

# DAA Bulletin

## Quote

"The IRS! They're like the Mafia, they can take anything they want!"

- Jerry Seinfeld



DODD AND ASSOCIATES LTD  
CHARTERED ACCOUNTANTS

Kerry after reading a nursery rhyme to his child;

"Yes, son. It would be tax deductible when Little Bo Peep loses her sheep. I like your thinking."

## IRD Compliance Focus

We recently attended a seminar held by IRD whereby they outlined their compliance focus (target areas) for 2012/13. There are four broad areas:

1. Everyone pays and receives the right amount
2. IRD receive the right information at the right time
3. Everyone files and pays on time
4. Provide confidence and certainty for their customers

### Everyone pays and receives the right amount

IRD take any attempts to avoid or evade tax very seriously and they are focused on this area of activity and will prosecute accordingly. The areas that fall within this category are:

- Diverting personal income from the individual doing the work and having it taxed through a company or Trust.
- Habitual non-compliance and a blatant disregard in meeting tax obligations.
- Using "fake" charities as a means of saving tax on income.
- False information and fraudulent claims by claiming refunds that taxpayers are not entitled to.
- Hidden economy such as cash jobs, skimming cash from the till, failing to declare income on overseas bank accounts and organised crime. The hidden economy is a big focus with over 80 prosecutions last year and another 100 before the courts.

### Receive the right information at the right time

Many taxpayers have incomplete or incorrect details at Inland Revenue due to moving addresses and not updating changes in circumstances. IRD need to be kept updated of any change so that they can make any adjustments to your records with them. Following on from that if you cease your business remember that is not the end of it. You are still required to file a final tax return for that business at the end of the financial year and not early. In addition all relevant tax types with that business need to be ceased with IRD eg PAYE, RWT etc which may mean filing nil returns until IRD have processed that request.

### Everyone files and pays on time

Currently there are approximately 1.215m returns outstanding and IRD are wanting to get the returns filed. If you receive a return from IRD do not ignore it but get it filed. If you believe that you no longer need to be registered for a particular tax type you need to be talking to us so that we can cease this with IRD on your behalf. If you are struggling with any IRD returns arrange a time to meet with us now and we will help you with that burden. Remember that if GST is an issue we can assist you with that through our very popular TriTec service. GST will never be a nightmare again under TriTec.

The level of debt that IRD have on their books is a concern for them and the Government. If you are struggling to pay any taxes don't hide away, talk to us and we can negotiate with IRD an arrangement for you to meet your obligations. IRD would rather taxpayers be upfront and work through a solution rather than them having to come to their customer. They are working hard to collect debt outstanding and you can expect a IRD phone call if you do nothing.

### Provide confidence and certainty for their customers

IRD will continue to develop ways to communicate what is expected of their customers, what tax practices are appropriate and when rules & regulations are updated. This is something that we also continually monitor on your behalf and we also have a number of publications available if you are uncertain about what your obligations are.

## Tax Returns for Wage and Salary Earners

For most wage and salary earners the tax return is a thing of the past. Indeed, most wage and salary earners have no real idea of how much of their income goes to support the government. This is all because the PAYE tax system has been refined to the point where the income tax collecting process is almost transparent and most people no longer need to interact with Inland Revenue at all. However there are at least 14 situations where a wage and salary earner may need to file the modern equivalent of the old IR5 income tax return. That modern equivalent is known as a PTS (personal tax summary).

This PTS system is not widely known but typical of the New Zealand tax law there are penalties if you are required to file one and fail to do so. Also, there is a deadline for filing a PTS which is fast approaching. We have prepared a checklist with all of the situations which could lead to the requirement to file a PTS. If you or someone you know have any concerns because of things like secondary employment at the wrong tax rate, interest or dividends over \$200 at a different rate, student loans plus interest earnings then we strongly recommend you get a copy of our checklist.

Because the PTS process can be quite challenging to the inexperienced or uninitiated we are for a limited period offering a reduced price for filing PTS.

## Dealing With Inland Revenue

We thought it timely to remind you all to be very careful when dealing directly with Inland Revenue. If they ring you with a seemingly innocent request for further information chances are they are trying to catch you out on something. We strongly suggest you take their name, which branch they are calling from, details of their request and if you can get it details of why they want the information and call us before you say anything or send them anything.

Even if you believe you are doing everything correctly you may have inadvertently made an error and if they find it first there could be hefty penalties incurred. At least if we understand what they are looking for we can check first and advise you if any corrections need to be made. If you advise Inland Revenue before they discover an error it is treated as a voluntary disclosure and the penalties are reduced significantly.

## New Zealand Statistics

Following on from our article last month of the annual NZ Statistic Surveys we thought you might be interested in some of the statistics that come out of these surveys. This month we bring you the top business enterprises.

Top 5 Business Enterprises	2011	2006
Rental, hiring and real estate services	96,239	86,477
Agriculture, forestry, and fishing	71,266	79,722
Construction	49,610	50,953
Professional, scientific, and technical services	49,433	45,172
Financial and insurance services	29,902	22,034

Stay tuned for more interesting statistics. Next month we look at imports and exports.

## GST Return Preparation

**Are you still working out your GST returns the hard way?**

**A surprising number of people still do. It can be much easier!**

Owning and operating a small business has enough hassles without having to meet that regular deadline and laboriously going through receipts and payments to see how much you have to pay them (or if things are not going so well how much they have to pay you). We have a number of much easier options available for you.

If you are still doing it the hard way you owe it to yourself to give Kerry call and see just what is involved in simplifying GST return preparation and filing. You'll be surprised at how little it will cost you for the advantage you will gain.

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