



Bankruptcy – your tax obligations

This factsheet explains the differences between bankruptcy and the no asset procedure, and tax obligations if you're considering either of these procedures.

Bankruptcy and the no asset procedure are both legal processes that enable you to get relief from a burden of debt you can't repay, despite your best efforts. Filing for bankruptcy or entering a no asset procedure can stop most of your creditors (people you owe money to) seeking to collect their debts from you.

Debts you're still responsible for	
Bankruptcy	No asset procedure
Court and traffic fines, and court-ordered compensation payments (reparation)	Court and traffic fines, and court-ordered compensation payments (reparation)
Maintenance and child support payments administered by Inland Revenue	Maintenance and child support payments administered by Inland Revenue
All debts incurred after the date of bankruptcy	All debts incurred after the date of your acceptance into the no asset procedure
In some cases you may remain responsible for advances and overpayments received from Work and Income (WINZ). Contact WINZ to confirm if you need to make these payments	Student loan (Note: Unlike a bankruptcy, student loan debt is not covered by the no asset procedure and you'll remain responsible for this.)

How can I become bankrupt or enter the no asset procedure?

Bankruptcy	No asset procedure
File a Debtor's Petition with the Official Assignee (OA), either electronically using the online service or by post	Apply to the OA, either electronically or manually
Your creditor applies to the Court for an order of adjudication for bankruptcy (a Creditor's Petition)	

When applying for a no asset procedure or bankruptcy, the application and Statement of Affairs must be completed to an acceptable standard to be accepted by the OA.

Who is the Official Assignee

The Official Assignee (OA) is an employee of the Insolvency and Trustee Service whose function is to fairly and independently administer the affairs of people who become insolvent. This includes making orders for bankruptcy on application of a debtor, making orders for no asset procedure and summary instalment orders.

What does it mean to me?

If you enter a no asset procedure you would continue to manage your own bank account and income, and you must cooperate fully with the OA at all times.

If you become bankrupt, the OA would investigate your financial affairs and follow up on matters likely to result in the recovery of funds for your creditors. You would continue to manage your own bank account and income.

Restrictions and obligations	
Bankruptcy	No asset procedure
Must advise the OA whenever they change their name, address, employment or income and/or expenditure	Advise the OA whenever they change their name, address, employment or income and/or expenditure
Can't take part in the management or control of a business without the consent of the OA	Advise the OA of any changes in circumstances that would allow them to repay an amount towards their debts
Can't obtain credit over \$1,000 without disclosing that they're an undischarged bankrupt	Not obtain credit over \$1,000 without disclosing that they're subject to a no asset procedure
Can't be a director of a company	Cooperate fully with the OA
Can't leave New Zealand without the consent of the OA	
Can't be employed by a relative or a company or trust that is managed or controlled by a relative without the consent of the OA	

A decision to file for bankruptcy or to enter a no asset procedure should not be made solely from the information presented here. If you're considering bankruptcy or the no asset procedure, visit the Insolvency and Trustee Service website at www.insolvency.govt.nz for more information, phone them on 0508 467 658, or seek your own independent advice.

Your tax obligations under either of these procedures

There are important differences between how Inland Revenue treats money owing to it under bankruptcy and the no asset procedure.

Bankruptcy	No asset procedure
Money you owe at the date of bankruptcy will be written off if it can't be recovered by the OA	Money you owe at the date of entering the procedure will be written off
Exception: Child support debt	Exceptions: Child support and student loan debts
You stay liable for any existing child support debt and any future liability	You stay liable for any existing child support debt and any future liability
	You stay liable for existing and any future student loan amounts

What happens to my IRD number?	
Bankruptcy	No asset procedure
We issue you with a new IRD number from the date of your bankruptcy, which you must give to anybody who holds your IRD number, eg, your employer, banks, and Work and Income	You keep your existing IRD number
If you're registered for online services you'll need to re-register under the new IRD number	

What happens to my tax refunds?	
Bankruptcy	No asset procedure
The OA will get any tax refund owing to you during the bankruptcy period	You'll get any tax refunds owing to you unless you have incurred more tax debt after entering the procedure
Once discharged you'll get any new refunds owing to you, from periods after you were made bankrupt, unless you have incurred more tax debt after the start date of your bankruptcy	

What tax returns do I have to file?	
Bankruptcy	No asset procedure
File all the returns that are due to be filed up to the date of bankruptcy, eg, income tax, GST and PAYE, under your pre-bankruptcy IRD number	Continue to file your returns as they become due
File income tax returns from the date of bankruptcy to 31 March under your new IRD number	

Working for Families Tax Credits and child support entitlements

You'll still receive these, you don't need to re-apply.

What payments do I need to make?

You still need to make payments to us for:

- tax assessments for periods after the date you became bankrupt or entered the no asset procedure
- student loan and child support liabilities relating to before and after the date you entered the no asset procedure
- child support liabilities relating to before and after the date you entered into bankruptcy.



www.ird.govt.nz

Go to our website for information, services and tools.

- **Secure online services** – login to check your account information, file an employer schedule, confirm personal tax summaries and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides, and print forms to post to us.
- **Contact us** – for full details of phone numbers, addresses and contact options.

You can also subscribe to our newsletters, go to www.ird.govt.nz/subscribe

INSOLVENCY AND TRUSTEE SERVICE

For more information about personal insolvency go to the Insolvency and Trustee Service website at www.insolvency.govt.nz or phone them on 0508 467 658.

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