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Te Tari Taake

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Tax and your property transactions

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Introduction

Property is a complex area of tax law and it pays to be well-informed.

Working out the tax considerations of your property transactions can be confusing because each person's situation is unique. In this guide we give you a general overview of possible tax issues related to property transactions and advise you when to talk to a property tax professional.

Any of these situations could apply to a property transaction. You:

- make a gain or loss from property speculating or dealing
- move from property investment into property dealing when prices are rising
- are a property dealer and you hold and rent properties during a downturn
- are a first-time landlord and don't think about the tax implications of renting your property
- are a shareholder of a loss attributing qualifying company (LAQC), owner of an interest in a look-through company (LTC) or partnership that owns a rental property
- buy an investment apartment with a managed lease and later change the rental arrangements or sell it
- sell a rental property you've claimed depreciation on
- become a dealer because you've made a number of purchase and sale transactions
- apply for GST registration when you purchase property for dealing or speculation.

Note

Property means land (including a bare section) and buildings, options or interests in "off-the-plan" properties.

About this booklet

This booklet highlights some of the common areas where mistakes occur and addresses some of the common myths about property and tax.

It is not meant to be a comprehensive resource covering all the tax laws in the area of property.

We do not always use the strict legal terms in this booklet. This is to assist non-tax professionals to make informed decisions about when they should seek further advice.

If you are in any doubt concerning your property dealings, we strongly recommend you seek advice from a property tax professional.

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

Contents

What kind of property buyer are you?

Property investor is a collective term for property speculators, dealers and investors. However, they're each treated very differently under tax law.

In this guide we refer to **speculators**, **dealers** and **investors**.

Three main factors can determine your status as a property buyer for tax purposes:

- your intention when you buy a property
- the patterns of your previous property transactions
- your association to a builder, property dealer or developer.

If you're an **investor** you buy a property to use it to generate ongoing rental income and not with any firm intent of resale. The property is a capital asset and any later profit or loss from selling the property is capital and isn't taxable (apart from clawing back any depreciation, which is now recoverable).

The rules may be different if you've been associated with a person or entity involved in the business of building, dealing, developing or sub-dividing land.

If you're a **speculator** you buy a property always intending to sell it. The property is treated like "trading stock" and your profit or loss from selling the property is taxable. Speculating can be a one-off purchase and sale of a property. Speculators may also receive rental income from the property before they sell it.

If you're a **dealer** (also referred to as a trader) you're similar to a speculator buying properties for resale. The difference is that you've established a regular pattern of buying and selling properties.

The category you fall into isn't determined by what the property is called or how the activity is described. For example, it may be marketed as a "rental investment" with strong "capital gain" potential, but your firm intention or prior pattern is the factor that determines its tax treatment if you're involved in or associated with someone in the business of building, dealing, developing or dealing with land.

It's important to note that only one of your firm intentions needs to be resale for you to be potentially classified as a speculator or dealer. For example, buying a property as an "investment" with a plan of holding it for now and selling it in a few years would likely put you into the speculator or dealer category. Simply renting a property doesn't automatically exclude you from paying tax on the sale. Investors, dealers and speculators may all rent out their properties from time to time.

Understanding your property investment strategy can also help you determine your status. For example, the "buy and hold" strategy approach which most likely means you're a property investor for tax purposes.

Or there's the "buy and flick" strategy. This approach is most likely to mean you're a property speculator or dealer for tax purposes.

Investors will investigate and analyse future revenue streams, and any gain made on the sale of the property is incidental. Their investment is soundly based on a return from the rental income.

Property dealers or speculators will try to determine and analyse the property's future price movements because that's what the deal rests on. Any rental income is secondary.

Your status may differ between properties and it may change over time as the property market rises and falls. You may have bought a property described as a good investment when your intention was actually related to property trading.

If you're not clear about your reasons for buying a property, and any possible tax issues involved, read our guide *Buying and selling residential property – what you need to know about your tax obligations (IR 313)* or ask for professional tax advice.

