

## Inland Revenue moves to help investors get tax rate right

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Inland Revenue is moving to help make sure investors, including KiwiSavers, get on the correct prescribed investor tax rate (PIR).

Updated estimates show around 550,000 people have underpaid tax on their investments (including KiwiSaver) with an average of \$80 to \$90 owing per person for the 2019 tax year, says Inland Revenue deputy commissioner, Sharon Thompson.

“This suggests to us that people need support to make sure they choose the right PIR,” she said. “With our new system in place, we’re working on a range of initiatives to help them.”

“From mid-July 2019, we’ll begin proactively contacting customers who are on an incorrect PIR to let them know they need to change it to avoid paying too little or too much tax in the future. They can then contact their investment provider to change their rate.

“And in the future, we’ll contact customers during the year if we identify they are using an incorrect PIR. This will be an on-going process to ensure that customers can get things right from the start.

“Because our new system groups together all the income people have, including wage and salary and investments, we can now see if people are on the right investment tax rate relative to their income level.

“In the past our old system did not do this automatically and we relied on people and their investment providers to make sure they were on the right rate.”

Ms Thompson said IR estimated there were another 950,000 people on a PIR that was too high and had overpaid by an average of \$44. Current legislation does not allow for refund of overpayment.

She reiterated Inland Revenue’s decision not to go back over previous years to reassess and recover investment tax that may have been under or over paid.

Ms Thompson said trying to go back over past years and determine incorrect payments based on wrong PIRs would have required significant work not just for Inland Revenue but for individual taxpayers and financial institutions.

“So we made a business decision to look forward and not go back. We’ll be working on how we help people to get their PIR right for the future rather than trying to identify errors people may have made in previous years.

“For the 2019 tax year, an estimated \$42 million was overpaid. Current estimates show between \$45 and \$50 million of investment tax was underpaid, and that will be recovered,” she said.

“But these figures are changing as IR’s new system continues to receive information.”

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