

DAA Bulletin

Earthquake and Inland Revenue Special

Quote

"The Government's objective is to get earthquake-stricken residents and businesses back on their feet and today's decision will help and reflects a need for common sense, flexibility and pragmatism,"

- Revenue Minister
Peter Dunne



DODD AND ASSOCIATES LTD

CHARTERED ACCOUNTANTS

Important Phone Numbers

IRD disaster response:

0800 473 566

Government Helpline:

0800 779 997

Business Recovery Call Centre:

0800 50 50 96

Us:

03) 348 4403

What IRD are doing to help

- They have launched a disaster response phone line – 0800 473 566
- They have prepared a number of special fact sheets on some earthquake related topics. We have supplies of them available that we could e-mail or surface mail to you if you wish.
- They are backing off their debt recovery actions for an unspecified but limited period of time.
- They have put all current audits on hold (also for an unspecified but limited period of time) and for that period of time they are initiating no new audits.
- Additional personnel have been seconded from other parts of New Zealand to help - but we have to say this comes with some limitations. It is our opinion that "if you are here on the 22nd you know and if you weren't you don't".
- Although it won't concern any DAA clients, 31 March 2010 tax returns are not now due until 30th September (was 31 March). As an aside, we are proud to tell you that we have again achieved the coveted 100% filing percentage as at March 31, 2011 which puts us in the top 5% for the 4th year running.
- If you have lost your records as a direct consequence of the quake IRD can assist to a limited extent from their own archives. A simple example is payroll details and another is copies of GST returns. They are not going to be so generous as to waive the need to file income tax returns and so for many hundreds (thousands?) of Christchurch businesses producing records to their accountants for the purposes of preparing and filing income tax returns for the 2010/11 year is going to be a horrendous task. If you are in this situation, please get in touch with us as soon as possible so that we can negotiate with Inland Revenue on your behalf for access to what they can assist with.
- A certain number of their penalties, for example late payment, can be remitted.
- They have arranged for an exemption from gift duty and income tax for any donations of trading stock. This will last until March 2012. This move will make sure that those businesses who have donated stock items to help earthquake victims will not be penalised.
- Welfare payments or benefits (as distinct from normal wages/salaries) from employers to employees will not be taxed.
- There are some payments made to employees which will not be counted as income for the working for families tax credit. If you have made extra cash payments to employees please contact us for the correct treatment on these items.
- There is a provision to roll the depreciation recovered credits into a new asset purchased to replace the old one.
- In summary, they are trying to be supportive and to help.

Inland Revenue themselves

- We have to give credit to both the political and administrative arms of government for their intention to assist with earthquake recovery matters. Specifically Inland Revenue are clearly going out of their way and trying hard to help and to co-operate. Of course, Christchurch staff are just as impacted as all the rest of us and so are even more sympathetic but they have been excellently supported by the head office.
- Inland Revenue still do not have access to their building and have not had access since it was evacuated on the 22nd. This presents them with enormous difficulties and to some extent it maybe impacting on you as a taxpayer and us as your registered agent. At this stage it is still inside the red zone and they are not certain when they will have access to it. As you may have read this building along with others on that side of the zone has just had power turned back on. It is being inspected by engineers now but internally it is a mess and will take some time to recover.
- They had arranged for mail to be redirected but any mail that was already in the building either unopened or opened and on desks has still not been dealt with.
- Because of the building access problem their personnel are scattered around Christchurch in various locations or even working from their homes. You will imagine the complications this represents. Our assessment is that for the immediate future no one should expect any rapid turnaround on any aspect of tax or GST or Inland Revenue social welfare responsibilities. Their ability to function has obviously been severely limited. They are gradually recovering but inevitably some things are necessarily delayed.
- One of the positive things they have done is to increase their public presence. You may have seen that for several weeks they had set up booths and stalls around the malls and in the shopping centres.

As far as you are concerned

- If you, your income earning ability and/or your cash flow have been impacted by the tragic events of the 22nd IRD are supportive and committed to help but they are not going to stop being IRD. They need to know as soon as possible of your difficulties. If you advise them they will (if they are satisfied you are genuine) adopt a sympathetic and supportive approach. Do not delay contacting IRD or having us do it for you as they will, if satisfied put a note on your file and that sets up the possibility for them to remit any penalties or interest if you wind up having trouble paying.
- Do not panic if penalties and interest are charged to you. In the first instance they have to be. IRD has no choice. These charges are an automatic function in their software. However, if you have phoned in early and are able to substantiate your difficulties they will go through a process of manually remitting the charges.
- If you call IRD and are unhappy with the call centre you have the option of complaining as it is likely that you will get a North Island person who doesn't understand the impact of what is happening here.
- IRD have forecast that the true effects of being unable to pay tax won't hit for another 3 months or so which is when they expect businesses to find that their business base is drying up.
- You may need to consider re-estimating provisional tax for the 2011/12 financial year. If your business has been impacted by the events of September 4, December 26 or February 22nd. It is important that you get in touch with us and brief us on your situation if you have not already done that. We are happy to assist with the process of re-estimating provisional tax to more correctly reflect a downturn in business but anyone who takes that step needs to be aware that it has the potential to be a two edged sword.
- If you are now on the ratio method of paying provisional tax with your GST returns you may need to talk to us about negotiating with Inland Revenue for a change of ratio.
- If you have received insurance payouts there are both income tax and GST implications. If you are not clear on the correct tax and/or GST implications with insurance proceeds we urge you to contact us. For example, under income tax law there is a "deemed sale" at the time that the insurance proceeds can be quantified. You will note that this could be earlier than the payment is received.
- There are similar issues with loss of profits insurance payments.

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