Inland Revenue
Te Tari Taake

Inland Revenue Annual Report
Te Tari Taake Pūrongo ā-Tau
2023–24

ird.govt.nz

Te Kāwanatanga o Aotearoa
New Zealand Government

The revenue that we collect funds government services, including:

- social security and welfare
- health
- education
- law and order
- transport and communications
- environmental protection
- defence
- housing and community development
- primary services.

Thank you for reading our Annual Report

Ngā mihi ki a koe mōu i pānui i tā mātou Pūrongo ā-Tau

Inland Revenue Te Tari Taake is here to improve oranga—the wellbeing of people, families and the environment—for current and future generations of New Zealanders.

We make our biggest contribution to wellbeing through economic activities, including collecting and distributing money.

Inland Revenue
Te Tari Taake

This logo represents the way that we want to work with our customers to achieve our primary outcome of improving the economic and social wellbeing of New Zealanders.

The larger koru element reflects the environment and the support and guidance that we provide to our customers. The head of the koru meets the upward sweeping woven strands, reflecting the relationships we have with our customers to help us understand their needs.

Our customers are represented by the inner inverted koru. They are the focus of all the work that we do.

The strands that form the base of the koru represent our work, and the interwoven strands reflect the way we deliver our services through developing strong relationships, resources, knowledge, skills and capability

This is our Annual Report for 2023–24

Ko tēnei te Pūrongo ā-Tau 2023–24 a Te Tari Taake

Inland Revenue
Te Tari Taake

A word from the Commissioner

Over the last year, Inland Revenue Te Tari Taake has continued to focus on making tax simpler and easier for individuals and businesses, with 99.2% of tax returns being filed digitally in 2023–24.

In New Zealand, we enjoy a high level of voluntary compliance, with nearly 90% of payments made on time this year. We offer help to customers who may be struggling to meet their tax obligations.

New Zealand's tax revenue has grown to its highest level ever this year with tax revenue for 2023–24 being $115.4 billion. This is 10.5% more than in 2022–23. We continue to focus on making tax and entitlements easy and simple and follow up with those who don't comply.

Delivering value through our work

During the year, we refreshed our enterprise strategy, which confirmed our core roles of working efficiently and effectively, being active stewards of the tax and social policy system and making a broader contribution across the Public Service through working collaboratively.

The focus of our strategy, in particular being efficient and effective, is consistent with helping us deliver the Government's priorities for revenue.

The successful completion of our business transformation programme in mid-2022 has created a solid foundation for us to build on and the opportunity to deliver greater value for New Zealanders. This is the final year of reporting the outcomes of the programme and you can read more about what we have achieved on page 90.

IR delivered a range of initiatives this year intended to improve efficiency and effectiveness across our services. You will see some of these covered in this Annual Report.

During the year, there has been a notable net growth in overdue tax debt, which is in part due to a difficult economic climate. We are prioritising efforts to manage and recover overdue amounts and are targeting high-value and high-risk debt such as customers with high levels of debt and who persistently default on their obligations.

Many customers with a debt have taken positive steps to deal with it, which includes setting up instalment arrangements this year covering $4.3 billion of debt, of which $461 million had been paid at 30 June 2024. The ability for customers to set up their own arrangements was one of the changes introduced by transformation. Since February 2017, when customers were first able to do this, more than 150,000 arrangements have been paid in full totalling $1.5 billion.

Across our compliance activities we have assessed $975 million in additional revenue. This includes $230 million in incorrect or fraudulent refunds and tax reductions that were picked up by our systems and stopped at the time of filing.

The analytical capabilities delivered by transformation enable checks like these to happen at the time of a transaction, which supports compliance and provides certainty to customers. We can now quickly assess risk on a customer-by-customer basis.

We have increased our enforcement activities this year for the few customers who choose to not do the right thing. We have carried out more audits and liquidations this year than last year. These activities also build trust and give confidence that, if people are doing the wrong thing, we will take action.

The new Government's priorities include maximising revenue, reducing costs to customers and simplifying processes. In Budget 2024, IR received additional funding to carry out more compliance activities to increase tax revenue. We have committed to a return on investment of $4 for every $1 invested in 2024–25 and $8 for every $1 in future years. The funding will support an increase in investigations and audits as well as focus on debt collection from overseas-based student loan borrowers. This work is happening alongside our existing compliance activities.

Helping customers

Being visible in the communities we work with is important to us and we hosted tax workshops for businesses and sole-traders and visited more than 1,600 customers to explain our services and talk through any areas of concern.

We continued to run awareness campaigns, including a successful campaign targeted at the construction industry, which has led to increased compliance, resulting in $1.2 million of debt being brought under instalment arrangements.

In line with the Government's priority of reducing compliance costs for individuals and businesses, we have continued to look at what we can do for small-to-medium-sized enterprises (SMEs). We are also working to reduce uncertainty for larger companies by providing tailored account management for the biggest companies.

Our Tax Counsel Office also supports compliance through providing clarity and certainty on tax law so that customers can enter into commercial transactions with confidence.

As well as collecting revenue, IR administers a range of social policy payments. Around 336,000 customers receive Working for Families Tax Credits, we facilitate child support for 145,000 children and process KiwiSaver contributions for 3.4 million New Zealanders.

During the early part of 2024, we worked closely with the Ministry of Social Development Te Manatū Whakahiato Ora and the Ministry of Education Te Tāhuhu o te Mātauranga to prepare to implement FamilyBoost, the Government's new payment to partially reimburse early childhood education costs. We can now implement new products and services much more quickly and cost-effectively as a result of transformation.

To raise awareness about the new scheme and other Budget 2024 changes to Working for Families, we ran online campaigns to reach as many eligible people as possible.

Working together for New Zealanders

Our work is not done alone. We work with other Public Service agencies to deliver greater value together. We also work with partners across the tax ecosystem, including intermediaries, software providers, industry bodies and community organisations, who all contribute to supporting our customers.

To make sure New Zealand remains active in progressing global taxation initiatives, we work with international organisations and New Zealand's tax treaty partners to support international efforts to ensure that everyone pays their fair share of tax.

The last year has required us to deliver our services in a challenging economic and financial environment and we have asked a lot of our people. I am proud of the work they do every day to deliver positive outcomes for current and future generations of New Zealanders.

P. Mersi

Peter Mersi
Commissioner of Inland Revenue Te Tari Taake

He Kupu nā te Kaikōmihana

I te tau kua hori, kua mau tonu te arotahi a Te Tari Taake ki ngā mahi hei whakangāwari, hei whakamāmā i te taake mō ngā tāngata takitahi me ngā pakihi, me tōna 99.2% o ngā puka whakahokinga taake ka tukua matihikotia mai i 2023–24.

Kei Aotearoa nei, he tino pai te nui o te tautuku tuao, arā e tata ana ki te 90% ngā utu ka utua i te wā tika i tēnei tau. Ka tuku āwhina mātau ki ā mātau kiritaki e raruraru ana ki te utu i ā rātau kawenga taake.

Kua piki te whiwhinga taake o Aotearoa ki tōna taumata teitei rawa i tēnei tau, arā kua tae ki te $115.4 piriona te whiwhinga taake mō te tau 2023–24. Kei tōna 10.5% nui ake tēnei i tērā o 2022–23. Ka mau tonu tā mātau arotahi ki ngā mahi hei whakangāwari, hei whakamāmā hoki i te taake me ngā takuhe, ā, ka whaiwhai hoki i te hunga kāore i te tautuku mai.

He tuku uara mā ā mātau mahi

I te tau kua hori, i whakahou mātau i tā mātau rautaki pakihi, ka whakapūmau ai i ā mātau tino kawenga ki te mahi tōtika, whaitake hoki, ki te āta tiaki i te pūnaha taake, kaupapahere papori hoki, ki te whai wāhi hoki ki te rāngai tūmatanui mā te mahi tahi.

E hāngai ana te aronga o tā mātau rautaki, me te kawenga tonu ki te mahi tōtika, whaitake hoki, ki ngā mahi hei āwhina i a mātau ki te whakatutuki i ngā whakaarotau o te Kāwanatanga mō te whiwhinga taake.

Nā te whakatutukitanga pai o tā mātau hōtaka whakarerekē pakihi i waenganui o 2022, kua takotoria tētahi kaupapa totoka hei whai atu mā mātau, me te huarahi hoki ki te whakawhiwhi atu i te uara nui ake ki ngā tāngata o Aotearoa. Ko te tau whakamutunga tēnei mō te whakapūrongo i ngā hua o te hōtaka nei, ka taea te panui ētahi kōrero anō mō ngā huanga kei te whārangi 90.

Ka oti i Te Tari Taake ngā tini kaupapa te whakatutuki i tēnei tau kia pai ake ai te tōtika me te whaitake o ā mātau ratonga. Ka kite koe i ngā kōrero mō ētahi o ēnei kaupapa ki roto i tēnei Pūrongo ā-Tau.

I tēnei tau, kua piki mātiratira ake te nui o ngā nama e tōmuri ana, he āhuatanga tēnei ka hua mai i te taiao ohanga e uaua ana. Kei te whakatōmua mātau i ngā mahi ki te whakahaere, ki te whaiwhai hoki i ngā nama e tōmuri ana, kei te heipū atu ki ngā nama nui te uara, nui te mōrearea hoki, pēnei i ngā kiritaki e nui ana te nama, ā, e rite tonu ana te hapa o ngā utunga mai.

He tokomaha ngā kiritaki whai nama kua āta mahi tōrunga mai ki te whakatau i te nama, pēnei i te whakarite i te utu harangotengote tae atu ki te $4.3 piriona o te noho nama, ā, kua utua tōna $461 miriona o tēnei tae mai ki te 30 o Pipiri 2024. Ko te āheinga o ngā kiritaki ki te whakarite i ā rātau ake whakaritenga tētahi o ngā panonitanga ki roto i te whakahoutanga. Mai i te Pepuere o 2017, arā ko te wā tērā i tīmata ai te āhei kia pēnei te mahi a ngā kiritaki, he nui ake i te 150,000 ngā whakaritenga kua utua, e eke ana ki te $1.5 piriona.

Puta noa i ā mātau mahi tautuku, kua arotake mātau i te $975 miriona whiwhinga tāpiri, ka raua atu ki tēnei ko te $230 miriona o ngā whakahokinga taake me nga whakaitinga taake e hapa ana, e tinihanga ana rānei i kitea i roto i ā mātau pūnaha, aukatia i te wā o te tuku mai i te puka taake. Ko ngā pūkenga tātari i hua mai ai i te whakahoutanga ka whakaāhei i ngā momo arotake i te wā tonu o te kurutetetanga, mā reira e tautokona ai te tautuku, e whakamanawatia mai hoki ngā kiritaki. Ka taea ināianei te arotake tere i te mōrearea e pā ana ki ia kiritaki, ki ia kiritaki.

Kua whakapiki hoki mātau i ā mātau mahi uruhi i tēnei tau mō ērā kiritaki ruarua ka kōwhiri kia kaua e whai i te ara tika. He nui ake ngā tātari kaute me ngā whakamāngohetanga kua oti i a mātau i tēnei tau, tērā i ērā o te tau kua hori. He mahi ēnei ka whakatipu i te whakapono mai, ka whakamanawa hoki tērā mehemea kei te mahi hē te tangata ka whakauruhi atu mātau.

Ka raua atu ki ngā whakaarotau o te Kāwanatanga hou nei, ko te whakamōrahi i ngā whiwhinga taake, ko te whakaiti i ngā utu mā ngā kiritaki me te whakamāmā i ngā hātepe. I te Tahua Pūtea 2024, ka whakawhiwhia Te Tari Taake ki ētahi pūtea hou kia nui ake ngā mahi tautuku hei whakapiki i te whiwhinga taake. Kei te ū mātau kia $4 te whakahokinga moni mō te $1 ka whakapaua hei 2024–25, ka mutu ka piki atu tērā ki te $8 mō ia $1 hei ngā tau o anamata. Ka tautoko te pūtea i te whakapikinga o ngā whakatewhatewhanga me ngā tātari kaute, ka mutu ka aro hoki ki ngā mahi kohi nama i ngā tāngata noho nama ā-tauira e noho ana ki tāwāhi. Kei te kōkiritia ēnei mahi ki te taha o ngā mahi tautuku o mohoa noa nei.

Te āwhina i ngā kiritaki

He mea nui ki a mātau te whakakanohi atu ki ngā hapori e mahi nei mātau, kua whakatū mātau i ngā awheawhe taake mā ngā pakihi me ngā tāngata mahi takitahi, kua toro atu ki ngā kiritaki 1,600 koni atu ki te whakamārama i ā mātau ratonga, ki te kōrero hoki mō ngā āwangawanga.

I haere tonu ā mātau kaupapa whakamōhio, tae noa atu ki tētahi kaupapa e aro ana ki te rāngai hanganui nāna i hua mai ai he whakapikinga tautuku, me te whakanoho mai hoki o te nama e $1.2 miriona ki roto i ngā tikanga utu harangotengote.

