Managing Reassessments: A Practical Playbook for Accountants

Introduction

Presenters

Maddy Green CA
Tax Traders

Simon Akozu
MinterEllisonRuddWatts

Clyden Manikkam
FM Insure

Full throttle on compliance work

BUSINESS

Inland Revenue audit surge is tapping deep, deep well of unpaid tax

Inland Revenue's compliance activity momentum keeps building

← Media releases

Compliance work continues at pace

IRD Compliance Crackdown NZ 2026: 7 Warning Signs Your Business Could Be Investigated

2 August 2025

Inland Revenue's increased audit activity and use of property data

Budget 2024, 2025, and 2026: investment in compliance activities

IR uncovers half a billion in undeclared tax in compliance crackdown

By 1News Reporters | April 7, 2025

Current trends

Compliance activity	2023	% change	2024	% change	2025
Audit cases closed	3,608	20%	4,344	**42%**	6,147
Audit cases opened	4,216	22%	5,131	49%	7,641
Audit cases on hand	3,178	19%	3,773	27%	4,794
Voluntary disclosures	9,790	**189%**	28,335	1%	28,533

Revenue generated from audits 24/25 year	$1,026m
Revenue generated from voluntary disclosures 24/25 year	$352m

Today's session

1

Managing reassessment risk across the timeline of events

2

How can FM Insure protect you from professional fees when IRD come knocking

3

Tax pooling to settle a reassessment

4

Q&A

Managing reassessment risk: before, during, and after IRD engages

1. Before IRD asks
2. When IRD asks
3. When IRD proposes an adjustment, or reassesses taxpayer

Core theme

The cheapest dispute is the one that is either avoided or narrowed early.

Before IRD (or another tax authority) asks – getting your house in order

Proactive steps to mitigate risks and address issues

1 Records

7-year retention; searchable source documents; clear GST / PAYE / income tax workpapers.

2 Governance

Document who approved key positions, thresholds and and controls.

3 Regular advice on transactions and tax positions taken

Keep opinions, assumptions, facts given to advisers and and implementation notes together.

4 Reconciliations

Tie returns to ledgers, bank, invoices, payroll and GST coding. coding.

5 “No names” approaches to IRD, voluntary disclosures disclosures

Approach IRD on a proactive basis to resolve identified issues identified issues

6 Tax Audit Insurance

Before IRD (or another tax authority) asks – getting your house in order

The longer you leave an issue the larger the ultimate bill can become

Tax shortfall	Interest accrues	Penalties added
1/3	1/3	1/3

Before IRD (or another tax authority) asks – getting your house in order

Getting your house in order and proactive steps to address issues

Conduct	Base penalty	Broad test
Not taking reasonable care	20%	The taxpayer did not exercise the care that a reasonable person in their circumstances would have taken
Unacceptable tax position	20%	The position is not, viewed objectively, about as likely as not to be correct
Gross carelessness	40%	A serious departure from the standard of reasonable care, involving an obvious or substantial risk of a shortfall
Abusive tax position	100%	An unacceptable interpretation combined with a dominant purpose of avoiding tax
Evasion or similar act	150%	Knowing or intentional conduct directed at evading tax or improperly obtaining or enabling a tax benefit

Before IRD (or another Tax Authority) asks – getting your house in order

Example 1

- A large wholesale limited partnership held intangible assets that fluctuated significantly in value
- It had been assumed that the partnership step-in rules would apply on transfers of partnership interests, however it became apparent that those rules would not apply and there were tax liabilities for outgoing partners and increased tax cost bases for certain incoming partners
- The call was made to front foot the issue with IRD
- By addressing the issue proactively, before any Inland Revenue audit activity commenced, we were able to engage directly with Inland Revenue's specialist technical team and agree a practical pathway forward
- The matter was resolved through current-period adjustments, avoiding penalties and use-of-money interest.

Before IRD (or another Tax Authority) asks – getting your house in order

Example 2

- We acted on the sale of a company that became subject to an audit.

- Purchaser was planning to engage with IRD without seeking input from the vendor. Had they done so, that would have potentially jeopardised a tax indemnity claim if that needed to be made.

