The ability to contain or reduce the size of the cash economy in New Zealand is a longstanding issue for the Inland Revenue Department as it is for many other countries. An attempt to measure the size of the informal or “hidden” economy in New Zealand was carried out around 10 years ago, along with a comparison with other Organization for Economic Cooperation and Development (OECD) countries. That study indicated that New Zealand’s cash economy was in the lower half of countries with similar economies, with the estimate of the longrun average size of the cash economy being less than 9 percent of GDP. However, such estimates are by their very nature imprecise because of the assumptions that need to be made, and country comparisons can be difficult because measurement techniques vary between studies. Nevertheless, the study did highlight that the size of the cash informal economy is still significant, and Inland Revenue is committed to reducing this level of untaxed activity.

A range of practical problems—such as that of identifying the income not being declared by persons who receive a large proportion of their incomes in cash—act as a major constraint on reducing the size of this sector. Also, the community’s attitude towards compliance with the tax laws in general can be an issue, particularly if marginal tax rates are high, or the tax laws are complex or administered inflexibly. But one thing that the study into the cash economy did highlight was that a significant proportion of the income is unreported for reasons other than tax, such as criminal activity or avoiding other forms of government regulation. This implies that much of the activity would occur regardless of the level or rate of taxation.

There are a range of strategies in place to contain or reduce the size of the cash economy in New Zealand which will be discussed in this paper. The general aim is create an environment where all taxpayers can meet their tax obligations of their own accord. In this context, it is important to make tax compliance as easy as possible, while making it as hard as possible to avoid or evade.

Accordingly, New Zealand’s tax system is based on voluntary compliance, and it is up to each taxpayer to self assess his or her tax liability under the law. As an incentive to comply, there are shortfall penalties for noncompli-
ance, which vary according to the seriousness of the offence, and interest is charged on unpaid taxes.

Simpler rules and processes make it easier for taxpayers to comply. Considerable effort has, therefore, gone into simplifying the rules. The focus was initially on improving the accuracy of the resident withholding tax system in order to reduce the number of taxpayers required to file tax returns. More recently, the focus has been on reducing tax compliance costs for businesses, especially small businesses. Also, the Income Tax Act is being gradually re-written in simpler language, with a more logical order, and taxpayers can now obtain binding rulings from Inland Revenue to help them determine how the tax system applies in particular circumstances. From an administration perspective, a spinoff of the binding rulings process is better information to help identify threats to the tax base.

We know about the cash economy, and this is one aspect to be discussed. However, it falls within a wider organisational ideology encompassed in the Business Plan—The Way Forward.

**Inland Revenue’s Compliance Model**

Inland Revenue has developed a compliance model to assist in understanding the factors that influence taxpayer compliance behavior, while enabling it to choose the most appropriate actions to achieve long-term compliance.

The compliance model is based on a concept developed by the Australian National University and refined for the Australian Taxation Office (ATO). Similar models are used in other tax administrations. The model is a tool that helps us achieve the outcomes outlined in Inland Revenue’s Business Plan—The Way Forward.

**Inland Revenue’s Business Plan**

The major themes in Inland Revenue’s Business Plan—The Way Forward 2001 Onwards are:

- Streamlining of our processes to make it easy for taxpayers to meet their obligations;
- Tailoring our actions to meet taxpayer’s needs rather than a “one size fits all” approach;
- Managing relationships through greater visibility in the community rather than simply undertaking transactions;
- Recognising how our Social Policy and Student Loan work differs from tax business; and
building our capability to ensure that the department is well-posi-
tioned to deliver on this plan.

The four key principles of tax administration set out in Inland Revenue’s
Business Plan—The Way Forward 2001 Onwards are:

- Inland Revenue administers tax, social policy, and loan regimes on
  behalf of all New Zealanders, for the good of all New Zealanders;
- Inland Revenue administers the tax and social policy regimes within
  the laws made by Parliament;
- Inland Revenue will work with New Zealanders to make it simpler
  and easier to meet obligations of their own accord—aimed at re-
ducing costs both for the community (compliance costs) and In-
land Revenue (administrations costs); and
- New Zealanders are a diverse group, with varying tax service needs
  that require a range of responses.

To guide the department toward the implementation of these principles
is its strategic direction. There are four key outcomes:

1. Streamline and simplify tax processes.
2. Create an environment which promotes compliance.
3. Enhance our people capability.
4. Enhance the administration of social policy business.

