

# The Treasury

## Budget 2014 Information Release

### Release Document

#### July 2014

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
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- [13] Not in scope
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



**Inland Revenue**  
Te Tari Taake

## **POLICY AND STRATEGY**

**Policy report:      Repeal of cheque duty – transitional issue**

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<b>Date:</b>	7 May 2014	<b>Priority:</b>	<b>High</b>
<b>Security level:</b>		<b>Report no:</b>	IR2014/245

### **Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Minister of Revenue	<b>Agree</b> to the recommendation.	8 May 2014

### **Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Mike Nutsford	Policy Manager, Policy and Strategy, Inland Revenue	(04) 890 6169 (wk) [3]

7 May 2014

Minister of Revenue

## **Repeal of cheque duty – transitional issue**

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### **Background**

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1. There are three categories of persons that pay cheque duty to Inland Revenue:
  - Licensed banks;
  - Licensed printers of cheques; and
  - Temporary licensees.
2. Licensed banks pay cheque duty to Inland Revenue on a quarterly basis. They must file a cheque duty return together with payment within 21 days of the end of each quarter. When a licensed bank files their cheque duty return, they are able to deduct the amount of cheque duty that has been paid for prepaid cheques that were destroyed by the bank during the quarter (including cheques that the bank sent to their customers but were not used) from cheque duty payable for prepaid cheques the bank supplied to its customers during the quarter. As such, the quarterly payment of cheque duty made by licensed banks is a net amount. Licensed banks do not receive refunds of cheque duty from the Crown.
3. Licensed printers pay cheque duty to Inland Revenue on a monthly basis. They must file a cheque duty return together with payment (if any cheque duty is payable for the month) within 21 days of the end of each month. Licensed printers are not able to net any deduction off against their monthly cheque duty payable. However, they are able to make an application in writing to Inland Revenue for a refund of cheque duty that has been prepaid on cheques that have not been used.
4. Temporary licensees do not make regular payments of cheque duty to Inland Revenue. Rather, on application for the grant (or renewal or extension) of a temporary licence, a person must pay to Inland Revenue the cheque duty payable for the number of cheques the applicant seeks a licence to print. Temporary licensees are able to make an application in writing to

Inland Revenue for a refund of cheque duty that has been prepaid on cheques that have not been used or printed.

5. On 31 March 2014, the Cabinet Business Committee agreed to repeal cheque duty from 1 July 2014 via a Budget day bill (CBC Min (14) 1/2 refers). The Committee also agreed that no refunds of prepaid cheque duty be available from the date of repeal. The Committee authorised the Minister of Revenue to make any minor or consequential amendments to the rules necessary to ensure effective implementation of these changes. All of this was approved by Cabinet on 7 April 2014 (CAB Min (14) 12/1 refers).

## **Issue**

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6. The effect of the decision not to allow refunds of prepaid cheque duty from the date of repeal is that banks that were licensed during the quarter ended 30 June 2014 will be able to receive the deduction in their final cheque duty return, which must be filed by 21 July 2014, but those that prepaid cheque duty as licensed printers or temporary licensees will have to make an application in writing to Inland Revenue by 30 June 2014 in order to receive a refund.

7. It has been brought to our attention that at least one large bank recovers any refunds of cheque duty it has paid to its customers from its printer. The printer makes an application in writing to Inland Revenue for a refund and, once the refund is received, reimburses the bank.

8. If the printer is unable to make an application for a refund after 30 June 2014, there will be a problem for this bank in being able to recover any refunds of cheque duty it pays to its customers during the quarter ended 30 June 2014.

9. In addition to this one specific situation we are aware of, we consider that there is some inequity in allowing banks 21 days after 30 June 2014 to claim what is in economic substance (but not legal form) a refund of cheque duty paid on unused cheques destroyed by 30 June 2014, but not allowing a similar 21 day period for those that prepaid cheque duty as licensed printers or temporary licensees to claim a refund.

## **Proposal**

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10. We consider that the appropriate way to address the issue is to allow 21 days after 30 June 2014 for those that prepaid cheque duty as licensed printers or temporary licensees to make an application in writing (within 8 years of the date of payment of the duty) to Inland Revenue for a refund of that cheque duty, provided that the cheques (if they have been printed) have been destroyed by 30 June 2014.

## **Consultation**

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11. We have consulted The Treasury, and it supports the proposed change.

## **Next steps**

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12. If you agree to this proposal, we will ensure that this change is incorporated into the bill that is to be introduced on 15 May 2014.

## **Recommended action**

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We recommend that you:

- (a) **Agree** to allow 21 days after 30 June 2014 for those that prepaid cheque duty as licensed printers or temporary licensees to make an application in writing (within 8 years of the date of payment of the duty) to Inland Revenue for a refund of that cheque duty, provided that the cheques (if they have been printed) have been destroyed by 30 June 2014.

Agreed/Not agreed

**Mike Nutsford**  
Policy Manager  
Policy and Strategy

**Hon Bill English**  
Acting Minister of Revenue