- If you are advising a newly acquired business, make sure to check transaction documents to see if there are limits on the conduct of engagement with IRD on pre-completion matters,

When IRD asks – what should you do?

Intervention	Purpose	Is it an audit?
Routine return query	Clarify missing, inconsistent or unusual return information	No
BCP or standard questionnaire	Ongoing monitoring and risk assessment of larger enterprises	Generally no
Targeted campaign enquiry	Test a particular industry, transaction or tax risk	Generally no
Risk review	Decide whether there is sufficient risk to justify an audit	Generally no
Audit or investigation	Examine whether a particular tax position is correct	Yes
Statutory information demand	Compel production of information	Not necessarily

Points to consider

- Phone a "friend" at IRD?
- In our experience, IRD officials are less likely to get involved if a matter is already being handled by frontline staff
- Meetings – make sure to plan and prepare, do you agree to a recorded transcript?
- Voluntary disclosures:
    - Pre-notification disclosure – 100% shortfall penalty reduction for not taking reasonable care or for taking an unacceptable tax position, or 75% for other penalties
    - Post-notification – 40% shortfall penalty reduction
- "Full voluntary disclosure"?

Points to consider

Conditional disclosures

44. Secondly, it is the Commissioner's view that a taxpayer is not able to make a voluntary disclosure on a matter that they wish to dispute. Nor will the Commissioner accept as a voluntary disclosure, a disclosure that is conditional on a particular outcome, or on the Commissioner doing (or not doing) something. This is because, given the definition of "tax shortfall" discussed above, a voluntary disclosure can only disclose a tax position that the taxpayer believes to be the correct tax position. For instance, the Commissioner would not accept as a voluntary disclosure the disclosure of a purported tax shortfall when it was the taxpayer's intention to engage in the disputes process with the

Commissioner once the relevant assessment had been made on the basis that the new tax position was incorrect.

When IRD asks – what should you do?

Example 1

- Taxpayer issued an audit letter in respect of income tax issue, and is aware of a GST problem that might come up in the audit
- Taxpayer proactively made a voluntary disclosure in respect of that other tax type anticipating the issue would come up at some point

Disclosures for another tax type, another tax period or another entity

88. As stated at [83] above, the notification of a pending investigation will advise the taxpayer of the tax periods and tax types that are to be investigated. If a taxpayer subsequently makes a full voluntary disclosure that is for a tax shortfall in a tax period or to a tax type that is not covered by this notification, that full voluntary disclosure will qualify as a pre-notification voluntary disclosure.

When IRD asks – what should you do?

Example 2 - meetings

- Taxpayer attended a meeting about their crypto investments without their advisor
- Statements made in a haphazard fashion have caused IRD to form an adverse view on their tax position
- Taxpayer considers further facts should have been raised and we are now seeking to correct the record

When IRD adjusts

A Notice of Proposed Adjustment (NOPA) begins the tax disputes process and may be issued by either Inland Revenue or the taxpayer

Where Inland Revenue issues a NOPA:

- The taxpayer generally has two months to issue a Notice of Response (NOR), otherwise the NOPA is deemed accepted
- The NOR must set out the taxpayer’s proposed adjustments and supporting facts and legal analysis
- If Inland Revenue accepts the NOR, the dispute ends
- If not, the dispute proceeds through conference, Statements of Position and adjudication, unless the parties opt out
- The taxpayer may then challenge the resulting assessment in the Taxation Review Authority or High Court, with further appeal rights

When IRD asks

Example

- The taxpayer was developing a property for use as a rental and claimed deductions for interest and other holding costs during the design and construction phase
- Inland Revenue reassessed the taxpayer without first issuing a NOPA, denying the deductions on the basis that there was insufficient nexus with income because the rental activity had not yet commenced
- It was not initially clear to the taxpayer that the matter had entered the NOPA/NOR disputes process
- After clarifying the position with Inland Revenue, we prepared and issued a NOPA addressing the disputed deductions
- We have achieved a partial resolution, although some items remain in dispute and the matter is ongoing

FeeCover®

Easier , fairer and more innovative tax audit insurance

FM Insure

www.fminsure.co.nz

What is Tax Audit Insurance

FM Insure

www.fminsure.co.nz

Our Purpose

FM Insure is here to evolve the tax audit insurance industry in New Zealand and make it easier, fairer and more innovative.

