

# Tax guide for the taxi and shuttle industries

This tax guide gives you, as a self-employed person, an overview of your tax entitlements and responsibilities. If you need more detailed information, please refer to the publications mentioned in this guide, by going to [ird.govt.nz](http://ird.govt.nz)

## Starting out in business

We'll give a discount to individual taxpayers who receive self-employed or partnership income, and who make voluntary payments of income tax either in their first year of business, or in the year before they start paying provisional tax. To see if you qualify read our guide **Smart business - IR320**.

The number of provisional tax payments you'll need to make depends on how often you file GST returns and which provisional tax option you're using.

**Note:** In the taxi and shuttle industries it may be difficult to tell if you're self-employed or an employee. It's very important to make the distinction, because the tax responsibilities are quite different. If you're unsure about this issue, please read our leaflet **Self-employed or an employee? - IR336**.

## Record keeping

When you decide to go into business, start keeping accurate records right away, because it's much harder to work backwards at a later date. Record keeping is important because it helps you file accurate returns and proves to others that your figures are correct.

There are also good business reasons to keep records:

- You'll have better control of your business.
- Raising finance will be easier.
- You'll be in a better position if you sell your business.

Keep all of the following:

- tax invoices
- receipts
- cheque butts
- deposit slips
- bank statements
- logbooks
- cashbooks
- working papers showing your calculations and how you arrived at your conclusions.

We recommend you file your records in a logical order so you can retrieve them easily when necessary.

## How long must you keep your records?

Keep all your business records for at least seven years from the end of the tax year or the taxable period they relate to. Even after you stop operating your business, you still have record keeping responsibilities.

For more information about record keeping, please read our guide **Smart business - IR320**.

## Separate business bank account

Keep a separate bank account for your taxi or shuttle business. Use your business account when you bank your takings (every day) and when you pay your business expenses. Don't use your business account for private transactions, and when you withdraw money from the business for personal spending, make sure you record it as "drawings".

A business bank account will make it easier to keep your business and private affairs separate.

## Income tax

You need to pay tax on the income you earn.

Every year you're in business, self-employed or receive income that isn't taxed at source you'll need to file a tax return with us.

Your return must include all the income you earn and all your business expenses.

## Net income

Income tax is paid on your net income, which is calculated by taking your taxable income less claimable expenses. You can use the *Schedule of taxi income* at the back of this guide to calculate your net income.

## Due dates

Most people in the taxi and shuttle industries have the standard 31 March balance date. If this is your balance date you file your return and pay your tax on the standard due dates. Contact us if you have a different balance date and you're not sure when you need to file your return and pay your tax.

For more information go to [ird.govt.nz](http://ird.govt.nz)

## Returns

If you're filing your tax return yourself, you must send it to us by 7 July (you can file it later if we've approved an extension of time). If your return is prepared or filed by a tax agent (accountant) with an extension of time, they'll have until 31 March the following year to file.

## Payments

Your end-of-year tax payment is due by 7 February the following year or 7 April if your return is prepared or filed by a tax agent with an extension of time.

## Provisional tax

If your tax to pay at the end of the year, ie, your residual income tax (RIT), is more than \$5,000 (\$2,500 for the 2019/2020 and earlier years) you may have to pay income tax in instalments during the following year. This is provisional tax. It's not a separate tax, but a way of paying your income tax as you receive income through the year. Because income from running a business doesn't have tax deducted before you receive it, you'll have to pay provisional tax.

### How much will I need to pay?

There are three ways to work out how much provisional tax you have to pay for the following tax year - the standard option, the estimation option and the ratio option.

### Standard option

To calculate your provisional tax you add 5% to your RIT for the immediately preceding tax year.

#### Example

Your RIT was	\$ 4,800
Plus 5%	\$ 240
Provisional tax payable	\$ 5,040

If you haven't filed your tax return for the immediately preceding tax year, you can still use the standard option by calculating it in one of these ways.

- If your RIT for the tax year before the immediately preceding tax year was more than \$5000, calculate your provisional tax by adding 10% to the total.
- If your RIT for the tax year before the immediately preceding tax year was \$5000 or less, you don't have to make any provisional tax payments, you just need to file your return and pay any tax by the due dates. If your RIT is over \$5000 when you file your income tax return you'll need to pay provisional tax based on the RIT plus 5%, paid equally on the remaining instalment due dates.

For more details go to [ird.govt.nz](http://ird.govt.nz)

## Estimation option

Estimate your income for the year and then calculate the provisional tax. You can re-estimate your provisional tax as often as you like up to and including your last instalment due date. Your last estimate becomes final at this date.