Property speculation

If you're buying and selling property other than a private family home, we recommend you get advice from a tax advisor with expertise in this area.

You might think profits from selling property are always capital gains so you don't have to pay tax on them. But this isn't always true. If one of your reasons for buying a property is to resell it, whether you live in it or rent it out, you're speculating in property and your profit is likely to be taxable. And, if you sell that property at a loss, the loss may be tax-deductible.

Your family/private home

Buying and selling your family/private home usually has no tax consequences.

However, some people buy a family home intending to resell it, and they may do this regularly as a way of earning income. If you have a regular pattern of buying and selling your family home, it could also be seen as property dealing or speculation for tax purposes.

Holding onto a property for capital gain

If you buy a property with the firm intention of resale, it doesn't matter how long you hold it—the gain on resale will be taxable (and any loss may be tax-deductible).

For example, you buy a property with a firm plan to resell it for a profit. The property market falls and you decide to hold onto it instead. You rent it out for 15 years and then sell it when the prices are again rising rapidly. Any gain on that sale 15 years later is likely to be taxable.

Number of properties to be considered taxable

There is no set number of properties you can have before they become taxable. In some cases the first property bought and sold may be taxable if you bought it for resale. In other cases there could be a number of factors to take into consideration, such as having a regular pattern of buying and selling property, before a property is taxable.

The factors that may be looked at will vary because each taxpayer's circumstances are different. For example, buying one property every two years may be considered a regular pattern for one individual and not another.

Speculators claiming the deduction for the purchase of a property

Income tax

For income tax, the purchase price is treated like trading stock. However the purchase price may only be claimed in the same income year as the resale of the property.

GST

If you're in the business of property speculation and you're registered for GST for that activity, you're entitled to claim GST on the purchase of properties purchased for use in your property speculation activity.

For details on when you can claim, read our *GST guide : Working with GST (IR 375)*.

Some confusion can arise when GST is claimed on the first property purchased for speculation. This is because you'll generally be required to demonstrate a regular and continuous activity. Often, simply purchasing a property won't satisfy this test.

There may be times when you can't claim GST on a property—see page 21.

If your intention at the time you buy a property is to resell it, we recommend you talk to a tax professional to find out about any tax consequences. You may need to file an *Individual tax return (IR 3)* and declare any profit from the sale as income, or work out the tax implications if you sell the property at a loss.

If you think you should have paid income tax on the sale of a property but didn't, please read our guide *Buying and selling residential property – what you need to know about your tax obligations (IR 313)* or get advice from a tax professional.

And if you've filed an incorrect tax return, it's best to tell us about it. Please read our guide *Putting your tax returns right (IR 280)* to find out how to make voluntary disclosures.

Claiming a loss from property dealing or speculation

Working out whether or not you're entitled to claim a loss from a property transaction is similar to determining whether or not a profit would be income.

If you're a speculator and you bought a property with the firm intention of selling it, but then make a loss on it, the loss is likely to be tax deductible. You'll need to take into account other general rules covering the deductibility of expenses or losses. You can only claim the loss on a property when you sell it.

If you're a dealer, the loss is also likely to be deductible, provided it was purchased for the dealing activity.

Some people, who didn't see themselves as property dealers or speculators when they made profits from their property transactions, may take a different view when they make losses.

However, we don't just look at a one-off transaction when considering losses claimed. We review all your past property transactions to see how the profits or losses were treated for tax purposes.

We strongly recommend you talk to a tax advisor if you're considering claiming a loss on a property transaction.

When rental property investment becomes rental property dealing

Owning rental property doesn't automatically exclude you from paying tax when you sell it.

Depending on the reason you bought the property or on other factors, like carrying on a property-related business, you may be a speculator or dealer.

When housing prices are on the rise, "get rich quick" property schemes are often described as property investment, when they're really property dealing or speculating schemes.

Some property schemes are described as producing capital gains, which aren't taxable, rather than producing income, which is. You need to consider several factors when determining whether profits from property sales are capital gains or income.