I runga i te whakaarotau o te Kāwanatanga ki te whakaiti i ngā utu tautuku mō ngā tangata takitahi me ngā pakihi, kua haere tonu tā mātau tirotiro he aha ngā mahi ka taea hei āwhina i ngā pakihi iti-waenga hoki (SMEs). Kei te mahi hoki mātau ki te whakaiti i te rangiruatanga mō ngā pakihi nui mā te whakarato i te tikanga whakahaere e hāngai pū ana ki ngā pakihi nui rawa.

Ka tautoko tā mātau Te Tari Tohutohu Tāke i ngā mahi tautuku mā te mārama me te pūmau hoki o ngā ture taake kia māia ngā kiritaki ki te whai wāhi atu ki ngā kurutete tauhokohoko.

Hei āpiti atu ki ngā mahi kohikohi whiwhinga taake, ka whakahaere hoki Te Tari Taake i ngā tini takuhe kaupapahere pāpori. Tērā ko tōna āhua 336,000 ngā kiritaki ka whakawhiwhia ki mō ngā takuhe taake o Working for Families Tax Credits, ka whakarite hoki mātau i ngā utu tautoko tamariki mō ngā tamariki 145,000 me ngā tukunga KiwiSaver mā tōna 3.4 miriona ngā tāngata o Aotearoa.

Nō te wāhanga tuatahi o 2024, i āta mahi tahi mātau ki Te Manatū Whakahiato Ora me Te Tāhuhu o te Mātauranga ki te whakarite i ngā mahi hei whakatinana i a FamilyBoost, arā ko te utu hoki a te Kāwanatanga ki te whakahoki i tētahi wāhanga o ngā utu kura kōhungahunga. Ka taea ināianei te kawe atu ngā taonga me ngā ratonga hou kia tere ake ai, kia māmā ai hoki te utu nā runga i te whakahoutanga.

E whakatairangatia ai te mōhio ki tēnei kaupapa hou, me ētahi atu panonitanga ki Working for Families Tax Credits i puta mai i te Tahua Pūtea o 2024, i whakahaere mātau i ētahi kaupapa whakatairanga tuihono kia puta atu te rongo ki te tokomaha o ngā tāngata e māraurau mai ana.

Ko te mahi tahi mā ngā tāngata o Aotearoa

Ehara i a mātau anake ā mātau mahi. Ka mahi tahi mātau me ētahi atu tari kāwanatanga ki te whakawhiwhi ngātahi i te uara e nui ake ana. Ka mahi tahi hoki mātau ki ētahi hoa rangapū puta noa i te taiao taake, tae atu ki ngā kaitakawaenga, ngā kaiwhakawhiwhi pūmanawa rorohiko, ngā rōpū ā-rāngai me ngā rōpū hapori hoki, rātau katoa ka whai wāhi atu ki te tautoko i ā mātau kiritaki.

E whakaritea ai e toitū ana a Aotearoa ki roto i ngā kaupapa taake ā-ao, ka mahi tahi hoki mātau ki ngā whakahaere ā-ao me ngā whenua rangapū ā-taake o Aotearoa ki te tautoko i ngā mahi ā-ao ki te whakarite ka utu ngā tāngata katoa i te taake e tika ana ki a rātau.

I te tau kua hori nei, kua kawea e mātau te whakawhiwhi atu i ā mātau ratonga ki roto i tētahi taiao ā-ohanga, ā-pūtea hoki e taimaha ana, kua nui hoki te tono mahi i ā mātau tāngata. E whakahī ana au ki ngā mahi e kōkiri nei rātau i ia rā ki te tuku huanga tōrunga ki ngā whakatipuranga o Aotearoa o nāianei, o anamata hoki.

Peter Mersi
Kaikōmihana oTe Tari Taake

IR delivers 3 long-term outcomes for New Zealand
Ka tuku mātou i ngā putanga mauroa e 3 mō Aotearoa

As you can read in our Statement of Intent 2021–25,[1] we focus on progressing 3 outcomes, or long-term results, for New Zealand:

Revenue

Revenue is available to fund government programmes through people meeting payment obligations of their own accord.

IR collects over 80% of Crown core revenue and we are the steward of the tax system.

Pages 12 to 15 summarise our key results from assessing and collecting tax revenue this year and protecting the overall integrity of the tax system.

From page 17, we outline what we have done to make it simpler to pay tax, reduce customer compliance efforts and ensure everyone pays their share.

You can find more detail on our performance from page 49 and financial information and notes on revenue from pages 152 and 163.

Social policy payments

People receive payments they are entitled to, enabling them to participate in society.

IR administers a range of social policies and is implementing a new programme, FamilyBoost. We play a central role in improving the long-term effectiveness and efficiency of New Zealand's social policy system.

A summary of our delivery of social policy payments starts on page 33.

From page 53, you can read more performance information, including a case study about implementation of the FamilyBoost scheme on page 92.

Financial information and notes on social policy payments start on pages 154 and 169.

Collaboration

New Zealanders benefit economically and socially through our working collaboratively across our external environment.

The page opposite outlines the many organisations we work with in the tax and social policy system.

Throughout the report, you can read about specific initiatives where we have teamed up with other agencies, community groups and international organisations.

You can read case studies on our work with others to collect student loan and child support repayments from customers overseas and on our information sharing from page 57.

1 Our Statement of Intent covering 2021–25 is available in the 'About us' section at ird.govt.nz.

To achieve our outcomes, we work with many others E tutuki ai ā mātou putanga, he tokomaha ā mātou hoa mahi ngātahi

As the principal steward of the tax and social policy system, IR plays a crucial role in maintaining and enhancing its integrity. We are accountable to the Minister of Revenue.

IR works with many other organisations that help manage and run the tax and social policy system, with community groups and with international tax networks.

Advice

IR advises the Government on tax policy and the social policies that we administer. We work with other agencies such as the Treasury Te Tai Ōhanga to help deliver oranga—wellbeing—for all New Zealanders.

Products

We provide assurance that the system for tax and social policy payments:

- operates efficiently
- delivers what the policies intended
- achieves the intended outcomes
- remains fit for purpose.

Social policy payments

IR administers various social policy programmes, working closely with other government agencies, especially the Ministry of Social Development Te Manatū Whakahiato Ora (MSD) and the Ministry of Business, Innovation and Employment Hīkina Whakatutuki (MBIE).

Partnerships

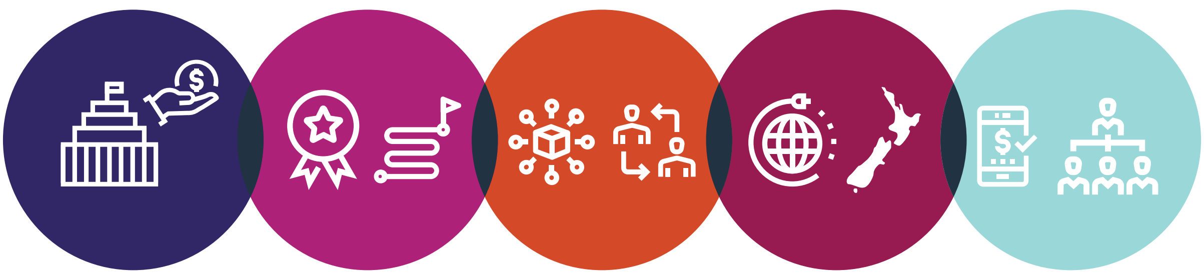
Many other parties help IR manage and run the tax and social policy system such as tax agents, employers, KiwiSaver scheme providers and financial institutions. We also work with New Zealand Police Ngā Pirihimana o Aotearoa to disrupt organised crime.

We are part of a digital ecosystem that includes service providers such as payroll software companies. We have information-sharing arrangements with more than 23 agencies.

International revenue

IR advises the Government on international tax issues and helps to develop and implement New Zealand's international tax legislation.

We work with groups such as the Organisation for Economic Co-operation and Development and tax agencies in other countries. We're able to exchange financial account information with 99 overseas jurisdictions.



Our customers want us to keep making tax and social policy payments simpler and more certain
Kei te hihia ā mātou kiritaki kia māmā ake te utu i ā rātou take me ngā utunga, otirā kia tūturu ake

IR has a relationship with nearly every individual and business in New Zealand and hundreds of thousands of customers living overseas. We focus on making tax and student loan obligations simple to pay, supporting individuals and families through making social policy payments and helping New Zealanders save for their first home or retirement.

It's important to our individual customers that we:

- send out annual tax assessments quickly and explain things clearly
- help people pay what they should on time
- make it straightforward to set up a plan for repaying an overdue debt.

3.5 million CUSTOMERS

received an automatically issued individual income tax assessment in the tax year to March 2023.[1]

3.4 million KIWISAVER MEMBERS

were enrolled in the scheme at 30 June 2024. We transferred $10.4 billion to scheme providers to invest in 2023–24.

618,000 STUDENT LOAN BORROWERS

made $1.6 billion in repayments this year.

$328 million

IN DONATION TAX CREDITS

went to 313,000 customers in 2023–24.

1 Figures for the tax year ended March 2024 are not available for this Annual Report because some customers who use tax agents have until April 2025 to file their 2024 returns.

Families receive social policy payments that we deliver along with MSD and MBIE.

Some families may be facing hardship, managing complex circumstances or unsure about the payments they're entitled to.

Families and whānau want us to:

- give them certainty about the payments they receive from week to week
- take the time to understand their situations and work through options for receiving entitlements or paying child support.

Along with MSD, IR distributed:

$3.1 billion IN NET ENTITLEMENTS

to support working families this year.

145,000 CHILDREN

were supported by the Child Support Scheme.

$480 million IN CHILD SUPPORT

was collected from more than 127,000 parents in 2023–24 and $413 million was distributed to carers.

$642 million IN PAID PARENTAL LEAVE

payments went to around 54,000 new parents.

Our customers want us to keep making tax and social policy payments simpler and more certain
Kei te hihia ā mātou kiritaki kia māmā ake te utu i ā rātou take me ngā utunga, otirā kia tūturu ake

All New Zealand businesses interact with IR. As well as paying tax, businesses play a key role in the tax and social policy system by providing us with employment information and collecting tax and social policy payments such as student loans and child support for their staff.

Small businesses want dealing with IR to be as simple and efficient as possible. We're focused on reducing their compliance effort.

Providing certainty and clarity for companies is critical so they can manage their tax obligations.

It's important that we:

- help new businesses get their tax right from the start
- reduce the effort and uncertainties involved in paying tax
- understand their circumstances if they're going through difficulties
- make it easy to advise us about any significant loss of income or set up an instalment arrangement to pay a debt.

250,000 EMPLOYERS

filed more than 7.2 million employer information returns in 2023–24.

708,000 CUSTOMERS

were registered for GST at some point in 2023–24. They filed 3.19 million GST returns.

435,000 COMPANY RETURNS

were filed in the 2023 tax year.[1]

One of the ways that we keep customers at the centre of our services is through our customer research panel, IR Connection.

IR Connection is an 18,000-strong community who represent all customer groups and product users, including traditionally hard-to-reach customers such as new migrants and people living with disabilities.

Through the panel, IR learns about customers' experiences, motivations and needs. This year, members have shared their views on a range of key topics, including:

- looking at ways to optimise the electronic notifications we send to customers when there is an action they need to take or information to read
- helping our policy teams understand how donation tax credits are working for customers.

We're grateful for IR Connection members' time and valuable contributions.

1 Figures for the tax year ended March 2024 are not available for this Annual Report because some customers who use tax agents have until April 2025 to file their 2024 returns.

Tax revenue reached $115.4 billion this year
I eke te whiwhinga taake ki te $115.4 piriona i tēnei tau

New Zealand's tax revenue grew to its highest level ever this year. However, in the current economic conditions, more customers have struggled to pay their tax and there has been a notable net growth in overdue tax debt.

Under our completed transformation programme, IR sought to deliver an uplift in Crown tax revenue. Tax revenue for this year was $115.4 billion, 10.5% above 2023 and 14.7% more than in 2022.

Most of the annual growth was in deductions from salary and wages, GST net of refunds and resident withholding tax (RWT) on dividends and interest. (RWT is a tax deducted from some kinds of investment income before the investor receives it.)

The growth in deductions from salary and wages was $4.8 billion (10.4%), reflecting salary and wage growth and the associated increase in tax due to more income being earned in higher tax brackets.

Net GST grew by $3.4 billion (13.0%) as a result of growth in domestic consumption, partially offset by less GST from residential investment. Net GST collected was further boosted by a decline in imported goods, which resulted in smaller refunds.

IR collected $110.3 billion in tax receipts, which is 6.9% higher than in 2023.

