



Ask an expert

STORY **Jodi Johnston**

Baker Tilly Staples Rodway Auckland

A READER ASKS:

“How can I fix an error in my tax return? Can I just amend it in my next tax return?”

Generally, once a tax return is filed, it can only be amended through the formal dispute resolution process (where the tax due is higher) or by formally seeking the Commissioner's discretion for a reassessment (where the tax due is lower than that returned).

However, legislation provides taxpayers with a concession to amend assessments without going through a formal process provided the adjustment is below certain thresholds.

A taxpayer may correct immaterial errors in the next return where the total discrepancy in the assessment is equal to or less than the lower of:

- **\$10,000 of the person's annual gross income or GST output tax, as applicable, and**
- **2% of the person's annual gross income or GST output tax.**

For example, if your annual gross income is \$400,000, then 2% of this is \$8,000, meaning you can adjust an error in taxable income or expenses of up to \$8,000 in the next return, without having to request Inland Revenue to make a separate amendment.

Provided the above thresholds are satisfied, or if there is a single error of \$1,000 or less, taxpayers can make automatic corrections to the next return. This eliminates the requirement to investigate the underlying causes of the error(s) and obtain the Commissioner's consent before corrections to the error(s) can be made.

An anti-avoidance provision exists to prohibit the application of the materiality threshold if the error was made for the main purpose of delaying tax payment.

Any error falling within the provided threshold can be corrected in the next return, which has the aim of encouraging taxpayers to account for discrepancies after the discovery of an error in a timely manner.

The threshold for amending assessments applies based on a single return. Assessments of the taxpayer's liability for income tax, fringe benefit tax, and goods and services tax are treated separately.

Other, specific rules may apply, especially with respect of GST.

The above rules only apply to errors below the thresholds. If there are errors that exceed those thresholds, whether in your favour or Inland Revenue's we recommend you obtain specific advice about how to resolve the issue.

If you believe there is an error in a prior tax return or have any further questions about the thresholds for correcting erroneous assessments, please contact your Baker Tilly Staples Rodway advisor.

jodi.johnston@bakertillysr.nz

Take advantage of our expertise and send your question about finance, accounting, audit, tax, and other business-related areas to askanexpert@bakertillysr.nz and one of our specialists may answer it in a forthcoming issue of *Numbers*.

