Company Tax Return Preparation Checklist 2023

# Company Tax Return Preparation Checklist 2023

The checklist provides a general list of major issues that should be addressed, it is not designed to be an exhaustive list of all issues that may warrant consideration.

This information is current as at 5 December 2022.

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 **About the author**
This checklist was prepared by Baker Tilly Staples Rodway on behalf of CPA Australia.

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|  |  |
| --- | --- |
| COMPANY NAME: |  |

|  |  |  |  |
| --- | --- | --- | --- |
| IRD TAX ASSESSMENTS AND IRD RULINGS | YES | NO | N/A |
| Have copies of all assessments / loss determinations been obtained? |  |  |  |
| Have any opinions or IRD rulings on tax issues been relied on in previous years? If yes, provide details below. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| GROUPING | YES | NO | N/A |
| Is the company part of a tax group (66% or more shareholder commonality)? If yes, provide the group structure chart. |  |  |  |
| Has there been any shareholding change in the company or any members of the group during the year? If yes, provide details of the shareholding change below. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| RELATED PARTY TRANSACTIONS | YES | NO | N/A |
| Have all on-going and one-off related party transactions been on an arm’s length basis (don’t forget transactions for which no charge was made)? If no, provide details. |  |  |  |
| Are there any loans to or from related parties (don’t forget trade accounts with related parties which may be considered a loan due to its terms)?  |  |  |  |
| If the above was yes, has interest been charged on these loans at a market rate? Provide details of the various loans below.  |  |  |  |
| Confirm that all related party transactions are disclosed in the financial statements. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| PRIOR YEAR INFORMATION | YES | NO | N/A |
| Provide the following information in regard to the previous income year: tax return, tax calculation, imputation return (including dividend withholding payments and branch equivalent tax accounts), CFC/FIF returns and disclosures filed, income tax assessments and loss determinations issued by Inland Revenue.  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| FINANCIAL STATEMENT PREPARATION | YES | NO | N/A |
| Does the company prepare audited financial statements prepared under generally accepted accounting standards? If yes, provide a copy of the financial statements. |  |  |  |
| Has the company’s financial reporting obligations under the *Tax Administration (Financial Statements) Order 2014* been considered, and financial statements in accordance with the order been prepared? If yes, provide a copy of the financial statements. |  |  |  |
| Where financial statements are prepared under IFRS, have the adoption of standards (particularly in respect of revenue recognition (IFRS 15), leases (IFRS 16), or financial instruments (IFRS 9)) had an impact on the trial balance of the company? If so, please provide workpapers and journal entries posted in respect of the adoption of these new standards.  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| INCOME | YES | NO | N/A |
| **DIVIDENDS** |
| Have you received any New Zealand sourced dividends with imputation credits attached? |  |  |  |
| Have all New Zealand sourced dividends been reviewed to determine whether or not they are assessable?  |  |  |  |
| Have any New Zealand sourced dividends been received from members of a wholly owned group where both companies have the same balance date? |  |  |  |
| Have dividends been received from offshore companies? |  |  |  |
| **INTEREST** |
| Has any interest been received?  |  |  |  |
| Please advise whether interest is recorded inclusive of resident withholding tax. |  |  |  |
| Has use of money interest been received from Inland Revenue during the year? |  |  |  |
| **FOREIGN EXCHANGE**  |
| Have all unrealised foreign exchange gains been included in the financial statements? |  |  |  |
| **TIMING** |
| Have any income items been deferred in terms of accounting recognition? |  |  |  |
| Has payment for any sales or services been received in advance? If yes, provide details.  |  |  |  |
| **CAPITAL GAINS** |
| Have all capital gains shown in the financial statements and excluded in the tax calculation been reviewed for assessability? Provide details of the gains.  |  |  |  |
| **UNUSUAL ITEMS** |
| Do the financial statements include any unusual income items (for example compensation, damages, insurance receipts)? Provide all relevant details in regard to these receipts. |  |  |  |
| **CUT-OFF** |
| Have sales subsequent to balance date been reviewed to ensure they are recorded in the correct period for tax purposes?  |  |  |  |
| **OVERSEAS INCOME** |
| Has any income been earned overseas? If yes, provide details of any foreign tax paid.  |  |  |  |