For example:

- your intentions when you bought the property
- what you actually used the property for, and
- if you have a regular pattern of buying and selling property, and
- who you're associated with.

If your investment strategy changes from investor to dealer, your tax situation will change too, from the time you make this change. Properties purchased prior to the change may not be affected.

The outcomes are different

An investor buys a rental property to generate rental income.

A dealer or speculator buys a rental property with a firm intention to make a gain from the increase in its value.

A dealer is anyone with a regular pattern of buying and selling properties. This includes rental properties.

To be a speculator, you need buy only one property, firmly intending to resell it.

Investors pay income tax on their net rental income but generally, not on the eventual sale proceeds of the property.

Dealers and speculators must pay income tax on any gain they make from reselling their property. If they declare a loss, it may be tax-deductible. They must also pay tax on the net rental income they may earn from the properties.

If you're counting on the rental of your property to provide a positive return on your investment (even if expenses may at first be greater than the rent you get), you're likely to be an investor. But, if you buy a property intending to resell it, or if you intend to sell it after making improvements to it, you're likely to be a speculator. Renting your property temporarily doesn't change your tax treatment either—you're still a dealer.

Still can't decide? Ask yourself, "Is the property going to give me a return on my investment, or will it only give me a positive return when I sell it at a profit?". You may receive some income from renting the property but if, from the outset your real reason for purchasing the property was to sell it at a profit, you're a speculator.

Some investors may find the returns from buying and selling rental properties are much higher than the actual rental income those properties can provide, so they switch from being investors to dealers.

If you start dealing in rental properties, any profits on your sales from the time you become a dealer will be taxable.

This probably won't affect the sale of any rental properties you owned before becoming a dealer, assuming you bought them to provide rental income, not for resale.

Special rules for dealers and builders

Properties sold as part of a property dealing or building business are taxable in the same manner as any other trading stock of a business.

In addition, property dealers and builders (and those associated with them) should also take extra care when dealing with properties that weren't purchased as part of their business activities if those properties are sold within ten years.

Once you are (or are associated with) a dealer, special rules apply. If you own any properties whether or not for the purpose of dealing, and:

- sell any property that is part of the assets of the activity of dealing, or
- sell any other property within 10 years of buying it

any profit may be taxable.

This applies to all properties you buy from the time you begin dealing to the time you cease dealing, and includes rental properties.

There are exceptions for some private residences and business premises.

Rental properties don't qualify as a business for this exclusion.

Depreciation

Changing from rental property investment to rental property speculation or dealing can also affect depreciation on your properties. Rental investors can claim annual depreciation on the cost price of their property buildings, fitout and furniture, but investors who hold property as trading stock can't claim annual depreciation —see page 22.

Note: From the 2012 income year you can no longer claim depreciation on rental property buildings.

Switching back to property investment from speculation or dealing

Properties you bought as a dealer, builder or developer are treated like trading stock and are taxable when you sell them, regardless of any change in your status.

For example, if you buy a rental property when you're a dealer but decide to hold it and rent it during a market downturn, any later gain on the sale will still be taxable, even if you're no longer a dealer.

If you intended to resell your rental property when you bought it, talk to a tax professional. You may have to file an *Individual tax return (IR 3)*.

Unplanned rental income

As a speculator or dealer, you may decide the time isn't right to sell a property, so you rent it out instead. If you do this, there are implications for income tax, and if you're registered, GST.

Income tax

You'll have to include rental income in your income tax return. You may claim costs or expenses associated with the rental.

GST

Speculators or dealers who are registered for GST, who claim a GST refund on the property when they buy it and then rent the property to a residential tenant, are required to make an adjustment in their GST return to reflect this.

If you buy a property for the principal purpose of making taxable supplies (in this case, property dealing/speculation, or commercial rents), but then use it for another purpose other than making taxable supplies (eg, residential rental), you must make a GST adjustment.

For details about making adjustments, see notes on page 8 or read our *GST guide (IR 375)*.

