

Compliance and Penalties Amendments

(Issued as an appendix to TIB Volume Nine, No.2 - February 1997)

TIB Volume Eight, No.7 (October 1996) dealt with the new compliance and penalties rules that arose from the Taxpayer Compliance, Penalties, and Disputes Resolution Bill. This sheet contains clarifications and amendments to that TIB.

We suggest that you file this sheet with your copy of TIB Volume Eight, No.7.

Interest rates (pages 3-6 of TIB 8.7)

The use of money interest rates were not available when we printed TIB Volume Eight, No.7. They have since been set by Cabinet as follows:

- 13.9% for underpayments
- 7.1% for overpayments.

The formulae used for calculating the new use of money interest rates are based on the latest available monthly average Reserve Bank rates, in this case the average rates for December 1996.

The formula for calculating the interest rate for tax overpayments is the average Reserve Bank 90 day bank bill rate for December 1996 less 100 basis points.

The formula for calculating the interest rate for tax underpayments is the average Reserve Bank business base lending rate for December 1996 plus 200 basis points.

Application dates (Page 2 of TIB 8.7)

The correct application dates for instalment arrangements and penalty remissions are:

- Instalment Arrangements: Arrangements entered into for any periods beginning on or after 1 April 1997.
- Penalty Remissions: Any remissions considered for any periods beginning on or after 1 April 1997.

Late filing penalty (Page 8 of TIB 8.7)

Under the heading *Application of Penalty*, we gave an equation to show how net income is calculated as far as losses are concerned. One point in that equation needs clarification:

Net income as defined by section BC 6 of the Taxation (Core Provisions) Act 1996 is the annual gross income less annual allowable deductions. Allowable deductions includes any losses incurred in that income year (for example losses from a LAQC). Losses from earlier years are not included.

Remissions (Page 37 of TIB 8.7)

The intention was that the new remission and cancellation rules were to apply from 1 April 1997, but the legislation provides for an income year basis from the 1997-98 income year. The old remission rules apply to tax liabilities arising from earlier income years.



Inland Revenue
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