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## Tax Debt

### **Do you have tax debt? Are you worried that you will not be able to pay your tax? Is Inland Revenue suing you for unpaid tax?**

If you are concerned about tax debt then you should get urgent legal advice.

Delay or failing to resolve your tax debt problems will mean that the debt will spiral out of control with penalties and Use of Money Interest.

If an individual fails to address the issue of tax debt, the likely result is that Inland Revenue will sue you in the District Court for recovery of the tax debt. Ultimately this may lead to bankruptcy.

If a company fails to address the issue of tax debt Inland Revenue will issue a statutory demand requiring full payment of the tax, penalties and Use of Money Interest. Unless this is met, the next step is proceedings in the High Court to have the company put into liquidation.

### **What should you do if you have tax debt?**

Managing tax debt in these difficult economic times is crucial. Inland Revenue is under a statutory duty to recover outstanding tax debts including child support and student loans.

Inland Revenue's duty to collect tax is qualified so that although Inland Revenue has a responsibility to maximise the amount of revenue it collects (having regard to the resources available) it must maintain the integrity of the tax system by promoting tax compliance and have regard to the costs to taxpayers. Therefore, in most circumstances tax debt can be negotiated with Inland Revenue within a set of rules laid down by the legislation. It is not simply a commercial negotiation and this is where good legal advice is invaluable to achieve the best outcome.

A successful negotiation may result in the tax debt being:

- Paid under an instalment arrangement; or
- Written off in the event that there is serious hardship; or
- Paid by way of combination of an instalment arrangement and being written off; or
- Paid in full over time.

In the right case Inland Revenue may wish to resolve a debt case on the basis that it recovers part of the debt even on a time payment basis rather none of it in the event of bankruptcy or liquidation.

### **You are living overseas and you have a tax debt in New Zealand**

The Australian Tax Office will assist New Zealand's Inland Revenue to recover outstanding tax debt including child support and student loans owed by New Zealanders living in Australia. This arrangement is also reciprocal.

Similarly New Zealand has reciprocal provisions with a number of countries including the United Kingdom and the Netherlands which will help to recover New Zealand tax debt on Inland Revenue's behalf.

*This note is intended for general information only. It is not intended to be relied on as a substitute for legal advice which focusses on individual circumstances.*