

## TAX PAYMENT UPDATE

Based on additional information that has come to hand we need to urgently update you regarding a correction to our recent newsletter as regards IRD tax payment relief. That original advice was based on our initial dealings with IRD and previous IRD press statements which suggested a liberal approach e.g.

*"If your business is unable to pay its taxes on time due to the impact of Covid 19 we understand, you don't need to contact us right now. Get in touch with us when you can, and will write off any penalties and interest"*

The devil unfortunately is always in the detail. The Covid – 19 response (Taxation and Social Assistance Urgent Measures) Act has now been passed. The Act allows the Commissioner to remit interest incurred after 14 February 2020 where taxpayers ability to make their tax payment on time is "significantly adversely affected by Covid 19".

IRD have now provided objective tests around "significantly adversely affected". In practical terms these are:

1. A 30% drop in revenue/income as a result of Covid 19; *and*
2. that taxpayers have sought financial assistance e.g. a bank overdraft extension and been turned down

While all taxpayers will likely meet the first test, it will take time and effort to provide the required evidence to IRD regarding the 2<sup>nd</sup> criteria. And there will remain risks and uncertainty as to IRD application. Accordingly our advice is that if you have the resources and ability to pay your taxes you should. If you are unable/unwilling to pay your taxes you *may* be eligible for waiving of penalties and interest but will need to be prepared to show you meet the objective tests.

We apologise for any uncertainty that may have been created in our previous newsletter, it is a fast moving and new world for us all out there. As always we are here to assist you if you have any queries about these matters or require assistance in dealing with IRD please call or email.

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