Use the worksheet in your tax return guide to calculate your estimated income and provisional tax.

#### Example

Estimated untaxed income	\$ 80,000
Tax on this income	\$ 21,010
Provisional tax payable	\$ 21,010

**Note:** If you choose to estimate your provisional tax you can't change to another option during that tax year.

## Ratio option

This option is only available if you're registered for GST.

Provisional tax is payable based on your GST taxable supplies for each two-month period. We calculate your ratio percentage and you multiply this by your previous two months' GST taxable supplies. This gives you the amount of provisional tax you need to pay.

#### Example

Ratio percentage	5.9%
Taxable supplies for previous two months	\$ 58,741
Provisional tax payable (for 2 months)	\$ 3,465

### Number of instalments payable

The number of provisional tax payments you'll need to make depends on how often you file GST returns and which provisional tax option you use.

You'll find more information about income tax and provisional tax in our publications **Income tax summary sheet - IR325** and **Provisional tax - IR289**.

### Income

All the fares you earn in your taxi business are taxable - whether your customer pays by voucher, taxi card, cash or barter arrangement. Any tips are also taxable.

### Other income

Most income you receive from outside your taxi business is also taxable and needs to be included in your tax return, eg, interest, dividends, rental income, wages and other self-employed income.

### Expenses

You can claim (deduct) most business expenses. You can claim for expenses:

- arising from your gross business income
- you have incurred from running your business.

You'll find examples of deductible expenses on our **Schedule of taxi income - IR138** form at the back of this guide.

## Non-deductible expenses

You can't claim:

- private expenses (eg, meals)
- speeding and parking fines (if an employer pays an employee's fine they may be able to claim a deduction)
- drawings (money you take from your business for private spending).

## Garaging expenses

If your car is garaged at home, you may be able to claim expenses, eg, minor painting costs, minor repairs, or a percentage of your rates, mortgage interest or rent.

## Uniforms

Money spent on everyday clothing is generally considered to be a private expense. If you buy distinctive work clothing or a uniform that clearly identifies your business and would not normally be worn for private purposes you can claim the purchase cost and drycleaning.

### Example

Joe buys three sets of trousers and shirts to wear while working. He puts his company's logo on one set of the clothes. Although he uses the three sets of clothing for work he can only claim for the set with the company logo.

## Depreciation

Depreciation is an allowance recognising that fixed assets lose value through wear and tear. Calculate the depreciation for a fixed asset, then:

- claim the depreciation as an expense, and
- deduct the depreciation from the asset's adjusted tax value, ie, the asset's cost price less all depreciation claimed since you bought it.

Keep a schedule showing your fixed assets, your depreciation calculations and the adjusted tax values of the fixed assets.

For more information, read our guide **Depreciation – a guide for businesses - IR260**.

Go to our website [ird.govt.nz](http://ird.govt.nz) for a list of depreciation rates and a calculator that can work out how much you can claim.

## Adjustments

You may need to make adjustments in your income tax returns. A common one is the private use adjustment, eg, you may own a computer that's partly for business use and partly for private use. The adjustment ensures you only claim the business portion of the expenses.

If you use your taxi to travel from home to work, or for any private use, you'll need to separate the running costs of your vehicle between business and private use. These adjustments are made based on logbook records.

For the self-employed (not a company, trust etc) there are three options you can use: actual business costs, logbook records or mileage rates.

### Example of adjustments

#### Private use of a motor vehicle

Ross has travelled a distance of 2,610 km in three months.

The distance for private use is 7.85%  $\left( \frac{205 \text{ km}}{2,610 \text{ km}} \right)$

Ross can claim 92.15% of his vehicle expenses as a business expense.

#### Depreciation adjustment

Ross's taxi has an adjusted tax value of \$30,000

He uses the diminishing value rate for depreciation which is 36% (including 20% loading).

The depreciation is calculated as:

#### Step 1

Opening adjusted tax value	\$30,000.00
Depreciation (\$30,000 x 36%)	\$10,800.00
Closing adjusted tax value	\$19,200.00

#### Step 2

Total depreciation	\$10,800.00
Less 7.85% private use (non-deductible)	\$ 847.80
Equals 92.15% business use (deductible)	\$ 9,952.20

For more information on adjustments, read our guide **Smart business - IR320**.

### Example of a logbook

Sometimes Ross has to use his taxi to get the household shopping and take the children to school. The details Ross records in his logbook are shown below.

