

Options for dealing with industry-wide tax evasion

A government discussion document

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Chapter 1

INTRODUCTION

- 1.1 Many householders will have encountered contractors who offer them a discount if they pay in cash – and some may even expect such a “discount”. Cash payments are widespread in some industries and are often an indication of tax evasion.¹ A cash payment with no invoice or receipt is not easily traceable, involves no permanent record, and is often instrumental in understating income and thus evading tax. The practice is, of course, not limited to household services but extends across a wide range of industries.
- 1.2 Tax evasion is a problem that affects everyone. Those who evade tax contribute less than their fair share to the government revenue that funds essential services such as education, health care and the police, but they still make use of those services. At the same time, honest taxpayers have to pay more to cover the shortfall left by those who are dishonest.
- 1.3 New Zealand’s tax law provides for severe penalties to apply to people who are caught evading tax. The law also allows for reduced penalties when people voluntarily disclose their evasion to Inland Revenue. These rules reflect the government’s view that there should be no tolerance of people who are determined not to pay tax and will do so only if forced.

Entrenched evasion

- 1.4 On the other hand, it can be difficult for people who have evaded tax in the past, and who want to begin complying with the law, to come forward and sort out their tax affairs. This is particularly so when tax evasion is prevalent across a whole industry.
- 1.5 Tax is a cost that businesses have to factor into their processes and pricing. A business that pays tax when its competitors do not suffers a pricing disadvantage than can render it uncompetitive and financially unviable. Furthermore, an Inland Revenue reassessment of back years can result in large debts for a business that has been understating income. The debt is made worse by the addition of penalties and interest, even if they are reduced because the operator made a voluntary disclosure of undeclared income.

¹ For information on evasion in the New Zealand economy, see chapter 7, “Tax Evasion and the Hidden Economy”, in *Tax Compliance – A Report to the Treasurer and Minister of Revenue by a Committee of Experts on Tax Compliance*, December 1998. Available at: <http://www.executive.govt.nz/96-99/compliance/chapter7.htm>

- 1.6 Whether it is because they are bankrupted over tax debts or they lose out to competitors, operators who try to stop evading tax often face a huge risk of being driven out of business. When this happens, it further entrenches tax evasion within the relevant industry, since only non-compliant businesses will survive.
- 1.7 The existing tax rules do not deal with the problem of industry-wide tax evasion because they are designed to apply to individual businesses. It may well be, however, that a different approach to promoting compliance is required when an evasion becomes common place within an industry.

The thinking behind the proposals

- 1.8 The proposals described in this discussion document would allow Inland Revenue to offer limited amnesties to targeted industries or other groups, giving businesses within those industries a last chance to “clean up their act” and begin complying with the law. Income tax evasion would be the main subject of the amnesties but they could also extend to other taxes, such as GST, depending upon the circumstances. The limited amnesties would be backed up by intensive enforcement activity against those who did not take up the offer.
- 1.9 It is very important to understand that the proposal is not about simply letting evaders off the hook. Rather, it is about improving the incentive to come forward for those who are willing to begin complying with the law, allowing Inland Revenue to focus more resources on those who continue to evade tax. To improve this incentive, it may be necessary to offer a concession by limiting the number of past years for which tax would be assessed under an amnesty. The concession would be part of a trade-off designed to improve compliance in the long run, increasing the total tax ultimately collected from participating businesses.
- 1.10 Similar considerations apply to social policy programmes based on assessed taxable income, such as family assistance, child support and student loans. Although a limit on the number of past years that are reassessed for income tax purposes means some assessments may never reflect an evader’s real income, if an amnesty could bring the evader into the tax system it would mean that more accurate assessments could be made for the most recent years and would continue to be made in the future. Custodial parents who received underpaid child support from a tax evader over a number of years might be better off receiving the correct amount in future years – rather than waiting in vain for underpaid child support from the past that may not be collectible.
- 1.11 It must also be stressed that a limited amnesty could be justified only if it reduced the level of evasion within a specific industry or area of the economy where evasion is rife, and eased the competitive pressure to evade tax in the future.

- 1.12 For this reason, each amnesty would be offered only for a limited time to a specific industry that had been identified as having ingrained evasion. There would be no guarantee that any given industry would ever be offered an amnesty, and there would be no general amnesty for all taxpayers – it would be counter-productive if taxpayers could simply wait until the next amnesty before taking steps to improve their compliance. Following an amnesty, Inland Revenue’s audit and enforcement activity would be stepped up, and people who were caught evading tax would be subject to the full penalties and other enforcement measures available under the law. Anyone already being audited by Inland Revenue when an amnesty was announced would not be eligible to participate.
- 1.13 Because it is uncertain whether limited amnesties would prove to be effective, a number of safeguards are proposed. They include:
- requirements for Inland Revenue to report to Ministers and Parliament on the success or otherwise of any amnesty;
 - Inland Revenue monitoring the idea by reviewing the results of the first two to three amnesties and reporting on outcomes; and
 - providing for the power to offer amnesties to be removed by Order in Council.

These safeguards mean the government can be seen as piloting the proposals initially, to ensure the intended benefits are being realised.

Amnesties when the law is changed

- 1.14 Apart from dealing with evasion, amnesties might also have merit when a change in tax law highlights previous, possibly unintentional, non-compliance – for example, non-compliance that results from uncertain tax laws that are later clarified.

Summary of proposals

Limited amnesties would be offered to operators in some industries in which tax evasion presents a particular set of problems that could be unnecessarily costly for the tax administration to tackle using traditional tax education and audit systems.

The limited amnesties would:

- be a one-off opportunity for people in a targeted industry to come forward and disclose their past evasion;
- allow Inland Revenue to offer amnesties to some industries or other groups, at its discretion;
- offer an attractive advantage for evaders to disclose undeclared income under the terms of an amnesty by limiting the number of years for which income would have to be disclosed; and
- be backed up by intensive audit activity focused on those who within the industry in question do not come forward under an amnesty offer.

The conditions of the limited amnesties proposed here would limit the amount of core tax that would be assessed for past periods of evasion. However, penalties and interest would still apply to the tax that was assessed, and any repayments of family assistance or back payments of child support and student loans for the disclosure period would still have to be made. If these amnesties were not successful, the power to offer them would be removed.

The purpose of offering a limited amnesty to a targeted industry would be to provide tax evaders with an incentive to stop evading tax permanently. A successful amnesty would improve overall tax compliance in the long run, without being seen as unfair to those who have complied with their tax obligations. Limited amnesties would be considered in conjunction with changes in tax law on a case-by-case basis.

Submissions

- 1.15 The government invites submissions on the proposals set out in this discussion document. It recognises that the proposals may raise concerns about fairness, particularly in relation to people who have voluntarily complied with their tax obligations. We believe our preferred amnesty option will strike a fair balance between the concession offered to past evaders and the increased future compliance that will result in exchange. However, we welcome any comments on whether we have got the balance right, and on how the proposals might be made fairer in the eyes of people who already comply with the law. Although the document often identifies specific issues for consultation, views on any of the issues raised are welcomed. Submissions should be made by 3 September 2004.