We advise you to talk to a tax professional before renting out your property if it's a part of your normal dealing, especially if you're a first-time renter.

Special tax rules for those in property-related activities

If you're a property owner and you or an associate are involved in dealing in land, building and construction work, or in subdividing or developing land, you may be subject to special tax rules. For example, the amount of time you've owned your property becomes an important consideration for tax purposes.

If you or an associated person are undertaking any of the above activities and:

- sell any property that is part of the assets of the activity of dealing, building etc, or
- sell any other property within 10 years of buying it or (for builders) completing improvements to it, that was not used in your business

any profit may be taxable.

These rules may apply to any properties bought during the period of your property-related business activities, even if you sell a property after you've ceased those business activities.

There are exceptions to these special rules, eg, where the property you sold had been used primarily as your family/private home, or if you used it as your business premises, other than for rental activities.

Example

Trent started buying and selling residential houses in 2004. By the end of 2004, he had established a regular pattern of buying and selling and was a dealer for tax purposes.

Trent co-owns Trent Rentals Ltd, a company that buys residential rental investment properties. In January 2006 the company buys a rental property to hold and rent. In December 2010, rentals in the area are falling and it sells that property. Income tax would not normally be due on the profits from the sale, because the company bought it as an investment. But, because Trent Rentals Ltd is associated with Trent, who established himself as a dealer before this property was bought and it was sold within 10 years, Trent Rentals Ltd must pay tax on the sale regardless of the company's original intention to hold as a rental investment.

If you or an associate have been involved in a business which deals in land, building and construction work, or in subdividing or developing land, we strongly recommend you talk to a tax advisor to understand the special tax rules related to your situation. You should get advice before selling any property you have held for less than 10 years, if it isn't part of your or your associate's business.

Property transactions and associated person rules

If you have an association with people in certain property-related industries, there may be a tax impact on all or some of your property transactions, even if you're not personally a property dealer, developer or builder.

These impacts could mean the difference in the gain from the sale of a property being treated as taxable income or as a non-taxable capital gain.

The example on page 16 shows how the associated person rules could affect you when you wouldn't have even considered such an association. In 2009 the rules were amended and are now very extensive and can be complex. So, if you're considering investing in property or selling your private residence, it's important you get professional advice if you think there is any possibility of an association applying to you.

Associated person rules may make a property sale taxable when:

- there is an association with a property dealer when the property was bought
- there is an association with a property developer when the property was bought
- there is an association with a builder when significant improvements started on a property.

In addition, the associated person rules changed for land acquired on or after 6 October 2009 with the effect of widening some associations.

How individuals can be associated

There are a number of tests to apply to determine if two persons are associated for land transactions.

Under the basic rules you are, for example, associated with:

- your spouse, civil union partner or de facto partner
- your children (under 20 years old)
- a company you hold 25% or more market interest in (company and individual test)
- a company your spouse or children hold 25% or more market interest in (the aggregation rule)
- a company where the combined holdings under all these rules totals 25% or more market interest in (the aggregation rule)
- a partnership, if you're a partner.

If you're a trustee you are associated with:

- any settlor of the trust (and vice versa)
- a trustee of another trust where the trusts have a common settlor
- a person with power to appoint or remove a trustee.

Extended associations

You can also be associated to a third person, where you're already associated to a second person under the above rules, and that second person is associated to the same third person under a different rule from the rule that associates you to the second person.

This is called the "tripartite" test – it generally means that if person A is associated with person B, and B with C, person A is also associated with person C. However, there are exceptions, particularly in relation to the company tests, so it's important to get professional assistance if in doubt.

Example

Kim is married to Bruce, a property developer. Kim is settlor and trustee of a trust, which owns all the shares in Kim's family company.

So, Bruce is associated to Kim under the two relatives test. Kim is associated to Kim's trust under the trustee and settlor test.

Bruce is now also associated to Kim's trust because of his association to Kim as spouse and Kim's association to the trust as settlor.

