



## Debt options information

Paying the correct amount of tax is an important community responsibility. The money collected funds government spending, including community services, hospitals and schools. This factsheet briefly describes what options you have if you owe money to Inland Revenue.

Payment options described in this factsheet can be used where an amount is already overdue (debt) or not yet due (voluntary payments). For more details, read our *Debt options (IR 582)* guide. It's available on our website [www.ird.govt.nz](http://www.ird.govt.nz) or by calling 0800 257 773.

### Take action before it becomes overdue

If you have a payment coming due and don't think you can pay the full amount by the due date, please contact us straight away. We'll help you work out the best options for dealing with the amount due. By contacting us early there may be a reduction in the penalties charged after the due date.

You can pay, or at least start paying, your tax at any time before the due date.

### If it's already overdue

#### Payment in full

The first option to consider is whether you have the ability to pay in full. Your outstanding debt will incur daily interest and late payment penalties. You may also incur non-payment penalties if you're an employer and the debt is from an unpaid *Employer monthly schedule (IR 348)*. There are advantages in raising money from other sources if you can. Some options for funding full payment may include:

- funds in a bank account, eg, term investments
- the ability to get and pay off a loan
- sufficient equity in assets to raise finance—this may be insurance policies, houses, cars, shares or business assets
- overdraft facilities
- credit cards.

#### Instalment arrangements

If you can't pay in full you can ask for an instalment arrangement. This can either be payment in a lump sum at a later date, or by instalments over a period of time. You can ask for an instalment arrangement at any time. Interest is still charged during the term of the arrangement and is payable as part of the overall arrangement amount.

In most cases you can make an instalment arrangement with us over the phone. If we ask you to provide more information, we won't charge penalties during the agreed

period it takes you to get this information. You'll still be charged interest though. This suspension of penalties doesn't apply to overdue student loan repayment obligations, overdue child support payments by non-custodial parents or debts relating to periods before 1 April 1997.

If we agree to an instalment arrangement with you after the due date, no further penalties will be charged as long as you pay the full agreed amount each month. If we can't agree to an instalment arrangement, penalties (and interest) will apply from the due date.

We'll confirm the terms of any agreed instalment arrangement with you in writing.

**Note:** Student loan borrowers with an overdue student loan repayment obligation of \$500 or more for 12 months or longer, will not be able to borrow through the Student Loan Scheme. This applies to all student loan applications received on or after 7 February 2013 and includes amounts under an instalment arrangement.

### Student loan instalment arrangements

For student loans, we'll charge late payment interest (formerly late payment penalty) at the reduced rate on unpaid amounts of \$334 or more, for each month you keep to the instalment arrangement. For any months you don't keep to it, we'll charge late payment interest at the full rate. For more information on the late payment interest rate, go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: reduced late payment interest).

### Write-off due to serious hardship

You can apply for a write-off of a debt due to serious hardship when you know you won't be able to pay the full amount. We'll need detailed financial information from you so we can consider:

- your current financial position
- whether paying this debt would prevent you from meeting minimum living expenses.

**Note:** If we grant you a write-off and you have a loss or excess imputation credits carried forward, these balances will be reduced in proportion to the amount we write off. Where you have both, we'll reduce the loss before reducing any excess imputation credits.

For more information about serious hardship options go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: financial difficulties).

If you have a child support debt and you can't pay it immediately, please call us on 0800 221 221 to discuss your options.

## If you do nothing

If you don't pay the amount due or make contact with us we can still collect the amount you owe. We can:

- deduct money direct from your wages, bank account or from a third party who owes you money (if we do this we'll send you a copy of the letter we send to your employer, bank manager or third party)
- take securities over your property
- start civil legal proceedings which may lead to bankruptcy or liquidation
- start legal action for outstanding returns—this may result in a criminal conviction
- charge you court and other collection costs
- obtain judgement against you in court which will result in your name being published in the *New Zealand Gazette*.

## If you disagree with the amount we say you owe

If you've received a statement of account or letter from us requesting payment and you don't agree with the amount owing, call us immediately. If you've made the payment have the payment details handy, including the date and reference numbers.

### Default assessments

If we've asked you to file a return and you haven't, we may estimate the amount of tax we think you should pay. This is called a "default assessment" and is payable as if it's an actual assessment. The default assessment remains in place until your return is filed. It's important that you file your return as soon as possible so the default assessment can be replaced by the actual assessment. Any overdue amount resulting will need to be paid.

## Late payment

You'll be charged interest if you don't make your tax payment by the due date. You'll also be charged a late payment penalty if you miss a payment, but if you have

a good payment history with us we may contact you before we do this.

Otherwise, we'll charge an initial 1% late payment penalty on the day after the due date. A further 4% penalty will be charged if there is still an amount of unpaid tax (including penalties) seven days after the due date.

Every month the amount owing remains unpaid after the due date a further 1% incremental penalty will be charged.

Late payment penalties aren't charged on unpaid tax of \$100 or less. These penalties don't apply to student loan or child support payments. Employers may also be charged a non-payment penalty.

Interest will be charged on amounts over \$100 that aren't paid by the due date, including penalties. For more information, see our *Taxpayer obligations, interest and penalties (IR 240)* guide. You can get this from [www.ird.govt.nz](http://www.ird.govt.nz) or by calling 0800 257 773.

### Remission of penalties and interest

We can remit penalties and interest in limited circumstances. Remission means that the penalties and/or interest are legally waived, and are no longer payable.

## How do I contact Inland Revenue to discuss my options?

You can call us between 8 am and 8 pm Monday to Friday or on Saturday between 9 am and 1 pm on:

- 0800 227 771 – individuals
- 0800 337 771 – business customers.

Most enquiries can be resolved with a phone call, but if you need to meet with us go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: make an appointment).

Overseas callers can phone us on 64 3 951 2004 or email [nonres@ird.govt.nz](mailto:nonres@ird.govt.nz)

For overseas student loan borrowers:

- Calling from Australia: 1800 559 653, option 1
- United Kingdom: 808 234 0098, option 1
- Calling from elsewhere around the world: 64 4 916 7114, option 1
- Calling from New Zealand: 0800 600 012, option 1 between 6 am and 10 pm, NZ time

Email [obbteam@ird.govt.nz](mailto:obbteam@ird.govt.nz)



## [www.ird.govt.nz](http://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](http://www.ird.govt.nz/subscribe)

### Make an instalment arrangement proposal online

Use our online services to send us your proposal for an instalment arrangement. It's a fast alternative to phoning or writing to us.

Go to [www.ird.govt.nz](http://www.ird.govt.nz) (keyword: instalments).

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