

Estimation option

To estimate your provisional tax, estimate your income and then calculate the tax on it. You can re-estimate your provisional tax as often as you like up to and including your third instalment due date. At this date your last estimate becomes final.

Worksheet

You can calculate your estimate for your provisional tax by completing the worksheet in your tax return guide. If you have already filed your return, or want to re-estimate, you can complete a Provisional tax estimation (IR 309) form.

Note: Once you have chosen the estimation option, you can't change back to another option during that tax year.

Example	Estimated untaxed income	\$80,000	
	Tax on this income is calculated as follows:		
	– income up to \$38,000 @ 19.5%	\$ 7,410	
	– income over \$38,000 and up to \$60,000 @ 33%	\$ 7,260	
	– income over \$60,000 @ 39%	\$ 7,800	
	Total tax on \$80,000 is	\$22,470	
	Provisional tax payable:	\$22,470	
	Payable in three instalments	\$ 7,490	28 August
	For standard 31 March balance date	\$ 7,490	15 January
		\$ 7,490	7 May

Remember, when making an estimate, you're required to take reasonable care. If you're unsure about estimating provisional tax, call us on **0800 377 774** or contact your tax agent before you estimate.

Ratio option (This option is only available to customers registered for GST)

Using the ratio option, provisional tax instalments are based on your GST taxable supplies. We'll calculate a percentage based on your prior year's residual income tax, divided by your GST supplies for the corresponding year. To calculate your provisional tax instalments you multiply the percentage by your total GST taxable supplies for the two-monthly period (monthly payers will add the taxable supplies for two return periods). For information about the GST ratio option and eligibility criteria read our *GST – provisional tax: smart business quick reference summary sheet (IR 235)*.



Do I have to pay provisional tax in my first year of business?

The first year you're in business is **not** tax-free. In your first year of business you should budget and put money aside for tax payments. This will ease the cashflow in your second year of business, when you'll need to pay provisional tax instalments for that year, plus pay the tax for your first year of business. You can make voluntary payments towards your end-of-year tax liability at any time during your first year of business.

A discount of 6.7% will be credited to individuals (including partners in a partnership) who receive self-employed or partnership income and who make voluntary payments to income tax either in their first year in business or the year before they start paying provisional tax. To qualify, you'll need to meet certain criteria. Please call us on **0800 377 774** to find out whether you qualify for this discount.



How much to save for your income tax

If your only income is from your business, please see our factsheet *Income tax (IR 325)* for a guide on how much to save.



Making the payments

When you've worked out your provisional tax, please keep a note of each instalment amount and the dates they're payable. You must pay each instalment by the payment date, even if you haven't received your statement. If you paid provisional tax last year, we'll send you a reminder letter before each instalment date. You can pay by cheque, cash or EFTPOS at most branches of Westpac. You may also be able to pay electronically through your bank. For more information read our booklet *Making payments (IR 584)*.

If you're paying provisional tax for the first time, please complete a *Payment slip (IR 901)* and send it with your payment.



Need to know more?

For more information please read our *Smart business (IR 320)* and *Provisional tax (IR 289)* guides.



If you're still having problems, try our advisory service

Inland Revenue offers a free business tax information service to provide support and tax education for new businesses and organisations to help them meet their tax responsibilities. You can arrange to see a business tax information officer or a Māori community officer through our website www.ird.govt.nz or by calling us on **0800 377 774**.

You can get all the publications and forms mentioned in this factsheet from www.ird.govt.nz or by calling INFOexpress—on **0800 257 773**.

