

# NZ Small Business Tax Guide

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Everything New Zealand small business owners need to know about tax — income tax, GST, PAYE, provisional tax, and more. Plain English, zero jargon. Prepared by ASU – Accounting & Business Solutions Upward.

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## 1. Introduction to NZ Tax

### How the New Zealand Tax System Works

New Zealand operates a self-assessment tax system — you are responsible for calculating and filing your own tax obligations. The Inland Revenue Department (IRD) administers all taxes in New Zealand. As a small business owner, you will typically deal with three main types of tax:

- **Income Tax** — Tax on your profit (revenue minus allowable expenses).
- **GST** — Goods and Services Tax at 15%, collected on behalf of the IRD.
- **PAYE** — Pay As You Earn, deducted from employee wages and paid to IRD.

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## 2. Income Tax

### Individual Income Tax Rates

Taxable Income	Tax Rate	Tax on Band
\$0 – \$15,600	10.5%	Up to \$1,638
\$15,601 – \$53,500	17.5%	Up to \$6,633
\$53,501 – \$78,100	30.0%	Up to \$7,380
\$78,101 – \$180,000	33.0%	Up to \$33,627
Over \$180,000	39.0%	39% on excess

These are progressive rates — each rate applies only to income within that band, not your total income.

### Company Tax Rate

Companies pay a flat rate of 28% on their net profit. This can be a significant advantage over the individual top rate of 39% for high-income earners — one reason many growing businesses choose to incorporate.

### Sole Trader vs Company — Tax Comparison Example

	Sole Trader	Company
Net profit	\$120,000	\$120,000
Tax rate applied	Progressive (up to 33%)	28% flat
Estimated tax payable	~\$33,820	~\$33,600
Personal liability	Full	Limited

\* Estimates only. Speak to ASU for personalised advice.

## 3. Provisional Tax

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## What is Provisional Tax?

Provisional tax is a way of paying your income tax in instalments throughout the year. If your residual income tax (RIT) was more than \$5,000 in the previous year, you will generally be required to pay provisional tax in three instalments during the current year.

**TIP:** If you underestimate your provisional tax, you may face use-of-money interest (UOMI) charges from the IRD. ASU can help you estimate accurately and avoid penalties. Filing dates vary — check [ird.govt.nz](http://ird.govt.nz) for current deadlines.

## 4. GST (Goods & Services Tax)

### When Must You Register for GST?

You must register for GST when your turnover exceeds \$60,000 in any 12-month period. You can also voluntarily register below this threshold, which allows you to claim GST on your business purchases.

Filing Period	Applies When
Monthly	Turnover over \$24 million, or by choice
Two-monthly (bi-monthly)	Most common — turnover under \$24 million
Six-monthly	Turnover under \$500,000 (by application)

### What Can You Claim GST On?

- Business purchases and supplies (GST-inclusive)
- Rent for business premises
- Business vehicle costs (subject to private use adjustments)
- Professional services (accounting, legal, consulting)
- Equipment, tools, and technology
- Marketing and advertising costs

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## 5. PAYE & Employer Obligations

If you employ staff, you must deduct PAYE from their wages and pay it to the IRD, along with any KiwiSaver contributions and Student Loan deductions.

Obligation	Details
Payday filing	File PAYE information with IRD each payday (electronically)
KiwiSaver employer contribution	Minimum 3% of gross wages (confirm current rate at <a href="http://ird.govt.nz">ird.govt.nz</a> )
ESCT	Tax on employer KiwiSaver contributions — rate varies
ACC levies	Workplace and earner levies apply to all employers

## 6. Business Structure & Tax

Structure	Tax Treatment
Sole Trader	Personal income tax rates apply. Simple setup, full personal liability.
Partnership	Profit split between partners; each pays personal tax on their share.
Limited Liability Company (Ltd)	28% flat company tax rate. Shareholders pay dividend tax separately.
Look-Through Company (LTC)	Tax flows through to shareholders at personal rates.
Trust	Trustee rate 39%. Beneficiary distributions taxed at their personal rate.

Getting your business structure right from the start can save you thousands in tax over the life of your business. Contact ASU for a free consultation to discuss which structure suits your situation.

## 7. Allowable Deductions

**The golden rule: expenses must be incurred in earning your income.**

Expense Type	Deductibility Notes
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Vehicle expenses	Business portion only. Keep a mileage logbook or use actual cost method.
Home office	Proportion of rent/mortgage, power, and internet attributable to business use.
Phone & internet	Business percentage of your plan cost.
Professional development	Courses, books, subscriptions relevant to your work.
Accounting & legal fees	100% deductible for business purposes.
Equipment & technology	May be depreciated over useful life or eligible for immediate write-off.
Meals & entertainment	Generally 50% deductible. Limits apply to client entertainment.
Travel	Business travel is deductible. Keep detailed records and receipts.

## 8. Record Keeping

You are legally required to keep business records for a minimum of 7 years.

- All invoices (sales and purchases) — physical or digital
- Bank statements for all business accounts
- Payroll records, employee tax codes, and timesheets
- Vehicle logbook (if claiming vehicle expenses)
- Receipts for all business expenses
- GST returns and workpapers
- Annual financial statements
- IRD correspondence and notices

ASU recommends Xero cloud accounting software for all record keeping. It automatically captures transactions, reconciles your bank, and makes GST filing simple. Contact us for a free Xero setup consultation.

## 9. Key IRD Deadlines

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Deadlines vary by filing period, entity type, and whether you use a tax agent. Always verify current dates at [ird.govt.nz](http://ird.govt.nz).

Timing	Obligation
28th of month after period end	GST return due (bi-monthly filers)
20th of each month	PAYE and employer deductions
3 instalments during the year	Provisional tax (Aug, Jan, May — approximate)
7 July (standard)	Income tax return due if filing yourself
31 March following year	Income tax return due if filed via a tax agent

**TAX AGENT ADVANTAGE:** Filing through a registered tax agent like ASU gives you an extended filing deadline — typically to 31 March of the following year.

## 10. Getting Professional Help

While this guide gives you a solid foundation, every business situation is unique. A qualified accountant can save you far more than their fees through legitimate tax minimisation, correct structuring, and keeping you compliant.

ASU – Accounting & Business Solutions Upward offers:

- Free initial consultation — no obligation
- Fixed-fee packages — no hourly rate shock
- Xero certified advice and setup
- IRD registered tax agent (extended filing deadlines)
- Personal, direct service — you always deal with me

Book your free consultation at [www.asu.co.nz](http://www.asu.co.nz) or call us today.