Inland Revenue
Te Tari Taake

Business
Ngā Ūmanga

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Provisional tax

Provisional tax is income tax you pay during the year, helping you 'spread the load' and avoid a big end-of-year income tax bill. This explains your provisional tax options.

How provisional tax works

You pay provisional tax if your residual income tax (RIT) for the previous tax year, is more than $5,000. RIT is the tax to pay on your income, less PAYE you've paid and other tax credits you're entitled to (except Working for Families).

Example

In the 2026 year Matt earned a salary and had self-employed income.

Salary	$14,800
Plus self-employed income (net profit)	$38,200
Taxable income	$53,000
Tax on taxable income	$ 8,183
Less tax deducted from the salary	$ 1,610
Residual income tax (RIT)	$ 6,573

Matt's RIT is more than $5,000 so they will have to pay provisional tax for the following income year.

Your first year in business

If you make a net profit in your first year, you'll need to pay tax on this. Making regular voluntary payments or putting money aside during your first year can ease your cash flow for your second year. In your second year you may have to pay end-of-year tax for your first year, on top of provisional tax instalments for your second year.

For a guide on how much you should save to cover your tax during your first year, refer to our **Income tax in your first year of business - IR325** factsheet.

You can choose to make voluntary payments of tax during your first year of business to help spread the cost. If you make voluntary payments you may be able to get an early payment discount.

Refer to **ird.govt.nz/early-payment-discount** for more information.

New provisional taxpayers

If you're a 'new provisional taxpayer', you will not need to pay any provisional tax in your first year, but you may be charged interest. You can choose to pay provisional tax in your first year to reduce the interest charged.

To find out if you're a new provisional taxpayer, refer to our **Provisional tax guide - IR289** guide.

Working out your provisional tax

There are 4 ways to work out your provisional tax - the accounting income method (AIM), estimation, ratio and standard options.

The standard option is used if you do not choose one.

The AIM option

To use AIM you need to have an AIM-capable accounting package that will calculate your provisional tax payments (if any) for you using your accounting records.

Your provisional tax payments are based on your taxable profits for the period. This should better align your payments with your cash flow.

The estimation option

To estimate your provisional tax, work out the tax on the income you expect to earn in the next tax year, and deduct any PAYE and other tax credits (except Working for Families) you'll be entitled to. The result is your estimated RIT and provisional tax.

Example

Estimated expected income	$50,000
Total tax on $50,000	$ 7,658
Less estimated tax credits	$ 1,000
Provisional tax payable	$ 6,658

You can tell us your estimate:

- in your income tax account in myIR,
- when you complete your income tax return for the previous year.

Once you choose the estimation option, you cannot change to another option during the same tax year. You can re-estimate your provisional tax as often as you like, up to and including your final instalment date. At this date your last estimate becomes final.

Remember, when making an estimate you're required to take reasonable care. If you're unsure about estimating provisional tax, contact your tax agent or accountant.

The ratio option

Your instalments are worked out by applying your ratio percentage to your GST taxable supplies in each 2-month period during the current year. The ratio percentage is calculated by dividing your RIT by your total GST taxable supplies for the previous year.

The standard option

Your provisional tax equals your previous year's RIT plus 5%. For example, If your RIT was $10,130, your next year's provisional tax will be $10,636 ($10,130 x 5% = $506. $10,130 + $506 = $10,636 – use whole dollars).

If your income tax return is not yet due, and you have not filed on or before your first or second instalment date, your provisional tax will be based on your RIT from 2 years ago. If your RIT from 2 years ago was:

- over $5,000, add 10% to the total
- under $5,000, you do not have to pay provisional tax.

Once you file your tax return for the previous year, your provisional tax will be recalculated based on that year's RIT plus 5% less provisional payments made.

The following table shows how you would do the calculation for provisional tax instalments (based on a standard 31 March balance date).

if return filed	Instalment 1 (P1)	Instalment 2 (P2)	Instalment 3 (P3)
	Due date 28 August	Due Date 15 January	Due Date 7 May
On or before 28 August	Previous year's RIT plus 5% ÷ by 3 = amount to pay for each instalment.		
After 28 August and on or before 15 January the next year	(RIT 2 years ago + 10%) ÷ 3 = amount to pay	(Previous year's RIT + 5%) × 2 ÷ 3 less P1 = amount to pay	(Previous year's RIT + 5%) less (P1 + P2) = amount to pay
After 15 January the next year but on or before 7 May	(RIT 2 years ago + 10%) ÷ 3 = amount to pay	(RIT 2 years ago + 10%) × 2 ÷ 3 less P1 = amount to pay	(Previous year's RIT + 5%) less (P1 + P2) = amount to pay
Next year after 7 May	(RIT 2 years ago + 10%) ÷ 3 = amount to pay	(RIT 2 years ago + 10%) × 2 ÷ 3 less P1 = amount to pay	Expected RIT from previous year + 5% less P1 + P2

If the RIT from 2 years ago was $5,000 or under, provisional tax will only need to be paid in 1 or 2 instalments, depending on when the tax return is filed.

In this case, the provisional tax will be evenly split between the required number of instalments.

Paying your provisional tax

The number of instalments you'll have is based on your GST registration and how often you file GST returns. Divide your provisional tax by your number of instalments to work out how much to pay at each instalment - unless you use AIM, as your software will work out your instalments for you.

GST registration	Number of instalments
Not registered for GST	3
Monthly or 2-monthly filing	3
6-monthly filing	2
Using the ratio option	6

When your provisional tax is due

When your payments are due depends on your balance date (the last day of your income year). The following table shows when your payments are due based on the standard balance date of 31 March.

Number of instalments	Payments due
2	28 October and 7 May
3	28 August, 15 January and 7 May
6	28 June, 28 August, 28 October, 15 January, 28 February and 7 May
12	15 January, 28 January, 28 February, 28 March, 7 May, 28 May, 28 June, 30 July, 28 August, 28 September, 28 October, 28 November

Note – Where the instalment date is a weekend or public holiday, payments or returns filed on the next working day will be treated as being filed on the instalment day.

For more information about using a non-standard balance date, contact your tax agent or accountant, or go to **ird.govt.nz/balancedates** or for information about payment dates for provisional tax, go to **ird.govt.nz/provpaymentdates**

How to make payments

You can make payments by:

- direct debit in myIR
- credit or debit card at **ird.govt.nz/pay**
- internet banking - most New Zealand banks have a pay tax option.

When making a payment, include:

- your IRD number
- the account type you are paying
- the period the payment relates to.

Find all the details of our payment options at **ird.govt.nz/pay**

More information

For more information about:

- Paying tax in your first year in business
- Provisional tax options
- Paying your provisional tax
- Interest on provisional tax

go to **ird.govt.nz/provisional-tax**