

Appendices to TIB Volume Two, No.9, April 1991

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Persons not Required to Comply with Section 245W of the Income Tax Act 1976

International Tax Disclosure Exemption D1A

Income Year commencing 1 April 1988

This exemption may be cited as “International Tax Disclosure Exemption D1A”.

1. Explanation (which does not form part of the exemption)

This exemption cancels and replaces the International Tax disclosure exemption made by the Commissioner on 8 February 1989. It extends the scope of that exemption by inserting a new category 2, as specified below.

2. Reference

This exemption is made pursuant to section 245W(2) of the Income Tax Act 1976. It details interests in foreign companies and foreign investment funds in relation to which any person is not required to comply with section 245W of the Income Tax Act 1976 for the income year commencing 1 April 1988.

3. Interpretation

In this exemption, unless the context otherwise requires, expressions used have the same meaning as in section 2 or Part IVA of the Income Tax Act 1976.

4. Exemption

Any person who has an income interest or a control interest in a foreign company of a type specified below, or an interest in a foreign investment fund, in the income year commencing 1 April 1988, shall not be re-

quired to comply with section 245W(1) of the Income Tax Act 1976 in respect of that foreign company or foreign investment fund and that income year.

1. The foreign company was at all times, during any accounting period (the last day of which falls within that income year of the person), resident in a country or territory that is not specified in the Seventeenth Schedule to the Income Tax Act 1976 and the person has not made an election in terms of section 245Y(2) of the Income Tax Act 1976.

2. The foreign company is a foreign company in which the interest held by that person during any accounting period (the last day of which falls within that income year of the person), would not constitute an “income interest of 10% or greater”, as defined by section 245A of the Income Tax Act 1976, as if the foreign company was a controlled foreign company.

This exemption is made by me acting under delegated authority from the Commissioner of Inland Revenue pursuant to section 11 of the Inland Revenue Department Act 1974.

This Exemption is signed on the 3rd day of April 1991.

Robin Adair, Deputy Commissioner of Inland Revenue

International Tax Disclosure Exemption D1B

Income Year commencing 1 April 1989

This exemption may be cited as “International Tax Disclosure Exemption D1B”.

1. Reference

This exemption is made pursuant to section 245W(2) of the Income Tax Act 1976. It details interests in foreign companies and foreign investment funds in relation to which any person is not required to comply with section 245W of the Income Tax Act 1976 for the income year commencing 1 April 1989.

2. Interpretation

In this exemption, unless the context otherwise requires, expressions used have the same meaning as in section 2 or Part IVA of the Income Tax Act 1976.

3. Exemption

Any person who has an income interest or a control interest in a foreign company of a type specified below, or an interest in a foreign investment fund, in the income year commencing 1 April 1989, shall not be required to comply with section 245W(1) of the Income Tax Act 1976 in respect of that foreign company or foreign investment fund and that income year.

1. The foreign company is a foreign company in which the interest held by that person during any accounting period (the last day of which falls within that income year of the person), would not constitute an “income interest of 10% or greater”, as defined by section 245A of

the Income Tax Act 1976, as if the foreign company was a controlled foreign company.

2. The foreign company was at all times, during any accounting period (the last day of which falls within that income year of the person), resident in a country or territory that is not specified in the Seventeenth Schedule to the Income Tax Act 1976; and

(a) the person has not made an election in terms of section 245Y(2) of the Income Tax Act 1976; and

(b) the person did not hold at any time during that income year an interest in any underlying foreign company, which would constitute for that accounting period an “income interest of 10% or greater”, as defined by section 245A of the Income Tax Act 1976, as if that underlying foreign company was a controlled foreign company to which Parts 2 and 2(a) of this exemption does not apply.

This exemption is made by me acting under delegated authority from the Commissioner of Inland Revenue pursuant to section 11 of the Inland Revenue Department Act 1974.

This Exemption is signed on the 3rd day of April 1991.

Robin Adair, Deputy Commissioner of Inland Revenue

International Tax Disclosure Exemption D2A

Income Year commencing 1 April 1990

This exemption may be cited as “International Tax Disclosure Exemption D2A”.

