



Tax and Government Audit Policy



Coverholder at **LLOYD'S**

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About Accountancy Insurance

Accountancy Insurance are tax investigation insurance specialists and have been providing services to accountants internationally since 2004.

In effecting this contract of insurance, Accountancy Insurance New Zealand Limited Partnership, Registration Number 2550058, is acting under an authority given to it by, Brit Syndicate 2987 at Lloyd's of London, the Insurer. Accountancy Insurance will be acting as agent of the Insurer and not of the Insured.

About This Policy

This Policy is a continual combination of Accountancy Insurance's expertise and the Insurer's commitment to having the most specialised, comprehensive and easy to understand Tax and Government Audit policy in the market.

References to "**we**", "**our**" and "**us**" in the remainder of this policy are references to the Insurer. For all other definitions, go to the "Words with Special Meanings" section commencing on page 10.

The Agreement

This Tax and Government Audit Policy is a legally enforceable contract between **you, us** and those of **your clients** who qualify for cover under it. This is a Policy under which **your clients** are covered so long as they remain **your clients** and they have paid the premium shown in their invoice. They claim through **you**, in accordance with the terms and conditions of the Policy.

Your clients are not a party to this contract, but if they have paid the premium for the insurance offered under this Policy and they remain **your clients, your clients** are entitled to claim in accordance with the terms of this Policy as if they are a party to it.

If **we** have not received payment on behalf of a **client** to be covered under this policy, **you** have no insurance in respect of that **client** and the **client** has no insurance cover.

In exchange for **your clients** having paid to **us** the premium for their cover, **we** will provide the insurance cover described in the Policy for the **period of insurance** shown in the **schedule**, subject to the terms, conditions and exclusions of the policy, and any endorsements. The insurance **we** offer is set out in this policy.

The Policy

This Policy consists of this policy wording, the **schedule**, and any endorsements. These documents shall be read together as one contract, and any word or expression given a specific meaning in any part has the same meaning wherever it appears. The singular shall include the plural and vice versa.

Where headings are used in this Policy, they are purely descriptive in nature and are not intended to be used for interpretative purposes.

Claims-Made

This Policy only responds to claims in connection with an **audit** in respect of which **you** or **your client** first receives **specific notice** on or after the **participation date** for that **client** and during the **period of insurance**, and which is also notified to **us** during the **period of insurance** or within 30 days of the end of the **period of insurance**.

There is a separate **limit of indemnity** available to meet the claims of each **client group** that participates under **your** Policy.

Privacy Statement

We collect personal information from or about **you**, and **your clients** for the purpose of providing insurance services to **your clients**. The personal information collected can be used or disclosed by **us** for a secondary purpose directly related to the purpose above.

If **you** or **your clients** do not provide **us** with the information **we** need **we** will be unable to insure **your clients**.

You and/or **your clients** can request access to their personal information held by **us** by contacting **us** care of Accountancy Insurance New Zealand Limited Partnership, PO Box 99215, Newmarket, Auckland 1149.

Our complaints handling procedure

Resolving your complaints – Stage 1

If **you** think **we** have let **you** down in any way, or **our** service is not what **you** expect (even if through one of **our** agents or representatives), please tell **us** so **we** can help. **You** can tell **us** by phone, in writing or in person.

Should **you** tell **us** in writing it will help to send **us** the full details of **your** complaint together with any supporting documents and an explanation of what **you** want **us** to do. If **you** would like to come in to talk to **us** face to face, please call and **we** will arrange an appointment for a meeting.

What we will do to resolve your complaint

When **you** first let **us** know about **your** complaint or concern the person trying to resolve **your** complaint will listen to **you**, consider the facts and contact **you** as soon as possible, usually within 24 hours.

We will send **you our** decision on your complaint as soon as possible and, in any event, within 10 working days from the date **you** first made **your** complaint.

What if you are not satisfied with our final decision? – Stage 2

We expect **our** procedures will deal fairly and promptly with **your** complaint. However if **you** are not satisfied with **our** final decision you should contact:

Lloyd's Underwriters' General Representative Australia
Lloyd's Australia Ltd
Level 9, 1 O'Connell Street
Sydney NSW 2000

Telephone: (02) 8298 0783

Facsimile: (02) 8298 0788

Email: idraustralia@lloyds.com

How long will the Stage 2 process take?

