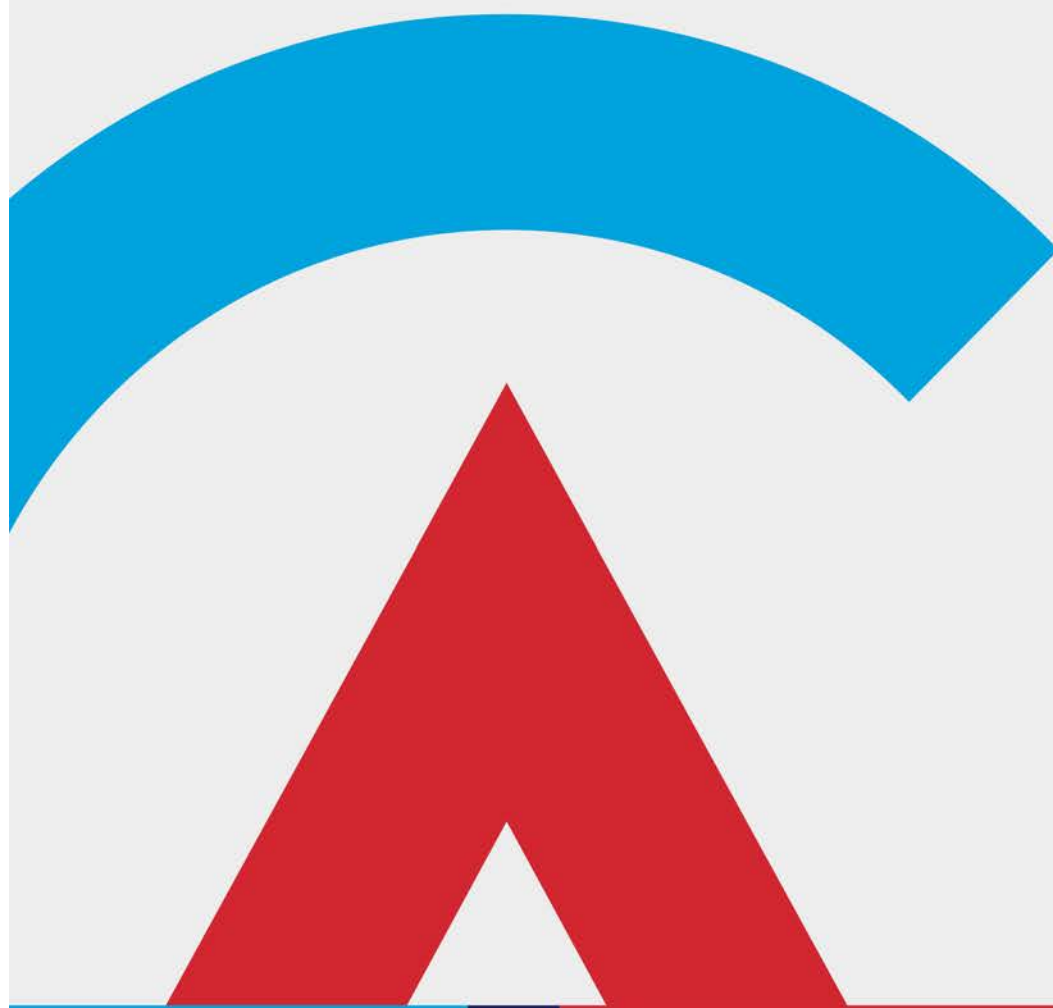


Options for relief from child support debt ED0209

12 September 2019



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Manager, Technical Standards
Office of the Chief Tax Counsel
National Office
Inland Revenue Department
PO Box 2198
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Dear Rob

ED0 209 Options for relief from child support debt

Chartered Accountants Australia and New Zealand (CA ANZ) appreciates the opportunity to provide feedback on the draft Standard Practice Statement (SPS) that sets out how the Commissioner will exercise her discretion to provide relief when considering requests for payment agreements to settle child support debt.

The draft SPS has expanded/amended SPS 11/01 to include 2013¹ and 2016² legislative changes. Specifically, the draft SPS now includes commentary on:

- the reduced penalty rates and the implementation of a two-stage initial penalty;
- writing off incremental penalties that were unpaid before a payment agreement was entered into. The agreement must be entered into on or after 1 April 2016;
- writing off initial late payment penalties or incremental penalties on the grounds of serious hardship or where it would be fair and reasonable to do so; and
- writing off initial late payment penalty if full or substantial compliance with payment plan.

We are pleased the SPS has been updated to cover the above items and subject to the following comments support its publication.

Target audience

We have searched IR's website and its published material and found, apart from the existing SPS 11/02, that there is very little information available to help a liable person fully understand when the Commissioner will agree to a payment plan or write off penalties. We therefore expect the SPS will be a resource that liable persons as well as tax agents and practitioners will refer to.

¹ Child Support Amendment Act 2013

² Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Act 2016

Practical examples

In our view, the SPS would benefit from the inclusion of practical examples. Alternatively, a simplified fact sheet with examples could be published. Examples would assist liable persons, who may not be accustomed to reading technical tax statements, to understand how the rules apply to their particular circumstances. Practical examples could include:

1. an instalment arrangement proposal which steps through the process. This could be illustrated with screenshots of myIR and completing Form IR 130 (Child support – repayment of debt);
2. a numerical example to illustrate paragraphs 32 and 33 (Charging of Penalties);
3. numerical examples to illustrate serious hardship; and
4. an example illustrating non-compliance with a payment arrangement.

Practical examples are important to help readers clearly understand. If liable persons understand their options, then it is more likely the objectives of the 2016 legislative changes will be achieved. The objectives included: reducing the child support legacy debt; encouraging parents to pay their financial support obligations and providing more flexibility for the Commissioner to negotiate payment arrangements and more pragmatically manage child support debt³.

IR's advice on how to deal with child support debt is: "Call us if you're in debt or behind in your payments. We'll work with you to manage your payments. We may be able to write off your penalties instantly".⁴

The willingness of IR to work with a liable person, as expressed, to tailor a solution is to be commended. We note however, that telephoning IR may not be the most efficient use of time for a liable person or IR. Some liable persons may prefer to work through a practical example, substituting their own facts, to figure out their own solution before engaging with IR. A fully informed liable person may be able to complete an application for a voluntary agreement without IR assistance or have more meaningful conversations with IR.

Paragraph 9

Paragraph 9 states "For liable persons with a myIRSecure Online Services account, confirmation may be made electronically. We understand all taxpayers have a myIRSecure Online Services account, however some taxpayers have not activated their myIR account. We recommend you consider amending the statement to reflect the correct position. E.g. "For liable persons with an activated myIRSecure Online".

³ Regulatory Impact Statement – Addressing child support legacy debt 21 May 2015

⁴ <https://www.ird.govt.nz/tasks/deal-with-child-support-debt>

Omitted legislation

We note sections 135H, 135I; 135JA and 135K are omitted from Appendix 1 and the commentary. For completeness, further consideration should be given to referring to these sections in the SPS.

We would be happy to discuss our submission with you.

Yours sincerely



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