

POLICY FOR CHARGING INTEREST ON OVERDUE FIRE SERVICE LEVY PAYMENTS.

Introduction

Section 50 of the Fire Service Act (the Act) places an obligation on the levy payer to ensure that their Fire Service levy payment is received by the New Zealand Fire Service Commission by the 15th day of the second month following the end of the month in which their contract of fire insurance or other arrangement was made (the Due Date).

Section 53 of the Act empowers the Commission to charge interest on overdue levy payments. Interest becomes chargeable from the date payment of the levy is due under section 50 of the Act. The interest rate is 1.5% per month and is chargeable in monthly instalments for each month that payment remains due.

Section 53(1) of the Act clearly states that interest (together with the original amount of levy payable) “*may be recovered as a debt due ... to the Commission*”. Accordingly the Commission has discretion as to whether it charges interest in any individual case of late payment.

The other penalty for late payment, a 10% surcharge under section 53A of the Act, is not discretionary because section 53A states that “*a penalty surcharge shall be made*”.

Policy Scope / Purpose

The purpose of this policy is to set out standard criteria for when interest may or may not be charged by the New Zealand Fire Service (NZFS).

The NZFS Levy Analyst will endeavour to remind levy payers, at appropriate times, of their levy obligations. This will be done on a best endeavour basis and when it is not done, will not limit NZFS’s ability to charge interest. The onus and ultimate responsibility for payment always remains with the levy payer.

The policy supersedes all other policies on interest and penalty previously issued by the Commission.

General

As a general rule, interest is to be charged in accordance with the Act when the late payment of Fire Service levy payment results in interest of \$100 or more being due. Interest amounts of less than \$100 will not generally be charged except at the discretion of the Chief Financial Officer, taking into consideration the Levy payment history of the Levy payer.

Interest will be charged in the following circumstances:

- Payment is received after the Due Date; and
- No prior communication has been received from the levy payer providing a good reason for the late payment.

The following matters are NOT considered to be good reasons for late payment:

- Ignorance of the law surrounding the payment of Fire Service levy
- The levy payer's administrative oversight. Examples of administrative errors are (but not limited to):
 - Computer errors
 - Staff changes / shortages
 - Lack of staff training
 - Payment to the wrong account
 - Bank error

Estimated Payments

A levy payment may take the form of an estimate where for technical reasons it is impossible for the levy payer to calculate the exact amount of levy due to be paid. The estimate should be based on the previous year's sum insured or indemnity value, and the levy payer must make payment to NZFS by the due date. A levy return and certificate must accompany the payment.

If a levy payer makes an estimated payment which proves to be inaccurate then:

- If the estimated payment is too large, a refund will be made to the customer immediately.
- If the estimated payment is too small, the levy payer will make an additional payment immediately. If the estimated levy payment is found not to be a reasonable estimate, then interest may be charged on any amount paid after the Due Date.

Fire Service Advice

The Fire Service Commission may provide advice on technical interpretations as applicable to levy calculations and payment from time to time. A late, or incorrect amount of, payment made in spite of such advice will be subject to interest unless the interpretation is subsequently amended or found to be incorrect. In which case any interest paid may be refunded to the levy payer.

Interest resulting from Fire Service levy Audits

Section 51 of the Act provides for the audit of insurance companies, brokers and corporate entities regarding their Fire Service levy payments.

Interest may be charged on all overdue payments that are identified during an audit.

Definitions

There are no definitions

Key Personnel and

This policy is issued by the Chief Financial Officer. The Levy

Roles

Analyst is responsible for ensuring compliance with and implementation of this policy

Accountabilities

The Chief Executive is accountable to the Commission to ensure that NZFS adhere to and maintain this policy. The Chief Financial Officer is responsible for maintaining and updating this policy in conjunction with the Audit Manager.

Assistance

For further assistance please contact the NZFS Levy Analyst.