| Does the company have any interest in foreign entities? If yes provide the percentage of shareholding, the country of source and the financial statements for the foreign entity if available.  |  |  |  |
| **OTHER INCOME** |
| Are there any other income items you believe require review? If yes, provide details.  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| EXPENDITURE | YES | NO | N/A |
| **COMMON EXPENSES** |
| Do you have any of the following expenses and have they been reviewed for deductibility? Refer to the comment in brackets for high level statements regarding deductibility of the various expenses.  |  |  |  |
| * ACC levies (deductible when due and payable)
 |  |  |  |
| * Compensation or Damages
 |  |  |  |
| * Donations (made to donee organisations up to the amount of net income in the year)
 |  |  |  |
| * Entertainment (classification between 50% and 100% deductible)
 |  |  |  |
| * GST on Non-Deductible Entertainment (if last year’s GST adjustment has been expensed, then this will also be non-deductible)
 |  |  |  |
| * Expenses relating to undeveloped land
 |  |  |  |
| * Fines and Penalties
 |  |  |  |
| * Interest
 |  |  |  |
| * Legal and Professional Fees
 |  |  |  |
| * Patent rights and expenses
 |  |  |  |
| * Personal / Private Expenses
 |  |  |  |
| * Repairs and Maintenance
 |  |  |  |
| * Salaries of staff engaged in the creation of capital assets for the business
 |  |  |  |
| * Scientific Research
 |  |  |  |
| * Set up and establishment costs
 |  |  |  |
| * Travel and Accommodation
 |  |  |  |
| **FRINGE BENEFIT TAX** |
| Has an accrual been made for FBT payable but not paid in the income year? FBT is deductible when incurred. |  |  |  |
| If an accrual has been made in respect of FBT, has the accrual been compared with the liability calculated in the FBT return covering the period ending or spanning balance date? |  |  |  |
| Has an accrual been made for the GST on FBT adjustment? This is deductible when the FBT is incurred. |  |  |  |
| Have marginal tax rate and FBT multi-rate changes been taken into account in the company’s FBT square-up calculation? |  |  |  |
| **BAD DEBTS** |
| Has a deduction been claimed for bad debts? |  |  |  |
| If yes, have all amounts claimed as bad debts been written off in the financial statements on or before balance date and have the amounts been objectively determined as bad? |  |  |  |
| Have you documented the reason why you believe a debt is bad and the steps taken to recover the amount? |  |  |  |
| Have any inter-company debts from related entities been written off? If yes, has the amount been claimed as a tax deduction? If so, provide details.  |  |  |  |
| **REMISSION OF DEBT** |
| Has the company remitted any debt owed to it? If yes, provide details. |  |  |  |
| **LEASE PAYMENTS** |
| Have all lease arrangements been reviewed to determine whether the lease is a finance or operating lease for tax purposes? Note that the definition of “finance lease” for tax purposes was temporarily modified for operating leases extended in the period 14 February 2020 to 30 September 2022. |  |  |  |
| **PROVISIONS** |
| Please provide details of all provisions.  |  |  |  |
| Have provisions for doubtful debts and bad debts not written off before year end been treated as non-deductible? |  |  |  |
| Do the financial statements include a warranty provision? If so, detail the method of calculation. |  |  |  |
| **ACCRUALS** |
| Please provide details of all accruals |  |  |  |
| Have sundry creditors and accruals been reviewed to ensure that the expenditure has been incurred at balance date and is therefore deductible? |  |  |  |
| Have accrued superannuation contributions, holiday pay, long service leave, employee remuneration and bonuses etc. incurred at year-end and not paid within 63 days of balance date been treated as non-deductible for tax purposes? |  |  |  |
| Has an accrual been made for Employer Superannuation Contribution Tax (ESCT - formerly SSCWT)? If yes, advise when the contribution was made and due date for ESCT. |  |  |  |
| **PREPAYMENTS** |
| Have prepayments been reviewed for deductibility? Provide details.  |  |  |  |
| **INTEREST** |
| Has any interest expenditure been capitalised in the financial statements? If yes, provide details.  |  |  |  |
| **FOREIGN INVESTOR TAX CREDITS**  |
| Has a supplementary dividend been paid to a non-resident shareholder? If yes, provide details and attach a copy of the dividend statements. |  |  |  |
| **RESEARCH AND DEVELOPMENT TAX CREDITS**  |  |  |  |
| Has a research and development tax credit been claimed? If yes, please provide details of the amounts received and copies of the information lodged in respect of the tax credit claim. |  |  |  |
| **DEPRECIATION** |
| Does the company maintain a separate fixed asset register for tax and accounting purposes?  |  |  |  |
| Have all depreciation rates been reviewed to ensure IRD approved rates are used for tax purposes?  |  |  |  |
| Have unloaded rates been used for assets acquired after 20 May 2010? |  |  |  |
| Is the company claiming depreciation on commercial fit-out? |  |  |  |
