Inland Revenue
Te Tari Taake

New Zealand Government

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Schedular Tax reminders (including Tailored Tax Rates and Certificates of Exemption)

31 March 2021 saw most Tailored Tax Rates (TTR) and Certificates of Exemption (COE) expire, therefore it's timely to remind all horticultural businesses (i.e. growers, contractors, orchard managers, post-harvest facilities) what this means for their business.

What is schedular tax?

Schedular tax is tax deducted from schedular payments. Find out more at ird.govt.nz/schedular-payments

For the horticulture industry schedular tax is deducted from payments for the supply of labour (or substantially the supply of labour) on or in connection with land used for the cultivation of fruit crops, vegetables, orchards or vineyards (called "cultivation contract work").

There are a number of exemptions to cultivation contract work, being:

- Work or services provided by a post-harvest facility; or
- Work or services provided by a management entity under a formal management agreement; or
- Where the work performed does not involve the predominant supply of labour

  Example: A Contracting Ltd supplies pickers and tractors (with drivers) to B Orchard. The charges relating to the supply of the tractors and drivers is exempt from schedular tax however the charges for the supply of pickers is still liable to schedular tax.

For cultivation contract work the default rate for schedular tax is 15% however a contractor can have an elected rate, using an IR330C, provided it's no less than 10%. Schedular payments and tax is included in your Employer Information. Find out more at ird.govt.nz/tax-payments-and-file-employment-information

What are TTRs and COEs?

A TTR is an approved variation to a default or elected rate of schedular tax (i.e. generally a TTR will be for between 0% and 9%, however Inland Revenue may also issue a TTR for a higher rate). Where a contractor is using a TTR the payments and tax still need to be included in your Employer Informations.

A COE is an exemption from liability to have schedular tax deducted (the income tax liability of the contractor will be met through provisional tax). Any schedular payments do not have tax deducted and are not included in the Employer Informations.

How do I get a TTR or COE?

Anyone undertaking cultivation contract work can apply for a TTR or COE – see ird.govt.nz/apply-for-a-tailored-tax-rate or ird.govt.nz/ apply-for-an-exemption-from-schedular-tax

When considering an application for either a TTR or a COE Inland Revenue considers whether you are (or will be) receiving schedular payments, have a good record of filing accurate tax returns and file & pay tax on time; we would normally consider the last one to two years (minimum) of tax compliance in making this decision.

IMPORTANT

Through Inland Revenue's on-going discussions with various horticulture industry groups we are aware the industry is adopting the Global GAP & GRASP (or equivalent) standards. As the adoption of these standards matures Inland Revenue will use the industry accreditation (or lack thereof) as a relevant consideration of whether a TTR or COE should be issued.

The TTR or COE is issued based upon the compliance history of the entity, and its owners, at the time of application; a change in ownership / shareholding will affect this compliance history and the TTR or COE will need to be reapplied for following the change. In general, the new ownership will not qualify for the COE/TTR. This is consistent with the industry's position on accreditation for Global GAP & GRASP purposes, such as Zespri's Compliance Assessment Verification (CAV).

I'm engaging a contractor, what do I need to do?

As most TTR's and COE's will have expired at 31 March 2021, after 1 April 2021 anyone engaging a contractor (including another contractor) to undertake cultivation contract work needs to review their contractor file and likely get an updated IR330C or COE. You can find the IR330C form here: ird.govt.nz/ir330c (search: IR330C 2019).

The options available are:

- An updated COE (with an expiry date after 31 March 2021) means that no schedular tax is required to be deducted or reported
- An IR330C with an updated TTR (with an expiry date after 31 March 2021) allows a rate of schedular tax to be deducted at the specified rate (0-9%)
- An IR330C with a contractor electing either the standard rate or elected rate (must be at least 10%). No annual re-election is required if the contractor has elected their rate.
- Where none of the three options above apply (i.e. no IR330C supplied) then schedular tax must be deducted at 45%.

IMPORTANT

The requirements for schedular tax, COE's and TTR's is the same even if the parties are related / associated entities.

When engaging a new contractor, or renewing their status, it's essential that you confirm the person you're dealing with is authorised to act, i.e. director of the entity or authorised by the owner.