

Tax Talk: Large taxpayers - common tax issues identified by Inland Revenue

31 March 2017

As part of Inland Revenue’s risk framework for medium to large enterprises, certain significant enterprises are required to provide an annual Basic Compliance Package (BCP) to Inland Revenue. This BCP consists of financial statements, income tax reconciliations and group structure charts.

Inland Revenue have recently published details of some of the issues identified from the BCP process in the 2015 tax year. These issues were identified from a mix of voluntary disclosures following further information requests and audit letters and also from issues found during audits. These issues can apply to enterprises of all sizes. For your information, the top ten issues identified are set out in the table below.

Area	Issues identified
Tax calculations and income tax returns	<ul style="list-style-type: none"> • non-deductible items not correctly adjusted • basic errors in calculations • financial arrangement treatment • overstated expenditure • incorrect foreign tax credit claims
Fixed Assets	<ul style="list-style-type: none"> • depreciation calculations
Fringe Benefit Tax (FBT)	<ul style="list-style-type: none"> • incorrect treatment of allowances and directors fees

Area	Issues identified
Payroll Taxes (PAYE)	<ul style="list-style-type: none"> • incorrect treatment of allowances and directors fees
Goods & Services Tax (GST)	<ul style="list-style-type: none"> • credit or zero rating issues • underpayments of GST • incorrect treatment of capital raising costs • apportionment methodology issues
Transfer Pricing	<ul style="list-style-type: none"> • related party purchases not priced at arm's length
Shareholder Continuity	<ul style="list-style-type: none"> • breaches in continuity of shareholding not correctly reflected in losses to carry forward or imputation credit accounts
Losses	<ul style="list-style-type: none"> • errors upon entry into a consolidated group • general errors in brought forward/carry forward balances • errors in loss offsets and/or subvention payments
Imputation Credit Accounts	<ul style="list-style-type: none"> • debit and credit entry errors • general errors in brought forward/carry forward balances

Area	Issues identified
Non-resident Withholding Tax (NRWT)	<ul style="list-style-type: none"> • unpaid NRWT on royalties and interest • errors in calculations

We recommend that all clients have regular reviews of their policies and procedures relating to the completion of GST, PAYE, FBT, RWT and NRWT returns to ensure compliance with current tax law and to provide protection in the event of an Inland Revenue risk review and /or audit. To assist with this, we offer health checks in all tax types to ensure key tax risk areas of your business are managed. In many cases these health checks identify cash savings for our clients. If you have any concerns in the above areas or would just like find out what is involved in a review, contact your local Baker Tilly Staples Rodway adviser.

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