January or 7 May.

These dates will alter if:

- the estate or trust is registered for GST, and
- the GST filing frequency is six-monthly, or
- provisional tax is paid by the ratio option.

If either of these situations apply to you, read our guide **Provisional tax - IR289**.

2022 end-of-year income tax

Estates or trusts that have an agent and an extension of time may have until 7 April 2023 to pay their tax. If you think this applies to you contact your agent for more information.

Otherwise, an estate or trust with a balance date between 1 March and 30 September must pay its end-of-year income tax and any interest by 7 February 2023.

An estate or trust with a balance date between 1 October and 28 February must pay its end-of-year income tax by the 7th day of the month before the following year's balance date.

Question 33 NZ Domestic Trust disclosure rules

From the 2022 tax year onwards trusts are required to make additional disclosures with their annual returns. Tick box 33 if you answer yes to any of the below as your trust does not need to comply with the NZ Domestic Trust disclosure rules as the trust is:

- not active or has not derived any assessable income
- a foreign trust
- a registered charity
- eligible to be a Māori Authority
- a widely-held superannuation fund
- an exempt employee share scheme
- a debt funding special purpose vehicle
- an energy lines trust.

Question 34 Statement of profit or loss

Provide details of the trust's accounting profit or loss for the year.

Question 34A Net profit/loss before tax

Enter the amount of the trust's net profit/loss before tax. This should include all income and expenses of the trust, not just those that are assessable or deductible. The amount should reflect the profit/loss recorded in the financial statements.

Question 34B Tax adjustments

Enter the amount of any adjustment required to reconcile the amount recorded at question 34A to the amount recorded at question 20B.

Question 34C Untaxed realised gains/receipts

This includes all gains and receipts not subject to income tax. These amounts of untaxed gains and/or receipts should be copied from the financial statements. Common examples of realised untaxed gains/receipts are capital gains on the sale of assets such as land or shares, gifts received and one-off receipts of a capital nature.

Question 35 Trust assets

Provide details of the total assets held by the trust. This should include all assets of the trust, not just those used to derive assessable income.

Question 35A Associated persons financial arrangements

Enter the total amount of all (interest and non-interest bearing) loans to persons associated with the trust (excluding beneficiary account balances recorded at question 37C).

Question 35B Land

Enter the accounting book value of land as shown in the balance sheet and associated notes to the accounts. Typically, the value will be the cost or a re-valued amount.

Question 35C Method used to value land

Indicate the valuation method used for the assets recorded at question 35B. If there are multiple assets and more than one valuation method has been used, indicate the method that reflects the largest value of assets in that category.

Question 35D Buildings

Enter the accounting book value of buildings as shown in the balance sheet and associated notes to the accounts. Buildings include residential houses, factories, office buildings, barns and car parking buildings.

Accounting book value may be the cost, the tax book value (for assets used to derive assessable income), or a re-valued amount.

Question 35E Method used to value buildings

Indicate the valuation method used for the assets recorded at question 35D. If there are multiple assets and more than one valuation method has been used, indicate the method that reflects the largest value of assets in that category.

Question 35F Shares/Ownership interests

Enter the accounting book value of profit sharing investments as shown in the balance sheet and associated notes to the accounts. This includes shares in companies, interests in a partnership or joint venture, equity in unit trusts and entitlements to trust distributions.

Question 35G Method used to value shares/ ownership interests

Indicate the valuation method used for the assets recorded at question 35F. If there are multiple assets and more than one valuation method has been used, indicate the method that reflects the largest value of assets in that category.

Question 35H Total assets

Record the accounting book value of the total assets held by the trust. This total should include any other assets held by the trust not recorded at questions 35A, 35B, 35D and 35F and reconcile to the total assets recorded in financial statements of the trust.

Question 36 Liabilities

Question 36A Associated persons financial arrangements

Enter the total amount of all (interest and non-interest bearing) loans from persons associated with the trust (excluding beneficiary account balances recorded at question 37C).

Question 36B Total liabilities

Record the accounting book value of the total liabilities owing by the trust. This total should include any other liabilities owing by the trust not recorded at questions 36A and reconcile to the total liabilities recorded in the financial statements of the trust.

Question 37 Equity

Question 37A Owners' equity

For a trust the equity is the sum of amounts settled and undistributed profits/accumulated losses. The owners' equity should be the amount shown in the balance sheet and be equal to total assets shown at Question 35H less total liabilities shown at question 36B less beneficiary current account balances shown at question 37C.

Question 37B Drawings

Enter the total amounts withdrawn from the trust or enjoyed by the beneficiaries during the year.

This information will be the sum of all withdrawals from beneficiaries' accounts recorded at question 27AB in the IR6B.

All beneficiary drawings should be included here even if the trust was not required to provide an IR6B for that beneficiary for the year.

Question 37C Current account year-end balances

Enter the total amount owing to all beneficiaries at the end of the year. This information will reflect the sum of all the beneficiaries' accounts closing balances recorded at question 27AC in the IR6B.

All beneficiary account balances should be included here even if the trust was not required to provide an IR6B for that beneficiary for the year.

How to make payments

You can make payments by:

- direct debit in myIR
- credit or debit card at ird.govt.nz/pay
- internet banking. Most New Zealand banks have a pay tax option.

When making a payment, include:

- your IRD number
- the account type you are paying, and
- the period the payment relates to.

Find all the details of our payment options at ird.govt.nz/pay

Late payment

If you do not pay a bill on time, you may have to pay penalties and interest.

Contact us if you are not able to pay on time. We'll look at your payment options, which may include an instalment arrangement.

Find out more at ird.govt.nz/penalties

Self-assessment by taxpayers

Taxpayers have to assess their own liability as part of their return filing obligations. We may amend your assessment if a correction is required.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, go to ird.govt.nz/disputes

The 4-month period for you to issue a notice of proposed adjustment (NOPA) to your self-assessment will start on the date Inland Revenue receives your return.

Services you may need

0800 self-service numbers

This service is available to callers seven days a week except between 5am and 6am each day. Just make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN. Registering for voice ID is easy and only takes a few minutes. Call 0800 257 843 to enrol.

Order forms and publications 0800 257 773

All other services 0800 257 777

When you call, just confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Need to speak with us?

Have your IRD number ready and call us on one of these numbers:

General tax, tax credits and refunds 0800 775 247

Employer enquiries 0800 377 772

General business tax 0800 377 774

Overdue returns and payments 0800 377 771

We're open 8am to 6pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week - except between 5am and 6am each day. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at ird.govt.nz/contact-us

Postal addresses

Payments

Inland Revenue
PO Box 39050
Wellington Mail Centre
Lower Hutt 5045

Returns

Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

General correspondence

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

For a full list of addresses go to ird.govt.nz/contact-us and select the **post** option.

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 do not.

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).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at ird.govt.nz/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.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at ird.govt.nz/disputes



Te Kāwanatanga o Aotearoa
New Zealand Government