

## Correspondence guidelines

These guidelines can help tax agents when they send any correspondence or requests to us. Each guideline explains what information needs to be provided so the request can be considered or the return processed as quickly as possible.

### Guidelines for electing not to depreciate an asset

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

#### Legislation

An election not to depreciate an asset is covered under section EE 8 of the Income Tax Act 2007.

By electing not to depreciate an asset, your client may avoid paying tax on depreciation recovered when the asset is disposed of.

#### Information needed

Please include the following information when you're making an election as part of your client's tax return for the income year:

- name and IRD number
- current address
- description of the asset the election is being made for
- address if the asset is a building (depreciation on buildings that have an estimated useful life of 50 years has been reduced to 0%)
- income year the election is being made for
- purchase or acquisition date.

You should include any other relevant information. For example, we need to know if the asset:

- is newly acquired, or
- has changed use from non-business to business.

You also need to tell us if this is a retrospective election to not depreciate an asset. Your client can't have already claimed depreciation for this asset in any previous tax year.

This election will then apply to every year from when the asset was purchased.

Once you've notified us of your client's election not to depreciate an asset your client can't claim depreciation on it in future years.



#### Sending us the election

You can send this by attaching it to your client's tax return.

#### Further resources

For more information about depreciation read our guide *Depreciation - a guide for businesses (IR260)* or go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: depreciation).

# Guidelines to obtain an authority to act

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## About an authority to act

To link a client you must hold written or electronic authority from your client. This gives you or your agency legal permission to deal with us on your client's behalf. It lets you access information on a tax type or activity you, or your agency, are linking to. See the *Client linking or delinking (IR795)* form.

An authority to act for an individual client doesn't extend to their related entities, eg, a company, partnership or trust. You need a separate authority to act for each IRD number you're linked to.

An authority to act letter for a non-individual must be signed by a person or persons with the requisite authority to bind that entity.

- **Companies** - a person or persons who hold(s) the authority to bind the company to an agreement must sign the authority to act. This would normally be a director or a manager.
- **Ordinary partnerships** - the authority to act letter must be signed by a partner or by a person who has the delegated authority to bind the partnership.
- **Limited partnerships** - the authority to act letter must be signed by a general partner or a person who has the delegated authority to bind the limited partnership.
- **Trusts** - the authority to act letter must be signed by all trustees, or by the trustee or trustees who have been authorised by the other trustees to act on all of their behalf.
- **All other entities** - a person or persons with the requisite authority must sign the authority to act letter.

The rules governing the particular entity will determine how many persons need to sign the authority to act. For example, if one person holds the delegated authority to sign on behalf of the other members of the non-individual then only that person needs to sign. The person signing the authority to act letter must ensure that they are authorised by the non-individual to appoint an agent. It may sometimes, depending on the circumstances, be prudent for you to check that you have been properly appointed. You may wish to verify a signatory's authority as part of your identity verification process, for example, by obtaining and holding a copy of the trustee resolution that gives authority to a particular trustee to act on behalf of the other trustees.

Children under the age of 16 need an adult to complete an authority-to-act letter on their behalf. When a child of an existing client turns 16 and they become a client, you need an authority to act from them.

If your client passes away, you must hold a signed authority-to-act letter from an authorised person for the estate.

To hold an electronic authority to act, you need to follow the guidelines set out in "Process for tax agents to obtain electronic authorities to act". This is published in the *Tax Information Bulletin* Vol 23, No 9 (November 2011) and on our website at [www.ird.govt.nz/technical-tax/general-articles](http://www.ird.govt.nz/technical-tax/general-articles)

## Information needed on the authority to act

Your client's authority to act must contain the following:

- the tax agent's or agency's full name - not a specific person or partner
- where the tax agency is in the name of an individual, the authority should also include the words "and staff/contractors as applicable"
- the client's full name, IRD number, a space for their signature and date
- the words "obtain information from Inland Revenue through all channels, including electronic ones"
- the authority given to obtain information for all tax types (except child support)
- if there's an agreement to sign on behalf of the client, stipulate this in the authority
- if a trust account is to be used for client refunds, the client must be made aware of this in the authority.

