

In Confidence

Office of the Minister of Revenue

Chair, Cabinet

TAX ADMINISTRATION (EXTENSION OF DUE DATES) ORDER 2021

Proposal

1. This paper seeks agreement to extend the due date for the payment of tax and the filing of tax returns required under the Tax Administration Act 1994, Income Tax Act 2007 and the Goods and Services Tax Act 1985 from the 28th of October 2021 to the 4th of November 2021.
2. This paper seeks agreement to submit the Tax Administration (Extension of Due Dates) Order 2021 to the Executive Council extending this due date.

Background

3. The second release of Stage 4 of Inland Revenue's START¹ system is due to "go live" on the 28th of October 2021. This process will involve the shutdown of Inland Revenue's computer systems from the afternoon of the 21st of October to the morning of the 28th of October. During this period, taxpayers will not be able to access those systems to file their Goods and Services Tax (GST) returns before the due date.
4. The 28th of October is a major due date for GST² and a lesser due date for income tax (including provisional tax). Although many taxpayers file their returns early, the shutdown of Inland Revenue systems may be problematic for some customers who would usually file their GST returns and make their GST payments. While Inland Revenue will still be able to accept most payments³, taxpayers may need system access to calculate their liability to pay.
5. This shutdown period was chosen because the timing of Labour weekend means Inland Revenue systems would only be unavailable for three working days. Shutting down without the long weekend would mean a minimum of four working days without customer access to the systems.
6. In addition, this release migrates child support into START. Having a later shutdown date might have affected when child support customers received their first payment under the START system.

¹ START – Simplified Tax and Revenue Technology – Inland Revenue's new technology platform.

² The 28th of October is the due date for the filing and payment of GST returns for the period to 30 September 2021 and includes taxpayers who file monthly, two-monthly and six-monthly.

³ The exceptions being payments made by direct debit or credit card.

7. Before the COVID-19 outbreak, Inland Revenue considered it could manage any concerns of taxpayers around the cutover period on an exception basis. However, this has now changed with the pressure on both businesses and Inland Revenue.
8. Taxpayers may struggle to meet the existing due date because of a combination of COVID-19 impacts across the country, the extended higher alert level in the Auckland region and the shutdown of Inland Revenue's systems. Should they miss that date they may become liable to use of money interest, penalties for late payment and filing.
9. Extending the due date for payments and the filling of tax returns from the 28th of October 2021 to the 4th of November 2021 will allow taxpayers more time to meet their compliance requirements and reduce stress to taxpayers at an already difficult time.

Order in Council

10. Section 226 of the Tax Administration Act 1994 gives the Governor-General, by Order in Council, the power to extend the time for anything required under the Tax Administration Act 1994, the Income Tax Act 2007 or the Goods and Services Tax Act 1985 (Revenue Acts). This includes the due dates for the filing of tax returns and payments required under the Revenue Acts.
11. The Order in Council, Tax Administration (Extension of Due Dates) Order 2021, extends the due date for payments and the filling of tax returns required under the Revenue Acts from the 28th of October 2021 to the 4th of November 2021.

Financial Implications

12. Due to the seven-day delay in receiving payments, there is a fiscal cost to this proposal. On the assumption that most taxpayers delay their tax and GST payments until the 4th of November, the approximate fiscal cost will be \$1.40 million, which will be charged to the tax policy scorecard.
13. The table below provides the indicative estimates of the cost of extending the due date for payment from 28th October 2021 to 4th November 2021:

	\$m – increase/(decrease)			
Vote Revenue	2021/22	2022/23	2023/24	2024/25
Minister of Revenue				
Tax Revenue	(1.400)	-	-	-
Total Operating	1.400			

14. I have the delegated authority to approve this fiscal cost and charge this against the tax policy scorecard.
15. There is no additional administrative cost from the extension of the due date.

Impact Analysis

16. Treasury's Regulatory Impact Analysis team has determined that the proposal to extend the due date for the payment of tax and the filing of returns is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Consultation

17. The Treasury have been consulted on the extension. The Treasury and the Parliamentary Counsel Office have been informed of the contents of this paper.

Communications

18. Inland Revenue have communicated this change to taxpayers to give them time to plan for the extension since Ministers agreed to the extension.

Timing and 28-day rule

19. The Order in Council will come into force on the 21st of October 2021. A waiver of the 28-day rule is sought due to the short timeframe between the making of the order and the original due date for filing of returns and payment of tax. The order must be in force prior to the original due date.
20. A waiver is appropriate in this circumstance as the Order in Council will confer only benefits on taxpayers by allowing them to defer the filing and payment of tax without penalty where many of them may still be struggling with the extended lockdown due to COVID-19.

Proactive Release

21. This paper will be proactively released with any appropriate withholdings within 30 business days of final decisions being taken by Cabinet.

Recommendations

I recommend that Cabinet:

1. **agree** to extend by Order in Council the due date for the payment of tax and the filing of tax returns required under the Tax Administration Act 1994, Income Tax Act 2007 and the Goods and Services Tax Act 1985 from the 28th of October 2021 to the 4th of November 2021.
2. **agree** to a waiver of the 28-day rule for the coming into force of the Order in Council.
3. **note** that the fiscal cost of recommendation 1 is approximately \$1.4 million which will be charged to the tax policy scorecard.

4. **note** that the Tax Administration (Extension of Due Dates) Order 2021 will give effect to the decision referred to in recommendation 1 above;
5. **note** that the Tax Administration (Extension of Due Dates) Order 2021 will come into force on 21st October 2021; and
6. **authorise** the submission to the Executive Council of the Tax Administration (Extension of Due Dates) Order 2021.

Authorised for lodgement

Hon David Parker
Minister of Revenue