Using the compliance model in all our activities enables us to contribute
to achieving Inland Revenue’s outcomes.

The Compliance Model

The model will enable us to improve long-term voluntary compliance and
create an environment that promotes compliance. The compliance model
pyramid has two different components (see Figure A). The first component
looks at the customer’s attitudes and behaviors—the left side of the model.
The second component looks at our response to encourage compliance—the
right side of the model.

Using the Compliance Model

Factors Influencing Customer Attitudes—The BISEP
Understanding customers’ attitudes to and behaviors around compliance is
Attitudes to Compliance

The BISEP model addresses the different attitudes to compliance. It shows us that there are a range of attitudes, and they often differ depending on the situation. These are outlined below:
There are a number of reasons why a person may or may not have complied, and the BISEP helps us to understand why.

We cannot assume that, because a customer has not complied, he or she automatically sits at the top of the pyramid.

Customers cannot be categorised as having the same attitude all the time.

The theory developed by Dr. Valerie Braithwaite describes five main attitudes and behaviors to compliance. This differs from Inland Revenue’s compliance model where there are only four main attitudes. The fifth “attitude” as developed in the theory is described as “game players”. This attitude can sit anywhere along the pyramid and is a subcategory within the four main
attitudes. This means that a customer can be fully complying but, if the customer’s attitude is one of “winning” against the tax system, then the customer may be considered to be a “game player.” The five attitudes are outlined below.

**Commitment: Willing to do the right thing**
This attitude represents those customers who:
- are ready, willing, and able to comply;
- are committed to meeting their obligations;
- have accepted that they have a responsibility to comply;
- consider that there is a moral or ethical obligation to comply; and
- regulate their own compliance.

**Capture: Try to, but don’t always succeed**
This attitude represents those customers who:
- do not actively resist the system;
- often require additional assistance to meet their obligations;
- try to get things right but often, through a lack of skills or knowledge, inadvertently get things wrong; and
- acknowledge that, if they cooperate with Inland Revenue, then we will try to assist them as much as we can.

**Resistance: Don’t want to comply**
This attitude represents those customers who:
- actively resist the self-regulatory system;
- try to avoid meeting their compliance obligations; and
- believe that Inland Revenue is actively pursuing people to “catch them out” rather than help them.

**Disengagement: Have decided not to comply**
This attitude represents these customers who:
- no longer want to participate in the system;
Translating the Compliance Model into Practical Reality

- do not care that they are not doing the right thing; and
- will not take any steps to change this situation.

**Game Players**

This attitude represents these customers who:

- enjoy the challenge of “winning” against the “tax man”;
- do not necessarily think they are doing the wrong thing;
- often believe that they are fulfilling their social obligations;
- often operate within the bounds of the law; and
- think that they are good citizens.

Game players are a unique group in that they can sit anywhere along the left side of the model.

**Encouraging Compliance**

To determine the most appropriate response for the customer, we look at the factors that may be influencing the attitude of the customer toward compliance. Once we have an understanding of the factors influencing his or her attitude, it allows us to develop a compliance strategy that is more appropriate and effective for that customer.

Our response needs to encourage the customer’s attitude to move down the pyramid. This will result in improved voluntary compliance. Examples of the practical application of this model include:

**Improving Inland Revenue’s image in the community**

A more positive public image has positive flow-on effects in terms of reducing taxpayers’ antagonism to complying with the tax laws. This is being achieved through such initiatives as increasing the number of advisory officers, actively participating in the whole of government approach to delivery of services, and improving the information that Inland Revenue provides to taxpayers (and the timeliness of its delivery).

**Strengthening the relationship with the Institute of Chartered Accountants of New Zealand**

Accountants, as agents for the taxpayer, play an important role in maintaining the integrity of the tax system. Special procedures have been developed for taxpayers who use tax agents.
Debt and hardship legislation
The community viewed the debt and hardship provision as too harsh, with little latitude allowed to those who administered the law. Law changes have since allowed a more flexible approach, including the ability to seek debt writeoff, and more flexible debt repayment options.

