TAX & GST

REB *(logo placeholder)*

Provisional Tax Made Simple

A plain-English comparison of the four ways to pay provisional tax in New Zealand — and how to think about which one suits your business.

What is provisional tax, in one paragraph?

Instead of paying a full year's income tax in one lump sum after your return is filed, provisional tax spreads it into instalments across the year — closer to when you're actually earning the income. You need to pay it if your residual income tax (RIT — broadly, your tax bill after credits) was **more than $5,000** in the previous year. Below that threshold, it's optional.

The four methods

1. Standard (uplift) option

Your instalments are based on last year's RIT, plus an uplift: **+5%** if your prior year's return was filed on time (by your first instalment date), or **+10%** on the RIT from two years ago if it wasn't. It's paid in three equal instalments for a standard March balance date: **28 August, 15 January, and 7 May.**

Best for: steady or growing income, where last year's result is still a fair guide to this year's.

2. Estimation option

Rather than using last year's figures, you estimate this year's income yourself and pay provisional tax based on that estimate. You can re-estimate as many times as you like during the year as your picture becomes clearer.

Best for: a year that looks materially different from last year (e.g. income has dropped) — but get the estimate wrong on the low side and use-of-money interest can apply, so this option rewards a realistic estimate, not an optimistic one.

3. Ratio option

Instalments are calculated as a fixed percentage of your GST taxable supplies each period, so payments naturally track your cashflow. Paid in six instalments aligned with two-monthly GST: **28 June, 28 August, 28 October, 15 January, 28 February, and 7 May.**

Eligibility: you must have been in business and GST-registered for the whole of the previous tax year (and part of the year before), have RIT between $5,000 and $150,000, file GST monthly or two-monthly, and not be a partnership. You apply in writing or via myIR before the income year starts — it can't be backdated.

4. AIM (accounting income method)

Provisional tax is calculated directly from your accounting software's picture of your actual profit, so you only pay when — and roughly what — you're actually earning. Instalments follow your GST filing dates (monthly filers pay monthly; 2-monthly, 6-monthly or non-GST-registered filers use the same six dates as the ratio option).

Eligibility: available to individuals and companies with turnover under $5 million, using AIM-capable accounting software. You need to actively choose AIM each year — otherwise you default back to the standard option.

A rough way to think about it

YOUR SITUATION	OFTEN WORTH A LOOK AT
Income is steady or growing predictably	Standard (uplift)
This year looks clearly different from last year	Estimation
Income is seasonal and you want payments to track cashflow	Ratio (if eligible) or AIM
You use cloud accounting software already and want tax tied to real profit	AIM (if under the turnover threshold)

The right method depends on the detail of your situation — eligibility rules, prior filing history and how confident you are in an income estimate all matter. This guide is a starting point for a conversation, not a replacement for one — talk to your Rebiz adviser before switching methods.

Compiled from published IRD guidance (ird.govt.nz) as at September 2026. Rules, thresholds and dates can change — this guide is general information, not a substitute for advice specific to your business.