
PRESCRIPTION: 206 TAXATION

Last date for assessing this prescription is 31 December 2008

INTRODUCED	1988
UPDATED	1995
UPDATED	1999 (Implemented Semester Two 2000)

AIM OF SUBJECT

To provide students with the knowledge to determine the responsibilities of

- (a) NZ resident individuals
- (b) NZ close (ie small) companies

with respect to income tax, GST, FBT, and ACC premiums and levies.

To enable students to:

- (c) understand the framework in which NZ taxation is assessed
- (d) understand the principles of tax, direct and indirect taxation systems, tax entities and the Inland Revenue Department.

In particular, after completing this subject, students should be able to:

- 1 calculate income tax liability (together with supporting statements) for employees, renters, small businesses, partnerships and close companies
- 2 calculate tax liability (together with supporting statements) for PAYE, FBT, and ACC premiums and levies
- 3 calculate GST liability.

The emphasis should be on giving students a good working knowledge of tax practice, including the actual preparation of tax returns.

RECOMMENDED PRE-REQUISITE

A level of knowledge as provided in the NZDipBus paper 100 Accounting Principles or the equivalent.

COURSE LENGTH

The equivalent of 20 National Qualifications Framework credits, with a minimum of 60 class contact hours or the equivalent for open learning/distance tuition.

RESOURCES

Recommended Texts

New Zealand master tax guide for students. Auckland: CCH New Zealand. Latest edition.

The tax practitioner. Wellington: Butterworths. Latest edition.

It is not appropriate for New Zealand Income Tax legislation to be used as a required text, as students are not required to have a detailed knowledge of tax legislation.

Additional References

Chartered accountants journal of New Zealand. Wellington: Institute of Chartered Accountants of New Zealand. 11 issues per year.

McKenzie, Alastair. GST: a practical guide. Auckland: CCH New Zealand. Latest edition.

New Zealand income tax legislation for students. Auckland: CCH New Zealand. Latest edition.

Staples' guide to New Zealand tax practice. Wellington: Brookers. Latest edition.

Tax information bulletin. Wellington: Inland Revenue.

Business section of the major newspapers.

Relevant Inland Revenue publications.

Note: Students will be permitted to use the above texts and Inland Revenue publications while being assessed.

TIME AND ASSESSMENT SCHEDULE

The prescription assumes a RCAP model of assessment (R = recall, C = comprehension, A = application, P = problem solving). In assessing to the prescription, it is expected that, in general, assessment will be of the ability of students to apply the learning outcomes and to undertake problem solving within the course material. Assessment of comprehension should be undertaken only where it is appropriate. Assessment of recall is implicit.

TOPICS	Time in hours	Assessment Weightings (%)	
		min	max
1 Income	6	10	15
2 Deductions	8	10	15
3 Depreciation	6	5	10
4 Payment of Taxes	6	5	10
5 Individuals and Partnerships	9	12	16
6 Companies and Dividends	6	8	12
7 Fringe Benefit Tax	6	10	15
8 GST	10	15	20
9 Optional Topic	3	5	10
	TOTAL	60	100%

This schedule is a recommendation and guide for lecturers/tutors, examiners and students. It gives:

- 1 an approximate allocation of time in hours, by topic
- 2 an approximate allocation of assessment in percentages, by topic.

TOPICS

1 INCOME

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of income for taxation purposes and can apply taxation rules to a given set of facts.

Assessment Criteria

Students will be expected to:

- 1.1 Identify and calculate income which is taxable.
- 1.2 Determine, from a given set of facts, when income is derived.
- 1.3 Identify what constitutes a business for income tax purposes.
- 1.4 Identify income which is exempt from income tax.

Note: Financial arrangements and the associated accrual regime are not required.

2 DEDUCTIONS

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of deductions for taxation purposes, and can apply deduction rules to a given set of facts.

Assessment Criteria

Students will be expected to:

- 2.1 Decide whether given items are capital or revenue expenditure.
- 2.2 Identify and calculate deductions commonly claimed in calculating taxable income.
- 2.3 Prepare, from a given set of facts, a statement of taxable income.
- 2.4 Determine, from a set of facts, whether a worker is an employee or an independent contractor.

3 DEPRECIATION

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of depreciation for taxation purposes, and can apply depreciation rules to a given set of facts.

Assessment Criteria

Students will be expected to:

- 3.1 Calculate depreciation allowed or recovered in respect of common business assets, including buildings.
- 3.2 Prepare, from a given set of facts, a brief depreciation schedule.

4 PAYMENT OF TAXES

Learning Outcome

Students who have fulfilled all requirements for this topic can complete forms associated with the payment of tax and ACC premiums and levies.