1.16 Written submissions should be addressed to:

Limited tax amnesties
c/- Deputy Commissioner
Policy Advice Division
Inland Revenue Department
P O Box 2198
WELLINGTON

1.17 If making a submission in electronic form please put “Limited amnesties” in the subject line. The electronic address is:

policy.webmaster@ird.govt.nz

1.18 Please note that submissions may be the subject of a request under the Official Information Act 1982. The withholding of particular submissions on the grounds of privacy, or for any other reason, will be determined in accordance with that Act. If there is any part of your submission which you consider could be properly withheld under that Act (for example, for reasons of privacy), please indicate this clearly in your submission.

Warning: *Personal information on tax evasion or other non-compliance supplied in submissions on this discussion document could have tax consequences if Inland Revenue officials think it should be investigated.*

Chapter 2

THE PROBLEM OF INDUSTRY-WIDE TAX EVASION

- 2.1 Income tax evasion – deliberately not declaring income that is taxable or providing false information about taxable income – may occur for a number of reasons. Some evaders, for example, may believe that they should not have to pay tax at all. Others may believe they can get away with evasion because they are small players and the authorities will not notice. Or they may want to hide the fact that they have received income from a criminal activity or to commit benefit fraud. Still others may evade tax because to pay it would put them at a commercial disadvantage, since their industry is one in which evasion is ingrained. The last are the subject of this discussion document.
- 2.2 Tax law does not attempt to distinguish between different motivations for evading tax. In the statutory scheme, evasion is evasion and it is unacceptable, whatever the reason behind it, which is reflected in the severe sanctions provided in the law.

Penalties for tax evasion

Tax evasion is the most serious type of non-compliance in our tax law. Evaders' names are published, and in some cases criminal prosecution can be taken, which can lead to court-imposed fines or imprisonment. On top of this, evasion attracts a shortfall penalty, which can be substantial. The penalty is calculated as follows:

- The basic penalty is 150 percent of the difference between the tax returned and the correct tax payable.
- In recognition that it is better if evaders voluntarily disclose hidden income, even at a late stage, rather than have it uncovered by an Inland Revenue audit, the penalty is reduced by 75 percent if they disclose the evasion purely of their own accord, or by 40 percent if they disclose the evasion after being notified that an audit is to be conducted.
- The penalty is reduced by 50 percent if it is the first offence, to give first-time evaders a chance to comply with the law in the future, rather than simply being shut down by an unmanageable level of debt.
- Another 25 percent can be added to the penalty if they obstruct the audit.

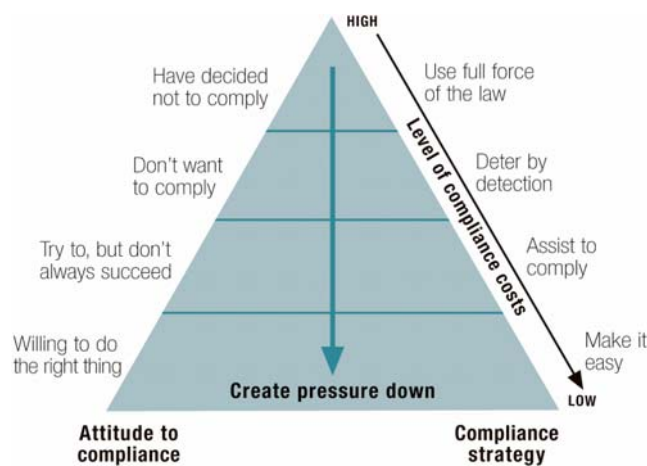
The penalty for evasion, therefore, ranges from a minimum of 18.75 percent of the shortfall (if both the 75 percent reduction and the 50 percent reduction apply) to a maximum of 175 percent (if there are no reductions and the additional 25 percent for obstruction applies).

Because the shortfall penalty is payable on top of the actual tax and interest, evaders who are caught can face substantial debts. The law does not allow these debts to be written off on grounds of hardship, so if they cannot be repaid, bankruptcy or liquidation is the likely result. Both bankruptcy and a criminal conviction for evasion will limit someone's ability to run a business, and so will limit their opportunity to continue evading tax.

2.3 Even so, evasion may require a wider range of responses, depending upon the underlying attitudes of the evaders, as shown in figure 1. Traditional enforcement measures may not be effective against certain types of evasion, particularly when it is built into business practices across a whole industry.

**FIGURE 1:
Best practice for promoting compliance**

Different attitudes to paying tax may require different responses to collecting tax. Inland Revenue uses this model to show how it meets different attitudes with different responses designed to encourage and support tax compliance. The model represents best practice in this area internationally.



Source: *The way forward – achievements and future direction*
Inland Revenue Department, August 2003

The aim for this model is to move people who are not complying into a position where they are. The amnesties proposed in this discussion document are intended to help ease the transition to compliance for those willing to change. For those not willing to change, the full force of the law would then be applied, with the hardcore of evaders attracting the severest penalties.

Structural evasion

2.4 Industry-wide evasion can become ingrained. A business that is able to achieve savings in its operating costs by not paying tax increases its profit margin. This may result in the extra money simply being pocketed by the operator, or in the saving being passed on to customers in the form of lower overall charges or discounts for cash jobs. Tax evasion, therefore, gives the operator either a direct financial advantage or a competitive advantage over other businesses within the same industry that do not evade tax.

- 2.5 The result is that there is a constant pressure on businesses within highly non-compliant industries to continue to evade tax simply in order to survive.
- 2.6 When evasion is an industry-wide problem, an industry-wide approach may be required. For there to be sustained future compliance within certain industries, the underlying pressures to evade tax must also be addressed. But it is extremely difficult to do this by using a standard business-by-business approach, for several reasons.

Low incentive to disclose evasion

- 2.7 The likelihood of facing large tax debts reduces the incentive to disclose evasion. There is no limit to the number of years that Inland Revenue can assess for evasion. For this reason, when the correct back-tax is assessed for a business, whether as a result of a voluntary disclosure on the part of the operator or as a result of an Inland Revenue audit, a large debt will often be the result.
- 2.8 For example, a small business that declares \$30,000 of income a year but has failed to account properly for or has hidden an extra \$100 a week (\$5,200 a year) for four years would be liable to pay about \$11,560 in income tax when detected by Inland Revenue. If, instead, the operator disclosed that income voluntarily, penalties would be reduced and the liability would be \$6,650.
- 2.9 Even with the reduction for voluntary disclosure, however, the debt for back-tax may be too high for a small business to face, especially while meeting its present tax obligations as well. The psychological and financial barrier for a business to come forward and disclose tax evasion can, in such circumstances, be high.

Uncollectible back-tax

- 2.10 Evaders may not be in a position to repay the resulting debt when Inland Revenue assesses them for back-year evasion. Most of the money they saved as a result of tax evasion is likely to have been either passed on to customers through reduced fees or spent by the time the evasion comes to light. The longer the time that has passed since the evasion, the more likely this is.
- 2.11 In most situations, the law relieves people from tax debt if repayment would place them in hardship. Relief can take the form of either a write-off of debt or an arrangement for repayment by instalments over time. Debts resulting from evasion, however, can be written off only following bankruptcy or liquidation.
- 2.12 From an administrative perspective, it is not efficient for Inland Revenue to invest resources in assessing evaded tax, only to have to write that tax off under bankruptcy or liquidation and collect little or nothing. Assisting future compliance is likely to be a better use of such resources.