1. Explanation (which does not form part of the exemption)

This exemption cancels and replaces “Exemption D2: Persons not required to comply with section 245W of the Income Tax Act 1976”, made by the Commissioner on 26 November 1990.

2. Reference

This exemption is made pursuant to section 245W(2) of the Income Tax Act 1976. It details interests in foreign companies and foreign investment funds in relation to which any person is not required to comply with section 245W of the Income Tax Act 1976 for the income year commencing 1 April 1990.

3. Interpretation

In this exemption, unless the context otherwise requires, expressions used have the same meaning as in section 2 or Part IVA of the Income Tax Act 1976.

4. Exemption

Any person who has an income interest or a control interest in a foreign company of a type specified below, or an interest in a foreign investment fund, in the income year commencing 1 April 1990, shall not be required to comply with section 245W(1) of the Income Tax Act 1976 in respect of that foreign company or foreign investment fund and that income year.

1. The foreign company is a foreign company in which the interest held by that person during any accounting period (the last day of which falls within that income year of the person), would not constitute an "income interest of 10% or greater", as defined by section 245A of the Income Tax Act 1976, as if the foreign company was a controlled foreign company.
2. The foreign company was at all times, during any accounting period (the last

day of which falls within that income year of the person), resident in a country or territory that is not specified in the Seventeenth Schedule to the Income Tax Act 1976; and

- (a) the person has not made an election in terms of section 245Y(2) of the Income Tax Act 1976; and
- (b) the person did not hold at any time during that income year an interest in any underlying foreign company, which would constitute for that accounting period an "income interest of 10% or greater", as defined by section 245A of the Income Tax Act 1976, as if that underlying foreign company was a controlled foreign company to which Parts 2 and 2(a) of this exemption does not apply.

This exemption is made by me acting under delegated authority from the Commissioner of Inland Revenue pursuant to section 11 of the Inland Revenue Department Act 1974.

This Exemption is signed on the 3rd day of April 1991.

Robin Adair, Deputy Commissioner of Inland Revenue

Hybrid Accounting Basis for GST

Adjustments

The adjustments that are required when a registered person changes to or from the hybrid basis are as follows:

Hybrid/Invoice

Invoice to Hybrid

Where the change is from an invoice basis to a hybrid basis, input tax will be claimed on a payments basis, while output tax continues to be accounted for on an invoice basis. An adjustment is required to avoid input tax being claimed twice in respect of supplies received while on the invoice basis. The registered person may have claimed an input tax credit for a supply received whilst on the invoice basis for which payment (in full or in part) will be made after the changeover.

The registered person is required to:

1. Identify all creditors (from whom a tax invoice has been received for the supply and in respect of which an input tax credit has been claimed) of the taxable activity as at the last day of the taxable period in which the old accounting basis is used.
2. Identify those creditors relating to supplies that have a time of supply determined under section 9(1), ["ordinary" supplies]; 9(3)(a), [goods supplied under an agreement to hire or services supplied under an agreement or enactment which provides for periodic payments]; 9(3)(aa), [progressive supplies and buildings and engineering works]; or 9(6), [supplies where the consideration is not determined at the time goods taken] to the extent that payment has not been made. No adjustment is required for supplies which have any other time of supply rules.
3. Apply the tax fraction to the amount determined under step 2.

4. Include the amount calculated under step 3 as an adjustment to output tax.

Hybrid to Invoice

Where the change is from a hybrid basis to an invoice basis, input tax will change from the payments basis to the invoice basis. Output tax will continue to be accounted for on the invoice basis. An adjustment is required to ensure that input tax is claimed for supplies received while on the hybrid basis and for which payment has not been made at the time of changeover. Without this adjustment a registered person would be denied an input credit for any amount where an invoice had been received before the changeover but where full or part payment is made after the change in accounting basis.

The registered person is required to:

1. Identify all creditors (from whom a tax invoice has been received for the supply) of the taxable activity as at the last day of the taxable period in which the old accounting basis is used.
2. Identify those creditors relating to supplies that have a time of supply determined under section 9(1), ["ordinary" supplies]; 9(3)(a), [goods supplied under an agreement to hire or services supplied under an agreement or enactment which provides for periodic payments]; 9(3)(aa), [progressive supplies and buildings and engineering works]; or 9(6), [supplies where the consideration is not determined at the time goods taken] to the extent that payment has not been made. No adjustment is required in respect of supplies which have any other time of supply rules.
3. Apply the tax fraction to the amount determined under step 2.
4. Include the amount calculated under step 3 as an adjustment to input tax.