Bruce is considered to hold what Kim's trust holds, which is 25% or more of Kim's company. So, Bruce is associated to Kim's company.

Any land transactions Kim's company makes would be treated as if it were being made by a property developer (Bruce's occupation).

For more information on the new associated persons rules read *Tax Information Bulletin* Part II, Vol 21, No 8 (October/November 2009).

We strongly advise you to get professional tax advice if you think any of the association rules may affect you.

Living in a property owned by your LAQC, LTC, company, partnership or trust

Some people buy or transfer a family home using a limited liability company, such as a loss attributing qualifying company (LAQC), look-through company (LTC) or trust or partnership, including a limited partnership. This guide focuses on LAQCs and LTCs but the information applies equally to trusts or partnerships.

Using an LAQC or LTC for residential rental investment can be a perfectly valid structure. However, we consider some LAQC and LTC arrangements are made to avoid tax.

Problems arise when an LAQC or LTC buys an LAQC or LTC shareholder's family home, and shareholders continue to live in the home and claim deductions (eg, interest, insurance, rates and maintenance) for the property. In most instances this is considered tax avoidance.

Expenses in relation to your private residence, whether owned by you, a company in which you're a shareholder, a trust in which you're a beneficiary or a partnership you're a partner in, are not deductible.

You may believe that if you continue to pay market rent to the company you can continue to claim these LAQC or LTC expenses against your income. However, we may still consider the arrangement to be tax avoidance.

Tax avoidance carries penalties of up to 100% of the tax shortfall, and in some cases, such as deliberately misleading Inland Revenue about how the arrangement is set up, there's a shortfall penalty of 150% for tax evasion or we may consider prosecution.

Living temporarily in a property owned by your LAQC or LTC

From time to time a shareholder will move into a home owned by their LAQC or LTC which they had previously rented to tenants. There may be good reasons why they do this. For example:

- inability to find tenants
- relationship breakdown
- relationships formed with tenants
- renovating or building your own home.

But, if you live in the property and you're a shareholder, you generally can't continue to claim what would otherwise be private expenses.

Whether or not this structuring and claiming of resulting losses is considered tax avoidance depends on a number of factors. For example, whether the arrangement is permanent or temporary, and whether there are commercial factors driving the decision to live in the property.

Living with your tenants in a property owned by your LAQC or LTC

The situation about tax avoidance is less clear when both a shareholder/owner and other tenants live in an LAQC or LTC-owned home. The shareholder/owner's proportion of the expenses is generally not considered deductible. We will look at these arrangements on a case-by-case basis.

Asset protection

Some people claim the main reason for holding their personal residence in a limited liability company is for asset protection rather than the tax minimisation benefits.

In reality, these structures provide little or no asset protection. For shareholders to make use of LAQC or LTC losses, they must hold the shares in their own name. Because the shares of an LAQC or LTC company that owns residential investment property are equal to the market value of the property and represent an asset to the shareholder, less the mortgage, a creditor claim equal to the current value of the property is possible.

We will take a close look at the reasons for this arrangement, but we'll generally disregard the asset protection argument when considering whether an LAQC or LTC arrangement is tax avoidance.

So, if you're considering setting up an LAQC or LTC to own your family/private home for tax loss claim purposes, be aware that we consider these types of arrangements to be tax avoidance.

If you're moving into your LAQC or LTC-owned property over the long-term, consider taking the home out of your LAQC or LTC.

If you're moving into an LAQC or LTC-owned property on a temporary basis, be careful that you don't claim a deduction for what would usually be considered private expenses for the period you're in the home.

We strongly recommend you talk to a tax professional with expertise in this area if you're considering any of the above arrangements.

GST on apartment purchases and sales

Why do people register for GST when they buy property, particularly apartments?

If an apartment is being used for short-term stay accommodation (ie, less than four weeks) the rental income may be taxable supplies for GST purposes.

Many apartments are sold as "going concerns" with management leases and guaranteed rental arrangements in place at the time of purchase.

