

2 March 2012

Sir John Hansen
Convenor
Canterbury Earthquake Recovery Review Panel
c/- Canterbury Earthquake Recovery Authority
Private Bag 4999
Christchurch 8140

Dear Sir John

Canterbury Earthquake (Inland Revenue Acts) Amendment Order 2012

1. I attach a draft of the Canterbury Earthquake (Inland Revenue Acts) Amendment Order 2012 (the “2012 Order”). This 2012 Order will extend the effect of the existing Canterbury Earthquake (Inland Revenue Acts) Order 2011 (the “2011 Order”) for a further six months, under section 71 of the Canterbury Earthquake Recovery Act 2011.
2. To assist the members of the Panel, I also attach a tracked version of the 2011 Order, showing the amendments proposed by the new 2012 Order.

Proposal

3. The 2011 Order authorises the Commissioner of Inland Revenue (“the Commissioner”) to extend any time limit in tax legislation, if the extension is necessary because of the Canterbury earthquakes. The 2011 Order is due to expire on 1 April 2012.
4. The proposed 2012 Order will extend the 2011 Order until 1 October 2012, and will allow the Commissioner to extend any time limits or deadlines in tax legislation that would otherwise fall on or before 1 October 2012.

Background and policy objective

5. The existing 2011 Order authorises the Commissioner to extend any time limit or a time period specified in tax legislation, if:
 - the person is, or will be, unable to comply with the original time limit; and
 - it is fair and equitable in the circumstances to extend that time limit.
6. The 2011 Order was made because many taxpayers were unable to meet the time limits specified in tax legislation because of the Canterbury earthquakes. For

example, in many cases it was impossible for a taxpayer to meet their filing obligations because they were unable to access relevant records.

7. The 2011 Order is part of a series of practical measures relating to tax administration matters that Inland Revenue undertook in the aftermath of the Christchurch earthquakes. These measures aim to:
 - Provide appropriate measures to ensure that the people and businesses of greater Christchurch can better respond to, and recover from, the impacts of the Canterbury earthquakes.
 - Restore the business and economic well-being of greater Christchurch communities.
8. The existing 2011 Order is due to expire on 1 April 2012. However, taxpayers and agents continue to have difficulty in meeting the time limits specified in tax legislation. This difficulty arises because the filing of many 2009-10 tax returns (which would usually have been filed by 31 March 2011) was delayed. Instead, returns were prepared and filed much later than normal due to, among other things, long delays in accessing the necessary information. This has had a knock-on effect on the capacity and ability for taxpayers and agents to file the 2010-11 tax returns on time (by 31 March 2012). This situation is further exacerbated by the on-going difficulty in accessing records.

Timing

9. The 2011 Order is due to expire on 1 April 2012. It is proposed that the 2012 Order will come into force on 1 April 2012, in order to ensure a seamless continuation of the Commissioner's power to extend the time limits.
10. A waiver of the 28-day Gazette notification rule is sought on the grounds that the 2012 Order has a beneficial effect, and simply extends the existing 2011 Order.

Risks

11. There are no risks associated with the 2012 Order. As it is the extension of an existing Order, the 2012 Order simply continues the status quo policy position.

Consultation

12. The Treasury was consulted on the original 2011 Order, and was also consulted on the policy and content of this draft order.

Profile of draft Order and proposed publicity

13. The proposed Order is not expected to be controversial.
14. The Canterbury Earthquake (Inland Revenue Acts) Amendment Order 2012 will be published in the New Zealand Gazette, and details of the Order and its effects will be available on Inland Revenue's Policy Advice Division website.

Next steps

15. We look forward to receiving your recommendations so that the Minister of Revenue can consider them before the Order is considered by Cabinet and the Executive Council.

16. The key contact person for this piece of work is Hayley Denoual, Senior Policy Analyst, Inland Revenue. She can be contacted directly by telephone at 04 890 1139 or by email at hayley.denoual@ird.govt.nz. She will be happy to answer any questions you or the other Panel members may have regarding this Order.

Yours sincerely

Peter Frawley
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Inland Revenue