



Inland Revenue
Te Tari Taake

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Putting your tax returns right

How to tell Inland Revenue what's wrong with your tax returns

The information in this guide is based on current tax laws at the time of printing

Introduction

If you make a mistake or file an incorrect tax return, tell us about it before we find out in some other way. This guide will help you put your tax returns right whether you've made a minor mistake or a more complex one. Telling us straightaway will mean any penalties will be much lighter.

Getting your returns right doesn't have to be stressful and in some cases you may even be able to correct it yourself in a later return.

In this guide

Part 1 - Outlines your obligations as a taxpayer under the tax laws.

Part 2 - What to do if you've made a minor or genuine error.

Part 3 - Explains what a voluntary disclosure is, and the benefits to you of making one.

Part 4 - Sets out the penalties that could apply if you have broken the tax laws and didn't make a voluntary disclosure to tell us.

If you need more help after you've read this guide, please contact us - see page 19 for our contact numbers.

www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our guides and forms.

Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

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Terms we use in this guide

Abusive tax position - A dominant purpose of a tax position or scheme to avoid tax. They include artificiality, contrivance, circularity of funding, concealment of information and unreliable interpretations of the law.

Adjustments - Where some of the business costs are paid personally or some personal costs are paid by the business and a calculation has to be made to work out how much GST can be claimed by the business.

Audit and investigation - A process where Inland Revenue checks the validity and accuracy of information a tax payer sends to them.

Due date - The last date you can file a return or make a payment on before penalties are added.

Input tax - When a registered person buys goods or services to use in a taxable activity, the GST portion of the price is called input tax. This is a legal term - we usually call it a GST credit.

Instalment arrangement - An agreement between you and us to pay your outstanding taxes at a set sum and frequency to clear the amount owed, over a set term.

NOPA (notice of proposed adjustment) - A notice telling you that we intend to change a tax assessment or impose shortfall penalties. It sets out the changes we intend to make, the facts and the law supporting our decision.

Output tax - The legal term for GST charged by a registered person on goods and services supplied in a taxable activity. We usually call it GST payable or GST collected.

Overstatement of input tax - Claimed more GST than you were allowed to.

Personal tax summary - A notice which shows your income and tax deduction details for the year based on the employment, pension or benefit information provided to us each month by your employer or payer.

Unacceptable tax position - A position you take in working out your tax that when looked at in detail by Inland Revenue is likely to be found incorrect.

Part 1 – Your tax obligations

Before we explain how to correct your tax returns, here is a quick reminder of your tax obligations. Its up to you to work out your taxes and pay them as the law requires. So you need to know your basic tax obligations.

You must:

- work out the correct amount of tax you have to pay (unless you don't have to file a return)
- deduct or withhold the correct amount of tax from payments or receipts, when required
- pay your tax on time
- keep all tax related information (including books and records) and maintain all necessary accounts or balances
- disclose all information needed by us in a timely and useful way
- cooperate with us as required by the Acts we administer
- correctly respond to a personal tax summary, if you receive one
- tell us if you didn't receive a personal tax summary and should have
- comply with any other specific tax obligations.

Some examples of not meeting your obligations are:

- putting false information in a tax return or knowingly leaving income out of it
- not deducting PAYE or not paying it to us.

We routinely audit and investigate the tax affairs of people and businesses. Our guide *Inland Revenue audits (IR297)* has more information about audits and how they work.

If you don't meet your tax obligations, you can be charged penalties. See Part 4 for more information about these.

Part 2 – Correcting errors

Late claim of GST input tax

If you didn't claim a GST input tax in a past return but should have, you may claim it in the current or future return. You can only make a late claim for GST on expenditure incurred in the previous two years. Exceptions to this two-year rule include:

- not being able to get a tax invoice
- payments for expenditure are under dispute
- mistakenly treating a supply as non-taxable
- clear mistakes or simple oversights you have made.

Alternatively, you may follow the same process that applies to adjustments to output tax or overstated input tax - see below.

