



Inland Revenue
Te Tari Taake

INLAND REVENUE AND CENTRAL GOVERNMENT/CROWN ENTITIES

**Audit New Zealand
28 and 29 April 2014**



Presentation Outline

- Features of Crown organisations
- Tax significance to NZ
- Tax features
- IR focus
- IR response
- Common tax issues



Crown Organisations : Key Features



- High profile organisations
- Reputation and integrity
- Reporting to Ministers of the Crown
- Large employers and major contributors to the tax base
- So, important to IR

Tax Contribution

Central and Local Government (plus related entities) make up 0.02% of the taxpayer population but contribute over 20% of the national tax take.

- 30% of PAYE
- 28% of GST
- 20% of SSCWT
- 14% FBT
- 2.5% of RIT



Large/Significant Enterprise Group

- Large : Turnover of $> \$100$ million
- SE : Turnover of $> \$30$ million
- Crown sector included
 - Specialised industry "desk"



Tax Features for large Taxpayers

- Governance policies
- Senior management involvement
- Audit committees
- Specific tax function
- Robust compliance policies
- Specific tax support
- Industry groups



Inland Revenue Focus

- Specialist “Crown” desk
- Issues are identified early and addressed
- Provision of IR assistance to resolve issues for the future
- Consistent treatment of issues across Crown sector
- Tax compliant Crown sector



Crown Departments/Entities

- Large Enterprises, Customer Services
 - First point of contact
 - Provides general information on a daily basis e.g. return filing, EMS adjustments, technical queries



Crown Departments/Entities cont...

- Investigations
 - Specialist technical and industry knowledge
 - Indicative views and binding rulings
 - Questionnaires
 - Risk reviews
 - Systems and process reviews
 - Tax technical queries and investigations



Working with Us

Enhancing Relationships

- With industry representatives to increase the understanding of tax compliance issues and provide key contacts



Voluntary Disclosures

- When you tell us what is wrong with your tax returns before we find out in some other way e.g. through investigations. (*SPS 09/02*)



Working with Us cont...

Indicative Views

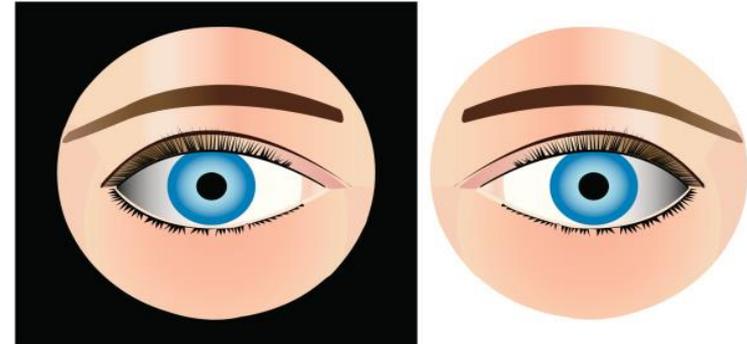
- IR's considered informal/initial reaction to a transaction or issue – not binding on the CIR

Binding Rulings

- Serious contemplation of a proposed business transaction to know the tax effects/treatment and/or get binding transactional clearance - where certainty is required

Tax Issues

- Eye wear/eye care payments for staff
- Employer provided clothing and uniforms
- Free/subsidised goods and the FBT exemption
- Treatment of hurt and humiliation payments
- Tax treatment of allowances



Tax Issues cont...

- Accommodation
- Travel and out of pocket
- General tax free allowances
- Communications payments
- Kiwisaver calculations and tax component
- GST arrangements with suppliers (self billing) and compliance



How to Resolve

- Keep current with tax changes and policy updates
- Amend tax manuals and procedures
- Listen to Audit NZ and tax advisors on tax exposures
- Ensure HR and business units are talking to tax/finance teams
- Approach IR to discuss

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