More frequently asked questions

Q **I have heard you can estimate your provisional tax, what does that mean?**

A Estimating provisional tax means that you are advising the IRD what you think you should pay, rather than following the uplift method that is described above.

We work with our clients, to ensure any estimates filed are reasonable. All our clients are on Xero so this is easy to achieve as we are dealing with real and up to date information. At any given stage we can advise our clients on what their likely income tax will be based on actual YTD results and forecasting them over the remaining months of the year.

Filing an estimate that is vastly different from your actual year end result, can leave you open to shortfall penalties. We only recommend filing an estimate to Inland Revenue in certain circumstances.

Q **What if I do not have the cash flow to make the payment?**

A Talk to us! Reach out to your Accountant and we can work with you to sort out the best solution. It might be that we liaise with Inland Revenue on your behalf to set up a payment plan, work with one of the tax pooling intermediaries or something else. We will work with you to avoid you having to incur any unnecessary UOMI or LPPs.

Its important to ensure all payments to Inland Revenue are made on time or an arrangement has been sorted with them, to maintain a good relationship with Inland Revenue.

You should factor in your three provisional tax instalments into your yearly cash flow forecast. We can help you with this, talk to us about creating a budget and or cash flow forecast for you and your business.

Q **Who needs to pay provisional tax?**

A Once a taxpayer's final tax bill is calculated, if that 'Residual Income Tax' amount exceeds the IRD's threshold of $2,500 then the taxpayer will enter the provisional tax regime the following year. Ask us if you're unsure.

Note, if you operate your business out of a company, it is not necessarily the company that pays the tax. The profit in your company may be moved out to you as a shareholder (by way of a 'shareholder's salary) and you will end up paying Provisional Tax in your own name instead! We will work with you to determine where the income is best to sit – that's what we do best!

Q **What happens if I over pay my provisional tax?**

A Any overpaid provisional tax gets refunded once your income tax return is filed and processed with Inland Revenue. Note a person only gets paid interest at the rate of 1.02% for any over paid tax.

Q **What happens if I do not make my prov tax payment?**

A Generally, you will be charged Use of Money Interest ('UOMI') and Late Payment Penalties ('LPP') which are compounding.