No GST is payable on a property sold as a going concern, provided certain conditions are met, ie, both parties are GST-registered. The transaction is defined as "zero-rated" for GST. However, the future sale will be subject to GST unless it too is zero-rated as a going concern.

Zero rating

Buying an apartment that's been zero-rated for GST may seem like a good idea because you don't have to pay GST on the purchase price. There's no hassle with tenants because the management company takes care of renting the apartment, and you may also have a guaranteed source of income.

But, there are conditions attached to this type of transaction. You need to know what they are or you might get an unexpected GST bill.

Unexpected GST to pay

If you sell your apartment with the original or an appropriate replacement management agreement still in place, to a buyer who is also registered for GST, your apartment may still be a going concern. In this case you probably don't have to pay GST on the sale.

But, if you change the apartment use, you may have to pay GST. For example:

- if you or a member of your family move into the apartment
- if you rent it to residential rental tenants.

You may also have to pay GST if you sell your apartment and the original management agreement has expired and you haven't negotiated another lease with them.

We strongly recommend you talk to a tax professional before committing to any property deal involving GST or a going concern arrangement.

For more information about tax on zero-rated apartments, read our leaflet *Thinking of selling your leased apartment? (IR 498)*.

GST claims on property purchases

You must check if GST affects your property transactions in these two situations.

- **Buying residential rental properties to rent**

  If you buy a residential rental property as an investor you can't claim a GST credit on the purchase because renting residential accommodation is a GST-exempt activity.

- **Buying residential rental properties to trade**

  If you buy residential rental property as a dealer you may be able to claim a GST credit when you buy a property. You'll have to include GST in the sale price when you sell that property and pay the GST to us.

GST on property sales

If you claim a GST credit when you buy a property, you'll probably need to include GST in the sale price when you sell that property and pay the GST to us.

Before committing to any property deal involving GST we strongly recommend you talk to a tax professional.

Depreciation recovered on rental properties

Before the 2012 income year you could claim depreciation on a rental property, but if you sell the property for more than the depreciated (book) value, you'll probably repay most (or all) of the depreciation you claimed previously. This depreciation recovery is taxable income.

If you sell the property for less than you paid for it, you may only have to declare a portion of the depreciation you've claimed as income.

Example	
You buy a rental property for	$400,000 (excluding the land value*)
You claim total depreciation of	$ 20,000
The property's book/adjusted tax value is	$380,000

Outcome 1

You sell the property for	$400,000	(excluding land value*)
Difference between sale price and book value	$ 20,000	
Depreciation recovered	$ 20,000	Include this amount as income in your tax return for the year the property was sold

Outcome 2

You sell the property for	$425,000	(excluding land value*)
Difference between sale price and book value	$ 45,000	
Depreciation recovered	$ 20,000	Include this amount as income in your tax return for the year the property was sold

* Land isn't a depreciable asset.

Outcome 3

You sell the property for	$390,000	(excluding land value*)
Difference between sale price and book value	$ 10,000	
Deprecation recovered	$ 10,000	Include this amount as income in your tax return for the year the property was sold

Outcome 4

You sell the property for	$350,000	(excluding land value*)
Difference between sale price and book value	($30,000)	
Depreciation recovered	Nil	

* Land isn't a depreciable asset.

If the property is sold, you can only claim depreciation for the months the property was owned in that tax year. You can't claim a loss as a deduction after that.

Remember—you must include any depreciation you've recovered as taxable income when you sell your property. If you don't, you'll be understating your income.

While there's no depreciation deduction for rental properties after the 2012 income year it's important that you consider and account for any historical depreciation claimed when you're selling the property. This is a very complex area and we strongly recommend you talk to a tax professional.

Tax on property transactions

Income tax

As an individual buying and selling property, a partner in a partnership, or an owner in a look-through company, you'll need to send us an *Individual tax return (IR 3)* each year, or an *Individual tax return – non-resident (IR 3NR)* if you live overseas. Partnerships and look-through companies will also have to file an *Income tax return (IR 7)*.

