



Inland Revenue
Te Tari Taake

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Taxes and the taxi industry

Information about tax issues for
taxi drivers and owner-operators

Self-employed or an employee?

It's important to know whether you are self-employed or an employee as this affects your tax situation and the returns you have to file. Please read this section carefully.

Employees have PAYE (pay as you earn) tax deducted from their wages before they receive them. They do not have to keep business records, or account for GST. Their employer does this for them.

Self-employed people have to keep their own business records and account for their own tax. They may have to register and account for GST and they can claim the expenses of running the taxi business.

An **employer** may be a self-employed person (owner-operator) who engages owner-operators or employs drivers, or be a taxi company which does this. Employers must deduct PAYE tax from all their employees' wages, and pay it to Inland Revenue. But, if the people working for them are self-employed, the employer may not have to account for PAYE.

Deciding whether someone is self-employed or an employee can be complicated. Arrangements between taxi owners and drivers are often verbal, which can cause confusion over the exact terms. Written contracts can help sort out the tax status of the parties involved.

To help you work out whether you are self-employed or an employee, we've set out some of the common arrangements between owners and drivers below. If you are still not sure where you fit in, phone us on 0800 377 774 to discuss your situation.

1. Owner drives the taxi and does not employ a driver

The owner holds a passenger service licence (PSL) and a class C licence. The owner is the only one who drives the taxi. They are self-employed for tax purposes.

2. Owner drives the taxi and employs a driver

The owner holds a PSL and a class C licence, and drives the taxi. The owner takes on someone to drive the taxi at other times.

The owner is self-employed for tax purposes. How the driver pays tax depends on the conditions explained in example 3.

3. Owner does not drive a taxi but employs a driver

The owner holds a PSL but does not drive a taxi. A driver with a class C licence does the driving.

The owner is self-employed for tax purposes. The driver's tax situation could be one of the following.

- If the driver is paid a set wage and has little control over the hours worked, they are an employee. The owner must deduct PAYE from the driver's wages and pay it to Inland Revenue.
- If the driver pays a fixed lease to the owner for the use of the taxi, the driver is most likely self-employed.
- If the driver pays the owner a percentage of takings (usually calculated excluding GST) the situation is not so clear cut. If the driver takes the risk of a loss, pays the running costs, pays the fixed costs (such as insurance) and controls the use of the taxi, then the driver is most likely self-employed. If the owner takes responsibility for most or all of these things, the driver is most likely an employee.

4. Taxi organisation owns taxis and employs drivers

The organisation could be a sole trader but is usually a limited liability company, or a cooperative company that has owner-drivers as shareholders. The person who owns the business holds the PSL. The drivers all have class C licences.

An owner-operator is self-employed for tax purposes. How the drivers pay tax depends on the conditions explained in example 3.

5. Taxi organisation controls a pool of relief drivers

A taxi organisation has a pool of part-time drivers available for taxi owners to use as replacements when required. The person in charge of the taxi organisation must hold a PSL, and so must the individual owner-operators or drivers employed.

The taxi organisation and the independent owners would be self-employed for tax purposes. The relief drivers' tax situation depends on the conditions explained in example 3.

Income tax returns

Income tax returns must be filed every year. They usually cover the tax year from 1 April to 31 March.

Salary and wage earners no longer have to file an IR 5 return. As long as you have given your employer the right tax code you should pay enough tax during the year. However, some people may need an end-of-year square up.

For example:

- if you only worked part of the year, or
- you paid child support, and earned more than \$200 in interest or dividends

you may either receive a refund or have some tax to pay.

You can check whether you are required to request an end-of-year square up by phoning us on 0800 227 774.

If you are self-employed you must file an IR 3 tax return each year, no matter how much you earn. These returns are due by 7 July each year unless you have a tax agent.

If a partnership operates taxis, it must file an IR 7 return showing all the income. The partners must file IR 3 returns to show their share of income from the partnership. A registered company must file an IR 4 return. The due date for filing is 7 July unless you have a tax agent.

If a tax agent looks after your income tax, you may be able to file your return later than the due dates shown above. Your tax agent can give you more information about this.

Employer returns

If you are a taxi owner who employs other people, you must deduct PAYE tax from payments to your employees. You then file PAYE forms with your payments to Inland Revenue each month.

When you register as an employer we send you all the information you need to meet your tax obligations. We also send you the payment forms for your PAYE each month, before the due date.

For more information, please see our *First-time employer's guide* (IR 333). You can read this on our website at www.ird.govt.nz or you can order a copy through INFOexpress, by phoning 0800 257 773.

Goods and services tax (GST)

Registering for GST

If you are self-employed and your takings (turnover) are over \$60,000 for any year, you must register for GST. This applies whether or not you own or lease the taxi. If your turnover is less than \$60,000 you can still register voluntarily.

To work out whether you need to do this, read our booklet *GST—do you need to register?* (IR 365). If you register, we'll send you a copy of the *GST guide* (IR 375).

Accounting for GST

Once you've registered for GST, you have to account for the GST on your turnover and deduct the GST on your business expenses (if GST is charged). The difference between the two is the amount you pay Inland Revenue or that we refund to you. You can't claim wages as a GST expense.

You work out your GST payment or refund on a GST return, which you file to Inland Revenue either monthly, two-monthly or six-monthly.

There are strict rules for record keeping and invoices for GST. The GST guide explains these.

Fare schedules and GST

Taxi operators who charge GST in their fares must be registered for GST. This should be clearly indicated on the fare schedule displayed. This rule applies even if the taxi operator's turnover is less than \$60,000—they must still file GST returns to Inland Revenue.

GST on employees' earnings

If you are a taxi owner with other drivers working for you, you must account for GST on all the takings for the taxi—including those earned by the employee drivers. Do not take out the wages before you calculate the GST.

Record keeping

If you are self-employed, you must keep good records so we can confirm your accounts and tax returns. You must keep all your business records for seven years.

For more information on records, read our *Smart business (IR 320)* booklet. You can view this on our website or request a copy by phoning INFOexpress on 0800 257 773.

For more help

If you need help with your tax obligations, you may find these publications useful.

Employer's guide	IR 335
First – time employer's guide	IR 333
GST – do you need to register?	IR 365
GST guide	IR 375
Smart business	IR 320
Self-employed or an employee?	IR 336

You can read copies of these publications on our website (see below), or order them by phoning INFOexpress on 0800 257 773—remember to have your IRD number ready.

If you would like to discuss your tax situation, please phone 0800 377 774.

Customer service quality monitoring

We randomly record calls made to Inland Revenue to monitor and improve the quality of our customer service. Please note that we store these recordings securely for a limited time and destroy them after use.

Inland Revenue's website

If you would like more information about Inland Revenue, visit our website at www.ird.govt.nz

This site contains general tax information, copies of most of our publications, public rulings and answers to commonly asked questions.

We update our site regularly.