Your complaint will be acknowledged in writing within 5 business days of receipt, and **you** will be kept informed of the progress of Lloyd's review.

The length of time required to resolve a particular dispute will depend on the individual issues raised, however in most cases **you** will receive a full written response to **your** complaint within 10 business days of receipt, provided Lloyd's have received all necessary information and have completed any investigation required.

External Dispute Resolution

If **your** complaint is still not resolved in a manner satisfactory to you, you may refer the matter to the Insurance & Financial Services Ombudsman who can be contacted by post at:

PO Box 10-845
Wellington 6143
New Zealand

Level 8, Shamrock House
79-81 Molesworth Street, Wellington

Tel: 04 499 7612
Email: info@ifso.nz

How much will this procedure cost you?

This service is free of charge to policyholders.

Goods and Services Tax (GST)

Your client will be charged an amount on account of GST on their premium. Accountancy Insurance will issue a GST tax invoice to **your client** as part of our offer to cover them. Upon payment of the premium this document evidences their entitlement to cover under this Policy.

Where **we** make a payment under the policy to a person who is GST-registered and it relates to a loss incurred in the course or furtherance of the registered person's taxable activity, the payment will be deemed to be in consideration of a taxable supply to **us**. Consequently, **we** will pay GST thereon to that person and that person must include it on their GST return. Prior to **us** making a payment under this policy to **your client**, **you** or **your client** must provide **us** with the information to enable **us** to determine its position in this context.

Despite the other provisions of this insurance (including provisions in the wordings, any schedules and any Endorsement), our liability to **your client** / **you** will be calculated taking into account any input tax credit to which **your client** / **you** are entitled for any acquisition which is relevant to **your client's** / **your** claim.

GST means goods and services tax imposed under the Goods and Services Tax Act 1985 ("GST Act"). Terms used in this section that are defined in the GST Act or that have a commonly understood meaning for GST purposes have that meaning when used in this policy (e.g. tax invoice, input tax, input tax credit).

Duty of Disclosure

Before **you** enter into a contract of general insurance with **us**, **you** have a duty, at law, to disclose to **us** every matter that **you** know, or could reasonably be expected to know, that a prudent insurer would want to take into account in deciding whether to accept the risk of insurance and, if so, on what terms.

You have the same duty to disclose those matters to **us** before **you** renew, extend, vary or reinstate a contract of general insurance.

Your duty however does not require disclosure of matter:

- that diminishes the risk to be undertaken by **us**;
- that is of common knowledge;
- that **we** know or, in the ordinary course of **our** business, ought to know;
- in respect of which **we** have waived **your** duty.

This same duty applies to **your clients** when **you** nominate them to be covered under this policy.

Non-Disclosure

If **you** fail to comply with **your** duty of disclosure, **we** may avoid the policy from its beginning. If **your client** fails to comply with the duty of disclosure, **we** may avoid their cover from the date they were nominated under this policy.

Miscellaneous Matters

Law

This policy is governed by the law of New Zealand and the New Zealand courts have exclusive jurisdiction.

Termination and Cancellation

We may cancel this policy by giving **you** notice in writing effective at 4:00pm on the third business day after the day on which notice was given to **you**. Upon receipt of the notice, **you** must immediately advise **your clients**. Upon cancellation, no premium is refunded to the **client**.

Notification and Communication

- a) Every notice of communication **you** are required to give or make under this policy must be sent in writing to **us** care of Accountancy Insurance New Zealand Limited Partnership, PO Box 99215, Newmarket, Auckland 1149.
- b) Every written notice or communication **we** are required to give or make under this policy will be sent in writing to **you** at the address or facsimile number specified in the **schedule** or as notified by **you** from time to time.
- c) A written notice or communication when sent by post to **you** or **your** appointed agent will be deemed to have been received by **you** on the third day following the day of posting.
- d) A written notice or communication sent by facsimile to **you** or **your** appointed agent will be deemed to have been received by **you** on the date of transmission.

Obligations Relating to Tax Authorities

As a condition of cover, **you** must:

- a) use **your** best endeavours and give due consideration to compliance with the various legislation, procedures or guidelines issued by the relevant government, authority or agency,
- b) fully comply with all legal requirements in respect of the proper maintenance of records, books and other documents common for **your** profession.

