

DETERMINATION > COVID-19 VARIATION

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

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EFFECTIVE: 1 April 2022 to 30 June 2022

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 2022 income year, for taxpayers with 31 March balance dates, 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 2022.

This is subject to the conditions that:

- The taxpayer has had difficulty writing off their debt as bad by the end of the 2022 income year because of circumstances arising either from the imposition of COVID-19 response measures or as a consequence of COVID-19. This could include the impact of a key staff member or advisor having reduced availability, or the financial impact of COVID-19 causing significant disruption to the normal business operations of the taxpayer.
- In deciding a debt is bad the taxpayer takes into account only information that was relevant as at the end of their 2022 income year.

Application date

This variation applies from 1 April 2022 to 30 June 2022.

Dated at Wellington on 3 March 2022.

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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, s DB 31 of the Income Tax Act 2007 requires the debt to have been written off as bad in the income year. The effect of the variation is to extend the timeframe within which a taxpayer with a 31 March balance date can write off a debt as bad (and obtain a deduction) for the 2022 income year.

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 2022 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 2022 income year, and it extends the time for writing off debts as bad to 30 June 2022. The variation is subject to the two conditions that the person did not write off the debt by the end of the 2022 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 2022 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 2022. This variation is an exercise of that power.