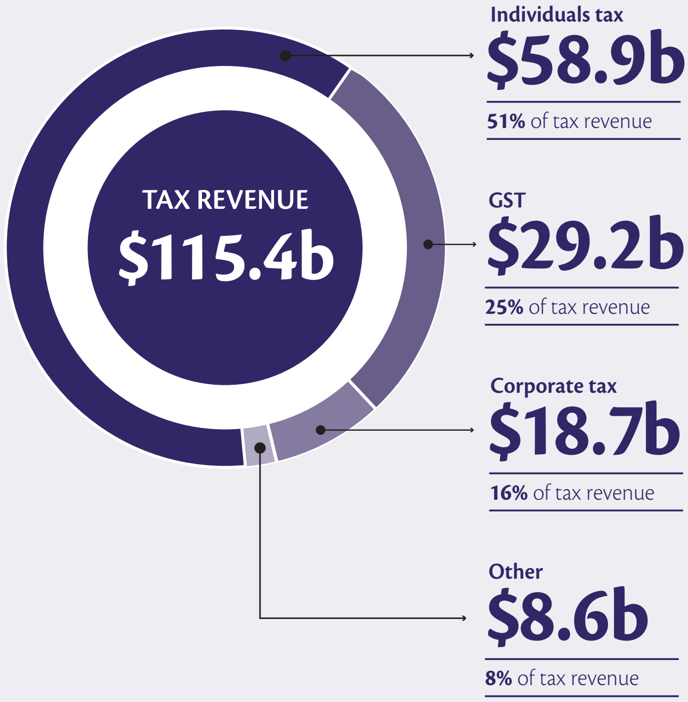
We continued to focus on assessing and collecting revenue efficiently and have increased efforts to get the revenue that is harder to collect because customers have not filed returns correctly or paid their tax on time or in full.

Overdue tax debt (which excludes debt related to child support, student loans, COVID-19 support products and Small Business Cashflow Scheme loans) grew to $7.94 billion. The level of tax debt tends to increase alongside revenue growth. However, economic conditions and changes we made this year to the definitions of overdue tax debt resulted in it increasing at a greater rate than revenue. (There's more on this on page 23). We've worked with customers to ensure they are repaying debt quickly and sustainably.

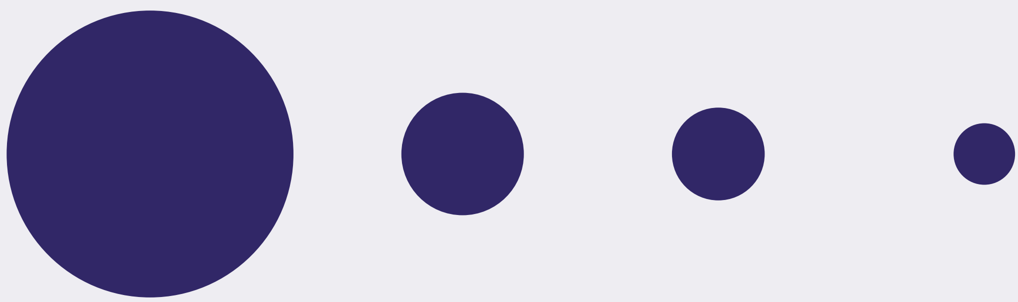
IR is furthering the Government's commitment to operating a stable, predictable revenue system by continuing to simplify tax, reduce uncertainties for taxpayers and businesses, assure future revenue and collect more unpaid tax.

TOTAL TAX REVENUE

MAIN TAX REVENUE TYPES



A breakdown of the tax that takes more effort to collect, using revenue from the 2023–24 financial year



$106.9b
in tax revenue was paid on time and in full (94% of it)

12.6m returns
were filed on time

$4.03b
in overdue tax debt was collected

$1.71b
in revenue was assessed from finalising overdue returns

$975m
in revenue was identified and expenditure recovered or disallowed through our compliance interventions

Cost: $506.8m to inform customers and process obligations

Cost: $83.9m to manage overdue debt and unfiled returns

Cost: $102.7m for investigations

Key results
Ngā hua matua

MAKING TAX SIMPLER

88.2%

of the tax payments made by customers were on time and in full ($106.9 billion paid on time and in full)

2023: **88.8%**
2022: **89.4%**
TARGET: **90%**

82%

of customers who received an automatically calculated individual income tax assessment had nothing further to do (provisional result)

2023: **83%**

72%

of customers found it easy to get the information they needed

2023: **72%**
2022: **N/A**
TARGET: **70%**

ACTIVELY MANAGING DEBT

We collected $4.07 billion in overdue debt this year ($2.95 billion in 2023), of which $4.03 billion was for overdue tax. Read about what we did to manage debt from page 23.

58.3%

of new customer debt was resolved within 6 months

2023: **58.6%** | 2022: **61.7%**
TARGET: **50%**

Overseas-based borrowers paid $173 million in student loan repayments, $17.5 million more than in 2023. However, their compliance remained low so we've increased efforts to address this, outlined on pages 25 and 58.

82.9%

of student loan customers met their obligations

2023: **83.1%** | 2022: **83.8%**
TARGET: **85%**

EVERYBODY PAYS THE RIGHT AMOUNT

We identified

$975m

in revenue and recovered or disallowed expenditure through our compliance interventions

2023: **$973m**

We collected

$67.69

in cash for every dollar spent on debt

2023: **$47.11**
2022: **$43.43**
TARGET: **$40.00**

61%

of customers had trust in IR. Trust is integral to the integrity of the tax system and to people's willingness to pay their obligations. There's more on this on page 61.

2023: **57%**
2022: **60%**

These show our performance against measures that have specific targets—we met or did not meet a target.

These show our performance across trend-over-time indicators, which improved, were stable or saw minimal change or declined.

Key results
Ngā hua matua

CERTAINTY FOR FAMILIES

66%

of Working for Families customers who got regular payments during the year were paid within 20% of what they should have received (provisional result)

2023: **64%** | 2022: **64%**

We continue to work with customers to ensure they get the right amounts and avoid going into debt. You can read about this work and progress on our review of the whole Working for Families policy from page 34.

72.5%

of child support assessments were paid on time

2023: **70.8%** | 2022: **70.2%**

TARGET: **70%**

Read about the improved outcomes we've delivered for child support customers and children through our transformation programme and other changes on pages 35 to 36.

COST-EFFECTIVE AND EFFICIENT AT WHAT WE DO

IR constantly works to improve efficiency and effectiveness across our work programme, alongside our implementation of Government's revenue and social policy, design and operational changes. This is the last year of reporting on the outcomes of our business transformation programme. We achieved 7 out of the 10 indicators for which there are quantitative measures, including for digital uptake, system availability and resilience, additional Crown revenue and administrative savings. Read more from page 90.

It cost IR

45 cents

to collect $100 in tax revenue

2023: **43 cents**

2015: **80 cents** (prior to our business transformation)

We assessed

$71.63

in revenue for every dollar spent on unfiled returns

2023: **$60.12**

2022: **$61.10**

TARGET: **$45.00**

We transferred

$10.4b

in KiwiSaver contributions to scheme providers

2023: **$9.7b**

99.2%

of income tax, GST and employment information returns were filed digitally

2023: **99.0%**

2022: **98.7%**

GOVERNMENT PRIORITIES

IR has worked with key public and private sector partners to deliver Government priorities for the tax and social policy system, including:

- FamilyBoost
- changes to the bright-line test
- changes to personal income tax rates, and
- implementing an online casino gambling tax.

Read more about this from page 40.

These show our performance against measures that have specific targets—we met or did not meet a target.

These show our performance across trend-over-time indicators, which improved, were stable or saw minimal change or declined.

Our compliance approach
Ko tā mātau kōkiri i ngā mahi tautuku

Our compliance approach is how we go about collecting revenue and distributing social policy payments.

We strive to make it as easy as possible to pay tax and receive payments and hard to get it wrong. We work with those who have unintentionally found themselves in debt to repay it and become compliant taxpayers again.

We take a range of actions to tackle the few people who try to deliberately flout the rules.

You can read about the range of compliance activities carried out this year and results in the next 2 sections.

Designing the tax and social policy system with end-to-end compliance in mind

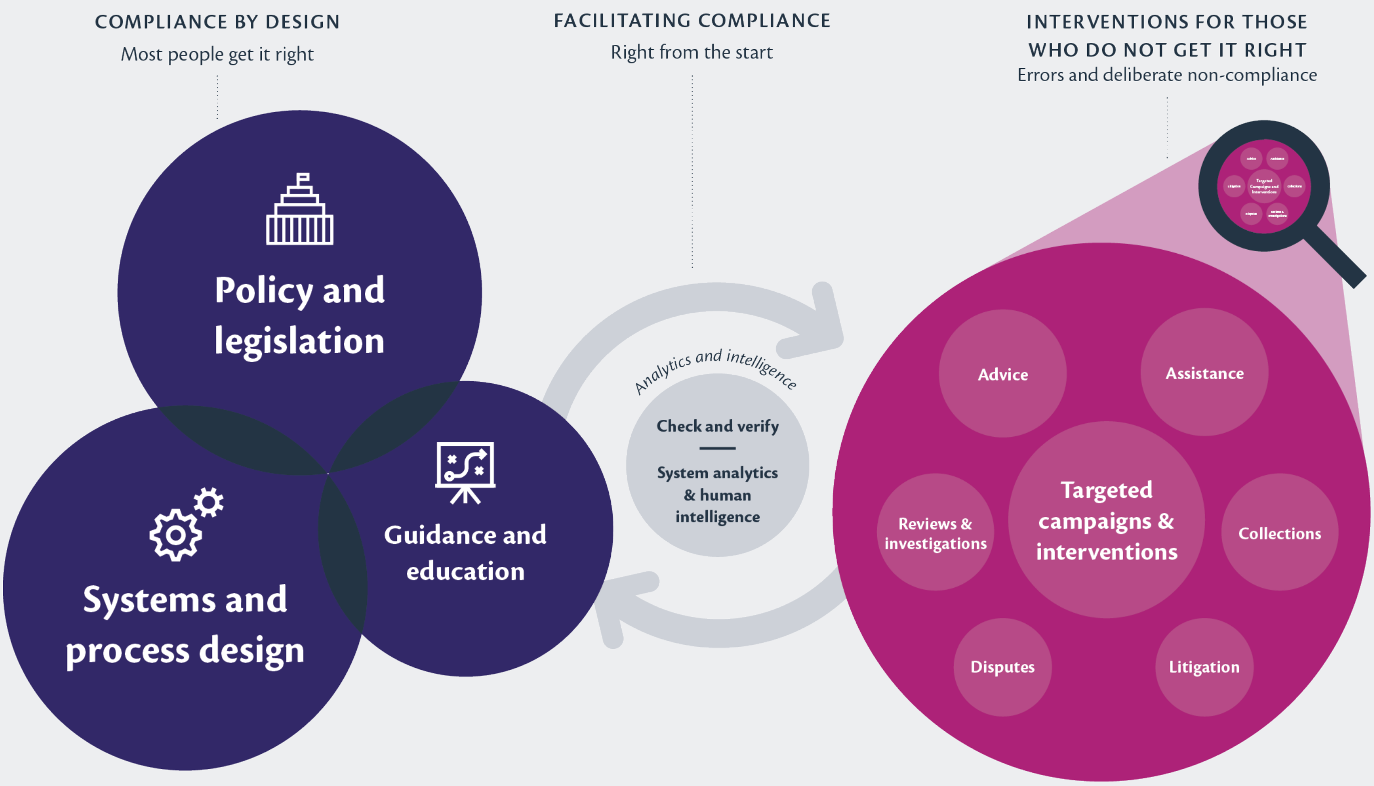
In the diagram below, the left side shows our tax and social policy, systems, processes and guidance that help the majority of our customers get their tax and payments right.

Using analytical tools to help ensure people get things right

The centre shows that we use tools and intelligence capabilities to identify and assist customers who need more help to comply with their obligations.

Stepping in when people get things wrong

The right side of the diagram shows the approaches we can use with the very few customers who need more help to get things right or more of our attention because they deliberately try to avoid their obligations.



Revenue—our year
Ngā whiwhinga—ko tā mātau tau

Ensuring revenue is there to fund government programmes and services is the first outcome that Inland Revenue Te Tari Taake (IR) delivers for New Zealand.

We continued to work to make tax simpler and easier to pay, and we have stepped up efforts to collect overdue tax debt.

IR is using a range of compliance capabilities, data and intelligence to address the few who try to deliberately flout the rules and avoid paying their fair share.

We're steadily increasing compliance activities with additional Budget 2024 funding.

Making tax simpler, collecting revenue efficiently

New Zealand has a high level of voluntary compliance when it comes to people paying tax, with little to no contact needed with IR. Nearly 9 out of 10 tax payments were on time this year. IR has worked to assess and collect tax efficiently and ensure core tax revenue continues to be reliable from year to year.

Tax revenue for this year was $115.4 billion, 10.5% more than in 2022–23.

We have continued to focus on delivering efficiencies across our operations and optimising resources. This is freeing up more time to tackle non-compliance and implement the Government's priorities. However, as you can read on page 23, there has a been a notable net growth in overdue tax debt alongside revenue. We have lifted efforts to collect unpaid tax and actively manage overdue debt.