Vehicle logbook (3-month period) 1.1.08 – 31.3.08						Meter reading (at start of period) 15,165	
Date	Journey		Meter reading			Reason for trip	Driver's signature
	From	To	Start	Finish	Distance (km)		
1.01.08	Home	School	15,165	15,210	45	Taking kids to school	RR
1.01.08	Home	Store	15,718	15,798	80	Grocery shopping	RR
6.02.08	Hastings	Airport	16,485	16,525	40	Drop wife at airport	RR
23.03.08	Airport	Hastings	17,525	17,565	40	Pick up wife	RR
<b>Private distance</b>					<b>205</b>	<b>Meter reading (at end of period)</b>	<b>17,775</b>
						<b>Total distance travelled (17,775 – 15,165)</b>	<b>2,610</b>

## GST (goods and services tax)

GST is a tax on most goods and services in New Zealand which is collected for the government by GST-registered persons. You charge GST on the goods and services you supply and claim GST on goods and services you use in the business.

From 1 October 2010 the GST rate is 15% (prior to 1 October this was 12.5%).

If you're registered for GST you have to send GST returns to us. You account for GST on your supplies made (eg, income) and claim GST on supplies you received (eg, expenses). If the GST on sales exceeds the GST on expenses, you pay us the difference. If the GST on expenses exceeds GST on sales, we'll refund the difference.

### Do you have to register for GST?

You must register for GST if the annual turnover from your taxi business is more than \$60,000 in any 12-month period, or you expect it to be more than \$60,000 over the next 12 months. If your annual turnover is less than \$60,000 you can choose whether you register for GST.

**Note:** If your fare schedule includes GST, you must register for GST, even if your annual turnover is less than \$60,000. If you're not sure please discuss with the company you're driving for.

### GST returns

You return your income, claim your expenses and work out your GST to pay (or your GST refund) in your GST return. There are four categories of GST return, each one covering a different period of time (the taxable period).

Return category	Taxable period	Who can use this return category?
A	<b>2 months</b> (periods ending on the last day of January, March, May, July, September and November)	Anyone who is registered (except those with an annual turnover of more than \$24 million)
B	<b>2 months</b> (periods ending on the last day of February, April, June, August, October and December)	Anyone who is registered (except those with an annual turnover of more than \$24 million)
C	<b>6 months</b> (you can choose when each 6-month period ends)	Only those registered with an annual turnover of \$500,000 or less
D	<b>1 month</b>	Anyone who is registered. Category D must be used by those with an annual turnover of more than \$24 million.

**Note:** If you're liable for provisional tax your taxable period must align with your balance date.

### Due dates

The due date for GST returns and payments is the 28 of the month following the end of the taxable period. There are two exceptions to this. If your GST return period ends on:

- 30 November, it will be due on 15 January of the next year
- 31 March, it will be due on 7 May.

For example, if you have a taxable period ending on 30 June, the return and payment are due by 28 July. But if the taxable period ends in November, the return and payment are due by 15 January the following year.

The due dates are printed on the GST return.

### What income is subject to GST?

If you're registered, you must charge GST on your fares, and account for it in your GST returns. You must also pay GST on tips. If you have other sources of income, you may have to pay GST on those too. Please contact us if you're unsure.

### Expenses you can claim

Generally, you can claim GST on supplies if:

- the supplies are used in your business, and
- you hold a tax invoice from your supplier.

You can't claim GST on interest, drawings, salary or wages, or any private expenses.

### Garaging and uniform expenses

You may be able to claim the GST on any of your garaging expenses and uniform expenses. For more details, please read *Expenses* on page 3. Normally, if you can claim the expense for income tax you can also claim GST. But you can't claim GST on mortgage interest or domestic rental. You may need to make an adjustment.

### Adjustments

You may need to make adjustments in your GST returns. As with income tax, a common adjustment for GST purposes is the private use adjustment. Our **GST guide - IR375** has full details on GST adjustments.

### Accounting for GST

When you register, you choose how you're going to report your GST transactions to us and record them in your bookkeeping system. This is called accounting for GST.

There are three ways to account for GST:

Accounting basis	You return the GST on your fares	You claim the GST on your expenses	Who can use this accounting basis?
Payments	When your customer pays you	When you pay for them	Registered persons with an annual turnover of \$2 million or less
Invoice	When you issue an invoice or receive a payment, whichever comes first	When you receive an invoice	All registered persons
Hybrid	When you issue an invoice or receive a payment, whichever comes first	When you pay for them	All registered persons

### Choosing an accounting basis

On the **payments basis** you generally account for GST in the period you make or receive your payment. This method is suitable for small businesses using a cash accounting system.

