

'To Care and Protect'  
Ismail Rasheed



# from IR Legal

## A Specialist Law Firm Offering Solutions and Advice on Immigration and Tax Law

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## Tax Evasion is a global problem

Despite our many global differences, there's one thing that almost every person on earth agree on. People don't like taxes.

Even when we accept that taxes are necessary to provide the many services that we, our families and our friends depend on, people still complain that they're too high. And many people decide they're just not going to pay all that they owe.

Tax evasion -- that's the nicer way of saying cheating on your taxes -- knows no borders. In fact, the commitment of many Greeks to keeping their cash out of the tax collectors' hands has been cited as a key contributor to the country's continuing financial troubles in 2015.

So, now the international tax authorities are joining forces to combat international tax evasion. Early this year changes were made to the Income Tax Act 2007 and the Tax Administration Act 1994, to incorporate the G20/ OECD standard for Automatic Exchange of Financial Account Information in Tax Matters into New Zealand domestic law. The standard is usually referred to as "Automatic Exchange of Information", "AEOI", or the "AEOI standard".

It is a global initiative, led by the G20 and OECD, to address the international problem of "offshore tax evasion" (that is, evading tax by hiding wealth in offshore accounts). Broadly, a jurisdiction implements the AEOI standard by enacting legislation that requires financial institutions to:

- conduct due diligence on their financial accounts to identify those held or (in certain circumstances) controlled by non-residents; and
- report specified identity information (including tax residence) and financial information (such as account balances and interest earned) in respect of those accounts to their local tax administration.

The due diligence and reporting obligations to be imposed are set out in an element of the AEOI standard known as the Common Standard On Reporting And Due Diligence For Financial Account Information (in short, the "Common Reporting Standard" or "CRS")

Because of similarities between the CRS and the related United States Foreign Account Tax Compliance Account (FATCA) initiative, the CRS implementation legislation has primarily been located (and merged) with the FATCA framework legislation in Part 11B of the Tax Administration Act 1994.

Implementing jurisdictions must also have an appropriate network of tax treaties in place to exchange the reported information with applicable participating jurisdictions.

Although different types of tax treaty can be used for this purpose, AEOI exchanges will predominantly be made under the joint OECD/ Council of Europe Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

The exchanged information will be used by tax administrations to verify compliance with tax obligations.

The start date to which the New Zealand Government has committed internationally, and from which the legislation provides that CRS obligations are to apply in New Zealand, is 1 July 2017.

**THESE ARE VERY  
EXCITING TIMES TO  
WORK ON INTERNATIONAL  
TAX ISSUES  
FOR  
IMMIGRANTS AND  
RETURNING NEW  
ZEALANDERS**



**Ismail Rasheed**, the owner of IR Legal, has 17 + years of tax law experience and is available to offer solutions and advice on immigration and tax law matters. IR Legal is a specialist law practice.

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