The Cover we provide

✓ What We Cover
<p>We will pay you the professional fees that are payable by your client to you in connection with an audit of which you or your client receives specific notice on or after the participation date for that client and during the period of insurance, and the receipt of that specific notice is notified to us during, or within 30 days of the end of, the period of insurance.</p>
<p>Extra Benefits</p> <p>If we agree to pay a claim, we will also pay:</p> <p>1. Claims Preparation Costs</p> <p>We will pay the reasonable costs which you incur to prepare and submit a claim under this policy.</p> <p>Extension of Cover</p> <p>If you have insured more than twenty clients with us then we will extend the cover provided by this policy to cover you.</p>

✗ What We Exclude
<ol style="list-style-type: none"> 1. any audit arising from any verbal or written communication of an impending audit given to you or your client prior to your client's participation date 2. in connection with any return lodged outside New Zealand 3. where a return has been prepared, lodged or submitted fraudulently 4. any audit which is commenced or is conducted specifically for the purposes of determining your client's taxation liabilities and liability to pay tax, interest, additional tax or penalties as a result of participation in any mass marketed, publicly promoted, tax avoidance or tax minimisation scheme unless the scheme has received a prior binding ruling from the relevant government authority or agency. 5. any audits where your client is bankrupt within the meaning of the Insolvency Act 2006, or insolvent, at the start of the audit 6. any fine or penalties imposed or for any amounts payable pursuant to an amended assessment or adjustment including but not limited to any additional tax, duty, government impost or similar payments 7. any IRD audit where the auditor imposes a final shortfall or culpability penalty of 100% or more in relation to any year, or in relation to any entity that falls within the scope of the claim. 8. any professional fees associated with any criminal prosecution 9. any matter in relation to an application, assessment or review of government benefits or entitlements, including but not limited to Inland Revenue Child Support. 10. any fees payable by your client in connection with an audit that are not professional fees
<p>The most we will pay is \$250.</p>
<p>We will not pay more than \$10,000 for any one claim and in total for all claims during the period of insurance for this additional cover.</p>

How much we pay

The most **we** will pay in relation to any one **client group**, irrespective of the number of **audits**, or claims under the policy:

- a) for any one **audit** is the relevant **limit of indemnity** shown in the **schedule**.
- b) for all **audits** in total in relation to a **client group** during the **period of insurance** is the relevant **limit of indemnity**.
- c) **our** liability shall not be cumulative in amount from year to year, nor from one **period of insurance** to another. Any amount **we** pay under the policy directly to **you** is in discharge of **our** obligation to pay **your client** in respect of their liability to **you** for **professional fees**.

Claims

Notification

This Policy is issued on a "claims made and notified" basis.

This means that the Policy responds to **specific notices** first received by **you** or **your client** after the **participation date** and during the **period of insurance**, and notified to **us** during the **period of insurance** or within 30 days after the expiry of the **period of insurance**.

Such notification must be given as soon as reasonably practicable after **you** and/or **your client** become aware of the **specific notice** and prior to the time at which the policy expires. When the policy period expires, no new notification of **specific notices** can be made on the expired policy even though the event giving rise to them may have occurred during the policy period. An exception to this is if the notification is made within 30 days after the lapse of the policy.

If **you** or **your client** wants to make a claim under this policy, **you** or **your client** must:

- a) give **us** written notice that an **audit** is to be conducted as soon as reasonably practicable of **you** or **your client** being first advised of the **audit**. The written notice must be the completed claim form, and include a copy of the **specific notice** of the **audit** (where it is in writing) that clearly identifies the type of **audit** to be conducted.
- b) where an **audit** has commenced in the absence of any written **specific notice** being issued to **you** or **your client**, **you** must provide **us** with a letter signed by **you** verifying that an **audit** has commenced, including details of the date of the first contact by the **auditor** together with the **auditor's** full name, title and telephone contact details and **your** authority to contact the **auditor** if deemed necessary for validation.

Subject to the operation of the law, even if a claim is lodged by **your client** we will deal with **you** exclusively in relation to all aspects of the claim. It is **your** responsibility to communicate any relevant information or details to **your client**. **You** are responsible for complying with the terms and conditions of this policy in respect of any claim brought by **you** or by **your client**.

