



Definitions of “other income” for Working for Families Tax Credits

From 1 April 2011 the definition of family income is changing. The following are brief definitions of the income types that need to be shown as “other income”.

Other payments

These are payments from any person or entities that are used for day-to-day living expenses (eg, \$100 a week to help pay the mortgage). If the total amount is more than \$5,000 a year, the total amount must be included in your family income. If the total amount is less than or equal to \$5,000 you don't need to tell us about it.

Passive income of children

This includes all passive income, such as interest, rents or beneficiary income, received by a dependant child above a threshold of \$500 per year, per child.

Income of non-resident spouse or partner

This is the worldwide income of your spouse or partner who isn't a tax resident in New Zealand and is earning an income overseas. Evidence of income earned by your non-resident spouse or partner may be required.

Tax exempt income

This includes any salary or wages that are exempt from income tax under specific international agreements in New Zealand such as The United Nations or OECD.

Pensions and annuities

This includes 50% of the amount of any pension or annuity payments from life insurance policies or a superannuation fund (excluding NZ Super).

Attributable trustee income

Attributable trustee income is all income for the year of a trust that hasn't been distributed as beneficiary income. It includes income from trading and investment activities and the net income of any company controlled by the trust. Trustee income will be attributed only to settlors of a trust. The settlors are individuals who establish or contribute funds to the trust. In the case of multiple settlors, the trustee income is distributed evenly to all settlors.

Attributable fringe benefits

The value of any attributable fringe benefits is required to be declared by all shareholder-employees if they, or their associates, hold voting interests of 50% or more in a company.

It includes the tax-inclusive annual value of any fringe benefits received in the form of:

- motor vehicles for private use
- low/nil-interest employee loans
- subsidised transport (when the employer is in the business of transporting the public) in excess of \$1,000 in value

- contributions to insurance schemes in excess of \$1,000 in value
- contributions to sickness, accident or death funds in excess of \$1,000 in value
- any other benefits received in excess of \$2,000 in value.

If you receive fringe benefits but you or your associates aren't shareholder-employees of the company that you work for, you don't need to include the fringe benefits in your family income.

PIE income

This includes an amount of income attributed by a portfolio investment entity (PIE) to the principle caregiver or their spouse or partner, except if the PIE is a superannuation fund or a retirement savings scheme (eg, Kiwisaver).

Income equalisation scheme deposits (excludes “adverse events” deposits)

This includes any deposits made by you, your trust or a company controlled by you or your trust, to an agricultural, fishing or forestry business income equalisation scheme account at Inland Revenue. Subsequent refunds from these accounts (excluding interest) shouldn't be included as family income.

Interest

This includes money you earn from an interest-bearing bank account.

Dividends

Dividends are a part of a company's profits that it passes on to its shareholders. Unit trusts are treated as companies for income tax purposes and unit trust distributions are treated as dividends.

Rents

This includes rental income received from the renting out of property.

Royalties

Royalties include certain payments received for the use or right to use a copyright, patent trademark or other similar property or right.

Estates

This includes income received as a beneficiary of an estate.

Trusts

This includes income received as a beneficiary of a trust.

Māori authority

This includes income received as a beneficiary of a Māori authority.

You'll need to tell us about these types of income immediately so that we can make sure we pay you your correct weekly/fortnightly entitlement. You can do this by using our secure online service at www.ird.govt.nz or by phoning us on 0800 227 773, (keywords: other family income).

For more information, including examples, on each of these income types, please refer to our website at www.ird.govt.nz/Working for Families Tax credits/1 April 2011 changes then click on adjustments to your family income for Working for Families Tax Credits.