**Investigation Process**

**Territory Revenue Office (TRO)**

Our aim is to administer Northern Territory revenue laws in a fair and equitable manner.

Our tax systems rely on the honesty of taxpayers to voluntarily comply with their obligations.

**Why investigate?**

Investigations are conducted to ensure taxpayers pay the correct amount of tax or duty.

As a part of the investigation process we assist taxpayers to update their tax affairs, and raise the businesses’ awareness of their current and future tax obligations.

This protects the integrity of our tax system and ensures equity for all taxpayers.

The investigation process also helps identify the education needs of taxpayers, as well as issues that may require changes to policy and legislation.

**How are cases selected?**

A number of methods are used to select cases for investigation. Most often, investigations are conducted as a result of our research and data matching projects.

**What if you are selected?**

An investigator will:

* contact you advising that an investigation will be conducted;
* explain the process and scope of the investigation;
* specify what records are required to be produced; and
* allow reasonable time for you to produce records.

If the investigator is visiting your office they will:

* make an appointment with yourself, or your representative; and
* confirm all arrangements.

During the process the investigator may ascertain your compliance with the legislation by a combination of:

* examining your financial and business records;
* requesting further records or clarification;
* interviewing you (or your representative); and
* making other inquiries;

Prior to and during the investigation, you have the opportunity to disclose your liability.

At the conclusion of the investigation you will receive written advice on the outcome and notice of any proposed action. You will generally be given the opportunity to respond to our preliminary findings before the investigation is finalised.

All TRO staff are bound by secrecy provisions. Information gathered during an investigation is treated with strictest confidence and is not used or divulged except for the purposes required by law.

**What powers does an investigator have?**

Under NT tax laws an investigator is permitted to:

* gain access to buildings and property;
* inspect, examine, copy and seize books, documents or records;
* require a person to produce records;
* require a person to answer questions and provide information; and
* require a person to give reasonable assistance and facilities.

Penalties can be imposed under the relevant legislation if you fail to comply with an investigator’s lawful requests.

**How to prepare?**

* Ensure all information and records requested by the investigator are ready for examination when needed.
* Provide accurate and complete information promptly to help reduce the length of the investigation process.
* Inform the investigator of any discrepancies or undeclared tax liabilities you may have found.

Note: Penalty tax can be reduced by cooperating fully with an investigation and by making a full and immediate disclosure of any tax liability.

* Seek advice from your legal or financial representative if the matters under investigation are complex.
* Direct any questions you have regarding the investigation process to the investigator.

***Before* an investigation, you have the right to:**

* request reasonable time to produce records;
* negotiate with the investigator a time and place for any interview; and
* receive written confirmation of the agreed arrangements.

***During* an investigation, you have the right to:**

* be treated in a professional and courteous manner by the investigator;
* view the investigator’s identification authority;
* involve your financial or legal representatives;
* ask how long the investigation will take;
* expect your affairs to be treated with strict confidentiality;
* obtain a receipt for original records or other material the investigator removes from your office; and
* be given the opportunity to explain the reasons for any irregularities and discrepancies.

***After* an investigation, you have the right to:**

* receive an explanation of the results or findings;
* ask the investigator how penalty tax and interest provisions are to be applied;
* ask for an explanation of the objection and appeal process; and
* discuss any aspect of the case with the investigator or their manager.

**Your obligations:**

* Provide reasonable assistance and facilities to the investigator.
* Provide complete and honest answers and explanations to questions.
* Provide prompt, full and free access to all relevant records required, including documents, data and systems.
* Maintain proper books and accounts in the English language and preserve these records for a period of not less than five (5) years.

**Interest and penalty tax**

The *Taxation Administration Act* imposes interest and penalty tax on a tax default. A tax default is a failure by a taxpayer to pay the whole or part of the tax that they are liable to pay under a taxation law. This includes not paying tax on time.

Interest and penalty tax are designed to deter non-compliance by making it unprofitable.

Interest is comprised of two rates being a premium rate (8 per cent) and a market rate, which is reviewed annually. Current and historical rates are published on the TRO website.

The amount of penalty tax is set at a default rate of 25 per cent of the amount of tax unpaid. This rate will be reduced or increased depending on the circumstances in each case.

Penalty tax will be substantially reduced if the Commissioner is satisfied that the taxpayer took reasonable care to comply and co-operated fully with the investigation. Conversely, it may be increased to 75 per cent of the unpaid tax if the Commissioner is satisfied that the tax default arose wholly or partly from the intentional disregard of a taxation law.

For more detailed information, refer to Commissioner’s Guideline CG-GEN-002: *Interest and penalty tax* which can be accessed on TRO’s website.

**Payment**

An assessment will be issued to you if an underpayment of duty or tax is detected. The assessment must be paid in full by the date specified in the assessment notice.

If you are unable to make the payment by its due date, you may forward a written application, proposing alternative payment arrangements for consideration. For more information on instalment arrangements, refer to Commissioner’s Guideline CG-GEN-004: *Instalment Arrangements*.

Of note, interest is generally charged on amounts payable between the time when the debt becomes due and when it is paid in full.

**Objections and appeals**

A person who is dissatisfied with a decision, determination or assessment made by the Commissioner affecting their tax liability may, within a period of 60 days after the issue of notice of the decision, determination or assessment, lodge an objection in writing with the Commissioner.

The statement must be explicit, stating the full grounds of the objection and be accompanied by relevant supporting evidence.

The 60 day period may be extended if the Commissioner is satisfied that the taxpayer has a reasonable excuse for not lodging the objection within the 60 day period.

A person who is dissatisfied with a decision on an objection may, within 60 days after the date of issue of the notice of decision, appeal to the Taxation and Royalty Appeals Tribunal or Supreme Court against that decision. Decisions of the Tribunal may be appealed to the Supreme Court.

Lodgement of an objection or appeal does not affect the liability to pay any tax.

**More information**

If you need more details or clarification of any aspect of an investigation, you should ask the investigator assigned to your case.