# CG-GEN-006

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| Version | Issued | Dates of Effect |
| From: | To: |
| 1 | 16 December 2019 | 1 January 2020 | 31 December 2020 |

# Purpose

1. This Guideline explains the operation of the concessional interest rate applying to eligible tax defaults for 12 months from 1 January 2020 and how this will be administered by the Territory Revenue Office (TRO).
2. This Guideline should be read in conjunction with the following Guidelines:
	1. Commissioner’s Guideline CG-GEN-002: *Interest and penalty tax*
	2. Commissioner’s Guideline CG-HI-002: *Home owner assistance schemes – interest and penalties*
	3. Commissioner’s Guideline CG-GEN-004: *Instalment arrangements*
	4. Commissioner’s Guideline CG-HI-007: *First Home Owner Grant instalment arrangement policy.*

# What is the concessional interest rate?

1. The Commissioner has exercised his general discretion under the *Taxation Administration Act 2007*[[1]](#footnote-1) (TAA) to remit the statutory interest rate for eligible tax defaults to an effective rate of 7% (concessional rate) per annum for a period of 12 months, commencing on 1 January 2020 and ending on 31 December 2020 (relevant period).
2. The concessional rate will apply to interest accrued on eligible tax defaults during the relevant period only. The statutory rate will apply to interest accrued outside the relevant period in accordance with the guidelines listed above from 2a to 2d.

## What is an ‘eligible tax default’?

1. To be eligible for the concessional rate, the tax default must:
	1. be subject to an instalment arrangement entered into between the taxpayer and the TRO prior to or during the relevant period and the taxpayer must at all times comply with the conditions of the arrangement
	2. or, have arisen as a result of mere late payment by the taxpayer, provided no more than two instances of late payments have occurred within the preceding twelve months at the time the tax default occurs.
2. The conditions applying to 5a and 5b are explained in greater detail below.

### Instalment arrangements

1. Instalment arrangements are formal agreements entered into between a taxpayer and the TRO in circumstances where the taxpayer has an outstanding tax liability that cannot be satisfied in full at the time it falls due. Further information on instalment arrangements can be found in CG-GEN-004: *Instalment arrangements*.
2. The terms and conditions applying to an instalment arrangement will be specific to each taxpayer’s circumstances and are agreed between the taxpayer and TRO before approval of such an arrangement is granted.
3. Interest that accrues on a tax default under an approved instalment arrangement during the relevant period will be remitted to the concessional rate, provided the terms and conditions under which the approval was granted are adhered to, regardless of whether the arrangement was approved prior to or during the relevant period.
4. If a taxpayer fails to comply with the terms and conditions under which the instalment arrangement was approved, the concessional rate will no longer apply and interest will accrue at the statutory rate of interest from that date forward.
5. Where a taxpayer notifies TRO of its inability to comply with a term or condition of the arrangement and is proactive in rectifying the breach or re-negotiating the arrangement, the Commissioner of Territory Revenue may exercise his discretion to remit interest to the concessional rate for the remainder of the relevant period.
6. Interest that accrues on an instalment arrangement outside the relevant period will do so at the statutory rate, regardless of when the arrangement was approved, unless otherwise remitted by the Commissioner.

### Mere late payment

1. A tax default will be considered mere late payment (for the purpose of 5b above) if it satisfies the following criteria:
	1. the tax default is detected through disclosure to TRO by the taxpayer or their representative prior to commencement of an authorised investigation
	2. the taxpayer has no more than two late payments in the preceding twelve months at the time the tax default occurs.
2. In these cases, any interest accrued on the tax default during the relevant period will do so at the concessional rate.

## Exclusions from eligibility

1. A tax default identified through an authorised investigation or data matching activities conducted by the TRO (compliance activity) will not be eligible for the concessional rate for the period under investigation.
2. However, if a taxpayer subsequently enters into an instalment arrangement in relation to a tax liability detected as a result of compliance activity, and adheres to the terms and conditions of that arrangement, interest accrued on the tax default under the instalment arrangement during the relevant period will do so at the concessional rate.

### Commissioner’s Guidelines

1. Commissioner’s Guideline CG-GEN-001, which sets out information on the revenue publication system, is incorporated into and is to be read as one with this Guideline. All Circulars and Guidelines are available from the TRO website.

### Date of effect

1. This version of the Guideline takes effect from 1 January 2020.



Mick Butler

**COMMISSIONER OF TERRITORY REVENUE**

Date of Issue: 16 December 2019

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1. Section 38(1) of the TAA. [↑](#footnote-ref-1)