Inland Revenue
Te Tari Taake

Business
Ngā Ūmanga

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Māori authority distributions

Use this factsheet if your Māori authority makes distributions to its members. It will help you work out if these are taxable or not and whether taxes must be paid.

If your Māori authority makes distributions to its members there are several steps you'll need to take to meet your tax obligations.

Distributions

Distributions are a transfer of value from a Māori authority to a Māori authority member. It includes payments, kaumatua grants, health and education contributions, accommodation provided, interest-free loans and taxable bonus issues given to a member because of their membership in the Māori authority.

Types of distribution

Distributions from Māori authorities to their members are either taxable or non-taxable.

1. Taxable distributions are those from:
    - gross income the Māori authority received in the 2004-05 or subsequent income years
    - gross income not exempt from tax.
2. Non-taxable distributions which include as their source:
    - tax paid income earned prior to the 2004-05 income year
    - exempt income
    - tax paid income received under other tax-type rules.

Use the flowchart over the page to decide if a distribution is taxable or non-taxable to a member. You can find examples of different types of distributions in our guide *Māori authorities - A guide to the Māori authority tax rules (IR487)*.

MACA (Māori authority credit account)

Most Māori authorities need to keep an account of any credits they allocate. The MACA shows how much income tax the Māori authority has paid on its income and how much of that tax can be passed on to members as a credit.

Your MACA covers the period 1 April to 31 March each year. It will have an opening balance, credit and debit entries and a closing balance. A credit closing balance in a Māori authority credit account means tax credits are available for distribution to its members in the next tax year.

Māori authority credit and RWT (resident withholding tax) rules

Māori authorities can pass on to members the benefit of any tax they've already paid on the Māori authority's income. They do this by attaching credits to the distribution they pay out, so profits aren't taxed twice.

A Māori authority can decide whether to pass on credits but RWT must be deducted if the:

- Māori authority decides not to attach any credits to the distribution
- credits attached are less than 17.5% of the gross distribution
- Māori authority doesn't hold the member's IRD number and the distribution exceeds $200 (in which case the tax rate is 33%) reduced by any Māori authority credits attached, up to a maximum rate of 17.5% of the gross.

You must deduct RWT at the time the distribution is paid to the member. For this purpose, "pay" means:

- distribute to
- credit to an account
- deal with a person's interest or on their behalf.

Example: Dealing with a person's interest or on their behalf

A Māori authority declares a distribution for all beneficiaries, calculating the payout and crediting the account of each beneficiary. They make payment to known beneficiaries but some distributions remain unclaimed. The Māori authority is required to account for RWT on the full amount declared not just the amount physically paid to beneficiaries.

Once you've deducted the RWT from distributions, you must send the RWT to us by the 20th of the month following the distribution.

MACA and distribution statements

All Māori authorities who maintain a MACA and make distributions must complete a statement telling us the total amount of credits distributed to their members.

Tell us, the date and total amount of distributions and the total amounts of Māori authority credits attached and any other tax credits, and the credit ratio.

You must also give a distribution statement to each member. Include the authority's name, the name, address and IRD number of the member, the date and amount of the distribution. Show what portion is taxable and/or non-taxable.

For more help

Our *Maori authorities - A guide to the Māori authority tax rules (IR487)* explains:

- the tax rules for Māori authorities
- what a Māori authority is
- things to consider if you're thinking about becoming an Māori authority
- how to become an Māori authority.

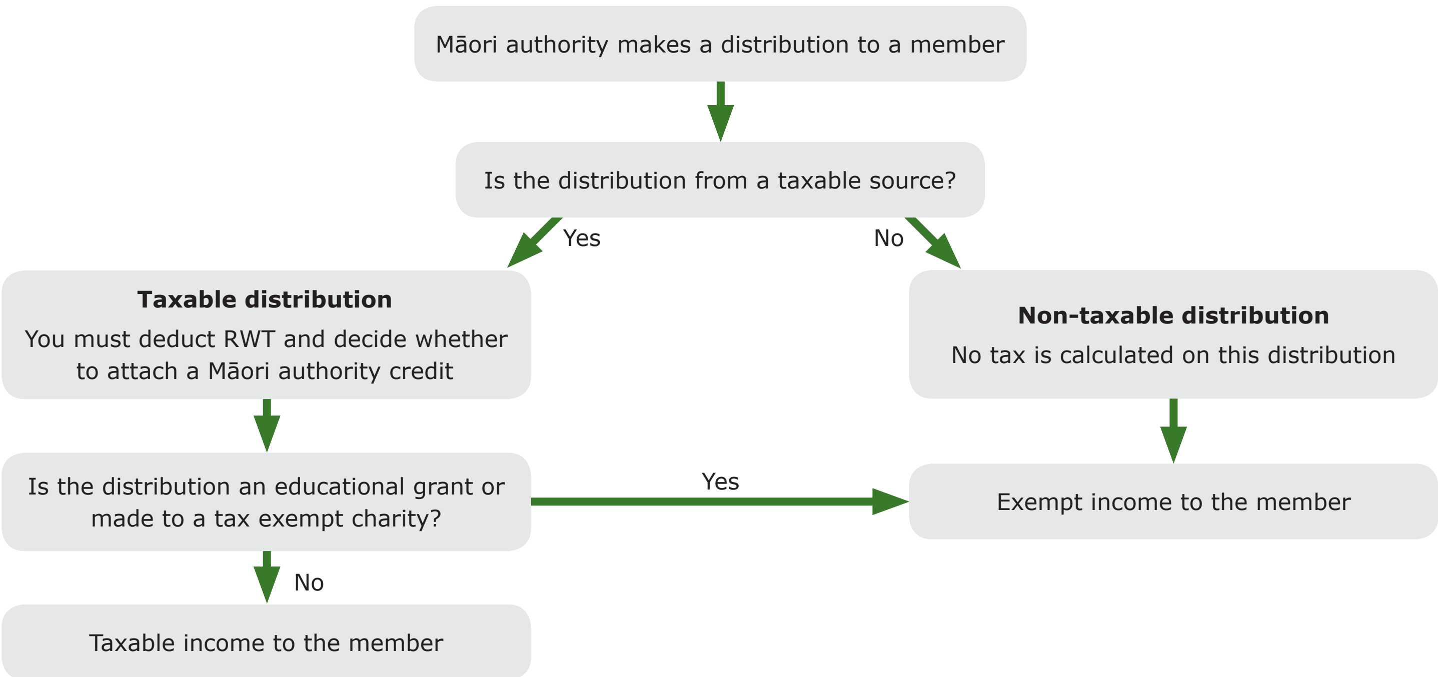
You can get a copy from **www.ird.govt.nz** "Forms and guides" (search keyword: IR487).

If you're not already a Māori authority but meet the criteria and want to become one, you'll need to complete a *Māori authority election (IR483)* form.

Supporting businesses in our community

Our Community Compliance teams offer free tax education to businesses and not-for-profit organisations to help them meet their tax obligations. Our kaitakawaenga Māori advise Māori organisations and individuals.

To make an appointment go to **www.ird.govt.nz** (search keyword: seminar, advisory) or call us on 0800 377 774.



Note: Taxing distributions and managing a MACA can be complex and this table is only a guide. We suggest you talk to a tax professional.

If the distribution is a mixture of taxable and non-taxable sources work out tax on the taxable portion only.

Taxable distributions that are exempt income to recipients must still have tax deducted and the credits passed on to the member. These credits can be claimed by the recipient.

Educational grants must meet the requirements under CW 36 of the Income Tax Act 2007 to be considered exempt income.