



21 August 2023

[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 7 August 2023. You requested the following:

*This is a request under the OIA as the guidance provided either on the IRD website or call centre is inconsistent and incomplete. The simple question is how should an individual working through a company apply scheduler payments. Scenario: Individual X works for a company that they a Director and Shareholder. The company gets a contract with an intermediary which insists on applying scheduler payment rules to the fees paid.*

*Question 1) Should the scheduler payments tax rate be attributable to the individual or company.*

*Question 2) As the contract is with the company, how should expenses handled and attributed between the individual and the company.*

*Question 3) Please provide a complete guide to paying taxes when a) there is a mix of scheduler payments and non-scheduler payments b) when all payments to the company are subject to scheduler payments. It should be a priority for the IRD to help individuals and companies by providing clear and guidance in regard to completing the tax returns accurately. unfortunately there rules around scheduler payments are opaque, and depending who you speak to at the IRD conflicting information is provided.*

Your first two questions do not constitute a request for official information under the OIA, rather they are requests for tax advice. Official information is any information held by an agency subject to the OIA. This includes:

- documents, reports, memoranda, letters, emails and drafts
- non-written information, such as video or tape recordings
- the reasons for any decisions that have been made about you
- manuals that set out internal rules, principles, policies or guidelines for decision-making
- agendas and minutes of meetings, including those not open to the public

The OIA does not require agencies such as Inland Revenue to provide advice<sup>1</sup>. I recommend you get in touch with a tax agent for assistance.

### **Question 3**

Inland Revenue does not have a 'complete' guide in relation to tax treatment of scheduler payments as part of a company's income. This part of your request is therefore refused under section 18(e) of the OIA, the document alleged to contain the information requested does not exist. The treatment of tax varies between companies and individuals and is dependent on factors such as their remuneration structure, shareholder-employee relationships, and income sources.

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<sup>1</sup> [Your ability to request official information | Ombudsman New Zealand](#)

If a company receives scheduler and non-scheduler income, tax is deducted from the schedular income (commonly referred to as tax credits), while the non-scheduler income may not have tax deducted. Tax credits are used to offset the total tax liability for an entity or individual at the end of the tax year after expenses are deducted from their income. If the tax credits are not sufficient to cover the total tax liability, the entity or individual would need to make payment to clear the remaining balance. Depending on the remaining tax liability, a provisional tax liability may also be applicable.

In some circumstances, tax credits from schedular income made to a company may be attributed to shareholder-employees. Further information on this can be found on Inland Revenue's website: [Transferring tax credits to shareholder-employees \(ird.govt.nz\)](https://ird.govt.nz/transferring-tax-credits-to-shareholder-employees).

If you wish to stop tax being deducted from schedular payments, then you may want to apply to Inland Revenue for a certificate of exemption or a 0% tailored tax rate. Further information on this can be found on Inland Revenue's website: [Which tailored tax option is right for me? \(ird.govt.nz\)](https://ird.govt.nz/which-tailored-tax-option-is-right-for-me).

Filing the applicable tax returns under the entity or individual is dependent on the chosen legal tax treatment and how the income and tax credits were distributed. If you are unsure about how to best apply the applicable tax legislation, please seek advice from a tax agent.

The following guides may be helpful to you, which are available on Inland Revenue's website:

- Understanding schedular payments for contractors: [ir1029-2017.pdf \(ird.govt.nz\)](https://ird.govt.nz/ir1029-2017.pdf)
- How income is declared on a company's IR4: [File a Companies income tax return - IR4 \(ird.govt.nz\)](https://ird.govt.nz/file-a-companies-income-tax-return-ir4)
- How to declare shareholder-employee salary on an individual's IR3: [Complete my individual income tax return - IR3 \(ird.govt.nz\)](https://ird.govt.nz/complete-my-individual-income-tax-return-ir3)
- How to pay tax debt: [Ways of paying \(ird.govt.nz\)](https://ird.govt.nz/ways-of-paying)

### **Right of Review**

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue via: [CommissionersCorrespondence@ird.govt.nz](mailto:CommissionersCorrespondence@ird.govt.nz).

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman via email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

If you choose to have an internal review, you can still ask the Ombudsman for a review.

### **Publishing of OIA response**

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you for your request.

Yours sincerely



Hannah Crawshaw  
**Group Lead - Individuals**