Overview

- NZ owned and operated
- 30+ years working with accounting firms
- Underwritten by Agile Insurance
- Lloyds Coverholder
- Independent registered FAP

IRD's Focus on Compliance

IRD's focus on compliance

- Renewed & aggressive focus on early intervention, reviews and verifications
- Extensive media coverage
- Revenue targets - achieving 12:1 return on investment
- Capable systems connected with various financial markets & providers
- Investing $35m per annum

The FeeCover Difference

FeeCover Edge

Cover your entire practice

FeeCover Individual

Cover an individual business

The FeeCover Difference - Benefits

- Peace of mind for your entire client base - existing and prospective
- Respond to IRD effectively to get the right outcome without painful discussions
- Pro-actively address the compliance pressure
- Significant reduction in administration and reduced confusion
- Reduced cost per client group

Practical Implementation of AI for Accountants

Artificial Intelligence is delivering positive, measurable outcomes to businesses, but knowing where to start remains a challenge. In this webinar, we'll focus on how accounting firms can effectively utilize Microsoft Copilot in their day-to-day operations. You'll leave with a practical, actionable first step to immediately begin implementing AI in your practice.

Presented By

Clyden Manikkam
Chief Revenue Officer
FM Insure

Craig Galloway
Solutions Architect
Ingram Micro

Chris Norris
Chief Executive
Norrcom

Microsoft

NORRCOM

fm

Tues 11 Aug 10:30am

Click here to register

Scan me!

Tax pooling

Why use tax pooling for a reassessment?

1

Use of money interest (UOMI)

Compounding at various rates

2

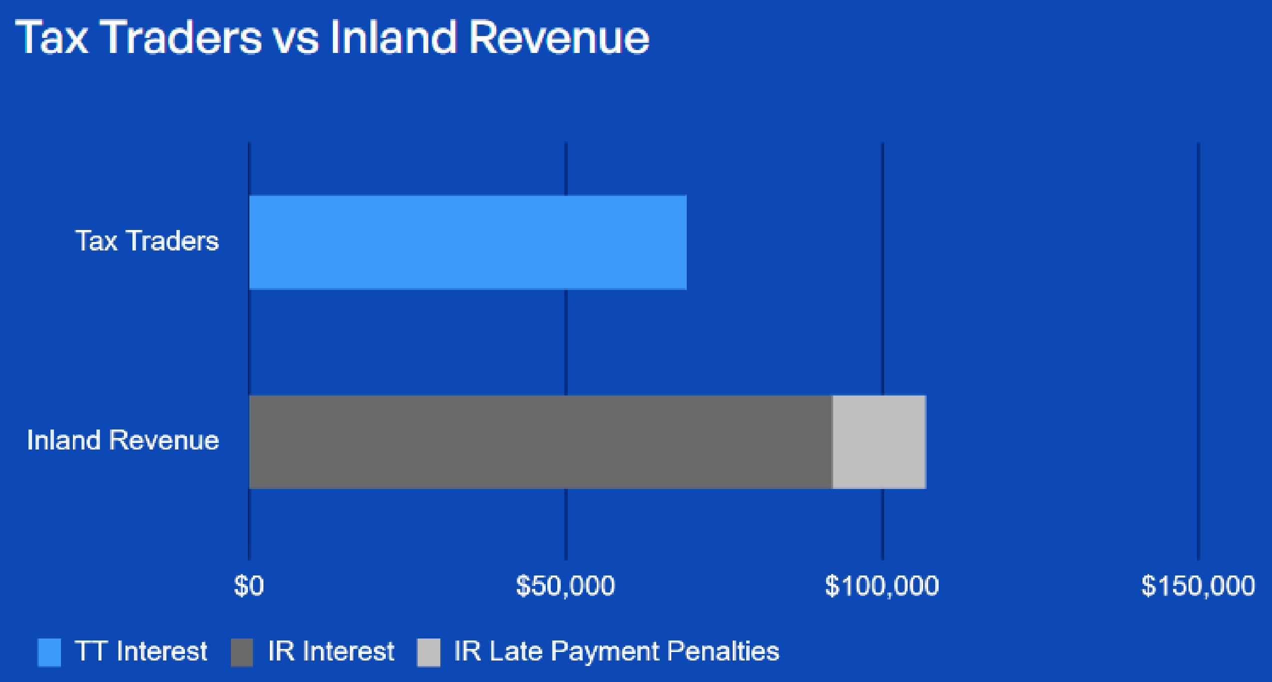
Late payment penalty (LPP)

