

DETERMINATION > COVID-19 VARIATION

Variation in relation to s DB 31 Income Tax Act 2007 to extend time for writing off bad debts

Issued: 11 June 2020

COV 20/04

EFFECTIVE: 1 April 2020 to 30 June 2020

Variation

The Commissioner of Inland Revenue has, under the discretion provided under section 6I of the Tax Administration Act 1994, made the following statutory variation:

For the 2020 income year, the timeframe by which a debt must be written off as bad in order for a deduction to be available in that income year is extended to 30 June 2020.

This is subject to the conditions that:

- The taxpayer did not write off their debt as bad by the end of the 2020 income year as a result of the impacts of Covid-19.
- The taxpayer takes into account only information that was relevant as at the end of their 2020 income year.

Application date

This variation applies from 1 April 2020 to 30 June 2020.

Dated at Wellington on 11 June 2020.

Martin Smith

Chief Tax Counsel

Inland Revenue

Background (material under this heading does not form part of the variation)

Summary of effect

1. In order to claim a deduction in an income year for a bad debt, section DB 31 of the Income Tax Act 2007 requires that the debt has been written off as bad in the income year. For the 2020 income year, the time within which the debt must be written off as bad has been extended to 30 June 2020 using s 6I of the TAA.

Provisions affected

2. Section DB 31 of the Income Tax Act 2007.

Application of variation

3. This variation applies to a person who wishes to claim a deduction in the 2020 income year for a bad debt. The variation recognises that the impact of COVID-19 means that some taxpayers may not have been able to write off debts as bad during their 2020 income year, and it extends the time for writing off debts as bad to 30 June 2020. The variation is subject to the two conditions that the person did not write off the debt by the end of the 2020 income year as a result of the impacts of Covid-19, and that the person takes into account only information that was relevant as at the end of their 2020 income year.

References

Legislative references

Tax Administration Act 1994: ss 6H and 6I

Income Tax Act 2007: s DB 31

About this publication

To help customers manage the impacts of COVID-19, the Commissioner now has a discretion to vary a requirement under an Inland Revenue Act (including for these purposes, the Unclaimed Money Act 1971). This discretion is found in ss 6H and 6I of the Tax Administration Act 1994 and applies from 17 March 2020 to 30 September 2021. This variation is an exercise of that power.