If a client has been delinked for any reason, you need a new authority-to-act letter or electronic authority before you can re-link them.

**Note:** You can't link clients for child support tax types. The client must give written authority to Inland Revenue by either writing a letter or completing an *Elect someone to act on your behalf (IR597)* form.

(continued on next page)

(continued from previous page)

Below is an example of the information that must be on a non-individual's authority-to-act letter.

**Authority to act**

I .....  
(full name of person giving authority and their position in the non-individual entity)

being duly authorised by .....  
(name of non-individual entity)

give authority to .....  
(name of tax agent or agency)

to act on behalf of .....  
..... - ..... - .....  
(name and IRD number of non-individual entity)

for all tax types until further notice. Authority is given to obtain information from Inland Revenue about all tax types. This includes obtaining information through all Inland Revenue media and communication channels.

Signature .....

Date .....

Below is an example of the information that must be on an authority-to-act letter for all other clients.

**Authority to act**

I/We .....  
(name of person/s giving authority)

give authority to .....  
(name of the tax agent or agency)

to act on behalf of .....  
..... - ..... - .....  
(name and IRD number of client)

for all tax types (except child support) until further notice. Authority is given to obtain information from Inland Revenue about all tax types (except child support). This includes obtaining information through all Inland Revenue media and communication channels.

Full name .....

Signature .....

Date .....

# Guidelines for determining residency status

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

The Income Tax Act 2007 says that a person, other than a company, who has a "permanent place of abode" in New Zealand is a New Zealand tax resident.

## Information needed

If you need help determining a client's residency status for tax purposes, please provide us with your client's IRD number, full name and current address.

We also need your client's:

- travel dates to and from New Zealand
- destination
- intentions about returning to New Zealand to live, and if they are returning, when they expect to do so.

This list is a guide only - you'll need to consider the overall situation when working out whether your client's a New Zealand tax resident. If you'd like our view, you can fill in a *New Zealand tax residence questionnaire (IR886)*. We'll then advise you about your client's tax residence status and if they have any future New Zealand tax responsibilities.

## Other information

If your client has strong ties to New Zealand it's likely that they'll have a permanent place of abode in New Zealand. The types of ties that are relevant are:

- whether they make trips back to New Zealand and for how long
- their past use of the dwelling in New Zealand
- their family and social ties
- their employment, economic and property ties
- whether they intend to come back to New Zealand to live and if they do, when.

The permanent place of abode test overrides any rules about the number of days your client is out of New Zealand. So your client will still be a New Zealand tax resident as long as they have a permanent place of abode here, even if they're gone for more than 325 days.

If there's somewhere in New Zealand your client could live, we need to decide whether it's their permanent place of abode. To do this, we look at all of your client's circumstances, as shown in the table below.

## Sending us the information

You can send the information by:

- secure email
- posting it or a completed *New Zealand tax residence questionnaire (IR886)*.

## Further resources

*Interpretation statement IS 14/01: Tax residence* sets out the Commissioner's view on the application of the tax residence rules for individuals, companies and trusts. You can read this in the *Tax Information Bulletin* Vol 26, No 3 (April 2014) or on our website at [www.ird.govt.nz/technical-tax/interpretations/2014](http://www.ird.govt.nz/technical-tax/interpretations/2014)

Our guides *New Zealand tax residence (IR292)* and *Taxes and duties (IR295)* can also be used to work out if your client is a New Zealand tax resident for tax purposes.

## Permanent place of abode test

Circumstance	What we look at
Presence in New Zealand	How much time you spend in New Zealand, and whether you're here continuously or from time to time
Accommodation	How you've previously used the accommodation you have in New Zealand and your connection with it, ie, whether you own, lease or have access to it
Family and social ties	Where your family live (especially immediate family) and if you belong to any New Zealand clubs, associations or organisations
Economic ties	If you have bank accounts, credit cards, investments, life insurance or superannuation funds here
Employment or business	If you run a business here, you're employed here or you have any employment to return to, or any employment contracts
Personal property	If you have vehicles, clothing, furniture or other property or possessions kept here
Intentions	Whether you intend to come back to New Zealand to live
Benefits, pensions and other payments	Whether you receive any welfare benefits, pensions or other payments from New Zealand agencies or organisations.

