DETERMINATION > COVID-19 VARIATION

Variation in relation to s RP 17B(4) of the Income Tax Act 2007 to extend time for tax pooling transfers

Issued: 11 June 2020

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EFFECTIVE: 11 June 2020 to 7 April 2021

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:

Section RP 17B(4)(a) and (b) of the Income Tax Act 2007 are varied to allow a taxpayer to ask a tax pooling intermediary to arrange the transfer of an amount to satisfy an obligation for provisional tax (other than under the aim method), terminal tax or use of money interest on the provisional tax or terminal tax for the 2019 income year, on or before the date that is 365 days after a person's terminal tax date for the 2019 tax year.

This is subject to the conditions that:

- The transfer relates to a contract the taxpayer has with the tax pooling intermediary that is in place on or before 21 July 2020 to purchase tax pooling funds.
- In the period between January 2020 and July 2020 the taxpayer's business must have experienced (or for June and July 2020 be expected to experience) a significant decline in actual (or predicted) revenue which means that in respect of the 2019 tax year the taxpayer was either (a) unable to satisfy their existing commercial contract with a tax pooling intermediary or (b) was, prior to this variation, not able to enter into a commercial contract with a tax pooling intermediary; and that decline in actual or predicted revenue is related to COVID-19.

Application date

This variation applies from 11 June 2020 to 7 April 2021.

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 use funds in a tax pooling account to satisfy a tax obligation for the 2019 income year, section RP 17B(4) of the Income Tax Act 2007 requires a transfer request to be made on or before either 75 or 76 days of terminal tax date. For the 2019 income year, the time within which a request must be made has been extended to 365 days after terminal tax date using s 6I of the TAA.

Provisions affected

2. Section RP 17B of the Income Tax Act 2007.

Application of variation

3. This variation applies to a person who wishes to use funds in a tax pooling account to satisfy an obligation for provisional tax or terminal tax for the 2019 tax year. The variation recognises that the impact of COVID-19 means that some taxpayers who would otherwise have made use of tax pooling have been unable to do so due to cashflow difficulties. The variation is subject to the two conditions requiring a contract with a tax pooling intermediary to be in place on or before 21 July 2020, and that the person's business must have experienced, or will be expected to experience a significant decline in revenue as a result of COVID-19.

References

Legislative references

Tax Administration Act 1994: ss 6H and 6I

Income Tax Act 2007: s RP 17B

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.