

AGENTS ANSWERS

Inland Revenue's tax agents' update



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Provisional tax uplift for customers with EOT

If your client's previous year's return isn't filed on or before a provisional tax due date, and they have an extension of time (EOT), the amount due for that instalment is the 10% uplift amount (based on the year before the previous income year).

When the previous year's return is filed, myIR will display the amount due as the lesser of the 10% uplift or the 5% uplift for any instalment due prior to that return being filed. Once the prior year return is filed, we will use the 5% uplift for all instalments on or after the filing date.

When the income tax return for the year is filed, we will recalculate the amounts due based on the lesser of that year's RIT or the amounts previously calculated. This ensures that any potential UOMI and penalties are always based on the lowest amount.

The examples below show what will be displayed in myIR for the 2022 tax year:

Example one

Customer's 2021 return (standard balance date) filed 12/10/21.

2020 RIT $\$8,348.73 \times 110\% = \$9,183.60$

2021 RIT $\$5,088.08 \times 105\% = \$5,342.48$

P1 30/08/21 $\$1,780$ (based on prior year +5% uplift)

P2 17/01/22 $\$1,781$ (based on prior year +5% uplift)

P3 09/05/22 $\$1,781$ (based on prior year +5% uplift)

Example two

Customer's 2021 return (standard balance date) filed 13/01/2022.

2020 RIT $\$12,000 \times 110\% = \$13,200$

2021 RIT $\$16,000 \times 105\% = \$16,800$

P1 30/08/21 $\$4,400$ (based on two years prior +10% uplift)

P2 17/01/22 $\$6,800$ (based on prior year +5% uplift)*

P3 09/05/22 $\$5,600$ (based on prior year +5% uplift)

* (residual income tax \times instalment number \div total instalments) – provisional tax liabilities for the tax year to date.

Variation in relation to the definition of "finance lease" in section YA 1 of the Income Tax Act 2007

This variation applies to lessors and lessees who may have agreed to extend lease terms (or intend to do so) due to the financial impacts of COVID-19. The time period in the definition of "finance lease" has been extended using s 6I of the Tax Administration Act 1994 to allow certain extended leases to continue to be treated as operating leases.

You can find this item on our website at taxtechnical.ird.govt.nz/

(search keywords: CV 21/06)



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Agents Answers comments generally on topical tax issues relevant to tax agents. Every attempt is made to ensure the law is correctly interpreted, but articles are intended as a brief overview only. The examples provided are not intended to cover every possible factual situation.

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