



Tax advice complaint highlights importance of early intervention

A misunderstanding in tax advice exposed the potential for a material financial claim and regulatory investigation.

Claim background

Our client was an accounting practice whose client alleged they had received incorrect advice about how much GST and income tax to set aside during the year.

The issue centred on a misunderstanding around appropriate tax provisions, particularly the treatment of subcontractor costs. This was complicated by several subcontractors not being registered for GST.

The client alleged that, because of the advice received, insufficient funds were set aside to meet tax obligations, leading to a financial shortfall. A complaint was lodged with the New Zealand Institute of Chartered Accountants (NZICA), valued at approximately \$81,000.

Resolution

Gallagher worked with our client to notify insurers and manage the claim in line with policy requirements.

Insurers confirmed cover under the client's professional indemnity policy, which included cover for quasi-judicial investigations. Specialist defence counsel was appointed early to assist with preparing and managing the response to NZICA.

The response focused on addressing the allegations through the regulatory process, including the circumstances in which the advice was provided and the challenges associated with verbal advice.

Early appointment of experienced counsel reduced the administrative burden on our client and ensured the response was managed in line with regulatory expectations.

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The matter was resolved with the client only required to pay a costs-inclusive excess of \$1,000.”

The Gallagher difference

Gallagher facilitated early engagement with insurers, coordinated the appointment of defence counsel, and guided the overall response strategy.

This structured approach helped manage risk, contain costs and support our client through a complex regulatory process, reinforcing the value of proactive claims advocacy and comprehensive cover.

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