# Guidelines for United Kingdom pensions

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

The Income Tax Act 2007 - section LJ 2(1) and Article 19 of Schedule 1, Double Taxation Relief (United Kingdom) Order 1984.

## About UK pensions

Under the double tax agreement (DTA) with the United Kingdom (UK), New Zealand has sole taxing rights to UK pensions received by New Zealand tax residents. This means New Zealand tax residents can't claim any foreign tax credits on their UK pensions in their New Zealand tax return.

## Information needed

If your clients had tax withheld from their pension in the UK or you want to stop any new or further deductions being made from their pension, your client needs to apply for relief from the UK. They'll need your help to complete an *Application for relief at source from United Kingdom income tax and claim to repayment of United Kingdom income tax, Form New Zealand - Individual* at [www.hmrc.gov.uk/cnr/nz\\_indiv.pdf](http://www.hmrc.gov.uk/cnr/nz_indiv.pdf) and send it to us.

We'll process the form and forward it on your client's behalf to HM Revenue & Customs (HMRC). They'll ask your client's pension provider to stop the deductions in their system. The form will also allow your client to claim back amounts incorrectly withheld in the UK.

If your client has previously claimed foreign tax credits on their UK pension, you may consider making a *Voluntary disclosure (IR281)* to have these removed from your client's returns. If you make a voluntary disclosure because your client has claimed these tax credits in the past you'll only be required to amend affected returns relating to the 2013 and/or 2014 tax years, provided you have corrected the tax position in future years.

If your client was or is a transitional resident, the pension is generally only taxable from the date their transitional residency ends. If so, you'll need to attach details of the transitional residency on a separate sheet and attach it to the HMRC form. For a guide on what you should include see the *Commissioner's operation position on foreign tax credits for amounts withheld from United Kingdom pension*.

## Other information

If interest has been charged for the 2013 tax year onwards, it's possible to apply for remission of any use-of-money interest. Please include this in your request.

If your client has difficulty paying any of the outstanding New Zealand tax you should contact us. It may be possible to enter into an instalment arrangement or apply for relief from outstanding tax if recovery would place them in hardship.



## Sending us the information

Send the completed HMRC "Form New Zealand - Individual" to:

Inland Revenue  
PO Box 39010  
Wellington Mail Centre  
Lower Hutt 5045

Send all other requests, including any changes to income tax returns, to us through secure mail using the following details:

**Subject:** Foreign pension

**Account:** All other

**Category:** All other

For any general enquiries or questions, email [Transactional.International@ird.govt.nz](mailto:Transactional.International@ird.govt.nz) - don't send any customer information to this email address.

## Further resources

*Question We've Been Asked QB 14/12: Foreign tax credits for amounts withheld from United Kingdom pensions* at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: QB 14/12). This sets out the Commissioner's view on foreign tax credits for amounts withheld from UK pensions.

The *Commissioner's Operational position on foreign tax credits for amounts withheld from United Kingdom pension* at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: ftc uk pensions).

For more information on UK pensions or to see how other pensions may be affected, please see "How double tax agreements affect your overseas pension" at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: dta overseas pensions).

# Guidelines to request a change of balance date

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

Applications for a non-standard balance date come under section 38 of the Tax Administration Act 1994.

## Why have a non-standard balance date?

Some situations make it impractical for your client to have a 31 March balance date. The seasonable nature of some businesses means that a different tax year may fit better. The law acknowledges this and where you can show that a standard balance date won't work for the business an alternative will be approved.

## How to apply

In most cases we can easily check that your client meets the rules for a non-standard balance date election over the phone by calling us on 0800 377 774.

However, if the reasons are more complex, you should write to us either using secure email or by post.

## Information needed

When you're applying, please include all the following details and any other relevant information:

- IRD number(s), (if for more than one taxpayer, eg, partnership and partners)
- each taxpayer's full name
- the balance date you want to use
- the reason why your client wants to use a non-standard balance date
- your client's current address.