Adjustments to GST output tax or overstated input tax

For errors that involve an adjustment to output tax or an overstatement of input tax, you may use the "make an amendment" option in myIR, or send a *Notice of proposed adjustment (IR770)* (NOPA) to Inland Revenue within the response period the GST return period relates to. If you cannot issue a NOPA within this timeframe, you may request an amended GST assessment.

When making an adjustment you must keep the following details as part of your records:

- return period the error occurred
- GST amount involved
- nature of the error
- return period when the correction was made.

Correcting genuine errors for any type of return

Made a mistake in a return? You can ask us to correct it either by phone, post, secure mail or requesting an amendment online.

Clear and genuine errors like arithmetic or transposition errors can be corrected in this way.

You need to tell us:

- the tax type and period containing the error, eg, Income tax, 31 March 2015
- the amount of tax in error
- the nature of the error, eg, added your gross income from your two jobs up incorrectly
- how the error occurred, eg, human error
- how and why the error was identified
- what the amended figures in the return should be so a correct assessment is made.

You'll still have to pay any tax owing because of the mistake, but if you pay it by the due date we set, you won't be charged a late payment penalty (or non-payment penalty, in the case of an *Employer monthly schedule*).

We'll send you an amended assessment so you know how much you have to pay and when to pay it.

If it's more than \$100, interest will be charged from the day after the original due date for paying the tax, up until the day the tax is paid in full.

For more help

For more information about correcting genuine errors, please read our Standard Practice Statement 07/03 Requests to amend assessments www.ird.govt.nz (search keyword: SPS 07/03).

Part 3 – Voluntary disclosures

A voluntary disclosure is when you tell us what's wrong with your tax returns before we find out in some other way. This could be, for example, that you forgot some of your income or incorrectly claimed expenses.

Anyone can make a voluntary disclosure. This includes salary or wage earners, individuals, businesses, trusts and employers.

You can make a voluntary disclosure for any of the following:

- approved issuer levy (AIL)
- child support payments
- totalisator, lottery, casino and gaming machine duties
- GST (goods and services tax)
- fringe benefit tax (FBT)
- Working for Families Tax Credits
- income tax
- student loan repayments
- tax deductions for:
 - tax on employees' earnings
 - withholding tax on schedular payments
 - RWT (resident withholding tax) on interest or dividends
 - NRWT (non-resident withholding tax) on income paid to a non-resident
 - tax on superannuation contributions
 - foreign dividend withholding payments.

When to make a voluntary disclosure

You can make a voluntary disclosure:

- any time before we tell you we'll be doing a tax audit or investigation (pre-notification disclosure), or
- after we tell you we're doing a tax audit or investigation but before it begins (post-notification disclosure).

Advantages of voluntary disclosures

Making a voluntary disclosure has several advantages compared to waiting for us to find out ourselves. The advantages are:

- you won't be prosecuted in court (if you make a pre-notification disclosure)
- any shortfall penalty will be reduced - see page 15.

If you make a voluntary disclosure before we tell you about a pending tax audit or investigation you'll get a bigger reduction in shortfall penalty charges.

If you make a post-notification disclosure, prosecution may only be considered in cases of evasion or fraud.

Compare these advantages with the penalties listed in Part 4.

How to make a voluntary disclosure

You can make a voluntary disclosure in any one of the following ways:

- complete and send us a *Voluntary disclosure (IR281)* form
- call us
- send us a letter, fax or email
- visit one of our offices
- during an interview
- for a GST return, using the "make an amendment" option in myIR.

You can get a *Voluntary disclosure (IR281)* form from www.ird.govt.nz "Forms and guides" or by calling us - see page 18.

You need to tell us what is wrong with your tax returns and why. Give as much information as you can including:

- your details, or the details of the estate, trust, partnership or company including:
 - name
 - trade name
 - IRD number
 - address
 - date of birth or start date
 - contact details)
- why you're making a voluntary disclosure (the nature of the mistakes or omissions)
- the year(s) or period(s) concerned
- an explanation of why the mistakes or omissions occurred
- enough information for us to work out how much tax you owe.

If you use the *Voluntary disclosure (IR281)* form, sign the declaration and send the completed form to us - see page 20 for address details.