You'll need to include enough information to show how you worked out the amount of property income you've calculated after deducting expenses.

Add the profit to any other income you've earned to calculate your total taxable income and work out the tax. Deduct tax credits, eg, PAYE, from the tax total.

Most people's tax year ends at 31 March each year. Tax to pay is due by 7 February the following year (or 7 April if you have a tax agent with an extension of time).

If you don't already send us a tax return each year, you can complete an IR 3 return using the online services on our website **www.ird.govt.nz**. Alternatively, you can call us on 0800 227 774 and we'll send you a form at the end of the year. The number for overseas callers is 64 4 978 0779.

Provisional tax

Taxpayers with annual tax to pay of more than $2,500 are required to pay provisional tax.

Provisional tax isn't a separate tax—it's another way of paying your tax as you earn your income. You usually pay three instalments throughout the year to cover your expected end-of-year income tax.

For more details read our booklet *Provisional tax (IR 289)*.

Property partnerships

A partnership of two or more people will need to get an IRD number by completing an *IRD number application – non-individual (IR 596)* form. The partnership will only need to keep one set of accounts to record its income and expenses and file an *Income tax return – partnerships (IR 7)* each year.

This return will show how the income was calculated and the amount of each partner's share.

If a couple (ie, husband and wife, civil union or de facto partners) is buying and selling property, you don't need a partnership IRD number or IR 7. Each partner includes a copy of the accounts in their individual tax returns and includes their share of the profit or loss from the property activities.

Companies

Companies will need to get an IRD number by completing an *IRD number application – non-individual (IR 596)* form. The company (other than a look-through company) will file an *Income tax return – companies (IR 4)* each year.

GST

GST is a tax on the supply of most goods and services in New Zealand. GST can apply to people who buy and sell property. You must register for GST if your annual turnover in the previous 12 months was more than $60,000 (or is likely to be in the next 12 months). Turnover is the total value of supplies made for all your taxable activities, excluding GST.

Putting your tax affairs right

You have an obligation to assess your own tax liability and pay the tax you owe. To do this you'll need to know your basic tax obligations.

You must:

- correctly calculate the amount of tax you have to pay (unless you don't have to file a return)
- when required, deduct or withhold the correct amount of tax from payments or receipts
- pay tax on time
- keep all necessary information (including books and records) and maintain all necessary accounts or balances
- disclose all information Inland Revenue requires in a timely and useful way
- cooperate with Inland Revenue as required by the Inland Revenue Acts
- correctly respond to a personal tax summary, if you receive one
- advise Inland Revenue if you should have received a personal tax summary but haven't received one
- comply with other specific tax obligations.

An example of not meeting your obligations is entering false information in a tax return or knowingly not showing all your income.

If you tell us about your tax situation, any penalties may be less than if you wait for us to find out about it. It's a good idea to see a tax professional to find out if you do have a tax obligation that should be disclosed.

Voluntary disclosure

A voluntary disclosure is when you tell us if there's something wrong with your tax return(s) before we find out in some other way, eg, through routine checking or an audit.

If you've made a mistake or filed an incorrect tax return, it's best to tell us about it before we find out because any penalties may be reduced.

If you think you need to make a voluntary disclosure, we recommend you talk to a tax professional first.

You can make a voluntary disclosure at any time:

- by completing a *Voluntary disclosure (IR 281)* form
- by contacting Inland Revenue
- in a meeting at one of our offices
- in an interview as part of an audit.

For more information please read our guide *Putting your tax returns right (IR 280)*.

Useful information

0800 self-service numbers

This service is available seven days a week (any time, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For personal information, such as account balances, you'll also need a personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

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

Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're here to take your call between 8 am and 8 pm Monday to Friday and Saturday between 9 am and 1 pm. Remember to have your IRD number with you when you call.

For more information go to **www.ird.govt.nz** (keywords: contact us).

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we record all phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at **www.ird.govt.nz**

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** (keyword: privacy).