

## Fact sheet – Change to the Māori Authority tax rate

### Tax rate change

Māori Authorities are taxed as a proxy for their members. They are currently taxed at 19.5%, which was the statutory tax rate for the majority of Māori Authority members when the current rules were introduced. As a result of changes to personal marginal tax rates in Budget 2010, the Māori Authority tax rate will drop to 17.5% to align it with the individual marginal rate of the majority of Māori Authority members. The change will apply from the 2011–12 income year, the same effective date as the company tax rate decrease.

### Transitional issues

Consequential amendments are being introduced to accompany the rate change. These are similar to those introduced for companies as a result of the lowering of the company tax rate in Budget 2010. They are:

- *“Grandparenting” imputation ratios* – When the Māori Authority tax rate is lowered, this will automatically adjust the ratio at which a Māori Authority can attach Māori Authority tax credits to distributions. The result is that pre-rate change credits can be “trapped” in the Māori Authority, leading to effective double taxation when the relevant income is distributed. A “grandparenting” period of two years is being introduced to allow Māori Authorities an opportunity to review their credit accounts and make distributions of pre-rate change profits at the existing credit ratio if they wish.
- *Provisional tax adjustments* – An adjustment is being made to the provisional tax rules so that the new rate is immediately reflected in the tax paid by Māori Authority provisional taxpayers. This recognises the fact that, all other things being equal, the tax paid is expected to be less in the year of the decrease. For Māori Authorities that base their provisional tax on an earlier year’s tax obligations, this will be achieved by amending the uplift factor used to calculate their current year liability. Provisional taxpayers that actually estimate their liability will be unaffected by these changes, as they would factor the lower rate into their estimates.