Compliance from the start

Designing compliance into our systems and processes lies behind the success of key IR tax events, digital services for businesses and effective implementation of Government policy changes.

The tax event most New Zealanders experience every year is an individual income tax assessment, where we automatically calculate and finalise their tax for them. IR sends out assessments over May to July. As at 30 June, 3.6 million customers had received their assessment and 82% had effectively completed their tax obligations for the year.

IR has run these assessments since 2019, refining the process each year—we sent 221,000 more automatic assessments than in 2023 by removing out-of-date income source information that would require people to manually file.

Systems design also ensures a significant amount of non-compliance is prevented at the earliest opportunity possible. Our systems automatically screened 9.7 million returns this year, stopped 134,000 returns that did not look right for review and processed the rest quickly. $230 million in incorrect or fraudulent refunds and tax reductions were stopped at the time of filing.

Promoting compliance in the community

While IR is a highly digital organisation, we also need to be visible in communities to help people get their tax right and reinforce that we're looking for wrongdoing. This year, our community compliance teams have offered targeted support to many communities, including new migrants, businesses and customers affected by the weather emergencies in 2023.

Targeted support means tailoring our education to intrude into people's lives as little as possible while providing the right tools and information. For example, we hosted tax workshops for 2,500 businesses and sole-traders and visited 1,660 customers to explain our services and talk through any areas of concern.

At an expo at Unitec in May 2024, most of the students we talked with were in their last year of study to become electricians, builders and mechanics and were keen to understand the different compliance efforts involved in working for a company versus being self-employed.

We covered income tax, PAYE, business structures and expenses, compliance and withholding tax, and emphasised the overall importance of self-employed customers being proactive about paying tax and keeping good records.

TAX REVENUE PAID ON TIME AND IN FULL

Payments by volume

88.2%

of the tax payments that customers made were on time and in full

2023: **88.8%** | 2022: **89.4%**

Payments by value

94.0%

of the value of those tax payments was paid on time, which totalled $106.9 billion

SEE MORE

There is more on revenue from page 49 and financial schedules and notes start on pages 152 and 163.

Reducing the effort for businesses

In line with the Government's priority of reducing compliance costs for individuals and businesses, IR continues to look at what we can do for small-to-medium-sized businesses (SMEs). It's important because our research suggests SMEs have the highest compliance costs relative to the amount of tax paid. We aim to reduce the time and money spent on compliance so there's more time to run and grow their businesses.

As you can read in our final report on the benefits gained from IR's business transformation (page 90), the time taken by SMEs to complete their tax has reduced, but not by as much as expected. The cumulative value of the time saved by SMEs on compliance was $650 million.

In our latest 2024 survey of SMEs, a fifth of respondents said IR had made compliance easier this year by doing things such as improving the user-friendliness of myIR, providing useful online calculators and ensuring our systems are compatible with accounting software. Factors that made it harder included changes to the tax and social policy system, meeting filing and information requirements and increased professional advice and software costs.

As well as offering assistance to businesses just starting out and those looking to grow, IR has a number of initiatives under way to reduce the compliance effort, including:

- simplifying the notifications we send businesses to ensure they are easy to understand
- ensuring they are aware of important information such as interest accruing on a Small Business Cashflow loan
- developing a more efficient and fair way to deduct withholding tax by percentage of income
- simplifying the compliance process by reforming trust tax returns to better align with financial statements and other related resources.

Reducing uncertainties for larger companies

New Zealand's larger companies—we term them significant enterprises—are vital to the economy, because of the amount of tax revenue they pay and because of the PAYE they deduct and pass on. This year, 98.6% of their payments were on time and in full.

Reducing uncertainty for larger companies is highly important to an effective tax system because their transactions usually involve significant money and are complex. IR provides tailored account management for the biggest companies. This year our work included:

- helping some companies to reduce errors in their employment information that cause rework
- improving tax governance
- providing high-calibre advice on the interpretation and application of tax law.

Providing certainty to corporates helps to increase the proportion of revenue from year to year that can be considered as 'assured'—meaning that we are confident the right amount of tax will be paid in the future. This year saw corporates continue to set up advance pricing agreements with IR, which give them upfront certainty of their international transfer pricing arrangements. These agreements represent approximately $400 million in assured revenue.

Certainty in interpreting tax law

The services of our Tax Counsel Office foster compliance through providing clarity and certainty on tax law so that customers can enter into commercial transactions with confidence.

The Tax Counsel Office has provided a range of advice and rulings on our interpretation of how a tax law applies to a particular arrangement—private rulings that customers can obtain for a fee. These provide certainty on the tax position for a wide range of transactions as they are binding on the Commissioner of Inland Revenue if the taxpayer applies the ruling (and meets certain legislative requirements).

This year, we ruled on arrangements worth $18 billion, with associated tax of more than $4.6 billion. Some of the significant transactions ruled on covered business disposals and reorganisations, employee share schemes, financing arrangements, bank capital structure requirements, life insurance and reinsurance and infrastructure transactions, and overseas investment in New Zealand.

The Office also provides a range of public advice and guidance on particular issues that provide certainty and predictability of IR's position to tax advisors, customers and our people. There's more on this on page 73.

Overall feedback from our customers shows an appreciation of the criticality of both private rulings and public guidance.

Implementing the trustee tax rate change

Following on from an increase in the top personal income tax rate to 39% for the 2022 tax year, IR implemented an increase in the tax rate for trusts to 39% from 1 April 2024. The Government's intent behind the new rate was to align the trustee rate with the top personal rate.

IR has engaged widely with the tax community about the comprehensive compliance approach we will be taking and the intelligence we are using to identify and monitor non-compliance. Information disclosed from 400,000 trusts for the 2022 and 2023 tax years will be critical to identifying customers with significant changes in income-generating assets, arrangements with associates such as loans and tracking changes in income allocation to beneficiaries.

We have emphasised that we can monitor and validate what customers are doing in real time and that use of external datasets is improving our understanding about the relationships between wealth, assets and corporate structures.

Customer feedback from 2023 on the Tax Counsel Office's private rulings illustrates their importance to businesses:

"The rulings provide an opportunity to obtain a clear, considered and neutral view of the relevant tax issues before a final tax position is taken as compared to the uncertainty of an audit or dispute."

A customer on our public guidance:

"We welcome Inland Revenue's efforts in providing guidance on the application of the income tax rules to general and limited partnerships. The application of these rules can be challenging, especially in the light of the complex commercial arrangements that have been developed in the market in relation to these structures (and in particular in the context of limited partnerships, which are increasingly the favoured structure for infrastructure and property investments)."

Customer experience and attitudes to tax

We acknowledge that it's not always simple for some customers to deal with us: families who receive tax credits, small businesses, tax agents or customers who pay child support need to get in touch more during the year. Their satisfaction with our services is driven by each interaction.

Customer perceptions about satisfaction and ease in getting information from IR remained stable this year. IR still has work to do to improve our timeliness in responding to correspondence from customers. This includes a focus on improving e-notifications, the 35 million electronic communications sent a year requesting that customers do or read something.

We have invested in further simplifying processes where we can, automating simpler tasks, working to resolve their issues in a single contact and managing spikes in customer demand driven by key tax events. Using a new cloud-based voice channel platform, launched in November 2023, we have answered a higher percentage of answered calls received and kept to within target for our speed to answer them.

We've also continued to improve our services to tax agents, who play a key role in the tax system by handling the tax affairs of a quarter of IR customers. We provide dedicated account management and conduct weekly surveys to understand their experiences interacting with us.

Tax agents' overall satisfaction has continued to improve over the past 5 years and their ease of interacting with IR remains high.

We're staying focused on helping to reduce the number of contacts needed to resolve agents' queries, including identifying training for them to get the most out of myIR.

Overall, the tax and social policy system relies on people's trust and willingness to pay voluntarily so we work hard to encourage helpful attitudes to paying tax. Trust in IR has started to recover following declines over the past 3 years. More customers agreed they feel good about paying tax and that IR will help them when they are trying to do the right thing.

Customer voices:

"Saying thanks for all the work you do. I noticed in the letters you sent me for my income tax assessment you had a paragraph thanking me for paying tax and listed some of the things taxes are used for. I just want to say that I appreciate the fact that you took the effort to be appreciative."

"As a new business owner it can be hard to navigate so many tax-related obstacles before being able to afford professional accounting software, but your customer services officer made things a lot easier by understanding my small errors and helping to correct them."

CUSTOMER EXPERIENCES

70%

of customers were satisfied with their last interaction with IR overall

2023: **69%** | 2022: **70%**

72%

of customers said it was easy to get the information they needed from IR

2023: **72%** | TARGET: **70%**

SEE MORE

There's more information on customer trust and experiences from page 61 and services from page 69.

ATTITUDES ABOUT TAX

61%

of customers have trust in IR

2023: **57%** | 2022: **60%**

60%

of customers surveyed felt good about paying tax

2023: **58%** | 2022: **58%**

65%

agreed IR will help them when they are trying to do the right thing

2023: **60%** | 2022: **61%**

Efficiencies and effectiveness

IR completed or progressed 69 initiatives this year intended to improve efficiency and effectiveness across our services.

3 EFFICIENCIES THAT SAVED TIME AND EFFORT FOR CUSTOMERS

- IR's new voice channel platform has expanded our ability to offer a callback option to customers. This helped increase the number of callbacks from approximately 40,000 in 2022–23 to over 290,000 this year.
- To help reduce the number of unfiled returns that IR needs to contact customers about, we identified and removed 25,000 returns that were likely to have a nil assessment value.
- Our group that works with larger companies focused on working with customers more effectively to limit filing errors. Their efforts have contributed towards an increase in straight-through processing of employment information through our systems without further intervention.

A BETTER SERVICE FOR GRIEVING CUSTOMERS

Each year, approximately 35,000 people pass away in New Zealand. IR was sometimes criticised by the media and customers for the way we dealt with deceased customer accounts, causing frustration and additional financial costs.

A networked team came together to implement process and operational changes, making it quicker and easier to finalise the tax accounts of family members who have passed away.

System changes made included the following:

- enabling the ability to view customer credits, which has helped reduce complaints, customer contacts and manual reversals
- new KiwiSaver legislation enabled us to create a dedicated repository of critical executor and administrator information, which streamlines our ability to link up executors with KiwiSaver providers.

A consistent, well-documented and timely process is now applied to the treatment of all deceased customer accounts. This enables our people to support customers who are managing the affairs of a deceased loved one and reduces IR's costs to administer these accounts.

We're encouraging people to check out our updated property tax decision tool, which helps work out whether the sale of a property is taxable under any of the land taxing rules, including the bright-line test. The tool is available online at ird.govt.nz/property/buying-and-selling and takes approximately 7 minutes to complete.

$4 billion in overdue tax debt collected

Most people want to do the right thing when it comes to paying tax. Over 90% of customers either paid on time this year or negotiated a repayment plan if they could not. However, there has been a notable net growth in overdue tax debt. Through multiple campaigns and interventions, we are addressing debt issues and collecting unpaid tax.

Economic conditions this year impacted many New Zealanders, particularly small businesses, although the number of customers in debt at 30 June 2024 remained about the same as last year. We know that those experiencing cash flow problems sometimes stop paying their tax as a way to manage immediate financial difficulties.

Overdue tax debt, including Working for Families debt, has increased significantly and consistently over the year to $7.94 billion at 30 June 2024. (The amount excludes COVID-19 product debt, child support, student loans and debt related to Small Business Cashflow Scheme loans.)

The increase is mainly due to the impact of the global environment on New Zealand, especially the growing debt relating to employer activities/PAYE and GST, which is an early signal that businesses are experiencing cashflow issues. Almost half of the customers with overdue GST or employer debt only had debt relating to 2023–24, indicating this year has been tougher than previous years.

IR also made technical adjustments to our definitions of overdue tax debt to include the following in the overall amount at 30 June 2024:

- $366 million of provisional tax relating to the 2023 tax year and earlier that remains unpaid and where the customer also has an overdue annual tax return for the period.
- $357 million of mostly income tax debt from customers who are using tax pooling for the current period but who have overdue tax debt from previous periods not covered by tax pooling. Tax pooling clients pay their provisional tax to registered intermediaries who then deposit payments into an account with IR. We hold the payments until intermediaries tell us where to transfer them.
- $144 million of overdue tax debt that has previously been omitted from debt collection activity and reporting as most of it is due to customers being deceased, undischarged bankrupts or in liquidation.

Total overdue tax and Working for Families debt increased by $2.15 billion (37%) from $5.80 billion at 30 June 2023 to $7. 94 billion. Excluding the $867 million in reclassified overdue tax debt noted above, the increase from 2023 to 2024 was $1.28 billion.