Refocusing audit activity
Since the mid-1990’s, the focus of Inland Revenue’s audit activity has been increasingly on corporate taxpayers, aggressive tax issues, and tax evasion as these pose the greatest risk to compliance and the revenue base. To support this Inland Revenue undertook an extensive review of audit activity within Inland Revenue and developed Strategic Principles for Audit. The Business Plan—The Way Forward is the organisational blueprint for any strategy developed within Inland Revenue, and, as such, the principles outlined in the Strategic Principals for Audit are aligned to The Business Plan—The Way Forward.

The Strategic Principles for Audit support the Compliance Model and are intended to be the fundamental reference point for all audit staff and management, and, as such, act as a blueprint for all its methodologies, technologies, and processes employed. It is considered that the Principles will enhance Audits effectiveness and efficiency in influencing taxpayer compliance behavior.

The Strategic Principals for Audit
To manage revenue risk effectively, Inland Revenue recognises the need to improve risk identification and analysis and tailor our audit responses to the level of risk identified. The Audit Strategy outlines eight key principles that provide clarity to the context and purpose of Audit activity. Consequently, the principles mean that Audit is in a better position to support and contribute to Inland Revenue’s strategic direction by recognising that efforts in Audit are aimed at maintaining and improving taxpayer compliance and are not solely about conducting audits.

Key Principles

1. Audit has a key role in the wider process of compliance management.

2. The outcome of Audit activity is maintaining and improving compliance.

3. Audit staff are highly skilled, motivated, and equipped to achieve
quality outcomes.

4. Technology supports and enhances all aspects of Audit.

5. Audit is strongly focused on the identification of compliance risk, based on credible intelligence.

6. Audit activity concentrates on high risk but is still visible throughout the community.

7. Audit applies a range of interventions to maintain and improve compliance.

8. Audit activity supports measures to reduce compliance costs.

The Inland Revenue has initiated an Audit Strategy program to implement these key principles.

**Objectives of the Audit Strategy Program**

The objectives of this program include:

- Embedding the intent of the strategy into all aspects of Audit as based on the Strategic Principals for Audit;
- Improving the effectiveness and efficiency of Audit;
- Establishing an environment within Audit for improvement and innovation;
- Establishing an infrastructure to support the Audit Strategy over the longer term beyond this program of work;
- Improving external perception Audit;
- Integrating the intent of the Audit Strategy within the context of the direction of the wider organisation; and
- Managing the changes brought about by the Audit Strategy in a manner that ensures buy-in and ownership.

**Compliance-Based Auditing**

One of the key deliverables from the Audit Strategy Program is the Compliance-Based Auditing (CBA) project, which will be implemented on July 1, 2004. This project will provide the foundation for future Audit Strategy initiatives. This project is delivering a new audit task structure and risk assessment process, which will provide emphasis on identifying risk and selecting a task activity to appropriately manage the risk.
As part of the risk assessment process, the profile of the taxpayer as outlined in the BISEP model is considered, as is the overall multirevenue compliance behavior. This auditing approach has been developed to align the audit activity with the compliance model and provide the task structure to assist us in effectively managing risk and applying the appropriate level of intervention.

**Industry Partnership Initiative**

This initiative was developed to translate the compliance model into practical reality. It is a long-term initiative to address the cash economy by working with particular groups to identify barriers to compliance, exploring ways to streamline and simplify tax processes, and tailoring our services to improve compliance.

**Purpose**

Industry Partnership endeavors to improve tax compliance among industries involved in the cash economy by developing a responsive approach to taxpayers through a targeted mix of activities. The core purpose of the Industry Partnership project can be articulated as follows: “Using the compliance model, we will develop, test, and implement a relationship-based approach to working with small and medium enterprises within selected cash economy industries to encourage and enable voluntary compliance. This will be achieved by building relationships within the selected industries and wider community and developing and applying general and targeted leverage techniques including targeted enforcement action through enhanced business intelligence and improved audit case selection.”

By having a good understanding of how an industry operates, Inland Revenue can be effective in addressing Compliance issues. To date, Industry groups are responding positively to the initiative because they want attention for their concerns, the best support for their members, and a level playing field in their industries.

*The Way Forward* describes the future direction for Inland Revenue from July 2001 and the framework for such key initiatives as Industry Partnership. *The Way Forward* also provides clear endorsement of the approach that Industry Partnership is adopting: “We will deepen our understanding of our role within the community, further developing our knowledge of taxpayers’ needs, and generally making tax compliance as easy as possible (and hard to avoid) for all New Zealanders… We will have an ongoing relationship with taxpayer groups and agents, rather than one-off interventions, and we will develop strategic alliances with groups working with taxpayers or our social policy customers and Student Loan borrowers… At times, we have adopted a ‘one
size fits all’ approach to collecting revenue. In the future, this will be quite different. We will, as much as possible, tailor our approach for different taxpayers…”—David Butler—Commissioner of Inland Revenue.

