

# Income equalisation deposits and refunds ED0213

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*6 May 2019*



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Dear Rob

### ED0213 Income equalisation deposits and refunds

Chartered Accountants Australia and New Zealand (CA ANZ) appreciates the opportunity to provide feedback on the draft Standard Practice Statement that sets out how the Commissioner will exercise her discretion to accept income equalisation deposits and refund applications for a tax year outside the specified period.

CA ANZ supports the publication of the updated statement which is largely unchanged from SPS 17/01.

Our comments on the statement are set out below:

#### 1. Early withdrawal

The repeal of the adverse event income equalisation scheme may mean that early withdrawal of funds under the main scheme will become more common. As a result, the statement will become very important helping taxpayers clearly understand when the Commissioner will

exercise her discretion.

Paragraphs 32 to 35 consider the meaning of “serious hardship”. It includes a situation where, if a refund is not made, the future farming operation may be seriously jeopardised. In our view Mycoplasma Bovis is a serious threat to a future farming operation and should be specified as an example of “serious hardship”.

This is important because a deposit into the “adverse event scheme” (now repealed) was limited to income from the sale of livestock, but there was no stipulation on how the refund was used. It was simply a refund on request. Unless an early refund is to avoid “serious hardship” a refund under the main scheme is only available to enable the taxpayer to purchase livestock. This will be an issue where a farm is affected by Mycoplasma Bovis, the taxpayer cannot immediately restock, and may need the cash simply to survive.

In our view where a farm is affected by Mycoplasma Bovis a refund should be allowed on request. If this is not allowed under the legislation it should be referred to the Policy Advice Division for consideration.

“Self-assessed adverse event” remains a defined term in the Act even though the “adverse event scheme” has been repealed. Paragraphs 55 to 57 discuss immediate refunds for serious hardship. It would be useful if the statement included more commentary on what qualifies as a “self-assessed adverse event” in the absence of immediate restocking or being able to prove serious hardship.

The rationale behind the repealed “adverse event” scheme was to enable the deferral of income tax when an adverse event caused a reduction in the carrying capacity on a taxpayer’s farm requiring abnormal sales of livestock which the taxpayer was unable to replace in the same

income year. The Government has repealed the adverse event scheme on the basis that farmers can achieve the same result using the main scheme. However, in our view, the rules of the main scheme and the statement do not get the taxpayer to the same position. This could be remedied by allowing a “self-assessed adverse event” to constitute serious hardship. We recommend this is included in the statement and, if not, we suggest this issue is referred to the Policy Advice Division.

## 2. Examples

As part of the update it would be appropriate if the dates in the examples on page 6 and 14 and 15 were also amended to reflect a more current income tax year.

## 3. Editorial corrections

For consistency delete word “*of this statement*”, paragraphs 47, 71 and 79, last bullet point.

For consistency delete word “*to paragraphs*”, paragraph 95.

Paragraph 3, second line, after “*is*” delete word “*for*”.

Paragraph 5, second line, replace [8] with [4].

Paragraph 29, last bullet point replace “*is*” with “*are*”.

Paragraph 93, last bullet point, replace “*onto*” with “*on to*”.

Paragraph 98, last line, delete “*to*”.

## 4. IR Website

Paragraph 99 includes a link to the Inland Revenue website. We note this link should be checked now that Inland Revenue’s new website has gone live.

## 5. Other matters

There remain some technical issues with the scheme. We understand

- an IR155 application must be sent by post. We recommend an online IR155 be developed so it can be submitted electronically; and
- that currently deposits to the income equalisation scheme must be made by cheque and there is no facility for electronic payments. We recommend that electronic deposits be allowed.

We would be happy to discuss our submission with you.

Yours sincerely



John Cuthbertson CA  
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