Depending on the reason why your client wants to use a non-standard balance date, you may also want to include:

- the names of any associated entities that already use this balance date (and their IRD number if known)
- the actual or predicted cashflow, stock patterns, customer demands and seasonal patterns
- other information to show that financial accounts prepared to the proposed balance date would be more appropriate than using a 31 March balance date.

## Further resources

Please refer to *Standard Practice Statement SPS 08/04: Elections to change a balance date*, published in the *Tax Information Bulletin* Vol 21, No 1 (February 2009) for details on the procedure for requests.

For more information, go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: balance date).

# Guidelines to get approval to pay a spouse or partner

---

## Legislation

Applications for approval of a deduction for wages paid to a spouse are made under sections DB 57 and DC 5 of the Income Tax Act 2007.

## Applying for approval

If you employ your spouse or partner in your business or you act on behalf of clients who do, you must get our approval to pay them wages, unless your business is a company.

If you or your client don't have approval, a deduction for the wages can't be claimed in the business accounts.

## Information needed

Please provide the following and any other relevant information to support the application:

- *Personal details:*
  - name and IRD number
  - current address
  - full name and IRD number of spouse/partner
- *Payment details:*
  - nature of the business they'll be employed in
  - details of the work they'll do
  - hourly rate and/or amount of wages paid
  - average number of hours worked a week, and the number of weeks worked during the year
  - method and frequency of payment

- *Details of any other workers employed:*
  - name, address and IRD number
  - the total amount paid as wages, not including the wages you'll pay your spouse
  - the amount of wages they'll receive
  - the type of work each staff member does
- *Additional information for retrospective deductions:*
  - frequency of payments made
  - how the schedular payments have been accounted for
  - whether these have been claimed as a deduction in previous years.

You need to make another application if you increase the wages as a result of:

- an increase in the duties performed by your spouse, or
- an increase in pay that isn't a general wage increase.

## Sending us this request

You can send us the notice by:

- secure email
- posting it to us.

# Guidelines for strike-off requests

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

The provisions governing the removal of a company from the Register of Companies are in Part 17 of the Companies Act 1993.

## Written confirmation from Inland Revenue

The Companies Office deals with removals from the Register of Companies. However, written confirmation is required from us to say we have no objections to the closure.

Before seeking confirmation from us, you and/or your client need to consider the following:

- Is a completed *Business cessation (IR315)* form needed?
- Have all returns been filed?
- Is any tax outstanding?
- Has the company sold or transferred its assets without completing a GST return?

**Note:** We'll object to an application for the removal of the company from the register, if it has outstanding tax or returns. These issues need to be resolved before you seek our approval.

## Information needed

The company must be clearly identified. This includes its IRD number, name, last trading address, registered office, and contact person for any questions.

To help us check the company has no outstanding tax obligations you should include:

- the date and reason the company ceased to trade
- details of the final returns and a completed IR315 form, if appropriate
- a copy of the profit and loss account and the balance sheet up to the winding-up date and the same information for the previous financial year
- details of any assets that have been distributed to shareholders or directors for less than market value (including debt forgiveness)
- confirmation of the company's sale as a going concern, when applicable.

## Sending us this request

All applications must be made in writing to:

Inland Revenue  
PO Box 39010  
Wellington Mail Centre  
Lower Hutt 5045



## Common problems

Problems can arise if:

- the request doesn't include the company's IRD number (if the company never applied for an IRD number, please tell us this in your application)
- the company hasn't filed its most recent income tax return
- the company hasn't ceased its GST registration
- the company has debt on the account
- there are outstanding returns and late filing penalties on the account
- the company sold assets and hasn't filed its final GST return, or the sale of assets doesn't show in the final GST return and no explanation has been provided.

## What happens next?

We'll consider your application and send written notification to the address we hold for the company. If you want it to be sent to a different address, please make this clear in your application.

Normally, we'll process your application as quickly as possible, but it may take several weeks to reply during our peak times. If you need an urgent response, please show this clearly on your application with the reasons why.

