Inland Revenue
Te Tari Taake

Schedule of business income

IR3B
April 2021

- **Before you fill in this form read the notes on pages 3 and 4.**
- **Attach this form to your income tax return and keep a copy for your records.**

Year ended 31 March

Your name

IRD number

(8 digit numbers start in the second box 1 2 3 4 5 6 7 8)

Type of business

1.	**Sales**	1	$
Cost of sales			
2.	Opening stock	2	$
3.	Purchases	3	$
4.	Closing stock	4	$
5.	Add Box 2 and Box 3 and subtract Box 4. Print the answer in Box 5.	5	$
6.	Subtract Box 5 from Box 1. Print the answer in Box 6.	6	$
7.	Other income	7	$
8.	**Total gross income**. Add Box 6 and Box 7. Print the answer in Box 8.	8	$

Expenses

9.	Accident compensation levies paid to ACC	9	$
10.	Advertising	10	$
11.	Bad debts	11	$
12.	Communication	12	$
13.	Depreciation	13	$
14.	Entertainment	14	$
15.	Home office	15	$
16.	Insurance	16	$
17.	Interest	17	$
18.	Legal and accounting	18	$
19.	Motor vehicle	19	$
20.	Power	20	$
21.	Rent and rates	21	$
22.	Repairs and maintenance	22	$
23.	Salary and wages	23	$
24.	Travel and accommodation	24	$
25.	Other expenses (Show type)	25	$
			$
			$
			$
26.	**Total expenses**. Add up all the expenses above and print the answer in Box 26.	26	$
27.	Subtract Box 26 from Box 8 and print the answer in Box 27.	27	$
28.	Gain or loss on disposal of fixed assets (put any loss in brackets).	28	$
29.	**Net income.** If Box 28 is a credit, add Box 28 to Box 27 and print the answer in Box 29. If Box 28 is negative, subtract Box 28 from Box 27 and print the answer in Box 29.	29	$

RESET FORM

Notes

The information on this form is based on current tax laws at the time of printing.

If you're in business you can use this schedule instead of completing a set of financial accounts. Partnerships and estates can also use this schedule. Attach it to your tax return.

Balance date

If your balance date is 31 March, work out your income and expenses for the income year from 1 April to 31 March. If you're not sure, contact your tax agent, or call us on 0800 377 774.

Record keeping

You must keep:

- books of accounts to record income, expenses, payments, wages, assets and liabilities, and
- bank statements, invoices, receipts, and any other documents to support entries in your account books.

You must keep your records for 7 years. Keep all receipts and invoices with your records in case we ask to see them later.

Motor vehicle records

If you use your car for business you must apportion your running costs between business and private use.

To work out the business portion of the running costs, keep a logbook for 3 months. You can then use the results for the next 3 years, provided the business use of the car does not change by more than 20%.

For each business trip write down in your logbook:

- the date
- the distance travelled for each business trip, and
- the reason for the trip.

Use the difference between the odometer readings for the start and end of the 3 months to work out the percentage of vehicle expenses you can claim.

Example

Distance travelled for business	912 km
Total distance travelled in 3 months	1,600 km

$$\frac{912}{1{,}600} = 57\%$$

In this case 57% of vehicle expenses can be claimed as a business expense.

If you do not keep records for your vehicle we limit your claim for the expenses and depreciation to a maximum of 25%.

Expenses when running a business from home

If you've set aside part of your home for business purposes, you may be able to claim a portion of the costs of running your business from home.

To claim these costs you have to set aside an area principally for your business, such as an office or a storage area, and keep records of the expenses you're claiming.

Work out the amount of expenses you can claim according to the proportion of the floor area set aside for your business.

Expenses you can claim include insurance, rates, power and mortgage interest payments.

You can also claim:

- a portion of the depreciation on your home and on some capital items used principally for business purposes in your home, for example a computer or office furniture and fittings
- up to 50% deduction for your domestic telephone line rental. If you have both a commercial and a domestic line rental you can claim the full cost of the commercial line but you cannot claim any portion of the domestic line.

Our booklet **Smart business - IR320** explains how to calculate a claim. You can order a copy at **ird.govt.nz/forms-guides** or by calling our 0800 self-service on 0800 257 773.

GST (Goods and services tax)

If you're registered for GST, do not include the GST portion of your income and expenses when working out the net profit on this form. Show the GST on your income and expenses in your GST returns.

If you are not registered for GST include the total income and expenses, including GST, when working out your net profit.

Filling in the IR3B

Sales - Box 1

This is the total sales or income earned from your main business activity.

Cost of sales - Boxes 2 to 4

Opening stock is measured at the start of the income year (usually 1 April) and closing stock is measured at the end of the year (usually 31 March). "Purchases" is the cost of buying or producing goods for sale.

