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Taxation (Use of Money Interest Rates) Amendment Regulations (No 3) 2022

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

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Sections 120E(1) and 120H of the Tax Administration Act 1994

Order

The Taxation (Use of Money Interest Rates) Amendment Regulations (No 3) 2022 Order in Council was made on 24 November 2022. The Order changes the use of money interest (UOMI) rates on underpayments and overpayments of taxes and duties in line with market interest rates. The new underpayment rate is 9.21% (previously 7.96%). The new overpayment rate is 2.31% (previously 1.22%).

Background

The UOMI underpayment rate is charged to taxpayers on underpayments of their liability to Inland Revenue, while the UOMI overpayment rate is paid to taxpayers on money paid to Inland Revenue exceeding their 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 rates are consistent with the floating first mortgage new customer housing rate and the 90-day bank bill rate.

Effective date

The new UOMI rates apply on and after 17 January 2023.

Further information

The regulations updating the use of money interest rates can be found at <https://legislation.govt.nz/regulation/public/2022/0315/latest/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*.