**Note:** Credits held are refunded or transferred before the strike-off action is finalised, or retained by the Crown.



# Guidelines for making a livestock election

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

An election to use a herd value ratio or recalculated herd value ratio is made under section EC 17 of the Income Tax Act 2007. A notice of election is made under sections EC 8(3) and EC 11(4) of the Income Tax Act 2007.

## Information needed

Please include the following and any other relevant information in your application:

- name and IRD number
- current address
- first income year the election will apply
- type, class or other description of the applicable livestock
- existing and proposed methods of valuing the applicable livestock (herd scheme and national standard cost).

## You must make your notice by the date for filing the income return for the first income year the election will apply.

If the election is to use a herd value ratio or recalculated herd value ratio under section EC 17 of the Income Tax Act 2007, we require the:

- value assessed under section EC 17(4) of an average animal of each applicable class of livestock
- date the valuation of each animal was made
- valuer's name and address.

## Sending us this notice

You can send the notice by:

- secure email
- posting it to us.

**Note:** You need to give us two years' written notice about a client who wants to:

- stop valuing livestock under the herd scheme
- adopt, after the herd scheme has been adopted, a herd value ratio or recalculated herd value ratio or the Chatham Island adjustment
- switch between self-assessed cost and national standard cost.

These notices must be provided at least two income years before the first income year the election will apply.



## Further resources

More details are available in the *Tax Information Bulletin* Vol 2, No 6 (February 1991) and Vol 3, No 8 (April 1992).

The national average market values for specified livestock are published in the *Tax Information Bulletin* every June and the national standard costs every March. You can also find them on our website at [www.ird.govt.nz/technical-tax/determinations/livestock](http://www.ird.govt.nz/technical-tax/determinations/livestock)

# Guidelines to make an application to use buyer-created invoices

---

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Sending us this request

You can send us your client's notice by:

- secure email
- posting it to us.

## When a buyer created invoice is required

A freezing works issues buyer-created tax invoices to farmers supplying stock. They are best able to provide the necessary information on the invoice. The freezing works processes and prices the animals, as well as working out other costs like levies.

## Legislation

An application to use buyer-created invoices is made under section 24(2) of the Goods and Services Tax Act 1985.

## Information needed

Buyer-created tax invoices can only be issued if we've given you or your client approval to do so. If your client doesn't meet our standards for invoices, we may cancel our approval at any time.

A buyer-created tax invoice can be issued if both the supplier and the recipient:

- are registered for GST
- have agreed that only the recipient will supply the invoice
- each keep a copy of the invoice.

The buyer-created tax invoice must show:

- the supplier's GST registration number (if both parties are providing supplies, both GST numbers are required)
- the supplier's name and current address
- 15% GST added to gross supply
- 15% GST added to deductions or charges (GST credits)
- the words "buyer-created tax invoice - IRD approved" clearly shown in a prominent place on the invoice
- the name and registration number of the supplier
- the name and address of the recipient
- the date the tax invoice is issued
- a description of the goods and services supplied
- the quantity or volume of the goods and services supplied.
- either:
  - a) the total amount of GST charged, the consideration excluding GST, and the consideration inclusive of GST, or
  - b) where the amount of GST charged is the tax fraction of the consideration, the tax-inclusive price and a statement that it includes GST.

# Guidelines to request the remission of penalties and interest

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

The statutory provisions governing the remission of penalties and interest are in the Tax Administration Act 1994. The main provisions relating to remission are in sections:

- 183A Remission for reasonable cause
- 183ABA Remission due to emergency events
- 183D Remission on the grounds of highest net revenue over time.

## Applying for remission

Before making an application for remission it's important you or your client read the relevant statutory provisions and Standard Practice Statement SPS 05/10 (see below for details).

There is no standard Inland Revenue form for making an application. Each case is considered on its merits and reading the SPS will help you to decide what information is needed to support the application. Sections 183A and 183D don't permit a remission to be granted for financial relief reasons.

## Information needed

Please include the following and any other relevant supporting information in the application:

- name and IRD number
- current address
- tax type(s) and period(s)
- the reason why payment was not made or received in time
- the reason why the return was filed late
- details of steps taken to prevent future occurrence.