- 2.13 Instalment arrangements for repaying tax debt might be more viable, but a large debt will typically take a long time to repay or will require large instalments. A key risk is that businesses that are just beginning to pay tax correctly and are adjusting to the extra cost of tax to their operation will not be able to afford debt repayments on top of that. Therefore the resources invested in setting up an instalment arrangement may only delay insolvency a little longer.

Effect on whole industries

- 2.14 The problem is larger than any one bad taxpayer. Because disclosure of past evasion can result in large amounts of reassessed tax that become debts, there is a high risk that a business that finds itself in this situation will not be able to pay its debt and also begin to pay tax on a regular basis. If it cannot, the result is likely to be that the business will fail financially and will simply be shut down, with little or no tax ever collected.
- 2.15 If this happens, there will be no increase in overall compliance by either the business or the industry. Indeed, evasion will be further entrenched in the industry if those businesses that do attempt to begin complying end up being shut down and their customer base is absorbed by the remaining businesses that have no intention of ever complying.
- 2.16 Furthermore, the failure of businesses that attempt to move into compliance may create social costs in terms of the loss of a source of income for operators, their families and employees. These costs may also translate to fiscal costs to the government in the form of unemployment benefits being claimed, and far outweigh the value of the tax that is actually collected – if any is collected at all.
- 2.17 Even if operators who come forward do manage to pay their debt for back tax, the competitive pressure to begin evading again will still be there, and the operators may ultimately be forced back into evasion.
- 2.18 Dealing with businesses individually does not solve the problem of the competitive pressure in an industry as a whole, and so will do little to reduce the overall level of evasion within an industry.

Chapter 3

WOULD LIMITED AMNESTIES HELP COMBAT INDUSTRY-WIDE EVASION?

- 3.1 An incentive is needed for businesses within highly non-compliant industries to stop evading tax. The best approach may be to make it possible for the benefits to a business of coming forward with a voluntary disclosure outweigh those of gambling on not being detected by Inland Revenue.
- 3.2 As an incentive, the government is proposing to allow Inland Revenue to offer limited tax amnesties to businesses in targeted industries. These limited amnesties would, however, be accompanied by comprehensive audit of the industries involved and full penalisation of those who were caught evading tax.
- 3.3 Under a limited amnesty, as described in this discussion document, businesses coming forward with voluntary disclosures of evasion would have less back tax to pay than they would if detected, which would make it an easier debt to manage. On the other hand, there would be increased risk for those who still chose not to make voluntary disclosures that they would be caught by Inland Revenue and penalised heavily.

Fairness of amnesties

- 3.4 Any kind of amnesty will allow people who have not complied with their obligations to be dealt with more favourably than they otherwise would. Clearly, this can be seen as unfair by those who have complied with the law fully and see non-compliant people being let off.
- 3.5 The unfairness to honest taxpayers is a concern, especially if the limited amnesties proposed here are not seen as a useful tool for Inland Revenue to use in enforcing and promoting compliance. The government's view is that, even though a key part of the proposal is to offer a more favourable treatment to some people, to do so would still be consistent with the key principles of tax administration, particularly those directed to encouraging voluntary compliance.

Efficient use of Inland Revenue resources

- 3.6 Although Inland Revenue would need to allocate additional audit resources to a targeted industry, one of the benefits of offering a limited amnesty to the industry is that it would improve Inland Revenue's audit efficiency.

- 3.7 If some people within an industry came forward with disclosures and Inland Revenue were able to assess them simply on the basis of those disclosures, more audit resources would be freed to be used on those within the industry who did not come forward.
- 3.8 An amnesty targeted at a specific industry would allow for the collection of detailed information on that industry. Developments in information technology are increasingly allowing such information to be matched and cross-matched with information from other sources to help identify key areas where audit resources should be targeted. This kind of information might also be useful for continued monitoring to check that compliance within a targeted industry had increased as a result of an amnesty.
- 3.9 Finally, making debt more manageable for the businesses involved would reduce the likelihood of resource-intensive debt collection procedures on Inland Revenue's part. The resulting savings could be used to pursue the worst offenders.

Highest net revenue over time

- 3.10 In terms of revenue collected, any amnesty is very much a trade-off. On the one hand, tax, penalties or interest may have to be forgone to make voluntary disclosures attractive to past evaders. On the other, some additional tax is likely to be collected if those past evaders are successfully brought into the tax system and begin paying the correct tax.
- 3.11 It has to be borne in mind that in some cases the tax forgone might never have been detected by Inland Revenue anyway, or would have been impossible to collect. Furthermore, when the tax debt arising from an Inland Revenue assessment resulted in a business going under, the potential future revenue from that business would also be lost.
- 3.12 A successful amnesty would be consistent with the goal, set out in law, that Inland Revenue should collect the maximum net revenue over time. That goal is already reflected in various tax provisions, such as those allowing for debt repayment by instalments when the alternative could be bankruptcy – and no tax collected at all.

The role of amnesties

- 3.13 As well as getting evaders within a targeted industry to begin complying with the law, a limited amnesty followed by intensive, industry-wide audit would also send an important message to the non-compliers – that their evasion is unacceptable and will be punished severely when they are caught.

- 3.14 Ideally, this message would be taken on board by people in other industries. In fact, it should be made clear that it would be pointless for them to wait for an amnesty to be offered to them before they began to comply with the law, since there would be no guarantee that their industry would ever be offered one. The doubt whether an amnesty would ever be offered to them would be an important factor because it would reinforce the message that everyone should be complying with the law already, and if they are not the best time to start is now.
- 3.15 It should be remembered that the proposal is for a limited amnesty that is targeted to specific industries, not a general amnesty. The potential for people to anticipate a general amnesty and lower their current level of compliance while they wait for it is a key risk. Furthermore, some of the benefits of a targeted amnesty would be lost in a general amnesty. The gains to Inland Revenue's audit efficiency would be lower, and the resources required to undertake audits across the entire taxpayer base, to back up the amnesty, would be significant.
- 3.16 One of the few times when an amnesty for all taxpayers might be justified is if there had been major changes to the tax system and the amnesty provided a way to get everybody into the new system, or if the amnesty was intended to help people clean up their tax affairs before a new, more stringent system of penalties was introduced. These are not factors in the proposal discussed here.

Tax amnesties – worldwide experience

Most studies on tax amnesties have shown that the cost/benefit outcomes of tax amnesties are highly variable. The reason for the success of some tax amnesties is typically because of their specific design.

Tax compliance literature indicates that an amnesty must offer incentives, and these incentives should contain both reward and consequence components – reward for taking up the amnesty offer, and consequences for not taking up the offer. In the United States, state taxing authorities have generally held amnesties just before increasing enforcement activity or making significant changes to the tax system.