Hybrid/Payments

Hybrid to Payments

Where the change is from a hybrid basis to a payments basis, output tax will change from the invoice basis to the payments basis and input tax will continue to be claimed on the payments basis. The output tax brought into account on all debtors at the time invoices were issued must be reversed. Output tax will be brought into account in subsequent periods as payment is received for the supply.

1. Identify all debtors (to whom an invoice has been issued for a taxable supply) of the taxable activity as at the last day of the taxable period in which the old accounting basis is used. This also includes debtors to whom no invoice has been issued but part payment has been received.
2. Identify those debtors relating to supplies that have a time of supply determined under section 9(1), ["ordinary" supplies]; 9(3)(a), [goods supplied under an agreement to hire or services supplied under an agreement or enactment which provides for periodic payments]; 9(3)(aa), [progressive supplies and buildings and engineering works]; or 9(6), [supplies where the consideration is not determined at the time goods taken] to the extent that payment has not been received. No adjustment is required in respect of supplies which have any other time of supply rules.
3. Apply the tax fraction to the amount determined under step 2.
4. Include the amount calculated under step 3 as an adjustment to input tax.

Payments to Hybrid

Where the change is from a payments to a hybrid basis, output tax will change from the payments basis to the invoice basis and input tax will continue to be claimed on the payments basis. An adjustment is required to bring into account the registered person's debtors at the time of the change that have not otherwise been brought into account as payment has not been made in full.

The registered person is required to:

1. Identify all debtors (to whom an invoice has been issued for the supply) of the taxable activity as at the last day of the taxable period in which the old accounting basis is used. This also includes debtors to whom no invoice has been issued but part payment has been received.
2. Identify those debtors relating to supplies that have a time of supply determined under section 9(1), ["ordinary" supplies]; 9(3)(a), [goods supplied under an agreement to hire or services supplied under an agreement or enactment which provides for periodic payments]; 9(3)(aa), [progressive supplies and buildings and engineering works]; or 9(6), [supplies where the consideration is not determined at the time goods taken] to the extent that payment has not been received. No adjustment is required in respect of supplies which have any other time of supply rules.
3. Apply the tax fraction to the amount determined under number 2.
4. Include the amount calculated under number 3 as an adjustment to output tax.

Example to Illustrate the Calculation of GST Payable using the Hybrid Basis of Accounting

(All figures are GST inclusive.)

Creditors at Start of Period		Debtors at Start of Period	
Resene Paints	\$550.00	R Smith	\$990.00
Smith & Smith	<u>\$770.00</u>	P Fould	<u>\$1,100.00</u>
	\$1,320.00		\$2,090.00

Cash Payments		Cash Receipts	
Loan repayment	\$214.00	R Smith	\$990.00
Power Board	\$66.00	P Fould	\$1,100.00
Post Office	\$66.00	Cash	\$220.00
Resene Paints	\$550.00	S Freeman	<u>\$330.00</u>
Autocar Garage Ltd	\$110.00		\$2,640.00
Smith and Smith	<u>\$770.00</u>		
	\$1,776.00		

Creditors at End of Period		Debtors at End of Period	
Resene Paints	\$110.00	R Smith	\$330.00
Smith & Smith	<u>\$330.00</u>	S Freeman	\$660.00
	\$440.00	A Bash	<u>\$330.00</u>
			\$1,320.00

Output Tax	
GST on cash receipts	\$293.33
GST on closing debtors	<u>\$146.67</u>
	\$440.00
Less GST on opening debtors	<u>\$232.22</u>
	\$207.78
Less Input Tax	
GST on cash payments	<u>\$173.56</u>
GST payable	<u>\$34.22</u>

Notes:

- The loan repayment is excluded from the calculation.
- The time of supply for all supplies governed by section 9(1) of the GST Act 1985.