## Common problems

**No payment or return** - we can only consider remission applications under sections 183A and 183D if all relevant returns have been filed and the tax has been paid.

**No or inaccurate identification** - we can't grant penalty remissions if we can't tell who the application is for or the tax types and tax periods for the remission.

**Receiving more penalties** - certain requests for penalty remission (on the grounds of reasonable cause) can't be considered until the failure to either file the return or pay the assessed tax has been addressed. Penalties may continue to be added in these cases.



**Extension of time** - generally, remission for a late filing penalty won't be granted if you or your client have already been granted some other type of relief, eg, an extension of time.

**Provisional tax** - penalties relating to late provisional tax won't be calculated until the return is filed.

## Sending us the request

You can send us the request by:

- secure email
- telephone
- posting it to us.

## Further resources

Please refer to Standard Practice Statement *SPS 05/10: Remission of penalties and interest (October 2005)* published in the *Tax Information Bulletin* Vol 17, No 9 (November 2005) and on our website at [www.ird.govt.nz/technical-tax/standard-practice/returns-debt/](http://www.ird.govt.nz/technical-tax/standard-practice/returns-debt/)

The SPS is a straightforward guide that will help you:

- find the relevant legislative provisions
- see which types of penalty qualify for remission
- understand the legislation and how we'll apply it
- understand the information you need to provide with the application.

It contains practical examples of remission applications and remission case law.

# Guidelines to request an amendment to an assessment

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

A request to amend an assessment is covered under section 113-113D of the Tax Administration Act 1994.

## Requesting an amendment

When you make an amendment request on behalf of your client you need to supply all relevant information to show us that an amendment should be made. You also need to give the facts and tax laws relating to the amendment request in a clear and unambiguous way.

Irrespective of the amount of tax involved please include the following:

- name and IRD number of the client
- the tax types, periods and years
- the amount of tax involved
- a description of the change(s) including the circumstances and reason(s)
- the nature of the errors
- how and why the errors were identified
- where relevant, details of any incorrect advice given directly to your client by Inland Revenue and how the client relied on that advice
- the action required to ensure correctness including relevant keypoint changes
- any relevant documents and records or other information supporting the amendment request.

Amendments can't be corrected by filing amended tax returns. If you or your client notice an error in a return already sent to us you should make an amendment request as set out above.

Also make sure you notify us of all consequential adjustments that may need to be made to your client's other returns or other taxpayers, including tax types and/or periods.

## Process

When we receive your request we'll consider it and determine whether an amendment is required and if the request is able to be made.

If your request is accepted we'll amend the affected return and issue a correct assessment. If we decline to amend the assessment, we'll advise you in writing.



If we need further information, or clarification to verify and quantify the request you've made, we may either decline to make the amendment requested or ask for additional information from you or your client.

We won't amend any assessments currently the subject of a dispute.

## Sending us the request

Requests for amendments may be made by:

- secure mail
- telephone
- in writing.

Where a request is more complex we may ask you to put this in writing, especially where there are consequential adjustments that may need to be made to other returns or taxpayers.

## Further resources

Please refer to *Standard Practice Statement SPS 16/01: Requests to amend assessments*, for details on the procedure for requests. This SPS should be read in conjunction with *SPS 09/02: Voluntary disclosures and SPS 06/03: Reduction of shortfall penalties for previous behaviour*.

You can read these at [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: standard practice).

# Guidelines for making an instalment arrangement

These guidelines are to help you make your request. They list the information we require before considering your request. These guidelines don't override any legislation, standard practice statements, publications or forms that have been released.

## Legislation

There are a number of statutory provisions specifically designed to help customers who have problems paying their tax on time. These provisions vary, depending whether the request is from an individual or a company. You'll find them in the Tax Administration Act 1994. The main provisions relating to instalment arrangements are in sections:

- 139B Late payment penalty
- 139BA Suppression of late payment penalty when financial relief is sought
- 176 Recovery of tax by the Commissioner
- 177 Taxpayer may apply for financial relief
- 177A Definition of serious hardship
- 177B Instalment arrangements.

## About instalment arrangements

Generally outstanding returns need to be filed and an assessment made before we can consider a request for an instalment arrangement.

