



Important message for Businesses

Remittance of UOMI due to COVID-19

We understand the effect that COVID-19 (novel coronavirus) has had on the income and businesses of many of our customers. In response to the outbreak of COVID-19, Inland Revenue acknowledges that many customers will be coming under increasing financial pressure to pay their taxes in full and on time. Inland Revenue understands at times this might mean that to maintain a business's long-term viability, arrangements might need to be made in respect of a business's ability to pay their tax. We have been asked to clarify what support is available to taxpayers in light of the COVID-19 crisis.

To assist customers, the Commissioner already has a number of financial relief and remission provisions of the Tax Administration Act 1994 (TAA). The Government has also introduced a new section 183ABAB into the TAA 1994 giving the Commissioner the ability to remit use of money interest (UOMI) charged if the taxpayer's ability to pay tax on time has been significantly adversely affected by the COVID-19 outbreak.

This new provision would include both when a taxpayer is physically unable to make a tax payment on time and also when a taxpayer is financially unable to make a tax payment on time because of the economic effects of the COVID-19 outbreak. That relief is available once the core tax has been paid in full. This discretion applies to tax payments due on or after 14 February 2020. The Commissioner's ability to remit interest under s 183ABAB will apply until 25 March 2022.

For the sake of consistency, Inland Revenue intends to use the same dates in considering relief more generally for those customers adversely affected by COVID-19. The principles below that apply to considering the new section 183ABAB, will also be applied when considering other forms of relief from penalties for those customers who have been significantly adversely affected by COVID-19.

It is important that those customers who can pay their taxes on time continue to do so. The following special provisions will apply only to those customers who have been significantly adversely affected by the COVID-19 outbreak.

It is important to remember each taxpayer will have circumstances unique to them and this document reflects the broad tenor of the Commissioner's position in respect of the current environment.

When the Commissioner will remit penalties and UOMI

To be eligible for remittance of penalties and UOMI, the taxpayer must meet the following criteria:

- The taxpayer has tax that is due on or after 14 February 2020;
- The taxpayer's ability to pay by the due date, either physically or financially, has been significantly affected by COVID-19;
- The taxpayer will be expected to contact the Commissioner as soon as practicable to request relief and will also be required to pay the outstanding tax as soon as practicable.

It is the Commissioner's view that the taxpayer has been significantly affected by COVID-19 financially where the customer's income or revenue has reduced as a consequence of COVID-19 and that as a result of that reduction in income or revenue is unable to pay their taxes in full and on time.

"As soon as practicable" will be determined on the facts of each case. For guidance, the Commissioner considers the term means that so long as the taxpayer applies for the relief at the earliest opportunity and agrees to an arrangement that will see the outstanding tax paid at the earliest opportunity, or will be paid over the most reasonable period given the taxpayer's specific circumstances, the test will have been met.

Those customers who require further assistance at a later date, such as having to renegotiate the terms of an arrangement, should contact Inland Revenue at the earliest opportunity after determining they will have difficulty in paying the tax as agreed. So long as the taxpayer completes an arrangement (which may have been amended at the taxpayer's request during the period of the arrangement), the Commissioner will accept that by entering into and completing that arrangement, the test for "as soon as practicable" in respect of paying the tax will have been met.

Interest and penalties will continue to accrue for those taxpayers who enter into arrangements. However, when the arrangement is completed and we have already established the taxpayer meets the criteria for remission, that interest will be automatically cancelled without the need for the taxpayer to apply to have it remitted.

The interest will be charged on those taxpayers who do not complete an arrangement from the time they stop complying with the arrangement.

Information to be provided when requesting relief

Inland Revenue will be trying to minimise the information we would ask to be provided during these unusual times. By continuing to file GST and other returns we will have a lot of the information we would normally ask to be provided. However, customers should be able to provide, if asked, at least three month's banks statements and credit card statements; any management accounting information; a list of aged creditors and debtors. We will not ask for that information in every case, but the information should be available if we do ask for it. For businesses, Inland Revenue will be looking to understand the taxpayer's plan to sustain their business. We understand you might not be able to get all this information at this time given the COVID-19 lockdown. We will work with you based on what you know and are able to access at this time and will continue to do so as more information becomes available.

The type of relief available

New debt due to COVID-19

- Instalment arrangement
- Instalment arrangement - deferred payment start date
- Partial write-off due to serious hardship and payment of the remaining tax by instalment or a lump sum
- Partial payment and write-off the balance under maximising recovery of outstanding tax
- Write-off due to serious hardship

Pre-existing debt prior to COVID-19

Customers who may already be in an arrangement but consider they may not be able to continue with the current terms due to being significantly affected by COVID-19 may ask to renegotiate the instalment arrangement. Any of the above options may be appropriate and each case will be considered on its own facts. Customers are encouraged to contact Inland Revenue as soon as they believe they will have difficulty in meeting their current arrangement.

Customers who do not have their debt under an arrangement, should contact Inland Revenue as soon as possible to discuss what options may best suit their particular circumstances

Filing of returns

Inland Revenue accepts that customers will have difficulty paying all their taxes in full and on time. However, it is important that they continue to file their returns on time.

The information in those returns will allow us to have a more complete picture of a customer's financial position when considering the various options for relief, so may reduce the amount of information we would require to consider whether or not to agree to the request for relief, and the extent of that relief.

In addition, the information in those returns provides important information to the government – at the present time to be able to monitor the effects of COVID-19 on New Zealand's economy