If you don't have all the information we need to work out your taxes, you can still make a voluntary disclosure. Tell us as much as you can and state that there is more information to come. We'll contact you to arrange a date you must give us the rest of the information by. We'll take into account your circumstances and the type of information you still have to collect.

You can also get help with your voluntary disclosure from a tax agent, accountant, solicitor, friend, whanau support or one of our community compliance officers. If you have a tax agent, they can discuss your case with us, but you will still have to sign the voluntary disclosure form when it's completed.

What to pay

If you make a voluntary disclosure, you have to pay any tax outstanding. You may also have to pay:

- interest on unpaid tax
- a shortfall penalty - see Part 4 for further information.

We'll send you a new calculation to tell you how much you have to pay and when to pay it.

If you have more than \$100 tax to pay, interest is added from the day after the original date the tax was due, to the day the tax is paid in full.

If you pay by the new due date we set, we won't charge late payment penalties (or non-payment penalties, in the case of an *Employer monthly schedule*).

Repayment options

If you can't pay your tax by the due date, please contact us to talk about the options available to you. In some situations, we might agree to payment in instalments (instalment arrangement).

Instalment arrangements can be agreed to before or after the due date. However, there are greater reductions in the late payment penalties charged if the arrangement is made before the due date.

For more help

Like to know more about our repayment options? Read our *Debt options (IR582)* guide. You can get a copy from www.ird.govt.nz or order one by calling us - see page 18.

For more on making a voluntary disclosure, read our *Standard Practice Statement INV-251 Voluntary Disclosures* in *Tax Information Bulletin* Vol 14, No 4 (April 2002). You can read this at www.ird.govt.nz

Disclosure at time of filing

There are penalties for taking an "unacceptable tax position" or what is described as an "abusive tax position" - see pages 15 and 16. The penalty can be reduced if you give us details of the tax position you've taken at the time you filed the return - see page 16.

To do this, complete a *Statement in support of a tax position (IR282)* form - the middle of this guide. You can get more copies from www.ird.govt.nz or by calling us - see page 18.

Give as much information as you can, including:

- your details, or the details of the estate, trust, partnership or company (including name, trade name, IRD number, address, date of birth or start date and contact details)
- an overview of the tax position taken
- the basis on which your tax position is taken (such as case law on the subject, contents of any legal opinions, legal articles and related material)
- the tax type(s) and year(s) or period(s) the tax position relates to
- reference to any Inland Revenue public or binding rulings, and
- a calculation, if necessary, to show the position and how it was reached.

Sign the declaration and send the completed form with the relevant return to us - see page 20 for address details.

Note

If the return is being E-Filed by a tax agent, the disclosure form needs to be sent separately.

Part 4 – If you choose not to tell us

If you don't meet the obligations set out on page 5 and don't make a voluntary disclosure, you may face a number of penalties. These are:

- late payment penalties
- non-payment penalties for not paying *Employer monthly schedule (IR348)* amount
- shortfall penalties
- prosecution.

We could also charge interest on any unpaid tax from the original date the tax was payable.

Prosecution

We may prosecute you for not meeting your tax obligations. The maximum penalties for different offences are:

Absolute liability offences

These include:

- not filing a return on time
- not supplying information that we need
- not applying for GST registration when you must
- not providing a tax invoice for GST purposes when you must
- not keeping required books and documents.

The maximum fine is \$4,000 for the first offence, \$8,000 for the second offence and \$12,000 for any subsequent offences.

Knowledge offences

These include knowingly:

- not keeping required books and documents
- not providing information, including tax returns and forms, when required to do so
- providing altered, false, incomplete or misleading information, including on tax returns and forms
- using the tax you've deducted or withheld for other purposes instead of paying it to us
- not deducting or withholding tax when required to do so
- issuing two GST tax invoices for the same taxable supply.

If you don't have the information we ask for, or don't make or account for withholding payments for reasons beyond your control, you won't be prosecuted.

The maximum fine for the first offence is \$25,000 and \$50,000 for any subsequent offences.

However, the penalty for knowingly using tax deductions for any purpose other than payment to Inland Revenue is imprisonment for up to five years and/or a fine of up to \$50,000 for each conviction.