OVERDUE TAX DEBT at 30 June 2024

$7.94b
in overdue tax debt

69%
of total tax debt is collectable

31%
of the total tax debt is made up of penalties and interest

512,000
customers had a tax debt
2023: **518,000 customers**

OVERDUE DEBT BY TAX TYPE
at 30 June 2024

$2.04b INDIVIDUALS INCOME TAX

$1.10b NON-INDIVIDUALS INCOME TAX

$2.84b GST

$1.51b EMPLOYER ACTIVITIES

$273.5m WORKING FOR FAMILIES

$175.7m OTHER

Our priorities for collecting overdue debt

IR offers individual support to customers who want to do the right thing. As outlined below, we have emphasised to customers to get in touch with us now to avoid harsh outcomes, that we are targeting high-value and high-risk debt and using datasets in different ways—for instance when they can provide a more comprehensive view of the financial situations of customers.

Our approaches are in line with the Commissioner of Inland Revenue's responsibility to collect the highest net revenue over time (which is behind prioritising high-value debt) while still maintaining the integrity of the tax system (the high-risk debt) and voluntary compliance (getting as much debt as possible under active management).

Collecting overdue debt is a priority for the Government. With additional Budget 2024 funding that it appropriated for this purpose, IR will intensify efforts to manage and recover outstanding amounts.

High-risk, persistent defaulting

We are taking a firm approach with companies and self-employed business customers with high levels of debt and who persistently default on their obligations. As at 30 June 2024, we had targeted 5,300 cases that represented $1.4 billion in overdue debt through a range of collection activities, including negotiating repayments, applying relief options and legal action. Of these, 3,500 cases are under active debt management, excluding closed and liquidation cases.

Another priority is non-compliance by employers who make deductions (such as tax, student loan repayments or KiwiSaver contributions) from employees' salaries or wages but do not pass them on to IR. Retaining deductions for their own use and failing to properly pay them is a serious breach and their actions can have a significant ongoing impact on their employees.

We have continued to progress a range of compliance options from assessing cases for investigations or liquidations and legal options. One South Island company director was sentenced to 2-and-a-half years' jail in February 2024 after being convicted for a second time for failure to pass on deducted PAYE totalling $560,000 to IR. The offending was premeditated and deliberate and occurred over 4 years.

NON-TAX OVERDUE DEBT
at 30 June 2024

Student loans
$2.37b
2023: **$2.21b**

COVID-19 products
$167.1m
2023: **$104.1m**

Child support
$1.01b
2023: **$1.10b**

Prioritising GST and employment information and debt

IR has increased efforts to collect GST and employer debt and finalise overdue returns. GST returns have been a priority, as they are generally of high value. Employer returns are another priority as they contain information that ensures millions of individual salary or wage earners' tax, KiwiSaver, student loan and child support contributions are calculated accurately.

Finalising high-value returns resulted in our assessing $1.71 billion of additional revenue this year, although we did not achieve our target for finalising 60% of unfiled returns within 6 months. This is $331 million more than in 2022–23, although a proportion of this may end up as overdue tax debt.

Focus on the construction industry

Where we identify business sectors at high risk of incorrect tax reporting, we run targeted campaigns to improve their compliance. For example, we continue to educate contractors in the construction industry about appropriate tax deductions, expense claims and reporting practices. Customers in this industry have among the highest levels of unfiled returns and overdue payments.

In a campaign running over April to June, we contacted and advertised to 40,000 individual businesses, giving them a last-chance warning to pay their taxes. Customers were directed to an online Tax Toolbox for Tradies and we visited various hardware centres to provide advice and education. Our teams have emphasised that we're willing to work with customers who need help. As one customer told us, "I am a good tiler and love doing it, but I can't do paperwork."

One element of the campaign involved texting 2,400 customers over June and July to offer help with sorting their affairs. As at 31 July, IR had received $541,000 in lump sum payments, with instalment arrangements set up to cover $1.2 million in debt. We began unannounced visits to construction businesses in July 2024.

This campaign is a good example of IR using a range of ways to reach large groups of customers efficiently and deliver targeted enforcement activities.

People with overdue debt living overseas

The annual number of overseas-based student loan borrowers meeting their repayment obligations was at its lowest during the COVID-19 pandemic at June 2022 but has risen since. However, they owe 93% of all overdue student loan debt and only 29% met their repayment obligations this year.

When living in New Zealand, student loan repayments are automatically deducted from the pay of most borrowers. Many only become aware of their responsibilities once they leave the country—biannual repayments can come as a shock as well as the loans no longer being interest free.

We run marketing campaigns, such as encouraging customers who have recently gone into debt to talk to us and set up an instalment arrangement.

One March 2024 campaign involved contacting 57,000 customers, a number of whom made a collective $10.4 million in repayments. This contributed to the $173 million in overall repayments made by overseas-based borrowers this year, an 11.5% increase on 2022–23.

Borrowers are located in approximately 100 countries: IR has prioritised activities in Australia and the UK, where we can get collection underway sooner. Starting in April 2023, IR has sent 26,500 cases to third parties in Australia to pursue collection, and 900 cases to a UK collector. This is showing good results, contributing $9.0 million in repayments this year.

As you can read in a case study on page 58, we're using a range of ways to reach customers who have defaulted on their obligations, from the campaigns noted above that reach many to enforcement where our options can include cross-jurisdictional legal cases for a few borrowers. We can also apply to Australian courts to deduct outstanding amounts from salary and wages, which is an action we consider carefully because it is resource intensive.

IR has the ability to stop people from leaving New Zealand if they have returned from overseas and been unwilling to engage proactively with us over a tax, student loan or child support debt. We use this ability in only the most serious of cases.

IR has also set up a dedicated team who are locating overseas-based student loan borrowers with invalid contact details, tracking frequent travellers with overdue repayments, applying for arrest warrants and handling national and international civil proceedings.

Debt under an instalment arrangement

Customers who have not paid on time can set up an instalment arrangement to get back on track and minimise penalties. Within a set of specific parameters, we encourage people to set up their own plan online to give them a sense of control over their own debt. Self-service plans continue to be more successful with 67.4% of customers making repayments to schedule as at 30 June 2024, compared to 58.9% of customers who set up an arrangement with IR's assistance.

The number and value of arrangements have progressively increased since 2018, partly because of external factors such as economic and COVID-19 pressures and also because we improved settings such as decreasing minimum repayment amounts and increasing repayment timeframes.

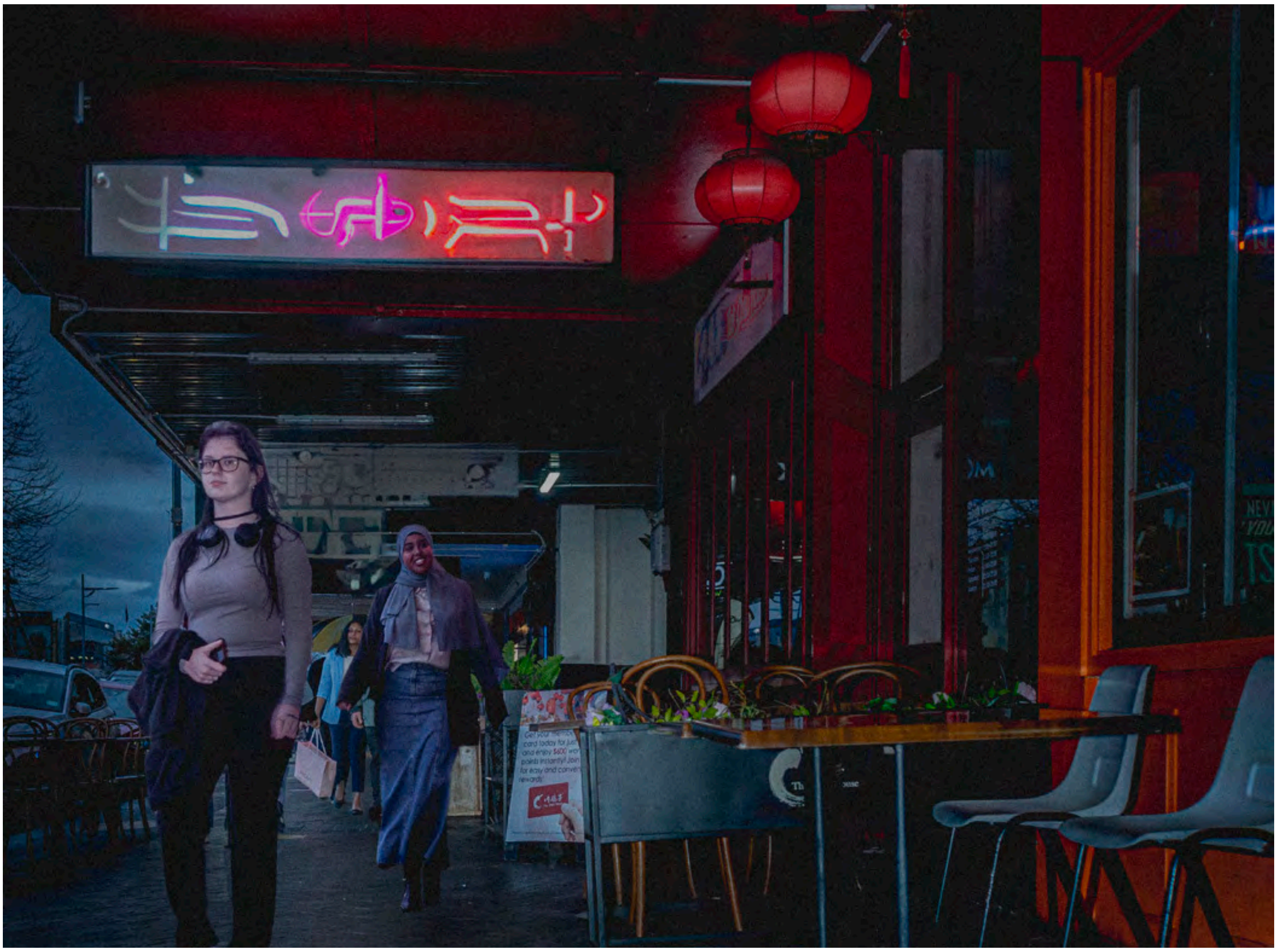
IR is focused on further improvements that will get more debt under control, including trialling ways to better engage with customers who have missed payment plan instalments.

Debt can be written off in cases of serious hardship, bankruptcy or liquidation or if the debt is uneconomical to collect. This year we wrote off $694.5 million of debt using these provisions, compared to $523.5 million in 2022–23 (this excludes COVID-19 remissions).

Monitoring overall debt

Monitoring the overall level of overdue tax debt is important because it indicates how many customers are in difficulty and equates to uncollected cash for the Government. A growing and ageing debt book results in an increase in the impairment and reduction in value of the debt as an asset on the Government's books.

IR is monitoring the levels of debt collection, write-offs and impairment made this year, and trends in impairment, as they are material to the Financial Statements of the Government and what it can plan to spend. The rise in the level of overdue debt had an associated increase in the impairment expense as did our reclassification of some overdue tax debt. As noted on page 104, expenditure on debt write-offs and impairment was higher than appropriated.



Results and next steps

IR recognises that the effects of the economic downturn have compounded over the past few years, ultimately impacting some customers' ability to file returns and pay. Even so, we achieved our target for returns filed on time at 96.4% (target 95%). We were just 2 percentage points short of meeting the target for payments made on time and in full at 88.2% (target 90%). This indicates that most who have tax to pay, including businesses, are managing to adapt despite the current economic challenges.

IR has collected more overdue debt this year—$4.07 billion, up from $2.95 billion in 2022–23. This result reflects that there was more overdue debt to collect and increased debt recovery activities. With the additional compliance funding outlined on page 31, we will intensify our efforts to manage and recover outstanding amounts.

RESULTS FROM DEBT RECOVERY

$4.07b

in overdue debt was collected

2023: **$2.95b**

$67.69

in cash was collected for every dollar spent on debt

2023: **$47.11** | 2022: **$43.43**

TARGET: **$40.00**

$71.63

was the value of assessed revenue from addressing unfiled returns

2023: **$60.12** | 2022: **$61.10**

TARGET: **$45.00**

SEE MORE

Read more detail about student loan compliance on page 58

There's more detail on instalment arrangement results on pages 64 and 68

Scaling up enforcement

IR has steadily increased enforcement activities this year. While we have worked to ensure customers get things right, a few people needed our attention because they ignored us or tried to deliberately flout the rules.

IR has carried out more audits and liquidations this year than in 2022–23. We're also rebuilding the pipeline of tax offence prosecutions that were deferred due to our prioritising delivery of COVID-19 and emergency weather events support. To help us best direct our enforcement efforts, we're improving analytics tools, using more third-party data and increasing our visibility in industries where cash jobs are more prevalent.

This year, IR has assessed $975 million in additional revenue or disallowed expenditure through our compliance programme and worked hard to retain the public's confidence in the tax system. This year, 80% of customers we surveyed agreed that, if someone tries to avoid paying the right amount of tax, we will take action.

Who is getting more of our attention

Many parts of IR contribute to the decisions we make as an organisation about where to focus our efforts. Our people bring a range of perspectives such as capabilities in intelligence, data analytics, community relations and business knowledge to understand and address the most serious risks.

Risks can centre around customer behaviours, tax products, industries with the greatest prevalence of non-compliance or misuse of new technologies.