On the **invoice basis** you claim GST when you receive an invoice. Account for GST when you issue an invoice or receive a payment, whichever comes first. This method is suitable for a business selling a lot of items on credit.

On the **hybrid basis** you claim GST when you've paid your expense but return the GST on your income when you've issued an invoice or received a payment, whichever comes first. This method is suitable for a business buying items on a credit basis but selling on a cash basis.

This method can be complicated to work out so we recommend you get a tax agent if you use it.

For more information about GST, please see our publications **GST - do you need to register? - IR365** and **GST summary sheet - IR324**.

### Employer returns

If you're a taxi or shuttle owner who employs other people, you must deduct PAYE tax from payments to your employees. You then file PAYE forms (and make the payments) to us each month. We'll write to you when you register as an employer, telling you where to find information about meeting your tax responsibilities on our website. We also send you the PAYE forms each month, in time for the due date.

For more information about employer responsibilities, please read our guide **First-time employer's guide - IR333**.

**Note:** An employer whose gross annual PAYE and ESCT (employer superannuation contribution tax) combined is \$500,000 or more must pay their PAYE twice-monthly.

### Working for Families Tax Credits

these are entitlements for families who have children 18 or under living with them. It's not a benefit, but recognises that not everyone can comfortably afford all the costs of bringing up a family. How much you might be entitled to depends on how many children you have and how much you earn.

For more information, please see our booklet **Working and raising a family - IR201**.

## Getting it right

Here are some of the most common mistakes made by people in the taxi and shuttle industry and how to avoid them.

Avoid these mistakes	Do it correctly	Where to get more information
Paying expenses from cash takings (this can mean you under-declare your income)	Make sure you add back your expenses when you calculate your day's income	Contact us if you have any questions
Not registering for GST when your turnover exceeds \$60,000	Register with us as soon as it becomes clear your turnover will exceed \$60,000 over the coming year	<b>GST - do you need to register? - IR365</b>
Not registering for GST when your fare schedule includes GST	Make sure you register—even if your turnover is less than \$60,000 If you've charged GST you're considered to be registered, even if you haven't officially done so	Contact us if you have any questions
Not clearly establishing your employment status (employee or independent contractor) with your taxi owner—this can cause tax problems	Clearly establish your employment relationship	<b>Self-employed or an employee? - IR336</b> This can be a complex issue, so please contact us if you're unsure
Not keeping adequate records	Keep all invoices and receipts, write up your cashbook regularly and file your paperwork in order	<b>Smart business - IR320</b>
Not accounting for private use of business assets (income tax and GST)	Make private use adjustments	<b>Smart business - IR320</b> <b>GST guide - IR375</b>
Claiming private expenses (income tax and GST)	Remember to claim only expenses related to your business	<b>Smart business - IR320</b> <b>GST guide - IR375</b>
Not declaring all your income (income tax and GST)	Please don't forget cash jobs and any casual work	Contact us if you have any questions
Not filing returns or paying tax on time	Please remember your due dates	Use the <b>Tax due date calculator</b> at <a href="http://ird.govt.nz">ird.govt.nz</a> to produce a list of all the tax filing and payment dates that apply to you
Not accounting for GST when you sell an asset (eg, your taxi)	The sale of business assets is generally subject to GST and you can generally claim the GST when you buy a business asset	<b>GST guide - IR375</b>
Not accounting for GST when you keep an asset after you deregister	Make an adjustment in your final return	<b>GST guide - IR375</b>

## Are your tax affairs sorted?

You're required to file a return. If you've made a mistake in a return, the best thing you can do is make a voluntary disclosure. This means telling us about tax you owe us, before we find out.

If you make the voluntary disclosure before you're told you're going to be audited, you get these benefits:

- a reduction in any shortfall penalties by 75% or even 100% in some circumstances
- you won't be prosecuted.

If you make the voluntary disclosure after you're told you're going to be audited (but before the audit starts), you get these benefits:

- a reduction in any shortfall penalties by 40%
- you won't be prosecuted (but you may be if you have deliberately **evaded** tax).

For more information about voluntary disclosures, please read our booklet **Putting your tax returns right - IR280**.

## Are you having difficulty managing your taxes?

We recommend you use a tax agent—a person who helps people with their tax responsibilities. You can find them in the Yellow Pages. Look under "Accountants – Chartered accountants" or "Taxation consultants".

**Note:** In most cases, if you use a tax agent, you'll get extra time to file your income tax returns and pay your end-of-year tax.