Evasion or similar offences

You can also be imprisoned for up to five years and/or fined up to \$50,000 if you intentionally evade the assessment or the payment of tax, or unlawfully try to get a refund for yourself or someone else by:

- knowingly not making a deduction or a withholding of tax
- knowingly not keeping books and documents that must be kept
- knowingly not providing information, including tax returns and forms, when required to do so
- knowingly providing altered, false, incomplete or misleading information
- pretending to be another person for any purpose or reason
- knowingly filing false returns.

You may also be prosecuted for certain offences under the Crimes Act 1961.

Shortfall penalties

A shortfall penalty is calculated as a percentage of a tax shortfall, or deficit or understatement of tax as a result of certain actions on the part of a taxpayer. There are five categories of fault.

Reasonable care

The law requires you take reasonable care in meeting your tax obligations. This means that you must take the same care that a reasonable person in the same circumstances would take. The standard does not require perfection on your part.

If you don't take reasonable care a 20% penalty will be added to the resulting tax shortfall.

Unacceptable tax position

The legal definition of an unacceptable tax position is one that "fails to meet the standard of being about as likely as not to be correct".

This means that your tax position must be one a court would give serious consideration to, but not necessarily agree with. Your argument must be sufficient to have a reasonable chance of succeeding in court.

The penalty for an unacceptable tax position is 20% of the resulting tax shortfall. This penalty is only applied to income tax shortfalls and only if the tax shortfall is both more than \$50,000 and 1% of the total tax figure.

Gross carelessness

You can be penalised for gross carelessness if we consider your behaviour towards your tax affairs displays a high degree of carelessness or disregard for the consequences.

The penalty for gross carelessness is 40% of the resulting tax shortfall.

Abusive tax position

This penalty is to deter people entering into arrangements with the dominant purpose of avoiding tax.

The penalty for taking an abusive tax position is 100% of the resulting tax shortfall.

Evasion

Tax evasion involves a deliberate attempt to pay less tax than the law requires. This includes obtaining refunds knowing that you are not lawfully entitled to them.

The penalty for evasion is 150% of the resulting tax shortfall.

Reduction for voluntary disclosures

If you make a full and complete voluntary disclosure before we tell you you're going to be audited or investigated, any shortfall penalty will be reduced by 75% or 100% if the tax shortfall was due to not taking reasonable care, taking an unacceptable tax position or an unacceptable interpretation.

If we've already notified you of a tax audit or investigation but you make a disclosure before it actually begins, any shortfall penalty will be reduced by 40%.

If you make a disclosure at the time you file your return, any shortfall penalty will be reduced by 75%.

Employer monthly schedule non-payment penalty

If the amount owing from an *Employer monthly schedule (IR348)* isn't paid by the due date we'll send you a reminder letter. If the overdue amount isn't paid or an instalment arrangement agreed to, you'll be charged a 10% non-payment penalty (NPP).

Every month an amount remains unpaid a further 10% NPP will be charged. If you pay in full or enter into an instalment arrangement, after we've added a penalty the last NPP is reduced to 5%.

Late payment

We may charge you a late payment penalty if you miss a payment or it's late. We'll also charge you interest if you don't make your tax payment by the due date.

If you can't pay your tax by the due date, please call us. We'll look at your payment options, which may include an instalment arrangement, depending on your circumstances.

Go to www.ird.govt.nz (search keywords: managing penalties) for more information.

Interest

Interest on unpaid tax applies for all periods.

Interest on underpayments of tax starts on the day after the original due date for paying the tax, and ends on the day the tax is paid in full. For example, if a reassessment increases your tax liability of three years ago, three years' interest is charged.

Interest is charged on the difference between the original amount of tax paid and the new amount assessed, even if time is allowed for payment before a late payment penalty is imposed.

Amounts of \$100 or less

There is no interest or late payment penalties added to overdue tax of \$100.00 or less.

For more information

If you would like more information about penalties and interest, read our *Penalties and interest (IR240)* guide. You can get a copy from www.ird.govt.nz or order one by calling us - see page 18.