Claims Conduct

You and **your client** must:

- a) keep **us** fully informed of all material developments in relation to the claim and the **audit**;
- b) take all reasonable steps to minimise cost and delay including the utilisation of relevant staff for the work to be undertaken and apply standard hourly rates so that the **professional fees** are fair and reasonable for the type of **audit** being managed;
- c) assist **us** with any matter **we** reasonably request including without limitation providing further information or documentation that **we** may request;
- d) inform **us** of any other insurance **you** have that may also cover claims under this policy;
- e) respond to letters, requests and enquiries from the **auditor** within a reasonable time.

Claims Documents

You must submit:

- a) a completed claims form via online access
- b) a copy of any **specific notice** that notifies or informs **you** or **your client** of the commencement of an **audit** (where applicable) including any documentation issued to **you** or **your client** by an **auditor**
- c) where the claim is over \$1,000, a detailed breakdown of the **professional fees** incurred identifying the partners and number of employees involved, the work undertaken, the description of the work undertaken, the dates that the work was undertaken, the number of hours involved, the hourly rate, the total of disbursement costs and the total of **professional fees** incurred (typically this information is contained in standard 'work in progress reports')
- d) full details as described above in (c) in respect of **professional fees** incurred when other professionals are engaged by **you**
- e) a copy of the tax invoice(s) issued for your fees to **your client**
- f) the final written confirmation from an **auditor** that the **audit** has been finalised or in the absence of this, a declaration in writing by **you** that the **audit** has concluded.

Our Claims Conduct

When **you** or **your client** have made a claim, **we** or **our** agent may investigate any matter which is or may be the subject of the claim.

Claims Payments

When **we** pay a claim, **we** will make any payment to **you**.

We will make interim payments to **you** in respect of claims if the following apply:

- a) the **professional fees** for an **audit** are or will be incurred over a period which exceeds the timeframe listed in **your schedule**; and
- b) if it were not for the claim under this policy, **you** would have otherwise billed **your client** progressively in accordance with the timeframe listed in **your schedule**.

However, the total of all payments in relation to the claim (including interim payments) and any other claims paid to **you** does not exceed 80% of the **limit of indemnity** for the **client** or **client group**.

We may waive (a) at **our** discretion. **We** will only make interim payments to **you** as often as each timeframe listed in **your schedule**.

You must sign and abide by the terms of an interim claims payment letter which includes the requirement to pay back all or part of the interim payments made in relation to a claim, if the claim is subsequently declined or reduced by us.

When we may refuse a claim

We may refuse a claim (or part of a claim) if:

1. **you** have not complied with **your** Duty of Disclosure;
2. **you** or **your client** has not complied with the terms and conditions of this Policy;
3. the claim is excluded by the terms and conditions of this Policy;
4. it is in any way fraudulent;
5. any fraudulent means or devices are used by **you**, **your** client or anyone acting on **your** or **your** client's behalf to obtain any benefits under this policy.

Words with Special Meaning

Word	Meaning
<p>amount payable</p>	<p>means the amount you or your client must pay us which consists of premium, GST, and any applicable government charges as shown in your monthly declaration.</p>
<p>audit</p>	<p>means any:</p> <ul style="list-style-type: none"> • audit, • official inquiry, • official investigation, • official review or • official examination <p>in respect of a return submitted by or on behalf of your client that is undertaken, initiated by, or instructed to be undertaken, by any government authority that is duly authorised to conduct an audit of that return.</p> <p>If an official inquiry, official investigation, official review or official examination escalates in scope or results in an audit, then this will be viewed as one audit for the purposes of this policy.</p> <p>This definition does not include:</p> <ul style="list-style-type: none"> • any form of activity involving a review relevant to your client maintaining industry status, licence compliance, or membership or any form of application, registration, or re-registration process, occupational health and safety type compliance • any form of activity involving a review of how you assist your client • any form of practice or procedural audit of you in respect to your client or practice files • any activity involving a statutory authority gathering information or data that is not part of an audit of a specific return; or • any activity involved in the familiarisation, education, training, application, implementation, process or operation of any amendments or changes to existing, or the introduction of new, legislation or industry regulation • any form of activity involving a review of a return or of financial compliance obligations that is undertaken by you or your client in the absence of any specific notice.
<p>auditor</p>	<p>means an officer who is authorised under New Zealand legislation to carry out an audit of your client's taxation or financial affairs.</p>

