

## Filing a Tax Return – Info for Contractors

As Playcentre Aotearoa employs both employees and contractors the Finance Team thought it would be timely, given that the end of the financial year is almost upon us, to provide a guide to filing a tax return if you are a Contractor.

### FAQ's & Examples...

**Q: Sally is a self-employed Cleaner who invoices three Playcentres per week for a total of 10 hours worked during term time. Sally's earns \$10,000 gross per year and this is her only income. Does Sally need to file a tax return?**

A: Yes. Sally will need to file an individual tax return at the end of the tax year because she received more than \$200 (before tax) in income from self-employment. Sally needs to file an IR3 return because she is providing services as an individual. However, if Sally also employed a couple of cleaners she would need to file an IR4 company income tax return.

**Q: What deductions can Sally make from her gross income?**

A: Sally has the following work-related expenses for the year:

Cleaning products	\$1,900
New vacuum cleaner	\$650
Mops, buckets, gloves	\$300
Mileage	\$500
Stationery	\$150
<b>Total expenses</b>	<b>\$3,500</b>

*There are a variety of allowable deductions for work-related expenses you can make from your gross income when completing your tax return. You must keep invoices and receipts as evidence to support all expenses claimed.*

*Click on link below for more information*

<https://www.ird.govt.nz/income-tax/income-tax-for-businesses-and-organisations/types-of-business-expenses>

**Q: Does Sally pay her own ACC levies?**

A: Yes Sally must pay relevant ACC levies for herself and any staff if she employed any.

*When you complete your return online you will be asked to select a BIC (Building Industry Code) which calculates ACC levies payable. You will then receive a letter and invoice from ACC usually around August each year.*

**Q: What date does Sally have to file the return by?**

A: The tax year is from 1 April to 31 March. After the end of each tax year the IRD sends Sally a message to complete her individual tax return. Sally then has until **7 July** to file her return.

**Q: What is myIR and how does Sally register?**

A: myIR is IRD’s secure online service. Once Sally is registered she can log in to the IRD website and see her income, Kiwisaver, child support, WFF, student loan etc information all in one place as well as completing her income tax return online.

**Q: How does Sally register for myIR?**

A: Sally will need to create a web logon by clicking on the link below to take her straight to the relevant page on the IRD website – she will need the following information to register for a personal myIR account:

- her IRD number or customer identifier
- her date of birth
- her name
- an email address

<https://myir.ird.govt.nz/eservices/home/?id=globalnav>

**Q: What information does Sally need to do her tax return?**

A: To complete Sally’s IR3 return she will need the following:

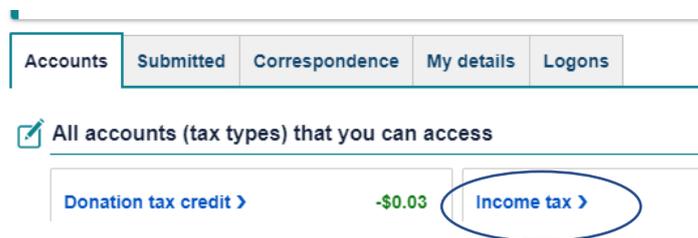
- Her IRD number
- Details of any income she received during the tax year (visible in myIR once Sally is registered)
- Details of any expenses Sally wants to claim

*Note that if Sally had also received any income from salary or wages, the IRD would have pre-populate these details into her individual tax.*

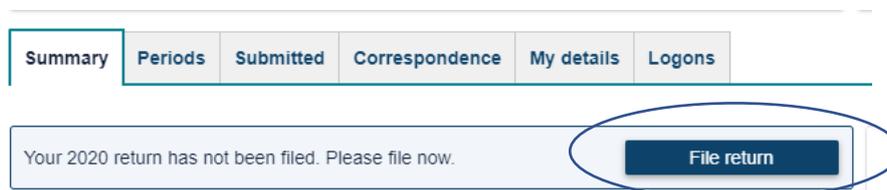
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**Example Tax Return  
For Sally – self employed Cleaner for 3 Playcentres**

**Once registered, Sally logs in to myIR and click on Income Tax under Accounts**



**Then she clicks on File Return under Summary**



## And then Next

### Individual Income Tax Return

Use this service to file your IR3 return. The questions you will be asked will determine what kind of assessment you will have.