Generally, you can claim the fees you pay to your tax agent in your income tax and GST returns.

## Useful forms

Over the next three pages there are forms designed to help you account for your income and expenses and complete your tax returns. These forms have been specially tailored for the taxi and shuttle industries.

- monthly cashbook
- monthly summary sheet
- schedule of taxi income.

Tear out the forms and photocopy them, so you'll always have a supply.



# MONTHLY SUMMARY SHEET

Information to help your business



Totals of	April	May	June	July	August	September	October	November	December	January	February	March	ANNUAL TOTAL
<b>FARES RECEIVED</b>													
Cash													
Dockets													
Charge cards													
<b>VEHICLE EXPENSES</b>													
COF													
Fuel and oil													
Insurance													
Loan interest													
Registration													
Repairs and maintenance													
Road user charges													
Tyres													
<b>GARAGING EXPENSES</b>													
Power													
Rates													
Insurance													
Rent/mortgage interest													
<b>ADMINISTRATION</b>													
ACC													
Airport tolls													
Bank fees													
Communication													
Company levies													
Equipment rental/repairs													
Medical/police licence													
Public liability insurance													
RT fees													
Stationery													
Uniform													
Voucher discounts													
Wages paid													
<b>OTHER EXPENSES</b>													



# Schedule of taxi income

Your name

IRD number (8 digit numbers start in the second box.

Year ended 31 March

**Revenue fare received** **A** \$  .

**Less expenses**

**Vehicle**

Certificate of fitness	\$ <input type="text"/> . <input type="text"/>	Repairs and maintenance	\$ <input type="text"/> . <input type="text"/>
Depreciation	\$ <input type="text"/> . <input type="text"/>	Road user charges	\$ <input type="text"/> . <input type="text"/>
Fuel and oil	\$ <input type="text"/> . <input type="text"/>	Tyres	\$ <input type="text"/> . <input type="text"/>
Insurance	\$ <input type="text"/> . <input type="text"/>	Sub-total	\$ <input type="text"/> . <input type="text"/>
Loan interest	\$ <input type="text"/> . <input type="text"/>	Less private use %	\$ <input type="text"/> . <input type="text"/>
Registration	\$ <input type="text"/> . <input type="text"/>	<b>Total</b>	<b>B1</b> \$ <input type="text"/> . <input type="text"/>

**Home garaging expenses**

Power	\$ <input type="text"/> . <input type="text"/>	Depreciation	\$ <input type="text"/> . <input type="text"/>
Rates	\$ <input type="text"/> . <input type="text"/>	Sub-total	\$ <input type="text"/> . <input type="text"/>
Insurance	\$ <input type="text"/> . <input type="text"/>	Less private use %	\$ <input type="text"/> . <input type="text"/>
Rent/mortgage interest	\$ <input type="text"/> . <input type="text"/>	<b>Total</b>	<b>B2</b> \$ <input type="text"/> . <input type="text"/>

**Administration**

ACC	\$ <input type="text"/> . <input type="text"/>	Medical/police licence	\$ <input type="text"/> . <input type="text"/>
Airport tolls	\$ <input type="text"/> . <input type="text"/>	Public liability insurance	\$ <input type="text"/> . <input type="text"/>
Bank fees	\$ <input type="text"/> . <input type="text"/>	RT fees	\$ <input type="text"/> . <input type="text"/>
Communication	\$ <input type="text"/> . <input type="text"/>	Stationery	\$ <input type="text"/> . <input type="text"/>
Company levies	\$ <input type="text"/> . <input type="text"/>	Uniform	\$ <input type="text"/> . <input type="text"/>
Depreciation (other than vehicle and garaging)	\$ <input type="text"/> . <input type="text"/>	Voucher discounts	\$ <input type="text"/> . <input type="text"/>
Equipment repairs/rentals	\$ <input type="text"/> . <input type="text"/>	Wages paid	\$ <input type="text"/> . <input type="text"/>

Other expenses  \$  .

\$  .

\$  .

**Total** **B3** \$  .

**Total expenses** Add up all the expenses (Boxes B1–B3) above and print the answer in Box C **C** \$  .

Subtract Box C from Box A and print the answer in Box D **D** \$  .

Gain or loss on disposal of fixed assets (put any loss in brackets) **E** \$  .

**Net income** If Box E is positive, add Box E to Box D and print the answer in Box F  
If Box E is negative, subtract Box E from Box D and print the answer in Box F **F** \$  .

**Detach this page along the perforated line and staple it to the top of page 3 of your return. Remember to complete your return, sign it and send it in.**