Note

The benefits of making a voluntary disclosure far outweigh waiting for us to find out what may be wrong with your tax returns. If you need help with any of your tax obligations or you have any questions about anything in this guide, please call us - see page 19.

Services you may need

myIR

A myIR account lets you manage all your Inland Revenue matters securely online. You can update your address, phone, email or bank account details, check your eDocuments, work out your income tax filing options and check your KiwiSaver account.

Register for a myIR account today to:

- check if you're due a refund
- file an EMS, IR3 tax return or GST return
- see payments to or from Inland Revenue (including child support and student loans)
- manage your alert email settings
- apply for/manage your Working for Families Tax Credits.

myIR is available 24 hours a day, seven days a week. Go to www.ird.govt.nz/myIR to find out more.

Forgotten your user ID or password?

Request these online and we'll send them to the email address we hold for you.

0800 self-service numbers (New Zealand callers)

This service is available to callers seven days a week except between 5 am and 6 am each day. Just make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN. Registering for voice ID is easy and only takes a few minutes. Call 0800 257 843 to enrol.

Order publications and taxpacks	0800 257 773
Request a summary of earnings	0800 257 778
Request a personal tax summary	0800 257 444
Confirm a personal tax summary	0800 257 771
All other services	0800 257 777

When you call, just confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Need to speak with us?

Have your IRD number ready and call us on one of these numbers:

Personal tax enquiries	Business tax enquiries
General tax, tax credits, refunds, payment options, Working for Families Tax Credits payments, and paid parental leave 0800 775 247	General tax, tax credits and refunds 0800 377 774
Child support 0800 221 221 (8 am to 5 pm Monday to Friday)	Employers 0800 377 772
Student loans 0800 377 778	GST 0800 377 776
	Large enterprises 0800 443 773
Mobile or international callers	Want faster access to our services?
Free calling doesn't apply to mobile phones or international calling customers.	Voice ID-enrolled customers have shorter calls and better after-hours access.
Direct dial numbers for mobile and international callers are available at www.ird.govt.nz/contact-us	Enrol now 0800 775 247
	Reset your myIR password 0800 227 770
	Check your account balances 0800 257 777
	Order stationery 0800 257 773
Complaints Management Service	
(8 am to 5 pm Monday to Friday) 0800 274 138	

Our contact centre hours are 8 am to 8 pm Monday to Friday, and Saturday between 9 am and 1 pm. We record all calls. Our self-service lines are open at all times and offer a range of automated options, especially if you're enrolled with voice ID.

For more information go to www.ird.govt.nz/contact-us

Postal addresses

Payments	Returns	General correspondence
Inland Revenue PO Box 39050 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39090 Wellington Mail Centre Lower Hutt 5045	Inland Revenue PO Box 39010 Wellington Mail Centre Lower Hutt 5045

For a full list of addresses click the "post" icon at www.ird.govt.nz/contact-us and choose from the dropdown options.

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer. We may charge penalties if you don't.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them
- Statistics New Zealand (for statistical purposes only).

If you ask to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to www.ird.govt.nz (search keyword: privacy).

Other Inland Revenue publications

We have a variety of publications to help people with their tax obligations. You may find some of these useful.

Debt options (IR582) explains what to do if you might not be able to pay your tax or if you're already in debt to Inland Revenue.

Disputing an assessment (IR776) explains the process to follow if you want to dispute an assessment of your tax liability or some other decision.

Inland Revenue audits (IR297) is for people in business and investors. It explains how audits are chosen, what is involved if we audit you, how we will work with you, and what happens once an audit is completed.

Notice of proposed adjustment (IR770) form is used to change a return you've filed or where you disagree with a decision that we've issued.

Tax Information Bulletin Vol 14, No 4 (April 2002) includes *Standard Practice Statement INV-251 Voluntary Disclosures*.

Tax Information Bulletin Vol 14, No 8 (August 2002) includes *Standard Practice Statement INV-510 Requests to amend assessments*.

Penalties and interest (IR240) explains why we charge penalties and interest, what the different charges are and how to avoid them.