All of these remarks were made in the Commissioner’s Foreword in The Way Forward. The statements provide a clear direction for the work of the Industry Partnership team and reinforce the specific commitment made in strategic initiative 6.7 of the plan—promote a public presence of Inland Revenue in the community which reads: “Inland Revenue needs to be more proactive within the community. In particular, this initiative will emphasise our need to establish relationships with a number of external groups, to ensure they understand the tax regime and give us stronger support for our actions, with Industry groups…”

The high level activities carried out within the Industry Partnership initiative fall within three major categories:

- Relationship management;
- Leverage; and
- Audit

Objectives

Undertaking these three activities will:

- Increase voluntary compliance levels within selected industries;
- Increase the department’s presence in the community;
- Improve the community’s perception of the department as a professional organization; and
- Ensure that Audit resources are targeted at the highest risk cases within selected industries.

Relationship Management

Inland Revenue seeks to identify cash economy industries with which it wants to develop a relationship. The Department has dedicated teams who initiate and maintain a relationship with specified industries, both nationally and within local areas. These established relationships assist in identifying industry issues that affect compliance and identify internal and external communication requirements. The relationship also provides the opportunity to gather intelligence in the specific industry, which in turn assists us to identify the specific level of interventions required in order to address the compliance risks of the industry.
Leverage

The meaning of “leverage” in an Inland Revenue context has been established as “a systematic approach to growing compliance, through persuasion and influence, and with judicious use of existing resources, new and existing tools.” In this context, leverage is a stepped process of applying downward pressure to taxpayers based on where they sit in the Compliance Model. It is incremental and increases in intensity where the attitude to compliance is more resistant.

This can be illustrated in Figure D where Leverage has been classified into three distinct types:

- **General**
  Applied to a large group about general issues—Inland Revenue’s “business as usual” advertising and communication.

- **Specific**
  Applied to a targeted group of people based on some commonality. Aims to make compliance issues relevant to them and demonstrate ways they can change their behaviors.

- **Targeted**
  Applied to a specific issue/risk and group of taxpayers. The contact is personal, direct, and specific about the course of action that needs to be taken.

Each activity has unique qualities justifying its inclusion to reach different levels of the compliance model to achieve the overall aim of changing taxpayer behaviors.

Audit Activity

The Industry Partnership audit approach is to “apply the Compliance Model concept in all aspects of dealing with a taxpayer. This will ensure that the taxpayer’s attitude to compliance, coupled with the factors that influence his or her decision and behaviors, are taken into account and the most appropriate action (compliance response) is used.” This means audit activity applies the full force of the law at times, as well as using education and persuasion.

For an industry where it has been identified that the cash economy can flourish, the established relationship can be used by Inland Revenue to obtain information and intelligence to develop specific industry profiles and provide the opportunity to identify additional sources for gathering third-party information. In addition, information and intelligence on people not within the tax
system may be obtained directly from these industry representatives. The release of such information and intelligence by members within an industry can assist the industry by ensuring that all those working within the targeted industry are on a level playing field. Obtaining information and intelligence relating to an identified industry allows Inland Revenue to further enhance our risk selection process to specifically target cases for audit activity within the selected industry.

**Industry Partnership Results to Date**

To date, the data identify an improvement in compliance. In 2002-03, there were improvements in the debt profile for the first two industry participants, electricians and painters. These improvements compare favorably with changes in the overall debt profile managed by Inland Revenue. As well as working directly with taxpayers, the department reviews and updates records for these industries, and makes adjustments in various departmental processes which have contributed to the improved results detailed below.

The results for the quarter July-September 2003 continue to build on the achievements attained last year. Particular areas of significant improvement, across all current partnerships compared to results for the quarter July-September 2002, were:

- 43-percent reduction in the number of outstanding returns;
- 22-percent reduction in the number of debt cases; and
- 16-percent reduction in the amount of debt outstanding.
The relationship management and debt issues were effectively stage one of the Industry Partnership Strategy. The real test (stage two), however, will be when our audit activities result in more taxpayers being brought into the tax system—either through direct audit activity or by leverage audit strategies.