Experimental statistical studies show that the average level of compliance falls after an amnesty, although a well designed amnesty may be able to overcome this problem. If post-amnesty enforcement efforts increase, aggregate compliance has been found to increase. In fact, post-amnesty compliance can be higher when an amnesty is accompanied by increased enforcement efforts than when enforcement increases without an amnesty. An amnesty may, therefore, be an effective tool for easing the transition to new and tougher tax rules.

Advantages

Some studies indicate that amnesties can be used to ease the transition to enhanced enforcement and seem to generate immediate revenue efficiently. Revenue comes sooner and at a lower cost with a tax amnesty. Moreover, if society is more willing to forgive evasion when it is an isolated case (as it seems to be for many amnesty participants) than when it is a continuing practice, an intervening amnesty period may make the change in rules appear fairer. The guilt felt by many basically honest taxpayers can be relieved without imposing severe penalties, while strengthened tax enforcement is left to deal with the “hardcore” evaders who choose not to participate. An amnesty also allows a tax authority to reduce its administrative backlog of paperwork and arrears, thereby saving in administrative costs. An amnesty is also a good source of data on tax evaders.

Disadvantages

The literature highlights a number of risks associated with amnesties. A study of the 2002 Michigan amnesty found that most non-filers who came forward had failed to comply for a single year only, perhaps indicating that chronic non-filers do not come forward in amnesties. Therefore the long-term addition to revenue from new taxpayers brought into – or back into – the system is likely to be small, and might easily be offset if the amnesty has any negative effects on the compliance behaviour of other taxpayers. It is also held that tax amnesties bring in much less incremental revenue than is reported – evidence indicates that much of the inflow is likely to be money that would have been collected regardless of the amnesty. Although amnesties can accelerate the collection process, more than half of the cash inflow in overseas amnesties has come from accounts receivable, or tax liabilities that had already been identified as due. Tax amnesties are also perceived as costly and many people believe that they give the wrong message to taxpayers. To be successful, general amnesties have to be a one-off occurrence. Even so, it has been shown that amnesties can be “habit-forming”, as many countries that have held multiple tax amnesties that resulted in failure have found. Amnesties also provide taxpayers with better information about the extent of undetected tax evasion, which can have a negative effect on future compliance.

Integrity of the tax system

- 3.17 Just as there is a risk that people would come to expect to be offered an amnesty and would lower their compliance in anticipation of it, there is also a risk that people who would otherwise be honest taxpayers would react negatively to the fact that evaders were being given favourable treatment and would choose not to comply in the future, despite the potential consequences.
- 3.18 Any concession to those who have evaded tax is potentially unfair in the eyes of those who have not. Several tax rules already reflect this, and it is often incumbent on Inland Revenue to strike a fair balance between being pragmatic about enforcement of tax obligations and ensuring that taxpayers are made aware of the need to meet those obligations.
- 3.19 For example, Inland Revenue can provide financial relief in cases of serious hardship by writing off outstanding tax. In this process wider considerations of a person’s welfare are provided for. This helps maintain the integrity of the tax system and prevent inefficient results by putting someone in a position that would require other kinds of government assistance.

- 3.20 Another example is that the law provides for reductions in penalties if taxpayers make voluntary disclosures of evasion. The reality is a voluntary disclosure is preferable to a lengthy audit, particularly in terms of Inland Revenue's resources and the costs to the taxpayer of being audited.
- 3.21 People who make a voluntary disclosure outside the terms of an amnesty may feel that those allowed to use an amnesty offer get an unfair advantage. It is true that the two outcomes may be different, but the offer of an amnesty should be seen as providing an extra incentive for those targeted, rather than denying something that should be available more widely.
- 3.22 Even if limited amnesties are considered to be a useful tool in improving voluntary compliance, there is a risk that, in practice, they could fail to meet their objectives – for several reasons, including the unpredictability of people's behaviour. If this were to happen, monitoring and reports by Inland Revenue would detect this, and its power to offer amnesties would be removed. Thus the initial amnesty offers could be seen as piloting the proposal, with the government retaining options to refine or remove the ability to offer them in the future.

Key questions

Would it be acceptable to offer limited amnesties to tax evaders?

Would limited amnesties help evaders to begin complying with the tax laws?

Would it be fair to offer amnesties, even limited ones, as a last chance for tax evaders to get their tax affairs in order?

Are there other options instead that would deal with industries or areas of the economy where there is ingrained evasion?

Chapter 4

HOW WOULD LIMITED AMNESTIES WORK?

Summary of proposals

- Limited amnesties could offer a one-off, short-term opportunity to business operators within a targeted industry to enter the tax system by disclosing past evasion, and paying tax correctly on a continuing basis.
- The offer would include relatively favourable terms designed to limit the tax debt resulting from disclosure so that the risk of unmanageable debt would be less of a disincentive to coming forward.
- The targeted industry would be subject to increased audit, and evasion detected by this means would be subject to the full range of penalties and other sanctions provided for in the legislation.
- The results of pilot amnesties would be closely monitored and their benefits, risks and costs evaluated.

4.1 Inland Revenue would select an industry or group in the economy to be targeted with the offer of a limited amnesty. The offer would specify who was eligible to participate, the start and end date between which eligible people could come forward and the terms and conditions that would have to be met to qualify for the benefits of the amnesty. Eligibility could be specified in a number of ways, depending on the circumstances of the amnesty.

4.2 To participate, business operators would need to contact Inland Revenue and provide information about their evasion as required by the terms of the amnesty offer. Inland Revenue would then check that information against other information it held, which could well be sourced from third parties and others participating in the amnesty.

An incentive to disclose evasion

4.3 Limited amnesties would provide an incentive and opportunity for evaders – be they small or big-time – to come forward on their own, under conditions that would limit the amount of tax they could be assessed for and have to pay.

- 4.4 An incentive to make a voluntary disclosure of evasion can be provided in two main ways. One is by suspending the application of rules that would normally impose penalties and interest, assessing just core tax amounts. The other is by limiting the extent to which core tax amounts can be assessed, but applying the normal penalties and interest to the assessed amounts.
- 4.5 The proposals considered here are based mainly on the second approach, so that most of the usual rules would apply from the moment someone came forward under an amnesty. Although penalties would apply, they would be at the reduced rates provided for under law and would depend on the personal circumstances of the individual. The principle behind this is to provide the opportunity for the evader to choose to participate fully in the tax system on a continuing basis, with the amnesty concession applying only to some back years.
- 4.6 For both the evader and the tax system there would be a trade-off between tax for back years that was not assessed or collected and the promise of future tax compliance. The main area where a judgement has to be made is which years should be subject to disclosure and assessment of tax, and to what extent any given year should be assessed for the full amount of tax. These parameters would affect the incentive for an evader to come forward.