Before requesting an instalment arrangement it's important to read the relevant statutory provisions and Standard Practice Statement SPS 11/01 (see below for details).

There is no standard form to use to make an application.

## Information needed

The following are some things you may want to consider and include in an instalment arrangement application:

- clearly identify the customer, including giving us their IRD number, name, last trading address, registered office, and contact person (in case we have further questions)
- indicate what tax types and periods the instalment arrangement is for
- indicate what the terms of the proposed instalment arrangement are, how much your client is proposing to pay, the payment frequency, eg, weekly, fortnightly or monthly, and how they'll pay
- complete and send us a *Disclosure of financial position (IR590)* with the request if you're making a written request for an instalment arrangement (in some cases you may be asked to complete an IR590, which is available on our website [www.ird.govt.nz/taxagents](http://www.ird.govt.nz/taxagents) under "Forms and guides")



- attach bank statements and/or finance statements to help us make a decision about the proposal
- include the reasons for requesting an instalment arrangement and whether this will affect the ability of your client to meet their obligations in the future (please be open about the customer's circumstances)
- clarify your client's financial position. The information required will depend on the size of the debt. Some matters can be dealt with over the phone but for a larger business we'll ask detailed questions about:
  - assets and liabilities
  - profit and loss account
  - cash flow to demonstrate the proposed instalment arrangement is achievable.

If we need more information we'll contact you.

## Sending us this request

You can propose GST instalment plans in myIR in the new section MY GST, and in most cases receive immediate confirmation and approval.

For tax types other than GST, you or your client can make an application by:

- completing an instalment arrangement proposal online
- secure email
- telephone
- posting it to us.

We may ask for more complicated requests to be made in writing. Post written applications to:

Inland Revenue  
PO Box 39010  
Wellington Mail Centre  
Lower Hutt 5045

(continued on next page)

(continued from previous page)

## What happens next?

The time we take to deal with the request will depend on the size of the debt. Generally, instalment arrangements for larger debts will require more supporting information and go through a longer approval process.

While we're dealing with the request we don't impose certain late payment penalties. If the request is approved, we won't charge those late payment penalties. You can read more about this in section 139BA of the Tax Administration Act 1994 or in *SPS 11/01: Instalment arrangements for the payment of tax*.

## Common problems

**Identification** - we can't process the request if it's unclear exactly who the request is for and which tax types and tax periods the request relates to.

**Ability to pay** - the financial information provided suggests your client has surplus funds after necessary expenses and can afford to pay more than they offered.

**Ability to access assets** - the financial information provided shows your client has an asset that can be used for borrowing against or sold and so they can pay their tax in full.

**Lack of evidence to support the request** - if there's no evidence to show that the tax can't be paid as it falls due, we can't make a decision.

**Incomplete information** - bank statements haven't been provided for all accounts. Bank statements should be provided for all accounts the client is a signatory over or are held in the client's name, including joint accounts.

**Out-of-date information** - supporting information provided voluntarily or requested by us is out of date. Out-dated information won't be accepted for decision-making purposes. We'll usually have to request updated information.

**Note:** When making payments towards an arrangement, please use the tax type "**ARR**" for automatic payments or on payment slips, so we can allocate any payments correctly. Your client should make the first payment as per the proposal even if we haven't confirmed the arrangement.

If your client has more than one entity owing tax, please provide all information as requested above. **You must make a separate arrangement for each IRD number.**

## Further resources

Refer to *Standard Practice Statement SPS 11/01: Instalment arrangements for the payment of tax* published in the *Tax Information Bulletin* Vol 23, No 2 (March 2011) and on our website at [www.ird.govt.nz/technical-tax/standard-practice/returns-debt](http://www.ird.govt.nz/technical-tax/standard-practice/returns-debt)

The SPS is a straightforward guide that will help you understand:

- how you should make your client's application
- what information should be included
- how late payment penalties can be avoided
- the timeframes and basis upon which we make a decision.



## [www.ird.govt.nz](http://www.ird.govt.nz)

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

## Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

[New Zealand Government](http://www.ird.govt.nz)