

Tax due dates - what to pay

While it may seem the world is falling apart, income tax payments continue to fall due. Three upcoming key income tax due dates are:

- **30 March (because 28 March is a Saturday) – 2nd instalment of 2020 provisional tax for 30 June balance dates**
- **7 April – 2019 terminal tax**
- **7 May – 3rd instalment of 2020 provisional tax for 31 March balance dates. GST due for 2 or 6 months ended 31 March.**

Unfortunately the government has not extended these due dates, and instead announced (and subsequently enacted) that Inland Revenue will have the discretion to write off use of money interest where a tax payment was unable to be made due to financial difficulties in the current environment. Inland Revenue already have the power to remit late payment penalties so this is a new step.

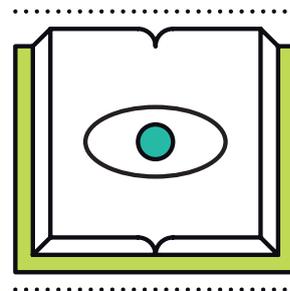
Inland Revenue state:

"Under the current proposal, we may agree to write-off UOMI at our discretion, if we consider a business or individual has had their ability to pay tax on time significantly constrained by COVID-19. This proposal would cover all payment to us where UOMI is charged, whether they're taxes (such as income tax or GST), or other payments (such as Working for Families)." (underline added)

Now, for tomorrow

For business owners who are craving certainty in these very uncertain times, a statement by a government department that it will use its discretion about any matter does not provide a huge amount of comfort – even if further guidance is due to be released by Inland Revenue in coming days. Unless your business is clearly and undeniably suffering, there is limited certainty about what to do. We would expect Inland Revenue to be generous with using its discretion, but matters may look different in 6 months' time.

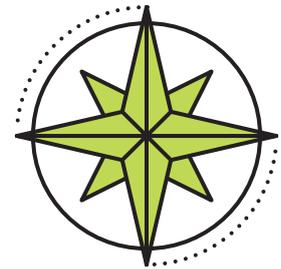
We would have preferred the government take the same approach as other countries who have simply deferred tax payment due dates by a month or more. Fortunately, tax pooling intermediaries such as Tax Management New Zealand (TMNZ) have products such as Flexitax® which allow businesses who aren't sure about what the future may hold to have provisional tax available in the event that Inland Revenue chooses not to exercise its discretion in a particular case.



What should you do?

As a first step, all businesses should model their cashflow for the next 12 months at least, based on their best estimates of how COVID-19 will affect their business, to be updated as circumstances change.

1. If the projected cashflow of the business is already being adversely affected and will be so in the foreseeable future, defer and pay tax when matters stabilise. Late payment will give rise to penalties and interest and you can be comfortable that these will be remitted, on application.
2. If projected cashflow is expected to have a blip during the lockdown, and that means wages and other overheads might not be paid, same as 1 above.
3. If projected cashflow is expected to have a blip during the lockdown, but there are cash resources which should meet outgoings over 2-3 months, same as 1 above but line up tax using Flexitax®. This means if Inland Revenue do not remit interest and penalties you will have the tax available to pay, but at lower TMNZ interest rates.
4. If the business is reasonably unaffected but there is just a general worry then pay now, unless you are feeling very cautious in which case follow 3 above.
5. If you are relaxed (e.g. you own a toilet paper factory) then pay the tax due.



Tax Management NZ can help with the tax payment uncertainty

Flexitax® by TMNZ allows you to pay your provisional tax at any time when it suits your cashflow or when your tax liability is finalised. The requirement is that you complete your arrangements by your terminal tax date, 7 April 2021 if you have a 31 March 2020 year end. Using Flexitax® means you pay interest at rates 30% lower than IRD and have no penalties. There is no up-front cost, and in the event you end up not needing the tax, you can cancel your Flexitax® request without incurring any cost.

For those with more certainty on their cashflow, Tax Finance with TMNZ allows you to select your provisional tax payment date. You pay a market leading interest rate up-front and the core tax on your selected date. For upcoming tax obligations on 28 March 2020, 7 April 2020 and 7 May 2020, TMNZ guarantee that your funding costs to finance tax using TMNZ will be less than 3.95 percent, you only need to create this arrangement ahead of the due date. In the event IRD waives penalties and interest, you will be refunded the Tax Finance fee.

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