You should set aside 60 minutes to complete this return.

#### What you'll need

- What income you have received during the year
- How much tax you have paid on your income
- Expenses to be claimed

Save draft Cancel **Next >**

**Sally is a NZ resident so she can click Next**

***If you are unsure click on the link below to check***

<https://www.classic.ird.govt.nz/international/residency/personal/personal-tax-residency-index.html>

### Non tax resident

Were you a non-resident of New Zealand for tax purposes?

Yes **No**

Save draft Cancel **< Previous** **Next >**

**Sally needs to enter her BIC code which is used for calculating her ACC levies**

### Business industry classification (BIC) code

For information about BIC codes, go to [www.businessdescription.co.nz](http://www.businessdescription.co.nz)

**Find my BIC code**

If your business industry classification (BIC) code is not shown below or has changed, enter in the box provided.

**Sally's code is N731110**

**Cleaning service**

**? Business Industry Code: N731110**

**The next screen shows the information IRD already has on file about Sally and allows her to add other income types that apply ie. rental income, Family Tax Credits**

The information below is what Inland Revenue holds for the period 01-Apr-2019 to 31-Mar-2020

- New Zealand income with tax deducted
- Self-employed income
- New Zealand interest received
- You are claiming other expenses against your income

Select the income types that apply

- Schedular payments
- Family tax credits from Work and Income
- New Zealand dividends
- Residential rental income
- Other rental income
- Shareholder employee salary
- Look-through company (LTC) income

**Click on link below to take you the IRD Individual Income Return Guide if you need more information about types of income**

<https://www.ird.govt.nz/-/media/Project/IR/PDF/IR3G.pdf>

**Sally selects No secondary forms to submit and Next as this is her only source of income**

Select secondary forms that you want to file

- This return will include IR3R Rental Income
- This return will include IR 3F Farming Income
- This return will include IR 10 Financial Statement
- This return will include IR 3B Schedule for Business Income
- This return will include IR 3K Sale/Disposal Financial Arrangement
- This return will include IR 307 Schedule of Beneficiary Income
- This return will include IR 308 Branch Equivalent Tax Return
- No secondary forms to submit.

**None of the situations below applies to Sally so she ticks the last box and Next**

Select any situation that applies

- You are part year filer due to leaving NZ permanently; you were bankrupted; filing for a deceased person; your balance date changed during the year.
- You're entitled to an early payment discount
- This return will include an attachment of a Financial statement summary, or some other attachment relevant to this return.
- Close my Income Tax account, this will be my final return.
- No specific situations apply.

Sally has no disclosures to make so she selects the last box and Next

Click on link below to take you the IRD Individual Income Return Guide if you need more information about disclosures

<https://www.ird.govt.nz/-/media/Project/IR/PDF/IR3G.pdf>

Select disclosures you want to file

- This return will include CFC/FIF disclosure
- This return will include IR 833 Property Sale Information
- You have no disclosure to make.

Sally adds up all of the payments she has received between 1/4/19 and 31/3/20 from the 3 Playcentres she cleans for and adds it to the information on the next screen and clicks Next

Self-employment income	
Self-employed net income	
\$	10,000.00

Total income	
Total income	Total tax credits
\$ 10,000.00	\$ 0.00

Note that if Sally had been earning a salary or wages as well as her self-employed income as a Cleaner this information would also be showing in this screen. Interest from a partnership, LTC, trust and/or estate, if applicable, is also entered onto this screen.

On the next page Sally enters her work-related expenses and clicks Next

Other expenses	
Total other expenses claimed	
\$	3,500.00
If you paid someone to complete your return, please fill out that person's name	
Other expenses - payee first name	
Other expenses - payee surname	

Total deductions	
Total deductions	
\$	3,500.00

The next screen shows how much tax Sally owes the IRD on her income

### Income

Taxable income	:	\$6,500.00
Tax on taxable income	:	\$682.50
Total tax credits	:	\$0.00
<b>Residual income tax</b>	:	<b>\$682.50</b>

Tick the confirmation box and Submit

### Confirmation

I declare that to the best of my knowledge, the information I have given is true and correct.

Tax return done!!