Conditions to a limited amnesty

- 4.7 Business operators qualifying under the terms of an amnesty would be those who earn income from a particular industry. Although more than one industry might be targeted over time, those who worked in more than one industry would be eligible to make use of one amnesty only. In all cases, people already being audited by Inland Revenue would not be eligible to participate.
- 4.8 Because the key purpose of offering an amnesty would be to get people to comply in the long run, the concessions offered under an amnesty would be contingent on full disclosure and future compliance. Inland Revenue might require additional information on top of tax returns and would monitor participants closely to ensure they did continue to pay tax correctly.
- 4.9 Full disclosure is much easier if the periods involved are more recent. However, even for recent periods, full and detailed information might not be available, so Inland Revenue would aim to achieve an assessment that reflected an evader's overall income, even if not backed up by full records.
- 4.10 Similarly, although there would have to be an expectation that compliance would continue, amnesty participants would not be subsequently disqualified from the protection of an amnesty if they incurred a tax debt or filed a tax return late. Once they had moved into the tax system, the normal rules for debt and return policing would apply.

- 4.11 Evaders who came forward under an amnesty could expect to be subject to greater scrutiny in future years – possibly leading to somewhat higher compliance costs – than would other taxpayers.

Instalment arrangements for paying back-tax

- 4.12 Evaders' ability to pay the debt assessed under amnesty conditions is an important consideration in their decision to come forward and comply with the law in the future. Instalment arrangements could be entered into for the payment of tax debt assessed under an amnesty in the same way that other tax debts can be paid by instalment.
- 4.13 As such, it might in some circumstances be necessary for Inland Revenue to write off some of the tax assessed, to avoid placing someone who comes forward under the terms of an amnesty in serious hardship. Such write-offs are prohibited under the normal rules in cases of evasion or other abusive tax positions. Nevertheless, it is not intended that coming forward should result in serious financial hardship, as defined under the tax administration rules.

Managing changes in the tax system

- 4.14 An amnesty could also provide extra flexibility to deal with problems that arise when tax laws change. For example, the legislative clarification of a tax issue might highlight that interpretations applied previously were not consistent with government policy, thereby increasing the risk of penalties. The problem could be dealt with by offering a limited amnesty, with its associated monitoring and reporting requirements. Such amnesties would be considered on a case-by-case basis by Ministers in relation to any legislative reform.

Treatment of existing debt

- 4.15 Existing tax debt would not be within the scope of limited amnesties. The remission of existing tax debt would continue to be determined under the rules for instalment payments and, if appropriate, the writing off of tax.

The income that can be assessed for back-tax

- 4.16 Even if full income for a back year were to be disclosed, the limited amnesty could, depending on the option² implemented, provide for only a portion of that income to be assessed for tax. This would decrease the amounts payable and so increase the incentive to come forward, particularly if a longer disclosure period were used. For example, a four-year disclosure period with assessments for half the normal income tax in all but the most recent year would be roughly equivalent to assessing tax over two and a half years, but would allow Inland Revenue to collect four years' worth of income information. The benefit would depend on the extent to which the information provided about those four years was accurate and useful.

The disclosure period for unreported income

- 4.17 Because the purpose of a limited amnesty would be to encourage an immediate switch to paying tax in full, no tax relief could be provided in respect of the most recent year for which tax was due. Providing relief from taxes currently due would, in effect, provide an opportunity for all operators in the targeted group to mitigate their taxes, even if they would otherwise have complied with the rules. This would be unfair to taxpayers not in the targeted group. To prevent this, those who came forward would have to fully disclose their income for the most recent year, in addition to whatever else was required for other back years.
- 4.18 The general time limit on reassessments of income, excluding evasion, by Inland Revenue is four years. The disclosure period for the limited amnesty could be aligned with that time limit, or could be made shorter. As there is currently no limit on the years that can be reassessed when evasion is involved, any limit on back years would provide some incentive to disclose it. The further back reassessments were allowed, the more like the normal rules the proposal would be, and the lower the incentive would be.
- 4.19 Business operators who evade tax or who work in cash-based industries often do not create or keep good records and may not be able to reconstruct them. Therefore one concern about requiring full disclosure over a long period of back years is that the operators involved might have difficulty providing the information required, or fear that Inland Revenue would not be satisfied with the information they provided. A related concern is that the further back the information went, the harder it would be for Inland Revenue to check it. These concerns suggest that a relatively short period for disclosure would have advantages.

² The options are discussed in the next chapter.

4.20 The relative merits of a two, three or four-year disclosure period are the subject of the next chapter.

Key questions

What conditions should an amnesty specify?

What should happen when people come forward and do not have an accurate record of their income?

Chapter 5

HOW MANY YEARS' BACK-TAX SHOULD BE ASSESSED?

Summary of proposals

- A minimum of two years' income and back-tax would be assessed under the terms of a limited amnesty offer, with the normal penalties and interest rules applying.
- A two-year period would provide a greater incentive than would a three or four-year period, and would be relatively easier to administer, although not everyone may perceive shorter disclosure periods as fair.

- 5.1 The main incentive to take part in the limited amnesty described in chapters 3 and 4 is that an amnesty would limit the number of back years' income that participants would have to disclose. The options presented here are based on a minimum of the equivalent of two years' back-tax being assessed, with the normal penalties and interest rules applying. A relatively short period, such as a two-year period, would probably provide the most effective balance between ensuring a sufficiently attractive incentive and the wider interests of the taxpaying community. However, the government is open to considering all options.
- 5.2 This chapter looks at the merits of setting assessment periods for back-tax of two, three or four years, and what this would mean to amnesty participants in dollar terms. Figure 2 summarises the proportions of tax that would be assessed under the three options detailed in this chapter.

FIGURE 2:
Proportion of tax assessed under the three options

The period for which income must be fully disclosed	Most recent year assessed	Second most recent year assessed	Third most recent year assessed	Fourth most recent year assessed
2 years	100%	100%	-	-
3 years	100%	50%	50%	-
4 years	100%	50%	50%	50%

Two-year disclosure of income

- 5.3 Under a two-year disclosure period, Inland Revenue would assess tax on all income not previously disclosed in the first and second most recent tax years. Earlier years would not be assessed as long as participants met the conditions of the amnesty. This option should be particularly attractive to those who have evaded tax over a long period, since they would have a greater incentive to come forward, in view of the consequences they would face when caught and audited.
- 5.4 From an administrative point of view, the main benefit of a two-year disclosure period is that it would be simpler and easier to communicate and administer than a three-year or four-year period.
- 5.5 From the point of view of someone taking advantage of the amnesty, a two-year disclosure period would provide an attractive incentive. It would still be reasonably attractive when matters such as student loans, child support and family assistance were taken into account – as discussed in the next chapter.
- 5.6 Penalties would be reduced under the voluntary disclosure rules by 75 percent and, if applicable, a further 50 percent for a first offence.

Three-year disclosure of income

- 5.7 A three-year period would obviously cover a longer period of evasion, but three years' income would not necessarily need to be assessed. The equivalent of about two years' income could be assessed over a three-year period by assessing all the income in relation to the most recent year, and half the income disclosed in each of the second and third most recent years.
- 5.8 The first most recent year would have to be fully assessed – otherwise there could be an incentive for people to defer paying tax currently due by under-reporting their income in their returns, only to report it later under an amnesty. Because returns cannot be changed once filed, half the income disclosed could be assessed for the second and third most recent years, to keep the overall dollar result roughly in line with the amount that could be assessed for two full years of tax.
- 5.9 Under this three-year option, someone disclosing two years' evaded income would be assessed only for one and a half years' tax rather than for two full years' tax. This could be a strong incentive for some people to disclose.
- 5.10 A three-year disclosure period could make it more difficult for participants to be confident about coming forward, because it might be too difficult for many to be sure of what their income was three or so years ago. This could discourage longer term evaders from coming forward.

