

When do unallocated tax payments expire? 3/22/24



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Many taxpayers that have wrongly paid some taxes into the single tax account, made an overpayment or adjusted their liabilities will see an amount under 'Unallocated Payments' in the Electronic Declaration System. We asked the State Revenue Service (SRS) when such unallocated amounts expire.

The single tax account was introduced by the amendments of 23 November 2017 to the Taxes and Duties Act. An annotation to the draft amendments describes the situation this account is meant to resolve.

The annotation outlines the circumstances that complicated the tax payment process and created an administrative burden and costs for taxpayers before the single tax account was introduced. The annotation also says it's not easy to reclaim a mispaid amount because the due process must be followed: the taxpayer must ask the SRS for a refund within three years after the payment was due. Before making a refund, the SRS will assess the basis for the refund claim and check that there are no other debts. These activities take time.

Under section 25.1 of the Taxes and Duties Act, the SRS will cancel any tax overpayments and amounts wrongly paid into the single tax account where the time limit has expired for making a refund or applying such amounts to pay any due or overdue taxes.

Paragraph 14 of the Cabinet of Ministers' Rule No. 661 of 30 October 2018, 'Procedures for Paying Taxes, Duties, Other State Charges and Related Charges and Applying Such Amounts to Pay Liabilities', states that amounts paid into the single tax account must be applied to pay liabilities beginning from the oldest unpaid liability in the line of liabilities.

All these clauses raised a question. When it comes to paying liabilities, does the SRS use a similar principle and apply the oldest unallocated amount first, with the latest payments that are not yet fully applied creating a new unallocated balance and thus changing the expiry date? Or can a tax overpayment expire within three years and be cancelled?

We have received a reply from the SRS explaining the situation. A representative said the SRS will cancel any mispaid amount once it expires, meaning when three years have passed after the amount was paid. An overpayment will be cancelled if three years have passed after the due date prescribed by the particular tax law and the taxpayer has not duly claimed a refund of tax overpayments or unallocated amounts.

At the same time, the SRS says the FIFO principle is used in applying unallocated amounts to pay liabilities. This means that the oldest amount available on a particular date will be used to pay a liability, and any amounts with the latest date of payment will make up the unallocated balance. It's important to note, however, that if a liability is adjusted and the tax due is reduced on condition the liability was paid in full, the amount will be released when the adjustment is filed. This may cause the amount released to expire because the payment has expired and cannot be applied to pay future taxes.

The tax authority's reply allows us to conclude that if a taxpayer constantly has liabilities and makes payments into the single tax account, the balance of unallocated amounts will be used to pay tax liabilities

under the FIFO method, moving the expiry date further away. However, we recommend monitoring your unallocated balance and comparing it with the turnover of your current tax liabilities to assess any risks associated with expiring deadlines.