

ELECTED MEMBER TAX ADVICE GUIDE >

// He aratohu tāke mā ngā mema pōti

// September 2025



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// Ngā ihirangi >

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A guide to tax

// He aratohu mō te tāke >

Due to the unique nature of the relationship between you and council, your personal tax obligations can be complicated. LGNZ has prepared this advice based on the law and Inland Revenue's policy as at August 2025. It should only be used for general assistance and is not definitive advice on your tax obligations as an elected member. If you have any queries about your tax position, please obtain professional advice or contact Inland Revenue.

Inland Revenue views the relationship between an elected member and a council as a 'statutory relationship of service' and not an employer/employee relationship. As such, you are not an employee of the council for income tax purposes, rather your relationship with the council is more akin to that of a self-employed person.

Schedular payment

Remuneration received from your council for work or services is a form of schedular payment and is subject to withholding tax. The standard rate is 33% although there are a number of exemptions and exceptions that may lead to a different rate applying. Payments for travel time are also subject to withholding tax.

Inapplicability of company exemption

A common exemption from withholding tax is where services are provided by a company. This *does not* apply to elected members, even if you request that your remuneration be invoiced by, and directed to, a company that you may own or work for. This is because you have been elected, and provide services, in your personal capacity.



Tax obligations for you and council

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Tax code declaration form (IR330C)

You must complete and provide your council with an IR330C form for your remuneration and for any payments for travel time. When completing form, you must use 'WT' as your tax code and enter activity number 22 for 'Public office holder (fees)' in the second box. See figure 1 below.

Once council receives your IR330C, it will deduct withholding tax at a rate that you choose for your remuneration for work or services. The standard rate for this type of schedular payment is 33%; however, you can nominate your own tax rate for your situation as long as the nominated rate is not lower than 10%.

If council does not hold a valid IR330C for you at the time of payment, withholding tax will be deducted at 45%.

Figure 1: Accurately completed extract from IR330C

2. Your tax rate

You must complete a separate **Tax rate notification for contractors - IR330C** for each source of contracting income

Refer to the flowchart on page 2 and enter your tax rate to one decimal point here. %

Refer to the table on page 3 and enter your schedular payment activity number here.

Your tax code will always be: WT

Certificates of exemption and tailored tax rate certificate

If you have little or no other income, significant expenses or available tax losses, you may be able to obtain either a certificate of exemption or a tailored tax rate from Inland Revenue.

If your council holds a copy of either of these on file at the time of payment, this will determine the level of tax to be paid. As such, if you obtain such a certificate, you should provide a copy to the council as soon as possible. It is your responsibility to establish your entitlement to this and to obtain such a certificate from Inland Revenue. It is not a job for the council.

Individual tax returns

Your remuneration and any reimbursements paid by council to you as an elected member must be declared as taxable income on your personal income tax return for each year ended 31 March. Any tax that council has withheld from your remuneration during the year should also be shown in the tax return and this will be credited against your liability when you file your return. You can also claim deductions for any costs incurred, see more below.

Depending on the level of your total taxable income, you may have further tax to pay, or be entitled to a tax refund from Inland Revenue.

The table below sets out the income tax rates for individuals for the 2025/26 income year:

For each dollar of income	Tax rate
Up to \$15,600	10.5%
Over \$15,600 and up to \$53,500	17.5%
Over \$53,500 and up to \$78,100	30%
Over \$78,100 and up to \$180,000	33%
Remaining income over \$180,000	39%

Provisional tax

If you are a provisional taxpayer, you should consider how your remuneration affects your provisional tax calculations.

Reimbursements and allowances

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Reimbursements that council pays to you for expenditure that you incur while on council-related business, or any allowances received (other than travel time allowances) are not subject to withholding tax.

A travel time allowance is only paid when you undertake council-related travel. These are considered a payment for the work or services that you perform and, as such, are subject to withholding tax.

Please note: you cannot claim for the reimbursement of election or campaign expenses.

Vehicle expenses and reimbursements

Vehicle expenses can be deducted to the extent that you use your vehicle for council-related business. Travel from home-to-work (i.e. the place where the meeting is held) is not deductible unless your home is the base of your work as an elected member.

The deduction you are allowed for the council-related use of your vehicle is calculated using this formula:

$$\text{Deduction} = \text{actual expenditure incurred} \times \text{business proportion}$$

The business proportion is the council-related expenditure, and this can be determined by using a number of methods, for example using the number of kilometres travelled for council business divided by total kilometres travelled.

Inland Revenue issued the Operational Statement 19/04a which is relevant to claiming kilometre rates as an elected official¹.

If you don't know the actual expenditure incurred (i.e. do not have all receipts etc) you can elect to use Inland Revenue's standard kilometre rates. These are typically reviewed annually (in May). For the 2024/25 year, the kilometre rates are:

Vehicle type	Tier 1 rate per km	Tier 2 rate per km
Petrol	\$1.17	\$0.37
Diesel	\$1.26	\$0.35
Petrol Hybrid	\$0.86	\$0.21
Electric	\$1.08	\$0.19

The Tier One rate is a combination of your vehicle's fixed and running costs and is used for the business portion of the first 14,000 kilometres travelled by the vehicle in an income year. This includes private use travel.

The Tier Two rate is for running costs only and is used for the business portion of any travel over 14,000 kilometres in an income year.

