

How we calculate the most common penalties

The penalties that apply to almost all taxes are:

- late filing penalties
- late payment penalties
- shortfall penalties
- criminal penalties.

How we charge penalties depends on the type of return you should file and how late you pay your tax.

The type and amount of penalties we charge depends on the type of return you file, how late you pay your tax and what the errors are.

Late filing penalties

We charge late filing penalties if you don't file a tax return on time. The penalties are different for each type of return.

Even if you think you won't be able to pay on time, it's still best to file your return to avoid the late filing penalty.

tax return

a form you complete to tell Inland Revenue how much tax you need to pay. There are different returns for the various taxes, eg income tax, GST, PAYE

Income tax returns

We only charge late filing penalties if you complete these returns late:

- **Individual income tax return - IR3**
- **Companies income tax return - IR4.**

We'll charge a late filing penalty for these reasons.

- We tell you a return is late and that we'll charge a penalty, and you don't complete the return.
- You don't give us a valid reason for not completing your return on time and you don't have an extension of time.

We give you 30 days' notice before we charge a late filing penalty for an income tax return. If you complete your return within this time we won't charge the penalty.

The amount of the late filing penalty depends on your net income.

Net income	Penalty
Less than \$100,000	\$50
\$100,001 to \$1 million	\$250
More than \$1 million	\$500

We'll base the late filing penalty on your income in the previous year. Once you complete the return, we'll adjust the penalty to match your actual income.

Residential land withholding tax returns

The penalty for completing a **Residential land withholding tax (RLWT) return - IR1100** late is \$250.

extension of time

more time allowed by Inland Revenue to complete your income tax return

If you request an extension of time after you've been charged a late filing penalty, you'll still have to pay the penalty

net income

total income less expenses

GST returns

The amount of the late filing penalty depends on the accounting basis you use for GST.

Accounting basis	Penalty
Payments	\$50
Invoice	\$250
Hybrid	\$250

We can't give extensions of time for GST returns. You won't get charged a late filing penalty if you've completed all your GST returns on time for the last 12 months. Instead, we'll send you a warning letter.

If you have another late return within 12 months, then we'll charge you a late filing penalty. Even if you can't afford the whole payment, we advise you to complete the return on time.

Employment information

The penalty for filing employment information late is \$250.

You won't get charged a late filing penalty if you've completed employment information on time for the last 12 months. The first and second times you are late we'll send a letter to let you know you were late. If you are late a third time within the next 12 months, then we'll charge you a late filing penalty.

We can't give an extension of time, so we advise you to complete the return on time.

GST (goods and services tax)

a tax added to the sale price of most goods and services in New Zealand

PAYE (pay-as-you-earn)

a combination of income tax and ACC earners' levy an employer deducts from an employee's salary or wages and pays to Inland Revenue

Employment information

information employers complete to show how much money they've paid their employees or contractors, and the deductions they've made each payday

Small employers have total PAYE and ESCT of less than \$500,000 a year. Large employers have total PAYE and ESCT of \$500,000 or more.

When the late filing penalties are due

Return	Penalty due	Example
Income tax (IR3 and IR4 returns)	The later of: <ul style="list-style-type: none"> • 30 days from the date of the statement showing the penalty • the due date for the end-of-year tax payment. 	Ted receives a statement dated 30 September 2018 showing a late filing penalty. His end-of-year tax is due 7 February 2019. The penalty is due on 7 February 2019.
GST	One month after the GST return was due.	Judy's GST return was due 28 August 2018. The return was late, and the penalty is due 28 September 2018.
Employment information NOTE Only one late filing penalty is charged for a month.	30 days after the end of the month in which the employer is required to deliver their employment income information to the Commissioner.	Wiremu, a non-electronic filer of employment information, was due to file 27 May 2020. This is his third late return in 12 months so we charge a penalty. The penalty is due on 30 June 2020. A company's electronically filed employment information was due on 10 July 2020. They missed the filing date for the second time in 12 months so we send them a warning letter.
Residential land withholding tax (RLWT) return - IR1100	One month after the IR1100 was due.	Mary's IR1100 is due 20 October 2018. The return was completed late so the penalty is due on 20 November 2018.

Late payment penalties

We may charge late payment penalties on overdue payments.

We charge the penalties in stages. This means that the longer a payment remains overdue, the more penalties we'll add.

The stages are:

- 1% the day after the due date
- 4% seven days later
- 1% each month when the tax to pay remains overdue (on some taxes).

We can stop some late payment penalties being added to your account if you set up a plan with us to pay off your tax. For more information on instalment arrangements, see "What to do if your return or payment will be late" (page 25).

1% monthly penalty

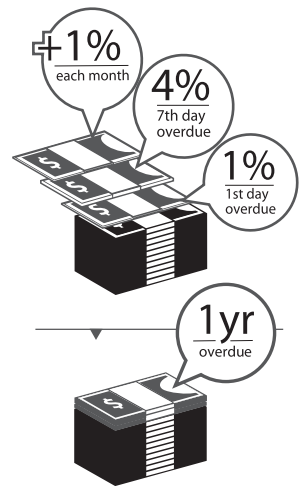
The 1% monthly penalty is no longer being charged on amounts that remain overdue for:

- GST - return periods ending 31 March 2017 onwards,
- Income tax including provisional tax for the 2018 income year onwards,
- Working for Families Tax Credits assessments for the 2018 income year onwards.

The initial penalty of 1% and the further 4% penalty will still be charged on these periods.

You'll continue to have 1% monthly penalties charged on periods that fall outside the above rules and any other unpaid taxes.

To find out how we charge penalties for late student loan payments, see page 23.



Penalties after 1 year

Late payment grace period

We realise that sometimes you simply forget to pay us. A late payment grace period gives you an extra 30 days to pay before we add late payment penalties.

The grace period is automatic. If you miss a payment and are entitled to a grace period, we'll send you a letter. You'll qualify for a late payment grace period if you've paid all your taxes on time for the last two years. You'll qualify for a new grace period after another two years of paying on time.

If you don't pay the tax due within the grace period, we'll charge late payment penalties from the day after the due date. A late payment grace period suspends penalty charges, but we'll still charge interest. For more information go to ird.govt.nz/penalties

Making payments to us is easy. See page 24 for the different ways you can pay.

Shortfall penalties

We calculate penalties on tax shortfalls as a percentage of the tax shortfall. These penalties can be applied to most taxes, including student loans (not to child support). A shortfall penalty can also be charged if you've underestimated your provisional tax.

We charge shortfall penalties based on the level of seriousness of the offence. Each offence is a category defined by law and has an associated percentage. For more information go to ird.govt.nz/penalties

tax shortfall
a deficit or
understatement of tax

Shortfall penalty categories	Standard %
Not taking reasonable care	20%
Unacceptable tax position	20%
Gross carelessness	40%
Adopting an abusive tax position	100%
Evasion	150%

Shortfall penalties are usually due 30 days after the date we issue the notice of assessment or statement showing the penalty.