| Is the company claiming depreciation on expenditure incurred in obtaining a resource consent? |  |  |  |
| Is the company claiming depreciation on commercial buildings from 1 April 2020? |  |  |  |
| Have special depreciation rates been used where allowed? If yes, provide further details. |  |  |  |
| **PRIVATE USE ADJUSTMENT** |
| Has an adjustment been made to the depreciation claim for any private use of business assets? |  |  |  |
| Has there been any sale of assets which has been subject to a private use adjustment for tax purposes?  |  |  |  |
| If the above is yes, has the amount of depreciation recovered or loss on sale been adjusted also? |  |  |  |
| **SECOND HAND ASSETS** |
| Has the company acquired any fixed assets second hand from a related party? If yes, provide details.  |  |  |  |
| **LOW VALUE ASSETS** |
| Has the cost of any low value assets been claimed for tax purposes?Please note: Due to COVID-19 the threshold temporarily increased from $500 to $5,000 (effective from 17 March 2020 to 16 March 2021). The threshold permanently increased to $1,000 (effective from 17 March 2021). |  |  |  |
| Have these amounts been reviewed to ensure they were not acquired on the same day from the same supplier and that the assets acquired will not become part of some other depreciable asset? |  |  |  |
| **SOFTWARE DEVELOPMENTS** |  |  |  |
| Has any software been developed in-house? If so, provide further details. |  |  |  |
| Has research and development expenditure been expensed for financial reporting purposes under the appropriate reporting standard? |  |  |  |
| **REVALUED ASSETS** |
| Have any fixed assets been revalued?  |  |  |  |
| If the above is yes, has depreciation been claimed on the revalued amount? |  |  |  |
| Have any previously revalued assets been sold during the year?  |  |  |  |
| **FIXED LIFE INTANGIBLE PROPERTY** |
| Are there any fixed life intangible properties in existence (such as right to use land, patents, copyrights)? If yes, provide further details.  |  |  |  |
| Did the company acquire fixed life intangible properties on or after 1 April 1993? |  |  |  |
| Has a deduction been claimed where the rights which constitute an item of intangible property will no longer be able to be exercised? |  |  |  |
| **OTHER DISPOSALS** |
| Where an asset, other than buildings, has been sold, has no depreciation been claimed for the year? |  |  |  |
| **UNUSUAL ITEMS** |
| Other than the above expense items, are there any unusual expenses which should be brought to our attention (e.g. demolition costs, salary payments made to a relative of a shareholder in a family owned business)? If yes, provide further details.  |  |  |  |
| **INSURANCE** |
| Have any insurance premiums been paid to any overseas insurer not carrying on a business in New Zealand? If yes, provide the name of the insurer, the broker used if any, the country the insurer is based, the amount of premiums paid and the type of insurance cover. |  |  |  |
| **MIXED USE ASSETS** |  |  |  |
| Does the company own any of the following assets which are used for income earning use, private use, and are not used for at least 62 days of the year? |  |  |  |
| * Land and improvements to land
 |  |  |  |
| * Aircraft
 |  |  |  |
| * Watercraft
 |  |  |  |
| If yes, provide details of all associated expenditure incurred during the year and details of the income earning, private and non-use days. |  |  |  |
| **Comments:** |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| TRADING STOCK / WORK IN PROGRESS | YES | NO | N/A |
| **OBSOLESCENCE PROVISION** |
| Is there a provision for obsolescence in the financial statements? If yes, provide details. |  |  |  |
| **VALUATION OF STOCK** |
| Is stock recorded at cost? |  |  |  |
| If the above is no, is it recorded at market selling value? Note that market selling value may only be used where the stock is not an excepted financial arrangement and then market selling price is lower than cost, with reasonable evidence to substantiate the value.  |  |  |  |
| Has trading stock been transferred between wholly owned companies? If yes, provide further details including the price the transferee is valuing the stock at.  |  |  |  |
| **MACHINERY PARTS** |
| Has the cost of all machinery spare parts purchased but not used in the income year been added back for tax purposes?  |  |  |  |
| **CONSUMABLE AIDS** |
| Have consumable aids (such as oil or fuel) been included in the cost of stock? |  |  |  |
| If the above is no, was the cost of consumable aids on hand at year end not greater than $58,000? |  |  |  |
| **SERVICES – WORK IN PROGRESS** |
| Have all amounts where an entitlement to bill exists at balance date been included in gross income for tax purposes? |  |  |  |
| Have all negative work in progress been reviewed to determine whether an adjustment is required for tax purposes? |  |  |  |
| Is there any negative work in progress, which is not taxable in the current income year? If yes, provide further details.  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| FINANCIAL ARRANGEMENTS | YES | NO | N/A |