Other income - Box 7

This is sales or income earned from sources other than your main business activity, for example interest on the business bank account.

Schedular payments

Do not include schedular payments on the IR3B. Show any income with tax from schedular payments deducted in your tax return. See your tax return guide for notes about schedular payments.

Expenses

Only the expenses you incur in generating your business income are deductible for tax purposes. Apportion or exclude any personal expenses incurred.

Accident compensation levies - Box 9

Include ACC levy payments for self-employment and as an employer, and any interest charged.

Bad debts - Box 11

Show any debts not recovered which are actually written off.

Communication - Box 12

Includes telephone, mobile phone, fax and postage costs.

Depreciation - Box 13

This is the total tax-deductible depreciation claimed for all business assets. For more information see page 3.

Entertainment - Box 14

Some business entertainment expenses are only 50% deductible. For more information read our booklet **Entertainment expenses - IR268** - it will also tell you which expenses are fully deductible. You can order a copy at **ird.govt.nz/forms-guides** or by calling our 0800 self-service on 0800 257 773.

Insurance - Box 16

Include all business insurance premiums. Exclude premiums for private assets or personal life insurance. Claim premiums for loss of earnings in your return.

Interest - Box 17

Include interest charged on bank accounts, hire purchase agreements or term loans. Do not include loan repayments.

Legal and accounting - Box 18

Include all deductible legal, accounting and solicitors' fees paid. Do not include the costs of setting up a business.

Motor vehicle - Box 19

Claim all running costs and apportion for private use. Show depreciation separately in the box provided on page 1.

Salary and wages - Box 23

This is the total paid to employees and shareholders - include directors' fees, bonuses and lump sums.

Do not include drawings from the business - these are not deductible.

Other expenses - Box 25

Show any other deductible expense not covered by the above items, stating type and amount.

Gain or loss on disposal of fixed assets - Box 28

This is the difference between the amount an asset is sold for (the sale price), and the adjusted tax value (the written down value or depreciated book value).

This is the lesser of:

- the cost price less the adjusted tax value, or
- the sale price less the adjusted tax value.

This is to calculate the depreciation recovered. If the sale price is the lesser figure and the sale price is less than the depreciated value, the loss on sale is deductible except for the sale of a building.

Net income - Box 29

To work out your net income, subtract the total expenses from total gross income, then add or subtract any gain or loss on disposal of fixed assets. Copy your answer to your tax return.

Depreciation

The assets you use in your business will eventually wear out or go out of date. They will therefore reduce in value, even though you maintain and repair them routinely. This gradual reduction in the value of an asset is called depreciation and can be deducted from your business income.

You must claim depreciation on assets which are expected to decline in value and have a lifespan of more than 12 months, unless you elect not to. Not all assets can be depreciated - land is a common example.

You must keep a fixed asset register to show assets you are depreciating. Record the depreciation claimed and the adjusted tax value of each asset. The adjusted tax value is the asset's cost price less all depreciation calculated since its purchase.

Depreciation rates and calculating depreciation

The depreciation rates for various assets are set by Inland Revenue. They are based on the cost and useful life of an asset being depreciated.

To find the depreciation rate for any asset and calculate the depreciation claim go to **ird.govt.nz/depreciation** or use our booklet **General depreciation rates - IR265** available at **ird.govt.nz/forms-guides** or through our 0800 self-service on 0800 257 773.

You can calculate depreciation either by the diminishing value or the straight line method. You do not have to use the same method for all your assets, but you must use the chosen method for the full income year.

You can change the method for any asset from year to year. If you do change the method of calculating depreciation, the opening value of the asset is the current adjusted tax value, not the original cost.

Pooling assets

You can pool or group low value assets and depreciate them as though they were a single asset.

The assets you can pool are ones which are not used privately and which cost $2,000 or less, or have depreciated so their adjusted tax value is $2,000 or less.

You calculate pool depreciation on the average pool value at a single rate using the diminishing value method. The rate to use is the lowest rate applying to any asset in the pool.

Once you have included an asset in the pool, you can separate it only if you start to use the asset for private use.

Low value Assets (including loose tools)

Where you purchase an asset that has a low value you can fully deduct the cost of that asset at the time of purchase. This removes the need to depreciate that low value asset over its useful life. A low value asset is determined by its cost:

- 17 March 2020 till 16 March 2021 - Up to $5,000
- 17 March 2021 onwards - Up to $1,000.

Computer software

The cost of software is a capital expense and must be depreciated. The cost includes paying for rights to use, purchasing upgrades and developing inhouse packages.

For more information

Read our booklets **Smart business - IR320** and **Depreciation - IR260**. You can get these booklets and this IR3B form at **ird.govt.nz/forms-guides** or through our 0800 self-service on 0800 257 773. If you need more help, send us a message at **ird.govt.nz/myIR** or call us on 0800 377 774.