Assessment Criteria

Students will be expected to:

- 4.1 Describe the different methods for returning information to Inland Revenue for the purposes of PAYE.
- 4.2 Determine whether PAYE, withholding tax or no tax should be deducted from payments.
- 4.3 Calculate tax on withholding payments and determine due dates for payment of withholding tax and PAYE.
- 4.4 Calculate ACC premiums and levies, and determine the due dates for payment.
- 4.5 Calculate provisional and terminal tax, and determine due dates for payment.
- 4.6 Calculate, from a given set of facts, the amount of resident withholding tax payable.
- 4.7 Outline the main features of the compliance and penalty rules, and determine when the following can be imposed:
 - use of money interest
 - shortfall penalties
 - late filing penalty
 - late payment penalty.

Note: Calculation of the above is not required.

5 INDIVIDUALS AND PARTNERSHIPS

Learning Outcome

Students who have fulfilled all requirements for this topic can complete forms associated with the return of personal income tax.

Assessment Criteria

Students will be expected to:

- 5.1 Distinguish between allowable deductions, rebates and tax credits.
- 5.2 Calculate the rebates available to individual taxpayers.
- 5.3 Describe the various forms of family assistance available to taxpayers.
- 5.4 Complete, from a given set of facts, an IR3.
- 5.5 Explain how and why a partnership tax return differs from other income tax returns.

6 COMPANIES AND DIVIDENDS

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of company taxation and can complete an IR4 return

Assessment Criteria

Students will be expected to:

- 6.1 Calculate the effect on a taxpayer's tax liability of the receipt of dividends, including the receipt of dividends with attached imputation and RWT credits.
- 6.2 Complete, from a given set of facts, an IR4 and its supporting statements for a close company.
- 6.3 Explain the advantages and disadvantages of a loss attributing qualifying company.
- 6.4 Prepare, from a given set of facts, a simple imputation credit account.

Note: DWPA, Beta and benchmark calculations are not required.

7 FRINGE BENEFIT TAX

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of FBT and can complete an FBT return.

Assessment Criteria

Students will be expected to:

- 7.1 Determine, from a given set of facts, whether non-cash benefits granted to employees are subject to fringe benefit tax.
- 7.2 Calculate the taxable value of fringe benefits, calculate the fringe benefit tax payable, and determine due dates for payment.
- 7.3 Prepare, from a given set of facts, an FBT return, including
 - motor vehicle benefits
 - low interest loans
 - free and discounted goods and services
 - sickness and accident insurance.

8 GOODS AND SERVICES TAX

Learning Outcome

Students who have fulfilled all requirements for this topic understand the nature of GST and can complete a GST return.

Assessment Criteria

Students will be expected to:

- 8.1 Apply the definition of a taxable activity to determine who may register for GST and who must register for GST.
- 8.2 Explain the differences between taxable supplies, exempt supplies and zero-rated supplies (including simple going concerns), and determine which category given supplies come under.
- 8.3 Determine, from a given set of facts, which taxable periods are available to taxpayers.
- 8.4 Explain the differences between the invoice, payments and hybrid bases of registration in relation to entities registered for GST.
- 8.5 Prepare, from a given set of facts, a tax invoice.
- 8.6 Calculate common output and input tax adjustments including adjustments for
 - bad debts
 - bad debts recovered
 - entertainment expenses
 - FBT adjustment
 - one-off adjustment for assets under \$10,000
 - imported goods
 - barter
 - private use of business goods or services (including vehicles over \$10,000)
 - business use of private goods and services.
- 8.7 Calculate the amount of GST payable or refundable and determine the due date for payment.
- 8.8 Prepare, from a given set of facts, a GST return, including
 - export sales
 - hire purchase and lay-by agreements
 - second-hand goods.

9 OPTIONAL TOPIC

This section is at the discretion of lecturers/tutors, and could include one or more topics.

If a case study or journal approach is taken, students need to do more than simply collect information. They need to interpret the information and/or apply tax practice as embodied in other topics of the prescription.

TEACHING NOTES

- 1 If changes to Inland Revenue requirements occur during the currency of this prescription, then lecturers/tutors should make the appropriate amendments to the content while maintaining the spirit and intent of the prescription and the weightings in the Time and Assessment Schedule.
- 2 In Topic 2, Deductions, students should be able to demonstrate how tax losses incurred by an individual can be offset against income, and carried forward to future years.
- 3 Topic 4, Payment of Taxes, includes manual and electronic filing methods.
- 4 In Topic 5, Individuals and Partnerships, the actual family support tax credits (including child tax credit, parental tax credit and family tax credit) have not been specified due to the constantly changing terminology. Further, calculation of these is not required, since Inland Revenue no longer provides taxpayers with worksheets to assess their eligibility for and the level of subsequent tax credits at the end of each tax year. (In particular, there is no longer an FS2 form.)
- 6 In Topic 5, Individuals and Partnerships, reference could be made to student loans. This only requires a reference, as student loan repayments are not optional.