Maximum penalty 5.04%

Example – income tax reassessment

Core tax required

INC	$293,000



Tax Traders provides savings of $37,784.88 over paying Inland Revenue directly.

Example – income tax reassessment

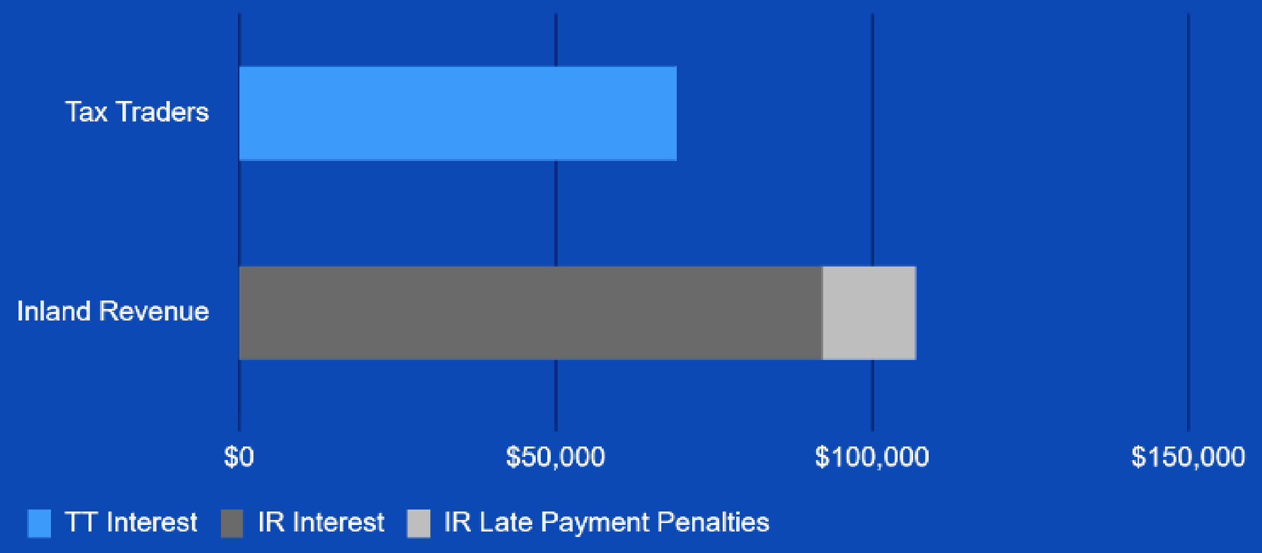
Core tax required

INC	$293,000

Cost to pay IRD

Interest	$91,998.22
Penalties	$14,757.20
Total	**$106,765.42**

Tax Traders vs Inland Revenue



Tax Traders provides savings of $37,784.88 over paying Inland Revenue directly.

