

**June 2016**

### **New tax payment option**

Prime Minister, John Key, has announced a number of measures targeted at reducing tax compliance costs for small business.

Provisional tax is currently paid in three instalments based on the previous year's earnings, to give an estimate for the current year's tax bill. A new pay-as-you-go option will be available, to be known as the Accounting Income Method (AIM) for calculating provisional tax payments.

This initiative will be open to taxpayers with turnover of less than \$5 million and will provide the option of paying provisional tax every two months based on actual earnings. This option will be available from April 2018.

Inland Revenue is proposing that the use of accounting software will be a fundamental feature of AIM, the idea being that software, such as Xero or MYOB, would have functionality added that would allow for the provisional tax liability to be calculated when you file your tax return, and payment being dealt with by the software itself.

This will put greater emphasis on ensuring up to date information is being entered into accounting software but will provide the benefit of matching tax payments to income. This method will be of benefit to seasonal businesses or businesses subject to volatility when earning income.

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