As you can read on pages 24 and 25, IR is increasing enforcement activities targeted at high-risk, persistent defaulters and non-compliant overseas-based student loan borrowers. We have also stepped up efforts to tackle organised crime, people taking part in the hidden economy and people with crypto-assets who are not paying their share of tax.

Organised crime

Organised crime is a focus for the Government and IR because of the extensive damage it poses to the financial and social wellbeing of New Zealanders. Such activities often include tax evasion, fraud, identity theft and money laundering.

Employee issues and income suppression in smaller liquor stores

In February and March this year, IR carried out a campaign focused on smaller liquor outlets around the country.

The number of off-licence liquor stores has grown rapidly since 2020 to approximately 3,000 businesses.

Our data showed these outlets:

- had total sales of $1.95 billion and taxable profits of $34.7 million in 2020
- paid a combined $11.4 million in income tax and IR collected $29.4 million in GST.

Our compliance staff made 220 unannounced visits nationwide. While most of the businesses visited had things in order, we found issues such as high levels of unreported cash sales, poor record-keeping and directors with minimal knowledge of their business or responsibilities.

We discovered PAYE being deducted from the wages of more than 100 staff that was not then paid to IR.

This was a deliberately light-touch campaign and only the beginning of a wider look into smaller liquor stores nationwide and how they operate.

Following on from our visits, we started investigations, with 9 outlets referred for audit.

We have also advised businesses in the sector that we will be increasing our monitoring with additional visits and further audit activity.

IR is a key player in disrupting organised criminal groups and tackling schemes intentionally set up to evade tax. Our approach covers all aspects of a customer's tax affairs, including their social policy entitlements and compliance with child support and tax obligations.

As at 30 June 2024, our special audit team was overseeing the compliance of approximately 8,000 customers identified as high risk because of their potential involvement in organised crime and other behaviours. We've had a dedicated focus on outstanding returns and debt collection, which continues in 2024–25, as well as an increased focus on information sharing across government, joint task-force operations, fraud, money laundering and tax evasion, and undertaking audit and other compliance work targeted at local and international organised crime.

Organised crime is an area where we share intelligence and coordinate with other government agencies, such as taking part in joint task-forces and pooling resources and expertise to target criminal networks. As you can read on page 190, this year has seen an increase in our information shares with New Zealand Police Ngā Pirihimana o Aotearoa, the Serious Fraud Office Te Tari Hara Tāware and the New Zealand Customs Service Te Mana Ārai o Aotearoa.

The hidden economy

The hidden economy covers a range of undeclared or inaccurately reported transactions that obstruct our ability to collect tax revenue. IR has an ongoing programme to target the sectors where cash jobs are more prevalent—the work we do plays an important part in creating a level playing field for businesses and sole traders who do operate fairly.

IR has run nationwide surveys since 2012 to monitor perceptions and trends towards tax and cash jobs. Our 2024 survey provided insights on how people's attitudes and behaviours have changed following COVID-19 and how we can combat non-compliance more effectively. While it found no significant increase in people actually doing cash jobs, findings indicated people are more tolerant of them and there has been an increase in the perception that IR has limited ability to know about them.

The survey results reinforced the need for a more active programme. We have lifted our presence in communities and industries through campaigns and raising general awareness of the consequences of deliberately not paying the correct amount of tax.

Using information from other parties is increasingly in the mix to help us understand more about the accuracy of customers' reported incomes. For example, we're starting to get merchant electronic sales transaction data from payment service providers with the intention that it will help validate the accuracy of GST reported sales and the extent to which transactions may be under-reported.

An emerging risk is the use of electronic sales suppression tools that are designed to alter point-of-sale data. These tools exist only to evade tax and launder money and IR has been taking an assertive approach to identify both users and promoters. For example, our compliance staff carried out a range of search operations and unannounced visits this year to hospitality businesses in Christchurch Ōtautahi, Dunedin Ōtepoti and a number of other centres.

INTERVENTIONS THAT RESULTED IN ADDITIONAL ASSESSED REVENUE AND RECOVERED OR DISALLOWED EXPENDITURE

Compliance activity volumes	2023	2024
Audit cases closed	3,608	4,344
Audit cases opened	4,216	5,131
Audit cases on hand	3,178	3,773
COVID-19 product reviews	27,714	5,781
Voluntary disclosures[1]	9,790	28,335
Integrity reviews	65,662	65,860

1 See the footnote 1 on page 50 for more information on the difference in voluntary disclosure numbers between years.

Growing focus on crypto-assets

A growing number of customers are now trading in crypto-currency as a means to pay for cash jobs and to evade tax so IR has a mix of policy, education and targeted compliance interventions under way to address this.

There's extensive guidance to help people assess their situations, and, despite popular thinking that people are invisible on blockchain, IR has the information collection powers and analytical tools to identify and expose crypto-asset activities and holdings. We have identified around 227,000 crypto-asset users in New Zealand undertaking around 7 million transactions worth over $8 billion.

IR has contacted customers emphasising that now is the time to think seriously about tax and the risks of not declaring all taxable activities.

Lift in enforcement activities

IR is scaling up and creating a strong pipeline of enforcement activities. As at 30 June 2024, we had closed 4,344 audits, 20% more than last year. We have active audits under way, including hidden economy cases, fraud, COVID-19 eligibility reviews, annual reviews of significant enterprises and property arrangements.

Increased liquidation activity has also heightened awareness that IR will act and has been a driver for directors to place companies into voluntary liquidation. While these customers represent a very small proportion of taxpayers, their impact on tax debt and public perceptions of the tax system is significant. Insolvent businesses take trade from businesses working to do the right thing.

$1.26 billion is owed by 4,429 companies in liquidation. A total of 2,072 companies went into insolvent liquidation this year (including 437 liquidated by IR)—88% of these had a tax debt.

Prosecutions

IR completed 31 prosecutions for tax evasion, knowledge offences and Crimes Act 1961 offences in 2023–24 compared to 34 cases in 2022–23. This reduction in completed prosecutions reflects the reprioritisation of our compliance work programme in previous years to support customers through COVID-19 alert-level changes and deliver initiatives. With redirecting efforts back to compliance activities, prosecution numbers are expected to increase.

As at 30 June 2024, there were 85 active cases before the courts.

IR considers a number of factors when looking at potential prosecutions, including a history of non-compliance, the gravity and prevalence of offending and loss to the tax system or damage to the system's integrity. Other considerations are misuse of corporate entities for a criminal tax purpose (for example, using multiple entities to facilitate GST fraud) and whether there are organised and/or systematic attacks on tax or social policy systems.

Given the interest in our prosecution work, we have continued to publicise the outcomes from court cases, in

COMPLIANCE RESULTS

$9.50

was the identified value of compliance activities over associated costs

2023: **$9.04**

TARGET: **$10.00**

$975m

from interventions that identified revenue and recovered or disallowed expenditure

2023: **$973m**

Compliance activity results	
Audit	$460m
COVID-19 products	$57m
Voluntary disclosures	$228m
Integrity reviews	$230m

part to illustrate the role IR plays in protecting businesses from competitors that avoid their obligations.

For example, we are taking a proactive approach towards taxpayers who continue, despite prohibition, to act as a company director or be involved in the management of a company. Automatic prohibition provisions within the Companies Act 1993 come into effect where a person has been convicted of certain types of tax offending. We recently contacted one taxpayer to advise him that his convictions for failing to account to the Commissioner for $560,000 of employer-related deductions (including PAYE and KiwiSaver) had resulted in automatic prohibition.

Enhancing capabilities, improving results

We have plenty to do to optimise the use of our data and analytics assets. This will be essential to IR being able to undertake more activities that enable and enforce compliance—see deeper into the economy, reach more people, prevent wrongdoing upfront, swiftly conclude with compliant customers and turn data insights into sustainable, repeatable actions.

Among other work to continuously improve our ability to protect integrity and detect fraud, we are establishing rules for the new FamilyBoost scheme in our systems, improving our ability to identify GST on property transactions and refining existing tools.

One existing tool, GST Integrity Manager, uses a model to analyse patterns and predict behaviours in relation to GST compliance. It scans every GST credit return filed by customers and assesses its level of risk. We have improved the model this year, enhancing its ability to identify high-risk returns.

Funding for additional compliance

In Budget 2024, IR received additional funding to carry out more compliance activities to collect more tax revenue and outstanding debt. We committed to achieve an overall return on investment of 4:1 over 2024–25, scaling up to 8:1 in future years. This amount includes funding to increase investigations and audits, do more unfiled returns and debt work and increase debt collection from overseas-based student loan borrowers. IR is continuing to scale up existing activities and planning to ensure the targets can be achieved alongside other compliance work.

IR receives approximately 7,000 anonymous tip offs a year from the public, many relating to cash activity and income suppression. Anyone can report a potential tax evasion or fraud online on our website, or by writing or calling a dedicated anonymous phone line at 0800 225 610.

Social policy payments—our year
Ngā takuhe kaupapahere pāpori—ko tā mātau tau

The second long-term outcome we deliver for New Zealand is to ensure people receive the Government social policy payments they are entitled to, enabling them to take part in society.

By doing this effectively, IR is supporting 336,000 families, facilitating child support for 145,000 children and processing KiwiSaver contributions for 3.4 million New Zealanders.

IR has also geared up to implement the new FamilyBoost scheme.

Giving New Zealanders certainty and options

In administering social policy payments, IR aims to distribute money efficiently and effectively to help give people and families choices and certainty about their incomes and retirement.

With our focus in the past few years on digitising services and using more timely data, IR has streamlined delivery across all social policy products. We continue to work on further simplifying things and assisting customers who have more complex situations.

This year, economic circumstances have impacted some customers so we've prioritised ensuring that families know about and take up payments, minimising overpayments that lead to debt and preparing for the new FamilyBoost scheme.

Working for Families

Approximately 336,000 customers rely on Working for Families Tax Credits as a significant part of their income. It has been a regular payment throughout the year for two-thirds of these customers, with other families opting to receive a lump-sum payment at the year's end.

We strive to minimise the likelihood of customers getting overpaid, especially the most vulnerable customers who receive the minimum family tax credit, which is a weekly income top-up for those earning under $35,204 (as at April 2024). We have helped them to understand their obligations for income estimation at the beginning of the year and monitored their income during the year.

Another 80,000 customers were contacted because their income estimates for the year ahead appeared too low, putting them at risk of overpayment.

Of the customers who received regular payments, two-thirds were paid within 20% of what they should have received for the year (a provisional figure at 30 June 2024), about the same as in 2022–23. Any underpayment is paid out at the end of the year.

However, changes to incomes and to family circumstances affect customers and our ability to accurately estimate their annual income and payments during the year. Overall Working for Families debt continues to rise, from $245.6 million at 30 June 2023 to $273.5 million, an increase of 11.3%. The number of customers in debt has not grown much, although the average debt owed at 30 June was 9% higher.

This year saw a drive to improve the guidance and support that our teams use when working with families in debt, giving them a better overview to explain our decision making to customers when there's not a one-size-fits-all approach.

Our social policy products for families

Paid parental leave

$642 million in payments went to more than 54,000 new parents this year.

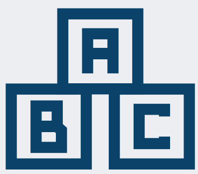
97% of parents applied online and 99.9% of initial payments went into customers' bank accounts on the first payday after their agreed date of entitlement.

Working for Families Tax Credits

You can read about Working for Families in this section, and in more detail from page 53. Financial information is on page 154.

Child Support Scheme

We talk about child support on pages 35 to 36 and page 38. Financial information about the scheme starts on page 169.



FamilyBoost

Find out more about FamilyBoost at the end of this section, about its implementation on pages 36 to 37 and about the Budget 2024 investment on page 92.

As at 30 June, active steps had been taken with 37% of customers in debt such as instalment arrangements, write-offs or legal action. Instalment arrangements covered 20% of overdue Working for Families debt.

Seeing the bigger picture

As we noted in last year's Annual Report, IR has been considering the future of Working for Families. We have focused on potential areas for improvement, including providing more accessible, timely ways to support customers and addressing the debt that families can sometimes get into. We continue to consider long-term aspirational objectives, nearer-term options and how to improve customer experiences through administrative improvements. Next steps include feasibility design while engaging with other agencies.

Operationally, IR has done more to ensure we're seeing the bigger picture for customers and the impacts of payments on their lives. We continued to broaden our people's delegations and moved decision making as close to the customer as possible so that more queries can be resolved promptly and our services are consistent.

We still have work to do—families are among the least satisfied IR customers, which reflects the difficulty in getting payments right when their circumstances change and income forecasts made at the start of the year do not match. Two common reasons for calling us are about a Working for Families debt or a compulsory child support deduction.

Customers may need to interact with multiple agencies so IR and MSD have put together information that we can share with customers about all the government support available to them. The feedback from our families teams has been extremely positive. Becoming more efficient in our processes is making an impact too: IR contacts MSD around 24,500 times during the year for information that we need to administer Working for Families. Small changes at our end have resulted in the information we ask for from MSD being more accurate.