- 5.11 The overall risks associated with using longer disclosure periods are driven by practical concerns such as how easy the terms of an amnesty could be communicated, understood and administered to provide sufficient certainty to encourage evaders to come forward, even when they are unlikely to remember what their real income was two, three or more years ago.

Four-year disclosure of income

- 5.12 Extending the disclosure period a further year to four years would cover a period closer to that set by the statute bar rules – which, for taxpayers who comply with the law, provide the standard limitation to being reassessed by Inland Revenue. Again, to limit the total liability that might result from evaders coming forward, and to provide an incentive for their doing so, some years would be assessed for half of the income disclosed. Thus, for example, under a four-year disclosure period, all income would be assessed for the first most recent year, while half of the previously undisclosed income could be assessed for each of the second, third and fourth most recent years in that period.
- 5.13 If the amount of undeclared income were the same each year, the total of tax assessed, penalties and interest would be closest to the tax shortfall that would be assessed under current rules for four years. This is shown in figure 3.
- 5.14 As with the three-year option, the same risks would arise in relation to the effectiveness of the incentive offered and the compliance and administrative difficulties of requiring disclosure of income over relatively long periods.

The options compared

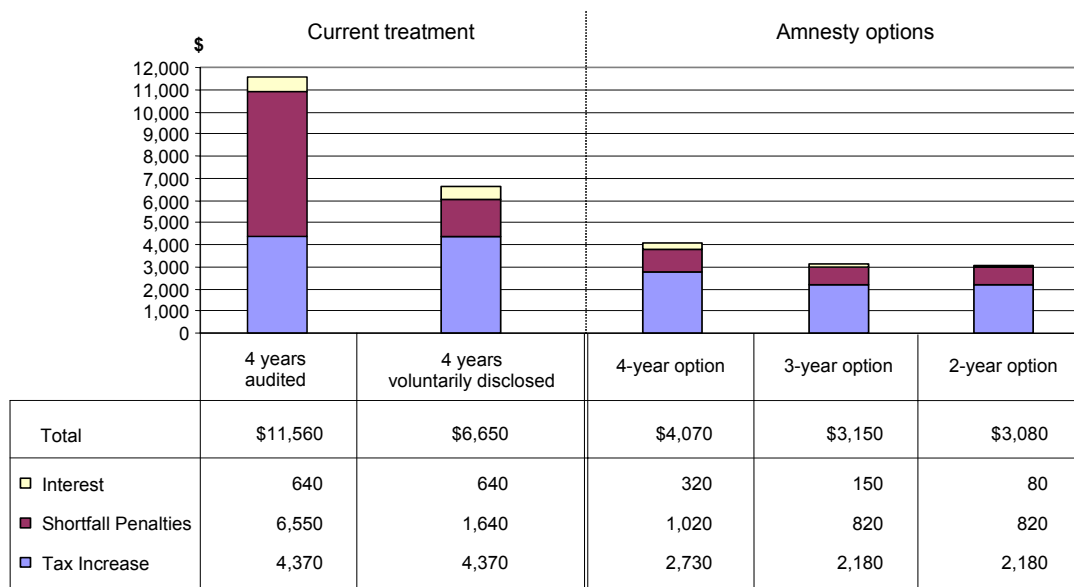
- 5.15 For an amnesty to have a real effect, the advantages it provides must be more attractive than those provided by existing law.
- 5.16 Under current law, tax evaders face a substantial total liability for tax, penalties and interest. This would be significantly smaller if they voluntarily disclosed the same evasion. Even then, however, and particularly when evasion may be an accepted part of an industry, the total liability faced by evaders can still be large. For example, the total tax, penalty and interest debt arising from someone not declaring \$100 cash a week over just four years would be about \$11,560. If the hidden income were voluntarily disclosed, the tax bill would be \$6,650.³

³ That is, with a 75% reduction in the penalty rate for making a voluntary disclosure.

5.17 The amnesty options discussed here would further reduce the tax debt for evaders but not eliminate it completely. The resulting liability should be manageable and repayable while still allowing them to comply with their present tax obligations. The four-year option would result in about \$4,075 being owed, the three-year option in \$3,152 and the two-year option in \$3,087.

5.18 Figure 3 compares the effect, in relation to income tax, of someone being assessed under a number of conditions. The tax amounts used are based on the person involved pocketing \$100 a week – \$5,200 a year – on which tax is not paid, though he or she pays tax on a salary of \$30,000.⁴ The standard penalty rates for evasion and voluntary disclosure are used.

**FIGURE 3:
The resulting tax bill under current and proposed treatments
for someone who has undeclared income of \$100 a week, \$5,200 a year**



Amounts rounded to the nearest \$10

5.19 The first column on the left in figure 3 shows the effect, in dollar terms, of the amount payable if evasion is detected by an Inland Revenue audit. The second column shows the effect if the evader makes a voluntary disclosure of the hidden income, which reduces penalties. Both show the effects of the current law, but in both cases only four years' tax is assessed, although it would be possible to assess any tax evaded in any prior years without any time limit.

⁴ If no taxes have been paid, a person may be liable to additional penalties – for example, late payment penalties.

5.20 The relative merits of the three amnesty options considered here are summarised in table 1.

**TABLE 1:
Merits of the three disclosure period options**

	2-year	3-year	4-year
Attractiveness of amnesty incentive in dollar terms to a person	✓	✓	-
Attractiveness of incentive in terms of being able to comply with amnesty disclosure requirements	✓	-	-
Accuracy of disclosure easily verifiable	✓	-	-
Closest match to effect of current law	-	-	✓
Relative simplicity	✓	-	-
Minimisation of tax forgone	-	-	✓
Incentive for evasion of less than two years	-	✓	✓

5.21 On balance, the two-year option would appear to provide the most effective incentive for disclosing income because:

- Limiting the payment of evaded taxes to two years provides a meaningful incentive for evaders to come forward.
- The payment of two years of taxes recognises and provides a reasonable balance to the interests of all other taxpayers.
- A two-year period is clear and simple to communicate and understand.
- A two-year period provides more certainty than longer periods that the information required to be disclosed can be provided and verified by Inland Revenue.

5.22 The three-year and four-year options are potentially fairer but more complex than the two-year option. They still provide an incentive that would be attractive to encourage people back into participating fully in the tax system under the terms of a limited amnesty targeted to their industry.

5.23 All these options focus on longer term evasion and may not provide much incentive to disclose more recent one-off or very short-term evasion. The requirement to assess all tax due in the first most recent year cannot change, although there may be scope to forgive use-of-money interest.

Key questions

Would full tax assessments for only the two most recent years provide an appropriate level of incentive for people to disclose past evasion and stop evading tax?

Does the proposal strike a fair balance between encouraging evaders to comply with the law and recognising that other people have already complied voluntarily?

Are there any circumstances when disclosure of income for only the most recent year might be more appropriate?

