



Behind on provisional tax? Didn't pay on time?

Save on penalties and interest with tax pooling.

Dec 2020

What is tax pooling?

Predicting how much provisional tax you need to pay can be tricky. Some people overpay their tax. While others underpay. Tax pooling matches these taxpayers, allowing those who have underpaid at a certain date to buy tax from those who have overpaid at that same date.

Trading tax like this is done through Inland Revenue-approved tax pooling intermediaries like Tax Traders. Therefore, if you've missed a tax payment, late paid or underpaid your tax, you can buy tax from someone who paid too much tax on time. This means you will eliminate all your late payment penalties and save up to a third of the interest cost.

How does it work?

By using Tax Traders, you are able to buy another taxpayer's unused/overpaid tax at the date your provisional tax was due. Because the other taxpayer's tax was paid on time, Inland Revenue treats this as if you had paid on time and you are no longer subject to any late payment penalties and interest.

What are the charges?

You only pay the agreed amount of Tax Traders interest. There are no other charges.

Can I pay on an instalment plan?

Yes. You can arrange to pay Tax Traders on a weekly, fortnightly or monthly basis, or pay as you go at your own convenience. This will gradually reduce the amount due at Inland Revenue over time. You do not have to provide any security or financial disclosures, and you can stop your plan at any point in time. However, if you stop, any Inland Revenue interest and penalties will remain outstanding, to the extent of any outstanding balance.

Example

Amy runs two childcare centres. Unfortunately, Amy has missed her latest provisional tax instalment of \$20,000. Her tax is now two weeks overdue which means that if she pays Inland Revenue directly she will have to pay penalties and interest of \$1,122.

Amy talks to her accountant who uses Tax Traders to buy this tax at a current interest cost of \$92.08 – **saving Amy more than \$1,008 over paying Inland Revenue directly.**



**Ask your accountant
for a quote today.**