| Is the company party to any financial arrangements (such as loans, annuities, forward or futures contracts, guarantees, bank accounts or debt defeasances)? If yes, provide details regarding the basis of calculating income / expenditure arising from these. |  |  |  |
| Has a base price adjustment been performed in respect of all financial arrangements that have matured or been disposed of during the year? If yes, provide calculations. |  |  |  |
| Has debt been sold or transferred to a related party at less than book value? If yes, provide details. |  |  |  |
| Have all financial arrangements denominated in a foreign currency been translated to New Zealand dollars? If yes, advise the source of the foreign exchange rates used.  |  |  |  |
| Does the company have any creditors / debtors billed in foreign currency where terms of trade are in excess of 63 days, and amounts remain outstanding at balance date? If yes, provide details.  |  |  |  |
| Has an election been filed to treat short term trade credits to be treated as financial arrangements? |  |  |  |
| Does the company have any forward contracts for foreign exchange outstanding at year end? If yes, provide further details. |  |  |  |
| Where real property has been purchased, has the agreement provided for a “lowest price” clause in order to ensure that deemed interest does not arise? If yes, forward a copy of the contract to us.  |  |  |  |
| Has the company entered into any contact or option for the sale or purchase of any property other than real property where the date of settlement (final payment) is deferred longer than 63 days or in the case of real property where it was longer than 93 days? |  |  |  |
| Has any group debt owed to or by the company been forgiven or remitted? If yes, provide further details. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| DIVIDENDS AND IMPUTATION  | YES | NO | N/A |
| Have you completed the imputation credit account return to 31 March (regardless of your actual year-end)? |  |  |  |
| Has the imputation credit account been adjusted for all non-cash dividends (such as low interest loans made to shareholders or associated persons)? |  |  |  |
| Has the imputation ratio been the same in respect of all dividends paid during the year (cash or non-cash)? |  |  |  |
| Is the entity part of an imputation group and if so, do the members of the imputation group have imputation credits from prior to the formation of the imputation group?  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| EMPLOYEE SHARE SCHEMES | YES | NO | N/A |
| Have you offered any shares to your employees? If so, please provide details of the share scheme below.  |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| OTHER TAXES | YES | NO | N/A |
| **GOODS AND SERVICES TAX (GST)** |
| Is the company registered for GST?  |  |  |  |
| Advise the annual turnover of the company and whether the company is registered on the payments or invoice basis and whether GST returns are filed every one, two or six months. |  |  |  |
| Has GST been paid on all fringe benefits other than GST exempt benefits such as low interest loans? If no, provide details of the fringe benefits to enable the GST amounts to be calculated. |  |  |  |
| Has the annual GST adjustment on entertainment been made? Note that the GST should be returned by the earlier of when the tax return is filed or the due date for the tax return.  |  |  |  |
| **PAY AS YOU EARN (PAYE)** |
| Have all allowances been checked to ascertain whether or not PAYE was required to be deducted? |  |  |  |
| Has the status of any independent contractor been checked to ensure that the person is not in fact an employee subject to PAYE? |  |  |  |
| **FRINGE BENEFIT TAX (FBT)** |
| Are company vehicles available to employees or shareholder employees for private use? |  |  |  |
| Are employees provided with low interest loans, including shareholder employees’ overdraft current accounts? |  |  |  |
| Are employees provided with other fringe benefits such as staff buying privileges or subsidised transport? |  |  |  |
| If the answer to any of the above is yes, has fringe benefit tax been paid in respect of such benefits? |  |  |  |
| **RESIDENT WITHHOLDING TAX (RWT)** |
| Have RWT been deducted from all payments of interest or dividends made to New Zealand residents who do not hold an exemption certificate? If yes, attach a copy of the RWT on interest reconciliation statement. |  |  |  |
| **NON-RESIDENT WITHHOLDING TAX (NRWT)** |
| Have payments been made to non-residents (such as interest, dividends, management fees, royalties)? |  |  |  |
| Was non-resident withholding tax and or non-resident contractors’ withholding tax been deducted from the above payments? If yes, provide a copy of the NRWT reconciliation statement.  |  |  |  |
| Does the company have any financial arrangements with any associated non-residents? If so, provide details. |  |  |  |
| **EMPLOYER SUPERANNUATION CONTRIBUTION TAX (ESCT – FORMERLY SSCWT)** |
| Has the company made any superannuation contributions?  |  |  |  |