Better outcomes for child support customers

Improvements in the way that the Child Support Scheme is working have lifted the compliance of the parents who are required to pay it. 145,000 children are supported by the scheme, and more in-full and on-time payments are going to their carers.

Policy changes made in 2021 in conjunction with administrative efficiencies delivered by our business

Working for Families customers

22%

of customers earned under $42,700, which is the income point at which payments start to reduce

56,800

customers had a debt as at 30 June 2024

2023: **55,700 customers**

$273.5m

in overdue debt as at 30 June 2024

2023: **$245.6m** | 2022: **$250.8m**

19,600

hardship write-offs had been made as at 30 June 2024

Child support customers

72.5%

of child support assessements were paid on time

2023: **70.8%** | 2022: **70.2%**
TARGET: **70%**

83.7%

of domestic liable parent debt cases were resolved within 12 months

2023: **84.0%** | 2022: **80.0%**
TARGET: **75%**

$1.01b

overdue child support debt at 30 June 2024

2023: **$1.10b** | 2022: **$1.19b**

65%

of customers with a debt have an instalment arrangement in place transformation programme are largely responsible. In 2021, we overhauled the child support penalty regime to better encourage ongoing compliance and introduced compulsory payments from liable parents' salary and wage income. Employers made compulsory deductions from 81,000 parents' earnings this year, which has contributed to 72.5% of payments being made on time.

Child support debt has fallen by 55% since June 2020, which is the lowest it has been in nearly 20 years. This year's reduction includes $83.1 million in penalties that we wrote off to encourage liable parents to restart repayments. The reduction is also partly due to the introduction of revised penalty rates in October 2021 and IR ceasing to apply incremental penalty rates from April 2021.

Our child support teams have continued to encourage compliance by targeting older debt and resolving new debt quickly, with more people working on debt management and enforcement this year. As you can read in the story on page 38, this work can involve making complex decisions, having difficult conversations and pursuing enforcement internationally.

Their efforts are reflected in a 9.5% reduction at 30 June 2024 in the number of parents with outstanding debt compared to the previous year, and the resolution of 83.7% of new debt cases involving New Zealand-based customers. We'll keep working to improve compliance.

Last year, we reported on the implementation of the child support pass-on policy. This policy change meant child support for parents on a sole parent rate of benefit were able to receive it directly instead of it being retained to help cover the costs of their benefits. We are seeing positive effects of this change in factors such as improved compliance, a reduction in customer numbers and an increase in payments passed on.

In total, $413 million in child support went to all the carers of children this year compared to $294 million in 2022–23.

Implementing FamilyBoost

FamilyBoost is the Government's new payment to partially reimburse parents or caregivers for the costs of early childhood education (ECE) provided by licensed providers. From 1 July 2024, it will cover up to 25% of a household's weekly childcare fees, or a maximum of $975 every 3 months.

We worked closely with MSD and the Ministry of Education Te Tāhuhu o te Mātauranga to implement FamilyBoost as they also administer financial support to the ECE sector.

Our other products

KiwiSaver

As at 30 June 2024, there were approximately 60,000 more savers than last year. We handled $10.4 billion in KiwiSaver member, employer and Government contributions and ensured 98.5% of funds reached scheme providers to invest within 3 days.

Over 2 weeks in July 2023, we processed 2.8 million claims for the Government Contribution to members' savings and paid out $990 million.

Student Loan Scheme

You can read about our collection of student loan repayments on pages 25 and 58 and financial performance from page 175. IR also contributes to a separate annual report on the Student Loan Scheme, which is available at educationcounts.govt.nz.

Unclaimed monies

We processed 23,000 claims for unclaimed money this year, approved 4,300 of them and paid out $36.5 million in total.

ECE providers are critical to the scheme so we have focused on the information needed in their invoices to enable households to claim the payments.

The scheme has been designed to ensure as many households as possible can claim this support and that it is paid directly to families. We will monitor registrations and claims, having estimated that 100,000 families will be eligible.

To raise awareness about the new scheme, and other Budget 2024 changes to Working for Families, IR has run online campaigns, gone on mainstream and ethnic radio and advertised at family and recreation centres around New Zealand.

Any scheme has some kind of compliance burden on customers, so IR has taken on additional staff to support providers and customers and process payments efficiently.

You can read a case study about our design and delivery of FamilyBoost on page 92 and more on other Budget 2024 changes on page 40.

The customers at the centre of child support

The payers and receivers of child support have some of the most complex needs of our customers. Our teams need to be well rounded and empathetic negotiators and communicators to reach good outcomes for customers.

IR has administered the Child Support Scheme since 1992. It's an unusual product for us because the customers are both parents liable to pay child support and those who receive it.

We need to factor in a third set of customers—the employers of liable parents who deduct payments from salaries and wages.

Most parents pay on time and it's good to see customers taking advantage of the improved digital tools in myIR that let them set up a payment plan, tell us about a change in their circumstances and ask for a review of their assessed payment amounts.

There are customers who disagree with compulsory deductions so we provide education on the legislation when they contact us. There are also customers we need to work harder to find because they will not engage, live overseas or have no obvious sources of assessable income.

Empathy for parents who rely on child support money is important as is our follow-up on issues they call us about. Missing payments matter because it's money a parent has budgeted to support their children.

Addressing the actions of parents who attempt to side-step their obligations is a rewarding but time-consuming part of our work. It ensures the costs of raising children are shared fairly and goes directly to the wellbeing of 145,000 children.

We have used options such as seeking charging orders over properties and warrants to seize goods to encourage compliance.

One customer living overseas who had last made a repayment in 2014 was arrested at the New Zealand border after returning in 2023—their child support assessment was repaid in full so they could depart the country.

IR's tools and systems have automated a great number of activities and can identify small issues, such as missing employer payment schedules, before they become significant. These efficiencies have freed up our people's time—there is plenty to do such as more debt management and legal enforcement.

Overall, our child support teams aim to foster productive relationships between parents as much as their circumstances and the legislation allow. This year, we continued to improve teams' negotiation skills, the quality of advice we give and decision making.

Sometimes a better customer experience means just being very straightforward even if people do not get the result they want.

For example, the relative of a customer who visited our offices about his child support obligations said, "He was still not happy about paying, but now understood how it's calculated and why he is paying it. He really appreciated how the officer conducted his appointment and explained the process to him."

Immediate priorities and long-term stewardship—our year
Ko ngā whakaarotau o nāia tonu nei me ngā mahi kaitiakitanga wāroa—ko tā mātau tau

In response to the new Government's priorities, IR has been developing and implementing its policies at pace.

We are increasing our focus on stewardship of the tax and social policy system and working to ensure it keeps benefiting New Zealanders across generations.

Our third strategic outcome is that New Zealanders benefit economically and socially through IR working collaboratively across our environment. As you can read in this section, we are increasingly working with other organisations when this can deliver more value for the country.

Implementing Government priorities

The benefits of having policy and administration together in one department were evident this year in how we worked at pace and with key public sector and private sector partners to deliver the new Government's priorities.

This year, IR took part in a Performance Improvement Review pilot run by the Public Service Commission Te Kawa Mataaho, which you can read about on page 44. One of the capabilities assessed by reviewers was how we respond to Government priorities. Reviewers rated IR as leading and noted "It is an advantage for New Zealand to have the policy function inside the administrator as the dual function can be used to improve policy and delivery."

Mini-Budget 2023

In December 2023, the Government announced 2 proposals as part of its mini-Budget:

- Returning the bright-line test to a 2-year period from 1 July 2024. For properties sold on or after 1 July 2024, the bright-line test will only apply if the property is sold within 2 years of purchasing it and the customer does not meet the exclusions.
- Removing depreciation deductions for commercial and industrial buildings from 1 April 2024.

A team of people from across IR worked with the Treasury Te Tai Ōhanga to design the policy proposals to ensure they could be administered effectively and efficiently and delivered in the timeframes required and minimised effort for customers. These changes were included in the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill enacted in March 2024.

The Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill

In addition to the changes announced in the mini-Budget, other Government priorities included in this Bill were restoring the ability from 1 April 2024 to claim interest deductions for residential investment properties and introducing a new gaming duty of 12% on online casino gambling from 1 July 2024 (there's more on this on the next page).

The Bill also included a number of remedial items. We regularly provide advice on updates to legislation, including integrity issues that are identified and where rules do not reflect the policy intent. Ensuring that the rules that govern the tax and social policy programmes we administer are maintained and fit for purpose is part of our product and regulatory stewardship work.

Budget 2024

IR is delivering a number of changes announced as part of Budget 2024 and has worked at pace and across the public sector to ensure they are implemented on time and as smoothly as possible.

A significant amount of work took place to ensure we were well prepared. Many people from across IR were involved in making sure our systems are ready to support these changes, we're ready to respond to customers and customers have the information they need.

From 1 July 2024, FamilyBoost was introduced to support households with the cost of early childhood education, with parents able to start claiming support in October. You can read about FamilyBoost on pages 36 to 37 and 92.

From 31 July 2024, thresholds for the bottom 3 personal income tax rates increased, the Independent Earner Tax Credit was extended and thresholds increased for 2 of the 4 types of Working for Families payments—the Minimum Family Tax Credit and In-work Family Tax Credit.

From 1 April 2025, other changes will take effect, including an increase in the interest rate charged on overseas-based borrowers' student loans for late repayments.

Being an active steward of the tax and social policy system

Being an active steward of the things we're responsible for is one of our key roles. We think of stewardship in a wide sense. It includes the legislation and products we administer, the systems, processes and assets we're responsible for and the capabilities of our people.

For IR, stewardship means actively balancing delivering on today's demands with positioning our organisation to meet the demands of the future.

Our stewardship work falls into 3 main areas—product and regulatory stewardship, policy stewardship and organisational stewardship—and is closely aligned with our strategy, planning and risk work.

A small team was set up for 1 year from 1 July 2024 to provide leadership and support for this work. The team will test concepts and learn by doing to determine what ongoing capability may be needed to ensure we fulfil our stewardship responsibilities.

Addressing global tax issues

A large programme of work is under way to ensure New Zealand plays its part in global initiatives on transparency, the effective exchange of information and international collection assistance.

As new ways of earning income emerge, new international tax risks arise. We work with international organisations and New Zealand's tax treaty partners to support international efforts to ensure that everyone pays their fair share of tax.

Crypto-assets

Tax authorities do not currently have full visibility of income earned offshore through crypto-assets—digital representations of value that can be transferred, stored or traded electronically.

To resolve this, the Organisation for Economic Co-operation and Development (OECD) has developed a Crypto-Asset Reporting Framework (CARF) that requires intermediaries, such as crypto-asset exchanges, brokers and dealers, to provide tax authorities with income information on the users who operate through them.

IR will receive information about the activities of crypto-asset users who are tax residents of New Zealand and share information with other tax authorities who have implemented the CARF about users who are tax residents in their jurisdictions.

Subject to legislation, the CARF will apply in New Zealand from 1 April 2026, with the first information exchanges taking place in early 2027. This provides sufficient time for crypto-asset service providers to have the required reporting systems in place.

We will use the information received to support greater tax compliance and ensure New Zealanders pay the right amount of tax on their crypto-asset income. As you can read on page 30, IR is already using data and tools to identify crypto-asset users and holdings.

Global Anti-Base Erosion Rules

The Global Anti-Base Erosion Rules (GloBE rules) impose a global minimum corporate income tax which operates as a top-up tax. It applies to multinational corporate groups with a turnover in excess of €750 million a year and is only imposed on income that is not already taxed at an effective rate of at least 15%.

The tax will reduce the incentive for multinational companies to move income to countries where it is subject to a lower tax rate.

In New Zealand, it will apply to income earned on or after 1 January 2025.

Online casino gambling tax

From 1 July 2024, a 12% offshore gambling duty applies to online gambling provided by offshore operators to New Zealand customers. This ensures offshore gambling operators pay their fair share of tax.

New Zealand has arrangements with other countries that we use to exchange information with foreign tax authorities. These arrangements can be used to identify offshore gambling operators and seek assistance from other tax authorities to ensure compliance.

The Government has also made an in-principle agreement to regulate online casino gambling, which will support tax collection, minimise harm and provide consumer protections to New Zealanders.

Supporting tax good governance

In April, IR hosted representatives from the European Commission who visited on behalf of the European Union (EU). They came to observe New Zealand's compliance with the EU's Code of Conduct standards when it comes to tax good governance. The standards embrace transparency, fair taxation and implementation of the OECD base erosion and profit shifting minimum standards. Meeting these standards means New Zealand can continue to hold strong business and investment relations with EU member states.

The visit involved meetings with IR people, business representatives and the Minister of Revenue, as well as cross-government collaboration with Treasury and the Ministry of Foreign Affairs and Trade Manatū Aorere.

Given New Zealand's excellent international track record, we are confident of a full clearance from the EU. They see New Zealand as very like-minded in respect of international tax policies and practices and they were encouraged by our promotion of tax good governance in the Pacific region.