**A Practical Application**

An area of increasing concern within the cash economy in New Zealand is the proliferation of transient workers. New Zealand has had constant net immigration over the past 10 years. There have been many benefits to the New Zealand economy, but net immigration has brought issues for the Inland Revenue concerning transient workers.

A large number of transient workers work within the cash economy. Payments for services supplied by these workers are in cash and in many cases with no tax deducted at the source. Transient workers often have a lack of knowledge of the tax system and, as such, are not fully aware of their tax obligations. Similarly, the transient nature of their activities often makes it difficult for the Inland Revenue to locate persons who choose not to meet their tax obligations.

**Horticultural Workers**

One industry where we have noticed an increase in transient workers is the horticultural contractors industry, particularly fruit picking. Several years ago, Inland Revenue had targeted this industry for audit purposes. It became apparent that our normal investigative techniques were not effective in combating the evasion and fraud that was occurring within the industry.

The Department was having difficulty in investigating transient workers as they were able to come and go out of New Zealand by either legal or illegal means before investigations could be completed or, in some cases, before they even commenced.

In an attempt to increase its effectiveness within the industry, Inland Revenue looked to form relationships with key players within the horticultural industry. It developed an industry partnership campaign to assist with the education of taxpayers within the industry and with the identification of non-complying taxpayers. Over the period in which the industry partnership campaign took place, we were further able to develop our investigative techniques which have increased our effectiveness. This increased effectiveness has led to a number of prosecutions. Part of our strategy with these prosecutions is to maximize the publicity of the prosecutions to obtain leverage across the industry.
Purpose of Campaign

The purpose of the campaign was to and continues to be:

- Encourage compliance among seasonal, transient contractors and workers in the fruit-picking industry by providing helpful information and advice.

- Trial and measure the effectiveness of a tactical campaign, unsupported by any advertising, on compliance among a sector of industry partner contractors and workers known to have low compliance levels.

- Leverage recent publicity resulting from the prosecution of noncompliant contractors.

Part of the strategy was to detect the level of evasion within the industry, and, to identify this, letters requesting information were issued to the bulk of kiwifruit orchards. Based on the information received, it was apparent that there was widespread evasion within the industry. Investigations and other actions were initiated, applying the context and focus of the compliance model to the team’s actions.

Application of the Compliance Model

As discussed, background analysis was undertaken to ascertain the specific features unique to the industry and to try and understand the environment the industry operates under. This analysis identified a number of key factors prevalent within this industry which provided Inland Revenue a specific strategy to manage noncompliance within it.

As a result of prevailing attitudes identified to compliance, the following strategies have been applied using the compliance model.

Make it easy

Inland Revenue provided informative articles in local Fruit Growers Federation newsletters in May 2001 and May 2002. These outlined tax obligations when employing contractors.

Assist

An established Industry Partnership team provided the following services specifically for the industry:
Advisory visits for new contractors into the industry;
- Subject-matter experts of the industry; and
- Personal visits to ensure full understanding of obligations.

As part of our standard Audit activity, Investigators provided specific education as part of the audit process. This education also addressed debt management options.

Deter by detection
The Industry Partnership team undertook some specific, targeted actions to detect and deter noncompliant behaviors:
- Spot checks on orchards where contractors were known to be working;
- Data-matching of previously gathered intelligence for case selection;
- Identification of outstanding returns and contact to request returns and/or impose default assessments;
- Identification of assets and bank accounts of defaulters and issuance of notices to recover any outstanding taxes;
- Liaison with other government departments and third parties to obtain intelligence; and
- Maintenance of a specific database on all intelligence gathered.

Use full force of the law
The full force of the law is applied as part of our audit activity where it has been determined that the taxpayer has decided not to comply. In these cases, we apply the following action:
- Complete prosecution action on all appropriate cases.
- Follow up on bankruptcies and liquidations in appropriate cases.
- Complete shortfall penalty action on all appropriate cases.
- Ensure maximum exposure of all prosecutions through publicity.

Outcome of Campaign to Date
To date, the campaign has been successful for the following reasons:
Inland Revenue has been seen working with growers to educate and assist in compliance.

Ongoing relationships have been developed with local fruit growers and specific third parties, especially banks.

Inland Revenue has demonstrated that it will appropriately manage the specific needs of an industry and effectively target noncompliance.