| If the above is yes, has ESCT been deducted and paid to IRD? |  |  |  |
| **NON-RESIDENT CONTRACTORS TAX (NRCT)** |
| Have any non-resident contractors come to New Zealand to perform contract activities for an on behalf of the company (e.g.: installing new machinery or training NZ based staff)? |  |  |  |
| Does the company hold a certificate of exemption from NRCT on behalf of the non-resident? |  |  |  |
| If the above is no, has NRCT been deducted and paid to IRD? |  |  |  |
| **Comments:** |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| PROPERTY SALES & PURCHASES | YES | NO | N/A |
| Has there been any sale of land during the year? Provide details of when and how the land was acquired, the purpose for the acquisition and the purpose of disposal. |  |  |  |
| Have buildings been sold during the year? If yes, provide details of any depreciation that has been claimed in relation to the buildings. |  |  |  |
| Have buildings or land been acquired during the year? If yes, provide details of the acquisition, including a copy of the sale and purchase agreement and advise the company’s intention in relation to the land or buildings. |  |  |  |
| From 1 October 2021, interest on residential rental properties is subject to the new deductibility rules. Does the company hold any residential property or shares in other companies which hold residential property? If so, please provide details. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| LOSSES | YES | NO | N/A |
| Have subvention payments made / received by the company been included in the tax calculation? Provide details of the payer / receiver (including IRD numbers).  |  |  |  |
| Were subvention payments paid by 31 March or has the Commissioner been notified of loss offset elections / subventions within the relevant timeframes? |  |  |  |
| Has any expenditure been spent on research and development? If yes, provide details, including a breakdown of salaries and wages spent on research and development compared to other salaries and wages. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| OTHER CONSIDERATIONS | YES | NO | N/A |
| Has the company issued or cancelled shares during the year? If so, forward details. |  |  |  |
| Has any debt been capitalised during the year? If so, provide details. |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| INTERNATIONAL TAX ISSUES | YES | NO | N/A |
| Does the company hold shares, units, or some other interest in an overseas company, unit trust, life insurance policy or superannuation fund? If yes, provide further details.  |  |  |  |
| Does the company have overseas shareholders? If yes, provide details of the overseas shareholding.  |  |  |  |
| Has the company paid any supplementary dividend to its overseas shareholders? If yes, has the Foreign Investor Tax Credit (FITC) been claimed? |  |  |  |
| Does a single overseas shareholder hold 50% or more of the shares in the company? If yes, have interest bearing loans been made to the company by the overseas shareholder? |  |  |  |
| Are goods and / or services supplied to / by any overseas related parties? If yes, has documentation been prepared to support the fact that the transactions occurred at arms’ length? |  |  |  |
| Is overseas tax paid being claimed against tax payable in New Zealand? If yes, provide the relevant calculations.  |  |  |  |
| Have the thin capitalisation provisions been reviewed with regard to the deductibility of interest payments for the New Zealand entity? The thin capitalisation formula changed effective 1 July 2018, which could materially affect your position.  |  |  |  |
| Has transfer pricing documentation been prepared / reviewed from a New Zealand perspective? |  |  |  |
| Has the application of the Base Erosion and Profit Shifting (BEPS) disclosure rules been considered for periods commencing 1 July 2018. In particular, the disclosure obligations relate to:* hybrid or branch mismatch arrangements
* interest limitation
* restricted transfer pricing.
 |  |  |  |
| **Comments:** |

|  |  |  |  |
| --- | --- | --- | --- |
| NON-RESIDENT COMPANIES | YES | NO | N/A |
| Are you sure you are not a resident of New Zealand?  |  |  |  |
| Has double tax treaty relief been applied? |  |  |  |
| Has income from New Zealand sources only been included in the tax calculation? |  |  |  |
| Have the following receipts from New Zealand been excluded from the return? |  |  |  |
| * Dividends
 |  |  |  |
| * Interest
 |  |  |  |
| * Non-cultural royalty income subject to non-resident withholding tax
 |  |  |  |
| Can all of the expenditure claimed as being tax deductible be fairly attributable to the process of earning the New Zealand sourced income? |  |  |  |
| Has full documentation of all transactions between the New Zealand entity and its offshore Head Office been maintained to enable IRD to verify that pricing between entities has been set correctly? |  |  |  |
| **Comments:** |  |  |  |

|  |
| --- |
| CLIENT DECLARATION |
| I confirm that the above is a true and complete record of all transactions for the year. |
|  |
|  Signature  |