<p>client</p>	<p>means any company, partnership, trust, or natural or legal person (other than you unless you nominate yourself and any associate client group separately and pay the appropriate premium) that you have nominated to us as a primary client via online access whose returns you wish to cover for audits; and:</p> <ol style="list-style-type: none"> 1. who retains you in relation to the audit; and 2. who you have nominated to us and in respect of whom the amount payable has been received; and <p>includes a client group that also satisfies 1 and 2 above.</p>
<p>client group</p>	<p>means any company, firm, partnership, trust or person that you have nominated to us as an associate client of a client via online access whose returns you wish to cover for audits and includes:</p> <ol style="list-style-type: none"> i) any individual, company, firm, partnership or unit trust that holds a 25% or more ownership, interest or shareholding in the client; ii) any company, firm, partnership or unit trust in which the client holds a 25% or more ownership, control, interest or shareholding; iii) any discretionary trust in which the persons or entities that are included in the cover as a result of items i) or ii) above holds 25% or more representation as trustee of the discretionary trust; iv) spouses of individuals that are included in the cover as a result of item i); providing that any individual included in i) or iv) must receive the majority of their income from the client or another entity that comes within this definition of 'client group'.
<p>government authority</p>	<p>means the government of New Zealand and any division or department thereof, such as: any Crown enterprise or State owned organisation that has a regulatory function.</p>

<p>insolvent</p>	<p>a client is insolvent if:</p> <ol style="list-style-type: none"> 1. it is an insolvent as defined by Section 239C of the Companies Act 1993; or 2. it has had a statutory manager appointed or is in liquidation, in provisional liquidation, under administration, has been wound up or has had a receiver appointed to any party of its property; or 3. it is subject to any arrangement, assignment, moratorium, compromise or composition; it is protected from creditors under any statute or it is dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent); or 4. it is taken (under Section 289 of the Companies Act 1993) to have failed to comply with a statutory demand; or 5. it is otherwise unlikely to pay its debts when they fall due; <p>or something having a substantially similar effect to clause (1) to (5) above happens in connection with the client under the law of any jurisdiction.</p>
<p>limit of indemnity</p>	<p>means the amount set out in the schedule which represents the limit of our liability during the period of insurance.</p>
<p>participation date</p>	<p>means the next business day after you nominate your client to us or Accountancy Insurance New Zealand Limited Partnership receives direct payment of the premium.</p>
<p>period of insurance</p>	<p>means the period during which this policy is current as set out in the schedule.</p>
<p>professional fees</p>	<p>means your reasonable and necessary fees, costs and expenses incurred in connection with an audit including the costs of a qualified solicitor or other professional person you may need to engage.</p> <p>Professional fees does not include:</p> <ol style="list-style-type: none"> 1. any fees which are incurred for, or are ordinarily associated with the preparation of your client's accounts, returns, taxation and financial records (including any annual, fixed fee or cost arrangement); or 2. fees incurred for advice which your client should or would incur for work done prior to or as part of the preparation of your client's accounts, returns, taxation and financial records prior to the lodgement of your client's taxation returns, financial records; or 3. fees incurred to prepare any document required by the relevant legislation in connection with a return. 4. any fees incurred for work done in relation to periods not identified to be under audit.

return	any return legally required to be and actually lodged with a government authority .
schedule	means the most recent policy schedule issued by us in relation to this policy.
specific notice	<p>means any communication to you or your client from:</p> <ol style="list-style-type: none"> 1. the Inland Revenue Department; or 2. any government authority <p>that is duly authorised to conduct an audit.</p> <p>It does not include any notice sent to you or your client which:</p> <ol style="list-style-type: none"> 1. is educational or advisory in nature; or 2. only suggests or proposes actions to be taken by your client; or 3. acts as a warning to your client that your client may be selected for an audit at a future time; or 4. provides an option for you or your client to voluntarily review your client's return or financial compliance obligations; or 5. does not compel your client to take any action at all.
you or your	means the accountancy practice named in the schedule .
version number	the version number of this policy wording is NZ.08.2018.
we, our or us	Brit Syndicate 2987 at Lloyd's of London.