Example – income tax reassessment

Core tax required

INC	$293,000

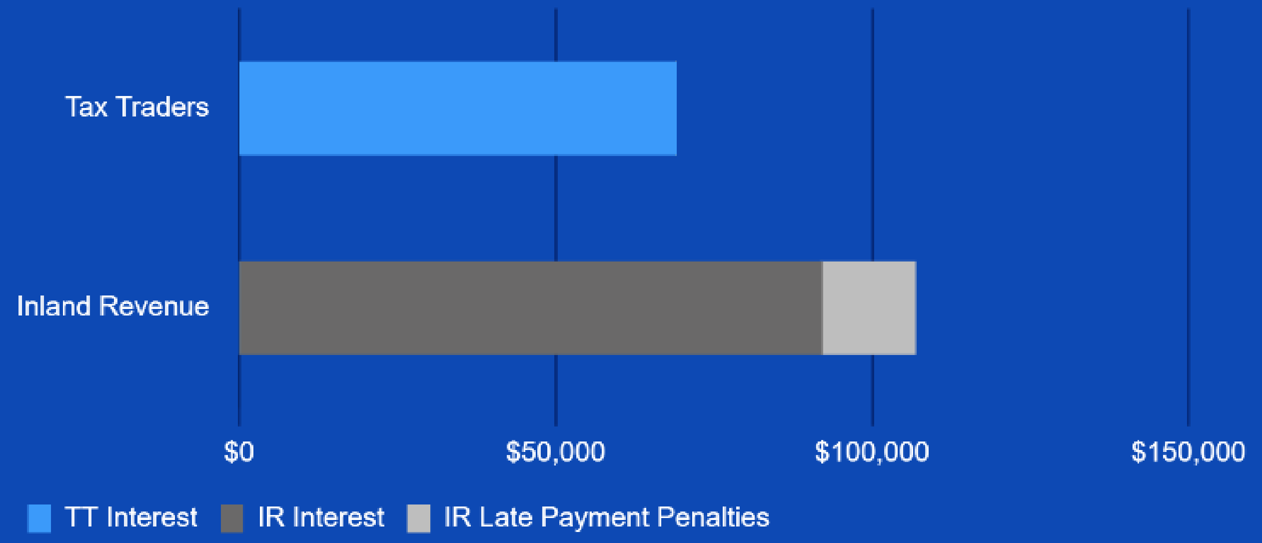
Cost to pay IRD

Interest	$91,998.22
Penalties	$14,757.20
Total	**$106,765.42**

Cost to use Tax Traders

Interest	$68,980.54

Tax Traders vs Inland Revenue



Tax Traders provides savings of $37,784.88 over paying Inland Revenue directly.

Can I use tax pooling for a historic period?

	Voluntary Disclosure	IR initiated
Return filed	✓	✓
No return filed	✓	✗

Basic requirements for using pooling to satisfy a reassessment

Original return filed

Only buy the difference between original and reassessed position

Purchase and transfer within 60 days of issue of Notice of Reassessment

Available for almost all tax types

Can I use tax pooling for a historic period?

	Voluntary Disclosure	IR initiated
Return filed	✓	✓
No return filed	✓	✗

Commissioner's discretion

Voluntary disclosures of income tax, RWT, GST, FBT, NRWT, EMP, RSCT, ESCT

Within a reasonable amount of time from when the taxpayer/agent became aware

Commissioner to be satisfied not caused by:

A choice not to comply	Failure to take reasonable steps

Practical tips

- Include template wording for Commissioners Discretion in your voluntary disclosure template – this will prompt the team to think about tax pooling
- Apply for Commissioners Discretion at the same time as filing the voluntary disclosure
- If sending application via secure mail include “attention tax pooling team” in the subject line so it goes straight to them
- An automatic assessment doesn’t constitute an “original return”