Should use-of-money interest be forgiven as part of an amnesty, particularly to provide an incentive for shorter term evasion to be disclosed?

How could these options be improved?

Chapter 6

IMPLICATIONS FOR FAMILY ASSISTANCE, CHILD SUPPORT AND STUDENT LOANS

Summary of proposals

- The same limited amnesty proposed in relation to income tax could also apply to social policy measures that are determined by income and administered through the tax system – family assistance, child support and student loans.
- If hidden income were disclosed under the terms of a limited amnesty, as proposed in this discussion document, the evader's family assistance entitlements could decrease and child support liability and student loan repayments could increase.
- The changes may apply to the number of back years of income disclosed under the terms of an amnesty, but not to earlier years.

6.1 An amnesty for income tax evasion could mean that the same partial immunity would be provided in relation to family assistance, child support and student loans. The reason is that these programmes use taxable income in making associated calculations of entitlement or liability, and they would be affected to the extent that income changed because of disclosures made under an amnesty. Inland Revenue could also transfer the new income figure to other agencies with whom it has information-matching agreements, where it could be used to determine entitlement to other social assistance.

6.2 There may be greater potential for concern about the equity or fairness of an amnesty if it applied to social policy measures as well, particularly when third parties are involved – as in the case of child support.

Family assistance

Family assistance is provided to low-income families with dependent children by way of a series of tax credits that abate against taxable income. Entitlements may be received fortnightly, based on estimated earnings or as a lump sum at the end of the year.

Family assistance is made up of two components, Family Support and Family Plus. Family Support is a tax credit designed to help families with dependent children 18 and under, and the amount received depends on the number and ages of the children. Family Plus is designed to support working families by providing three further tax credits. These are the family tax credit, the child tax credit and the parental tax credit.

Student loans

The tax system is used to collect student loan repayments, with borrowers required to make repayment deductions at the rate of 10 percent of their income, above a specified repayment threshold.

Full-time, full-year students and those whose income falls below a set threshold are eligible for a full interest write-off. Other students whose income is below the repayment threshold are entitled to have the “base interest” written off so that their loans increase only at the rate of inflation. If the base interest charged exceeds 50 percent of the borrower’s repayment obligation, the base interest charge is reduced to 50 percent of the borrower’s loan repayment obligation.

Child support

Child support is also administered by Inland Revenue, with a liable parent’s child support liability normally being calculated according to a statutory formula. The calculation is based on the liable parent’s taxable income from the previous year or the income from the year before, plus an uplift factor. The calculation also takes into account the liable parent’s current family status through a living allowance and the number of children being supported. Inland Revenue passes on child support payments to custodial parents, provided that they are not social welfare beneficiaries.

- 6.3 Including family assistance, child support and student loans within an amnesty might increase the amount outstanding that an evader had to repay, a matter that he or she would obviously take into account in deciding whether or not to take up the amnesty. Excluding them from the amnesty might undermine the incentive to come forward, because any benefit in relation to income tax could easily be more than offset by the repayments of family assistance or back-payments of child support or student loans that would be required.

Family assistance

- 6.4 If evaders coming forward under a limited amnesty had claimed family assistance during the disclosure period, their taxable income for the number of years in question would be increased. The consequential decrease in their entitlement to family assistance could mean that part or all of that assistance would have to be repaid. Although family assistance payments are made to the principal caregiver, both partners are jointly liable for any overpayments, even if they subsequently separate. Thus, in principle, family assistance debt resulting from past evasion being disclosed could end up being recovered from an ex-partner, although, in practice, hardship provisions in the Tax Administration Act would probably apply.

Child support

- 6.5 As a separate initiative, the government is also proposing other measures to encourage the repayment of child support debt, similar to the limited amnesties proposed here. They will involve writing off a portion of the incremental penalties accrued on child support debt when a liable parent enters into an instalment arrangement. This, like the proposal for limited amnesties, is designed to bring non-payers back into the payment system.

- 6.6 Income declared under a limited amnesty could affect an evader's child support liability. Since child support is based on the income of the liable parent, a lower declared income will result in less child support having been paid. However, under the terms of the amnesty proposed here, any additional payments of child support resulting from an evader coming forward would be limited to the years of the disclosure period.
- 6.7 For example, an amnesty involving a two-year reassessment for income tax would also mean a two-year reassessment for child support. This means that an additional child support liability that arose as a result of someone coming forward under an amnesty could be treated on the same basis as income tax under the amnesty.
- 6.8 Custodians who did not receive their full child support entitlement because of the liable parent under-reporting income would be able to get their full entitlement but only for the years specified under the amnesty. Effectively, these custodians would bear the cost of the concession extended to evaders. Similarly, the Crown, which receives child support payments on behalf of custodial parents who are on a social welfare benefit, would not be able to recover underpayments outside the disclosure period.⁵
- 6.9 The amnesty would not apply to existing child support debt, just as it would not apply to other pre-existing tax debts.

Student loans

- 6.10 Student loan repayments would also be affected by an income tax amnesty, since repayments are based on ten percent of a borrower's income over a certain threshold. Evaders with a student loan to repay who disclosed hidden income under an amnesty would face higher loan repayments if their reassessed total income exceeded the threshold. Their disclosure might also affect their entitlement to a full interest write-off, a base interest write-off or a base interest reduction.

Government exchange of information

- 6.11 An amnesty could involve information-matching between government departments. Inland Revenue transfers information on individuals' taxable income to other government departments to help them determine entitlements to social assistance or earnings-related compensation, or to calculate ACC levies.

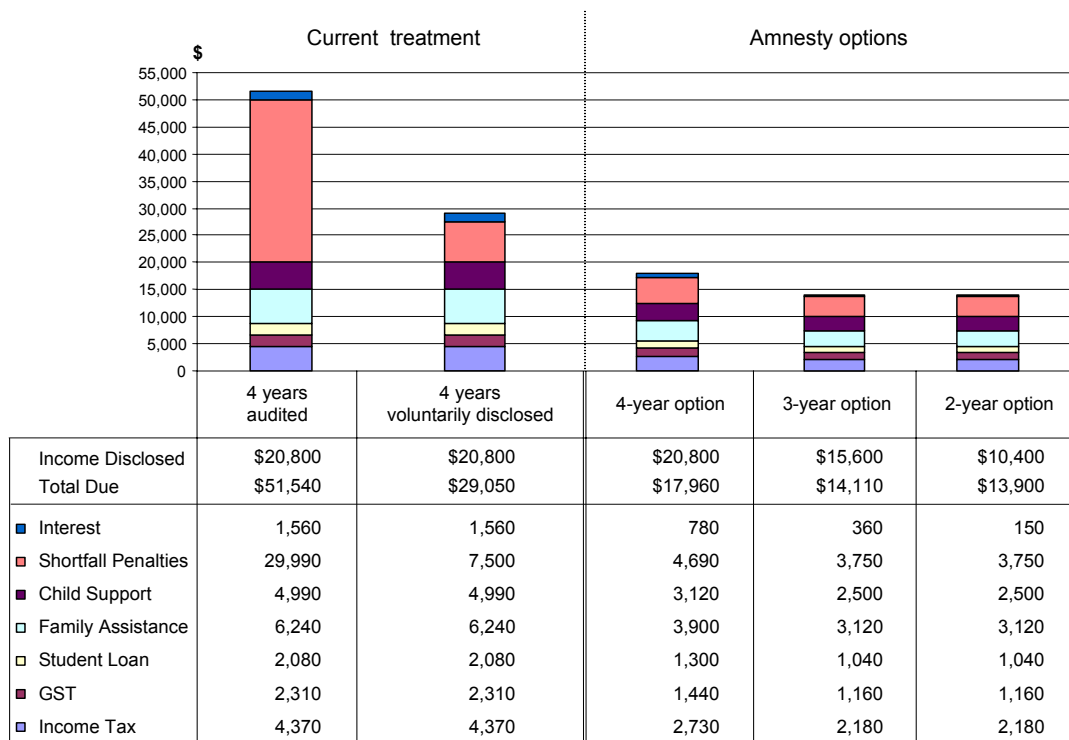
⁵ Only about 35 percent of custodial parents are non-beneficiary custodians. Custodial parents who receive a social welfare benefit do not receive additional payments for child support unless the amount of child support paid by the liable parent exceeds the amount of their benefit. The payment received by the Crown from the associated liable parent is used to offset some or all of the benefit paid to the custodial parent, with any child support that exceeds the amount of the benefit passed on to the beneficiary custodial parent.

