

Accounting income method (AIM)

This factsheet explains the AIM provisional tax option, who can use it, and how it can benefit you.

AIM works through AIM-capable accounting software. It calculates your provisional tax payments for you, all you have to do is keep your financial records up to date.

AIM is for businesses with turnover of less than \$5 million a year

You should consider choosing AIM if:

- your business is growing
- you're new to business
- you have irregular or seasonal income
- it's hard to forecast your income accurately
- you have accounting software or want to start using accounting software.

You can keep using any of the other provisional tax options if AIM doesn't suit your business. Businesses can opt into AIM at any stage throughout the year by filing their first statement of activity through their approved accounting software.

When you start using AIM you have to keep using it for the year.

Provisional tax based on your cashflow

Your software will work out how much provisional tax you have to pay. This means you'll only pay provisional tax when you earn income.

How often you pay will depend on how often, or whether, you pay GST

Your due dates for AIM are generally the same as your GST due dates:

- monthly, if you pay your GST monthly, or
- two-monthly, if you pay your GST every two or six months.

If you're not registered for GST, you'll pay your provisional tax every two months.

There are now improved payment options (GAP and direct debits).

All your provisional tax calculations are done for you

You'll be able to focus on running your business, rather than having to figure out how much tax you might have to pay.

Your software will check to see if you need to adjust for things like:

- **Private use expenditure**

This needs to be removed from accounting income.

- **Depreciation**

You can choose to keep your depreciation register up to date, or not adjust for depreciation at all.

- **Trading stock**

This will prepopulate if you have a perpetual inventory system. If you don't you can:

- use last year's figure if you don't want to adjust, or
- manually include a figure that is a reasonable estimate.

- **Prior year losses**

If you have assessed losses from the previous year, you can use these to reduce your current year payments. Current year losses are automatically applied.

- **Provisions**

Must be added back unless income relates to a shareholder salary and the tax on that salary has been paid to us.

- **Debtors and creditors**

You need to include these if you do so for GST otherwise it's optional. Your choice will stand for the whole year.

You won't need to adjust for everything. You can choose how accurate you want your payments to be and how up to date your accounts are. Prompts are built into your software to help you. It may ask if you're sure about something if it thinks you've got it wrong. It may also ask you if you want to check some things with your tax advisor if you have one.

If you use a tax agent for your GST returns it's easy for your tax agent to check your provisional tax too.

Your software will send us your information

Your AIM-capable software will send us information with each payment showing how it came to this amount. This is your statement of activity. You'll be able to see this before it's sent to us. It's not an income tax return so if there is a mistake, you'll be able to fix it next time.

This information is sent even if you have nothing to pay so we know:

- not to expect a payment, or
- if you're due a refund.

It's the only information we'll receive from your software.

Overpaid provisional tax can be refunded during the year

If your income drops during the year or if you make a loss, you can ask us to refund any provisional tax you've overpaid. You can ask us to:

- release a partial or full refund
- hold your refund, or
- transfer to another tax type or customer.

This is different to other provisional tax options where you have to wait until the end of the year for a refund.

You will still need a square up at the end of the year

AIM will reduce the chance of having to make a large payment when you file your end of year tax return. AIM will get more accurate over time, so eventually the provisional tax you're paying during the year will be closer to your overall end of year tax position.

If you have to make an extra payment at the end of the year, you won't be charged any interest. You'll just pay the extra and carry on running your business.

You'll only be exposed to the standard penalties if you miss a payment, or pay it too late.

More information

Check out our website www.ird.govt.nz/AIM



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
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