Pooling strategies for reassessments

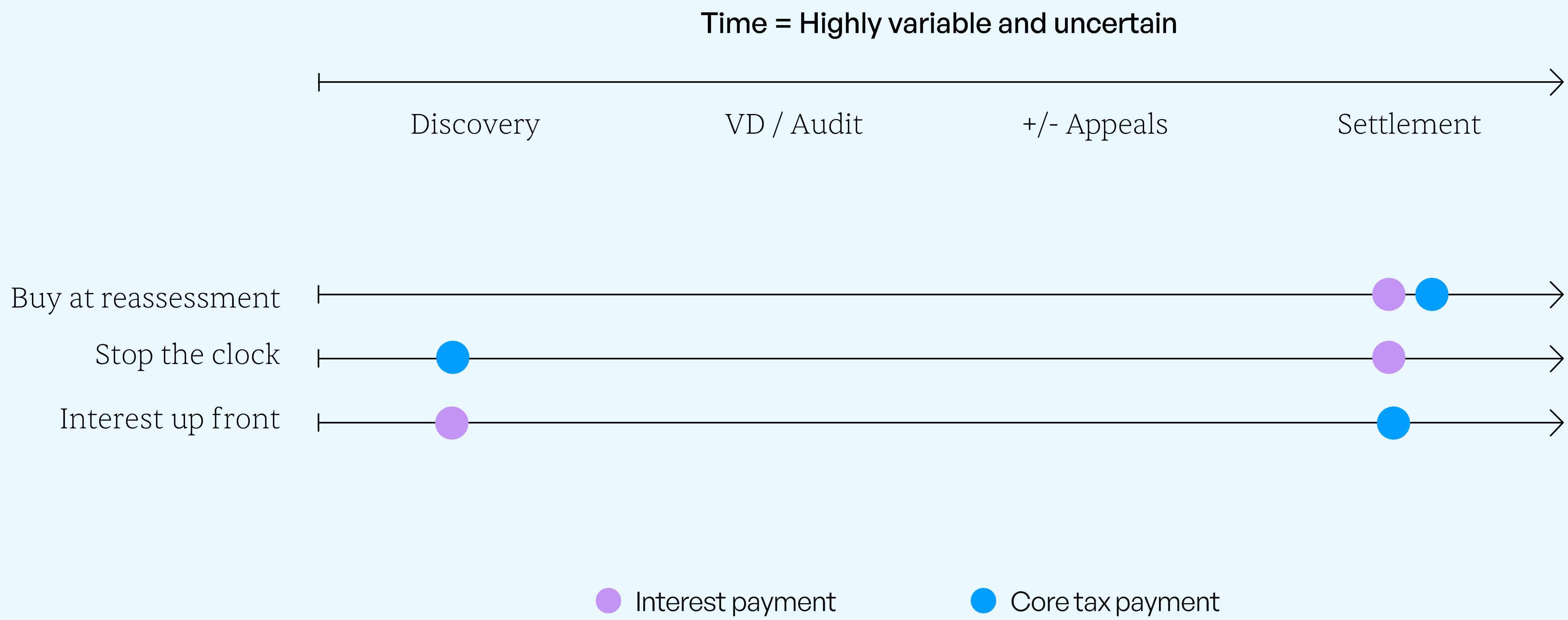
Three main strategies

Buy at reassessment

Stop the clock

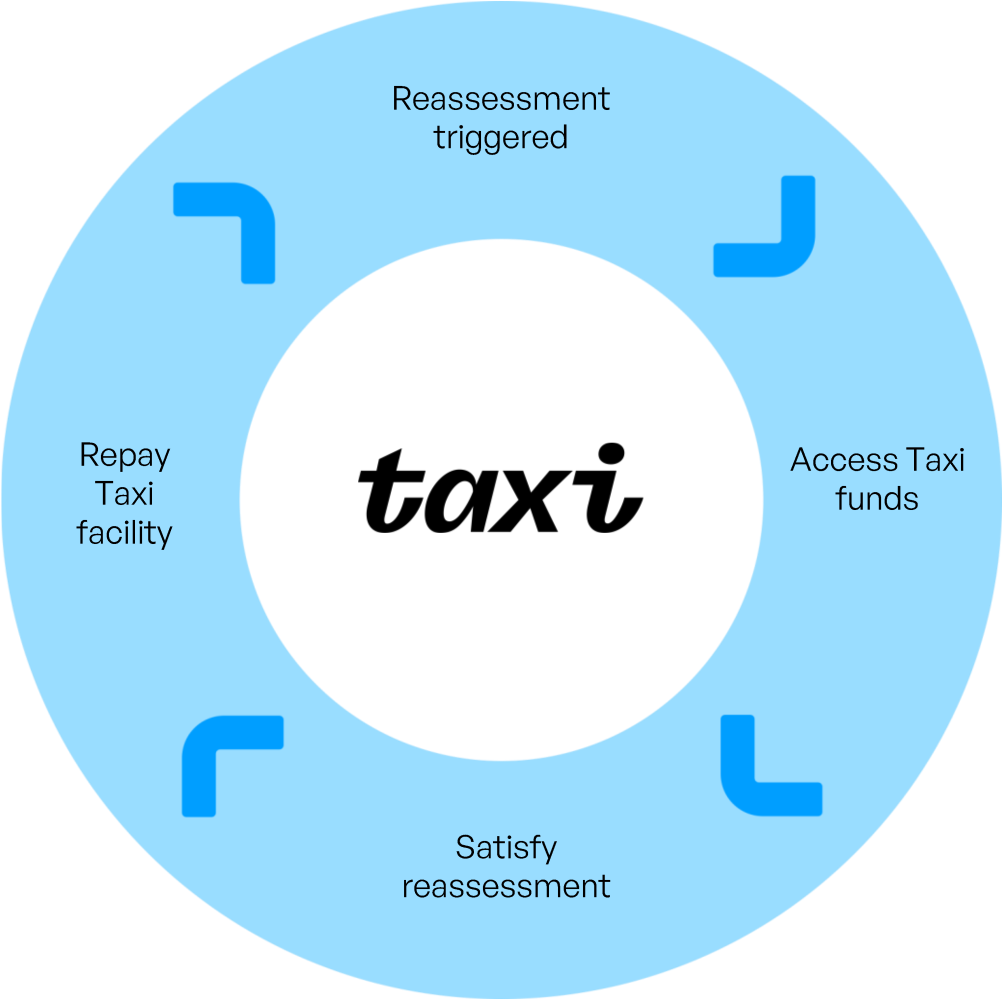
Interest up front

Timeline



Time = Highly variable and uncertain
Discovery
VD / Audit
+/- Appeals
Settlement
Buy at reassessment
Stop the clock
Interest up front
Interest payment
Core tax payment

Non-bank lending product



✅ Extend the 60-day timing window for the reassessment

Debt pilot scheme

Inland Revenue’s 2023 and 2024 debt pilot scheme

- Enacted by Inland Revenue (IR) on 1 April 2026
- Designed to support IR’s boarder debt recovery efforts
- Allows eligible taxpayers to utilise tax pooling for 2023 and 2024 income tax debt
- First time IR have ever re-opened closed tax pooling periods
- Eligibility criteria and timing deadlines apply

Inland Revenue's 2023 and 2024 debt pilot scheme

Eligibility criteria

- Debt relates to provisional tax for 2023 and/or 2024 income tax periods (excluding AIM)
- All income tax, GST and employment information is filed
- No overdue GST or employment-related tax owing
- Taxpayer must not be bankrupt, liquidated or subject to IR legal recovery proceedings for unpaid tax and not be presumed unable to pay their debts in the previous 12 months

Timing deadlines

- Eligible taxpayers have until 1 October 2026 to set up a payment arrangement