Both legislative and policy issues have been identified and are currently being processed.

There have been successful prosecutions.

Prosecution Activity

The following is a summary of the prosecution activity that has been undertaken by one of our Industry Partnership teams operating out of our Hamilton Service Center.

“To date, we have prosecuted six taxpayers for fraud offences which have resulted in prison sentences of up to 2 ½ years. The latest two were of a similar nature, whereby a person had set up a Horticultural Contracting Company (Company A). This company then contracts its supposed workers to another Horticultural Contractor (Company B) to pick an orchard’s fruit. Company A will then invoice Company B for the work done. Company B will pay a check to Company A. All appears above board up until this stage.

The problem is that Company A is not registered as an employer (may also use a subcontractor) or does not file GST or Employer Monthly Schedules. Company B is also not registered as an employer as they subcontract the work to Company A. As we have been dealing with migrant workers predominantly, they have no real ties to New Zealand and travel here either on visitors’ permits or student visas. Once in New Zealand, they can get work in the horticultural industry.

Some of these “visitors” are targeted by an intermediary who will set them up with a false identity or just set them up with a company structure, an IRD number, and an invoice book. These intermediaries will then get these people to write invoices out for Horticultural contracting gangs to enable them to limit their exposure to Goods and Services Tax and Employer Tax, as well as Accident Compensation Levies.

A current case going through the court system is where this person had invoiced out over $2 million in a 6-month period. That’s not bad for someone with no experience, coming into a competitive labor-intensive industry and being able to employ enough workers to undertake the work from day 1. To
date, we have not seen any tax from this entity and are unlikely to. We are currently targeting the people he invoiced. For all intents and purposes, the contracting gangs have a paper trail, documentary evidence, and transactions through the banking system to show that a transaction took place.

What this doesn’t reveal is the true picture of what happened next. Information obtained from local banks that were not happy with the practices of this group, in that they regularly drained available cash resources, allowed investigators to undertake some surveillance work. This revealed the checks being presented to the bank and cashed. The money was then taken outside the bank and, in most cases, either handed back to the intermediary or directly back to the contractor who paid the check (less a small commission for providing the invoice).

Armed with this information and the relationship developed with local banks, we were able to target this activity. The banks would advise when a same-day clearance was being undertaken. In most cases, the checks were being cashed for amounts ranging from $15,000 to $30,000. This could happen up to 2 or 3 times per day every day of the week.

We would then ring other banks in the area to ascertain the level of activity through this company’s bank account. This allowed us to calculate the level of Goods and Services Tax owed and either request a special return or impose a default assessment. As these returns were overdue, we were able to action a notice which demanded payment from people who owed money to the defaulter.

We then executed the notice at the specific bank branch and “took” the money to pay the outstanding debt. At the same time, we approached the contractor/intermediary in the bank for an interview wherever possible.

In one case, we managed to interview someone who had just cashed a $20,000 cheque. During the interview at the bank, he said that if we didn’t believe him about what he had just told us, we were welcome to take the money there and then. Investigators obliged him and handed him a receipt. The taxpayer was prosecuted for tax evasion amounting to $170,000 and is currently serving a 21-month prison sentence.

Where we were unable to interview, we tried to contact and arrange appointments to discuss their tax obligations. Initially, most made appointments to come in, knowing all too well that they were booked on a flight out of New Zealand a day or so beforehand.

Our next course of action was to lay charges of tax evasion at the local court and apply for an arrest warrant (knowing that someone was due to leave the country). An alert was then able to be placed on the Customs Computer system, and we have had several successful arrests at the International Airports in Christchurch and Auckland of people trying to leave the country.
When interviewed following their successful prosecutions, they have offered testimony against the people they have written invoices out for. We are now targeting these to ensure the foregone tax is recovered.

The system used to defraud the Inland Revenue is simple and could effectively be used in other industries with a similar withholding payment system. However, the relationships developed with fruit growers and banks have allowed us to gather information in a much more efficient manner than would normally be the case. In many cases now, fruit growers and banks contact the Department of their own accord when they have any doubts regarding transactions they may be involved in.”

Note: Legislative change has been postponed that will help alleviate most of the difficulties in this industry, so that tax is deducted at the source when paid to contractors, unless they hold valid exemption certificates, which will only be attainable if the contractor has a “good” tax history.