6.12 If individuals coming forward under an amnesty were receiving forms of social assistance which Inland Revenue did not administer, and if Inland Revenue transferred new information about their adjusted taxable income to another government department under an information-matching agreement, their entitlement to other forms of social assistance could be adjusted. Increased income would probably add to the money that had to be repaid. The amnesty would not extend to programmes administered by other government agencies.

How much would have to be repaid?

6.13 Figure 4 illustrates the amount of tax and social assistance that would have to be repaid under an amnesty for a family that received family assistance and was also liable for student loan repayments and child support. For illustrative purposes, these numbers have been based on there being a child support liability for two children under 13 and a salary of \$30,000. (An estimate of GST payable is also included to provide a more complete picture of the total incentive effect of the options being considered.)

**FIGURE 4:
How much tax and social assistance would have to be repaid under different circumstances**



Amounts rounded to the nearest \$10

- 6.14 As shown in figure 4, there is a significant difference between the family assistance, student loan and child support repayments that would be assessed under audit if the evader did not make a voluntarily disclosure under the three amnesty disclosure periods discussed in the previous chapter. An amnesty would provide a significant incentive for non-compliant taxpayers to disclose previously undeclared income.
- 6.15 Once again, there is a risk that giving immunity to those who have not complied with the rules of family assistance, child support or student loans could be regarded as unfair to those who have complied. In fact, the risk may be more acute in relation to social policy programmes than for it is for tax, particularly when the terms of an amnesty have the effect of limiting the number of years for which child support payments can be assessed.
- 6.16 As with tax, however, the key issue is that it is necessary to balance the recovery of some money against the probability of not recovering any. In this regard, the government's view is that assessing evaders under an amnesty for two years of income would provide an appropriate balance, both for tax purposes and for social policy purposes.

Key questions

Should a tax amnesty that applies to income tax also apply to family assistance, child support and student loans?

Would this raise additional concerns about the fairness of offering amnesties?

Chapter 7

SAFEGUARDS

Summary of proposals

- Inland Revenue would be required to report to responsible Ministers and to Parliament before proceeding with any limited amnesties at the conclusion of any other amnesties run in a year.
- Inland Revenue's power to offer limited amnesties could be removed by Order in Council.
- Existing administrative process would be applied in relation to debt, penalties and interest, except in relation to criminal penalties under the tax Acts, to prevent evaders placing themselves under double jeopardy.

7.1 An important part of running any limited amnesty or a series of amnesties over time would be to be able to determine their effectiveness. The inclusion of monitoring and reporting requirements is an important part of the overall proposal, to ensure that the overall objective of improving compliance is advanced without detriment to the integrity of the tax system or principles of responsible fiscal management.

Reporting

7.2 Before offering an amnesty, Inland Revenue would be required to report to the Minister responsible for fiscal matters, usually the Minister of Finance, on the reasons for its implementation in the context of a targeted industry or group. Although the Minister would not have a role in selecting target groups, such reports would ensure transparency and accountability.

7.3 The reports should, as far as possible, include information on the group the amnesty would apply to, as well as information on the extent to which compliance (or non-compliance) in the group was significant enough to be considered for an amnesty offer. This is an important consideration because in some cases an audit-based approach might be a more appropriate response. The reports should also outline the anticipated strategy in relation to following up the limited amnesty, both immediately and in the future, by means of audit and other activities.

- 7.4 Inland Revenue would also be required to report to Ministers on the success of an amnesty and include reference to those results in the department's annual report. This could include quantitative and qualitative assessments of changes in revenue, interest and penalties; comment on changes in levels of compliance, public attitudes and perceptions of the integrity of the tax system; and comment on the consequential effects on social policy programmes.
- 7.5 To ensure that the objectives of an amnesty were being achieved, Inland Revenue would also be required to report specifically on the effectiveness of the first two or three amnesties.

Power to remove limited amnesties

- 7.6 The purpose of reporting on the success or otherwise of offering limited amnesties would be to monitor the effects on the wider tax system. If the effect of offering limited amnesties were unsustainably negative, it might be appropriate to remove Inland Revenue's power to offer them, to counter the negative fiscal risks. With this in mind, the amnesties initially offered would, in effect, be treated as piloting the proposal.
- 7.7 The government would be able to remove Inland Revenue's power to offer amnesties, as appropriate, depending on the results. Legislation allowing limited tax amnesties would need to provide that their operative provisions would come into force and be taken out of force by Order in Council. In this way, if at any time it were considered that continuing with a programme of limited amnesties would compromise voluntary compliance, the set of rules for allowing them could easily be rendered inoperative.

Criminal penalties and prosecution

- 7.8 The standard penalty for evasion or a similar act is 150 percent of the resulting tax shortfall. The name of the person involved is published in the *Gazette*. There are also criminal penalties for evasion, including imprisonment for up to five years or a fine of up to \$50,000.
- 7.9 It is necessary to provide some assurances in respect of coming forward under an amnesty that people would not be placing themselves in double jeopardy of paying some tax but identifying themselves as a target for prosecution. Therefore the terms of a limited amnesty would prevent criminal penalties under the Tax Administration Act 1994 being imposed for:
- absolute liability and knowledge offences;
 - evasion or similar offences (other than the offence of pretending to be another person);

- an offence committed by an employee or officer to the extent that it would be an offence if committed by the taxpayer and the taxpayer would qualify for the amnesty; and
- aiding or abetting someone to commit an offence to the extent it would be an offence if committed by the taxpayer and the taxpayer would qualify for the amnesty.

7.10 Immunity would not extend to offences under other enactments, such as the Crimes Act 1961 or Serious Fraud Act 1990.

Key question

Would the proposed reporting requirements and Parliament's ability to remove Inland Revenue's power to offer limited amnesties be appropriate safeguards?