For subsequent years, we recommend checking the rates on Inland Revenue's website – using the search term “claiming vehicle expenses”.

Alternate methods are available if you keep a logbook to record all private and non-private use.

¹ Operational Statement 19/04b Commissioner's statement on using a kilometre rate for employee reimbursement of a motor vehicle relates to employee reimbursement only and elected members are explicitly excluded from using this statement. Elected members should use OS 19/04a.

Home-use expenses and reimbursements

Home-use expenses can be deducted to the extent that you use your home for council business. Examples of such expenses include heating, lighting, rates, interest on mortgage payments, rent, and house and contents insurance.

If you have a room set aside in your home as an office, then your deductions could be calculated using this formula:

$$\text{Deduction} = (\text{area of room} / \text{area of house}) \times \text{deductible expense}$$

Square metre rate option:

You can also use Inland Revenue's square metre rate option to calculate your home office expense. This method uses a square metre rate that is determined by Inland Revenue based on the average cost of utilities per square metre of housing, but excludes mortgage interest, rates and rent. You will be able to claim a portion of the mortgage interest, rates and rental costs that you paid during the year based on the percentage of the floor area being used for council related business purposes.

This is calculated by using the formula below:

$$\text{Deduction} = (a \times b) + (c \times d)$$

where:

a = total amount of actual mortgage interest, rates and rent you have paid during the year

b = the business proportion, determined by dividing the business floor area in square metres by the total floor area of the building (e.g. 10m² office / 100m² buildings = 0.10)

c = total square metres of any separately identifiable parts of your home being used primarily for business

d = the rate per square metre that is published by Inland Revenue, based on the average cost of utilities per square metre of housing, but excluding mortgage interest, rates or rent. For the 2024/2025 year this is \$55.60 per square metre but this should be checked annually.

Note: it is not mandatory to apply this method.

If you do not have a separate office, and you use any room in your house for council business for part of a day, then your deductions could be calculated using this formula:

$$\text{Deduction} = (\text{area of room} / \text{area of house}) \times (\% \text{ of time used for council-related business} \times \text{deductible expense})$$



TELEPHONE AND INTERNET EXPENSES

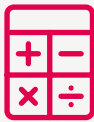
If you have a separate telephone account for your council-related calls this will be 100% deductible. If you use a personal phone for business calls, Inland Revenue has historically accepted a deduction of at least 50% of the cost of your telephone line-rental, plus the cost of any business calls.

You may even be allowed a deduction of more than 50% if a higher percentage of actual council-related use of the telephone can be evidenced.



COMPUTER EXPENSES

You can claim a portion of depreciation on your computer and consumables expenses based on the proportion of council-related use to total use.



MISCELLANEOUS EXPENSES

Other miscellaneous expenses may be deducted if incurred on council-related business, so long as you keep records of your expenses along with receipts.



Childcare allowance

You can claim a childcare allowance from council provided it meets certain criteria. This payment is a reimbursement of expenditure, rather than a payment for work or services provided by you; there is no obligation for councils to withhold tax on the reimbursement.

However, you should include the reimbursement as income in your tax return. A corresponding deduction for childcare costs incurred will **not** be allowed as childcare costs are private in nature.

ICT allowance

Councils may provide you an annual allowance for using your own equipment to communicate with local authorities or ratepayers. The allowance may cover equipment costs such as:

- // the use of a personal computer, tablet or a laptop
- // docking station
- // multi-functional or other printer
- // other ICT consumables (e.g. paper, ink cartridges)

This payment is a reimbursement of expenditure, rather than a payment for work or services; there is no obligation for councils to withhold tax on the reimbursement. However, you should include the reimbursement as income in your tax return. A corresponding deduction (or depreciation expense) for any equipment costs incurred by you will be allowed based on the proportion of council-related use to total use.

Other taxes

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Fringe benefit tax

Any non-cash benefits that you receive from council, or as a result of your position as an elected member, will be subject to Fringe Benefit Tax (FBT). If you receive any non-cash benefits, such as gifts (for example, tickets to a local concert at a non-council venue), you are required to inform council. The onus is on councils to return FBT on such non-cash benefits.

ACC obligations

ACC levies are not paid by council and are not included in the PAYE withholding tax deducted from your remuneration. You are responsible for paying your own ACC levies. The amount of your levy is based on your liable earnings and the relevant industrial classification code.

Advice from ACC's National Office suggests that self-employed people, such as elected members, should be classified by the nature of their work rather than the nature of their industry. The appropriate code for elected members is Business Management Services - CU 78550. However, this code only applies if being an elected member is a person's only or primary form of income.

People on multiple sources of income are charged at the highest ACC rate applying to the different activities they undertake, unless the sources of income are less than five per cent of a person's total income. This factor tends to be the main explanation for differences in what elected members are paying in ACC levies.



For more information, visit the Accident Compensation Corporation (ACC) website (www.acc.co.nz).

Goods and services tax

For GST purposes, an elected member is not considered to be undertaking a taxable activity. You cannot register for GST as an elected member, nor will your remuneration include GST. You should not issue a tax invoice to council for the services that you provide as an elected member, and you cannot claim GST in respect of any council-related expenditure that you incur. This applies regardless of whether you are registered for GST for other activities.

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LGNZ.