- Any payment arrangement must be fully settled and transferred to IR by 1 October 2027
- Payment deadline in Tax Traders is 28 September 2027

Upcoming 2023 and 2024 debt reporting

My taxpayers

New taxpayer | Enable IR data | Quick quote

Debt pilot 22 | My taxpayers (7) | All (1,154) | Unmonitored (64) | Search for name or IRD number

This report shows taxpayers who have 2023 and 2024 outstanding income tax, who may qualify for the Debt Pilot scheme with IRD.
Note: this report shows only taxpayers where the core tax balance for either period is over $100.

All taxpayers | Open | All periods | Export options

IRD number	Taxpayer name	Tax to pay	Tax period	Tax Traders Arrangement	Actions
111-111-111	SAMPLE, ALEX JORDAN	(248.27)	2024	No	Review position
222-222-222	EXAMPLE DIGITAL	(13,533.01)	2024	No	Review position
333-333-333	Sample Holdings Limited	(9,015.46)	2024	No	Review position
444-444-444	PLACEHOLDER CONTRACTING LIMITED	(8,884.12)	2024	No	Review position
555-555-555	Fictional, Jo	(10,074.86)	2023	No	Review position
555-555-555	Fictional, Jo	(1,615.65)	2024	No	Review position

Questions?

Contact us

Maddy Green
Tax Traders
Client Director
maddy.green@taxtraders.co.nz
021 024 974 36

Simon Akozu
MinterEllisonRuddWatts
Partner
simon.Akozu@minterellison.co.nz
09 353 9706
027 504 6576

Clyden Manikkam
FM Insure
Co-Founder and Chief Revenue Officer
clyden.manikkam@fminsure.co.nz
021 843 874