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Order in Council – Taxation (Use of Money Interest Rates) Amendment Regulations (No 2) 2023

SL 2023/179

Changes have been made by Order in Council to the use of money interest rates on underpayments or overpayments of tax in line with recent changes in market interest rates. This special report provides early information on the changes ahead of an upcoming edition of the *Tax Information Bulletin*.

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Order

Sections 120E and 120H of the Tax Administration Act 1994

The Taxation (Use of Money Interest Rates) Amendment Regulations (No 2) 2023 order was made on 24 July 2023. The Order in Council changes the use of money interest (UOMI) rate on underpayments and overpayments of taxes and duties in line with market interest rates.

The new underpayment rate is 10.91% (previously 10.39%). The new overpayment rate is 4.67% (previously 3.53%).

Background

The UOMI underpayment rate is charged to taxpayers on underpayments of tax to Inland Revenue, while the UOMI overpayment rate is paid to taxpayers on money paid to Inland Revenue exceeding their tax liability.

Section 120H(1)(b) of the Tax Administration Act 1994 permits the making of regulations by Order in Council to set the UOMI underpayment and overpayment rates. Once a rate is set, it remains at that rate until changed by a subsequent Order in Council.

The UOMI underpayment rate is based on the 'floating first mortgage new customer housing rate' series published by the Reserve Bank (RBNZ) each month, while the UOMI overpayment rate is based on RBNZ's '90-day bank bill rate' series each month. The UOMI rates are both adjusted if either the RBNZ 90-day bank bill rate or the floating first mortgage new customer housing rate moves by 1% or more, or if one of these indexes moves by 0.2% or more and the UOMI rates have not been adjusted in the last 12 months.

The UOMI rates are adjusted as required to ensure they are in line with market interest rates. The new UOMI underpayment and overpayment rates are consistent with the floating first mortgage new customer housing rate and the 90-day bank bill rate.

Effective date

The new UOMI underpayment and overpayment rates apply on and after 29 August 2023.

Further information

The new regulations can be found at:

<https://www.legislation.govt.nz/regulation/public/2023/0179/9.0/whole.html>

About this document

Special reports are published shortly after new legislation is enacted or Orders in Council are made, to help affected taxpayers and their advisors understand the consequences of the changes. These are published in advance of an article in the *Tax Information Bulletin*.