The international Automatic Exchange of Information Peer Review Group was established to review jurisdictions in terms of their compliance with the minimum international standard for exchange of financial account information.

The Group has representatives from 30 jurisdictions and is chaired by India, supported by vice-chairs from New Zealand and Switzerland.

IR hosted the 13th APRG meeting in Wellington Te Whanganui-a-Tara in late October, with over 60 participants. Feedback from attendees was positive, not only on the technical content covered but also towards IR as host and New Zealand as a country.

Making a broader contribution

We will increasingly work with other agencies where we can contribute and create greater value for our country. IR is also looking to work more with third parties in the private sector to deliver better services to New Zealanders.

Simpler and more integrated public services

IR actively participates in broader system work and supports other agencies in their system leadership roles to make it easier for New Zealanders to take ownership of their personal information and data and to interact digitally with government and the private sector.

We worked with the Department of Internal Affairs Te Tari Taiwhenua (DIA) on the Digital Identity Services Trust Framework. Legislation enacting the framework came into force on 1 July 2024 and we were significantly involved in its development. We continue to work closely with DIA on developing the supporting mechanisms for the framework, including rules and regulations and how they are administered.

The Ministry of Business, Innovation and Employment Hīkina Whakatutuki (MBIE) is the lead agency for the Consumer and Product Data Bill. We are engaging with MBIE to ensure we support the goal of enabling New Zealanders to securely share data held about them with third parties.

IR is represented on the group convened by DIA to look at service modernisation, including developing a roadmap for digitising government services. We're working with DIA to identify opportunities across the public sector to accelerate the development of customer-centric digital services.

Co-designing digital solutions

We know it's important to have strong relationships with third parties and work with them to make tax administration more efficient and effective. As part of our digital ecosystem work, we are exploring how we can work with a wider range of third parties and share data more easily with other organisations.

To build capability, IR is using the OECD work on Tax Administration 3.0 as a guide and actively participating in the digital transformation working group. We have set up a Digital Advisory Group with membership from Digital Service Providers Australia New Zealand (DSPANZ), an industry association representing the business software sector.

Most digital interactions with the tax system are now handled via gateway services, facilitated by third-party software and cross-government information-shares. During peak periods, gateway services handle around 65 million transactions a month, and we expect this to grow significantly as the digital ecosystem expands.

We are taking steps to ensure we are better equipped to fully realise the benefits delivered by gateway services and can better engage with and support the software development community.

We're progressively implementing a solution to centralise knowledge, relationship and developer management, issue management and onboarding to create a one-stop shop for developers using gateway services to support customers' digital compliance. Once fully implemented, this will deliver a better developer experience, ensure IR can continue to successfully deliver change with digital ecosystem partners and be ready to meet future demand and opportunities.

Contributing to productivity and economic growth

In line with the Government's priority for economic growth and improved productivity, IR has been considering what more we can contribute, beyond the day-to-day tax administration that provides a stable revenue base for New Zealand and the compliance activities we do that reduce unfair advantage across the business community.

We're continuing to support further digitisation of government services, optimising our use of data and analytics and completing changes that will bring in new areas of revenue efficiently. As noted in this summary of our year, IR is also focusing on reducing the compliance effort of small businesses, providing large companies with more certainty about their tax matters and implementing Government revenue policy changes effectively.

Looking to the future

In October 2023, we released a new strategy that sets out what we're striving for as an organisation over the longer term.

In Our Strategy, we share our aspiration:

Improving oranga for current and future generations.

We recognise that we make our biggest contribution to oranga through economic activities including collecting and distributing money.

Our Strategy identifies how we add value to New Zealand through our 3 roles—being effective and efficient, active stewardship and making a broader contribution across the Public Service.

- Being effective and efficient is doing what we do in the best ways for the best results.
- Stewardship is actively making sure what we're responsible for is fit for purpose today and tomorrow.
- Making a broader contribution means we will work across the Public Service to deliver more for New Zealand.

Having a long-term strategy helps us make choices and prioritise actions that will move us closer towards achieving our aspiration and delivering the right outcomes for New Zealand now and in the future.

What our stakeholders say

A number of external reviews this year are helping to identify where our stakeholders think we are doing well and where we can improve.

Performance Improvement Review

IR took part in a Performance Improvement Review pilot run by the Public Service Commission Te Kawa Mataaho. The review is future focused and a way of assessing an agency's capability to respond to future opportunities and challenges.

The independent review completed by 2 external reviewers concluded that "IR is a high performing organisation, well placed to meet the increasing expectations of New Zealanders". The reviewers talked to a number of our people and external stakeholders to get their perspectives. You can read the reviewers' report on the Public Service Commission's website at publicservice.govt.nz.

Binding Rulings

We surveyed customers who use our Binding Rulings service, which is discussed on page 20, and 94% told us they were satisfied or very satisfied with the service. More than 90% said they were satisfied or very satisfied with the clear explanation of the reason for the ruling, the timeframe for receiving the ruling and the value for money of the service.

CA ANZ and TMNZ survey

Every year, Chartered Accountants Australia and New Zealand (CA ANZ) and Tax Management New Zealand (TMNZ) survey their members about the services IR provides to them. Key findings from the 2023 survey showed that most members now use our digital services and are more positive about their experiences. Satisfaction with IR increased, and there was a big increase in our rating for being helpful. Self-service instalment plans were highly rated and seen to be successful.

Areas where members thought we could improve were our response times, with over half saying they waited 6 or more days for a response, and the increased costs of complying with trust disclosure rules that were introduced in 2021, with a third saying we could provide more guidance on trust disclosures.

IR is undertaking a post-implementation review of the increased disclosure rules to determine whether changes can be made to improve future disclosures and reduce compliance costs. The review includes interviews with tax and accounting practitioners, surveying trustees and analysing data from the second year of disclosures. The review will identify whether changes should be made to the 2025 trust tax returns.

Our performance
Ko tā mātou mahi

Inland Revenue Te Tari Taake tracks the progress we're making through a range of measures and indicators. Our Performance Measurement Framework on page 47 shows how we use our resources to deliver services and how our services connect with the outcomes we want to achieve for customers and New Zealand.

Statement of Responsibility

I am responsible, as Chief Executive of Inland Revenue Te Tari Taake, for:

- the preparation of Inland Revenue's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by Inland Revenue is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report; and
- the accuracy of any end-of-year performance information prepared by Inland Revenue, whether or not that information is included in this Annual Report.

In my opinion:

- the Annual Report fairly reflects the operations, progress and organisational health and capability of Inland Revenue;
- the financial statements fairly reflect the financial position of Inland Revenue as at 30 June 2024 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of Inland Revenue as at 30 June 2025 and its operations for the year ending on that date.

Peter Mersi
Chief Executive and Commissioner
of Inland Revenue Te Tari Taake

30 September 2024

Countersigned by:

Nick Bradley
Chief Financial Officer

30 September 2024

How to read our performance section
Me pēhea te pānui i tā mātou wāhanga whakatutukinga mahi

We use our Performance Measurement Framework below to monitor the progress we're making towards the outcomes we want to achieve for New Zealanders through the services we provide. The information about our performance in each layer tells the story of how IR is performing.

Our outcomes—the long-term results we want to achieve

Revenue	Payments	Collaboration
Revenue is available to fund government programmes through people meeting payment obligations of their own accord.	People receive payments they are entitled to, enabling them to participate in society.	New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment.

Our customer outcomes—the changes we want in customers' knowledge, skills or behaviour

Customer motivation	Customer opportunity	Customer capability
The factors that create the willingness to comply and then actually follow through and do it. Motivation includes both social and personal norms.	How easy it is for a customer to comply or not to comply with their obligations or access their entitlements.	How well customers can meet their obligations and access their entitlements. It includes their knowledge of rules that apply to them, their access to tools and assistance and their ability to understand.

Our services—the services we deliver for our customers and government

Our 3 departmental appropriations that provide services to government and the public and deliver other activities.

Services for Customers	Services to Other Agencies	Residual Activities Following the Transformation Programme's Substantive Closure

Our organisational health—how we use our resources to deliver for our customers

Our people	Our processes	Our assets	Our environment

We use both trend-over-time indicators and results against targets to monitor performance.

Key to our measures

- Stable or minimal change
- Improved
- Declined
- Achieved

Our outcomes—the long-term results we want to achieve

Inland Revenue Te Tari Taake (IR) contributes to the economic and social wellbeing of New Zealand by collecting and distributing money. Our success is reflected in 3 outcomes:

- Revenue is available to fund government programmes through people meeting payment obligations of their own accord.
- People receive the payments they are entitled to, enabling them to participate in society.
- New Zealanders benefit economically and socially through our working collaboratively across our external environment.

We use a range of indicators to help track our performance in delivering these outcomes.

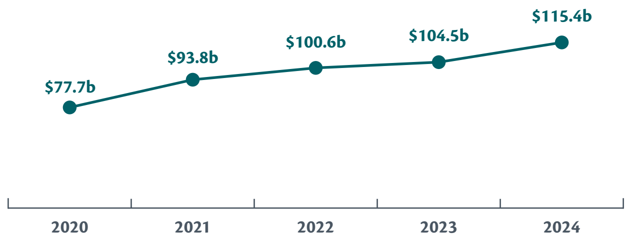
Outcome 1—Revenue is available to fund government programmes through people meeting payment obligations of their own accord

The taxes we collect for the Government help to fund things like education and healthcare. Taxes also provide money that's paid out in benefits and entitlements to hundreds of thousands of New Zealanders every year through different government agencies.

Revenue trend over time

$115.4 billion

in tax revenue



Most of the annual growth in tax revenue is in deductions from salary and wages, GST net of refunds and resident withholding tax (RWT) on dividend and interest. The growth in deductions from salary and wages was $4.8 billion (10.4%), reflecting salary and wage growth and the associated increase in tax as more income is earned in higher tax brackets. Net GST grew by $3.4 billion (13.0%) as a result of growth in domestic consumption, partially offset by less GST from residential investment. Net GST collected by IR was further boosted by a decline in imported goods, which results in smaller refunds. The increase in interest RWT reflects increased interest income (a mixture of interest rates and deposit base). The increase in dividends is likely to be a one-off, reflecting a behavioural change in advance of the 39% trustee rate taking effect. Tax revenue forecasts are provided in the Vote Revenue Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

Revenue through our interventions

We make sure customers are doing the right thing. The actions we take range from interventions that promote voluntary compliance and prevent revenue loss occurring in the first place to finding and correcting errors. A key building block of voluntary compliance is tax morale or the willingness to pay tax. Read more about customer perceptions of tax morale and trust in IR on page 61.

We identified

$975 million

in revenue and recovered or disallowed expenditure through our interventions

Our compliance interventions supported the integrity of the government accounts from:

- Identifying tax position differences through our investigation activities, which assessed $460 million in additional tax. The $63 million increase from 2023 reflects the increased focus on investigation activities in 2024.
- Voluntary disclosures by customers that resulted in $322 million in additional revenue. Of this, $94 million came from return reviews reported in the $230 million noted below.[1]
- Real-time reviews of returns that stopped $230 million in incorrect or fraudulent refunds and tax deductions at the time of filing, $85 million more than 2023.
- The use of our tools, data and intelligence to ensure the integrity of COVID-19 products identified $57 million from declined applications or post-payment reviews. This is an expected drop as most of the applications for these products closed in 2022–23, with Small Business Cashflow Scheme applications closing in December 2023.

We assured a further

$91 million

in revenue for the next 3 years

Some interventions result in assurance that future revenue will be returned correctly through changes in customer behaviour and an increased understanding of their obligations. We estimate how much additional revenue is assured in future years.[2]

1 A change in methodology for 2024 means we are now including more voluntary disclosures. Using this improved approach for 2023, we would have reported voluntary disclosures of $291 million, (compared to the $219 million reported in our 2023 Annual Report).

2 Future revenue benefit quantifies the effects of our compliance interventions on customers' future behaviour. The estimated future revenue assured is the value of prevented revenue loss through audit activity and specific campaign results forecast over 3 years.

Providing certainty

Our experts provide certainty for customers on specific tax positions. Private rulings provide our interpretation of how the law applies in specific circumstances. See page 20 for more information.

This year, we ruled on arrangements worth

$18 billion

with associated tax of more than

$4.6 billion

On 30 June 2024, 88 customers had active advance pricing arrangements with us, representing approximately

$400 million

in assured tax each year

Advance pricing agreements provide customers with certainty on tax for specific transfer pricing arrangements for an agreed period. In return, New Zealand gets a level of certainty that these businesses are paying the right tax for that period of time.

Total tax debt to tax revenue

One of the ways we measure progress towards our revenue outcome is looking at the amount of overdue general tax debt as a percentage of tax revenue.

6.6%

of overdue general tax debt to tax revenue

The ratio of overdue general tax debt to tax revenue reflects an increase in overdue general tax debt, reflecting the challenging economic environment and changes in our definition of overdue tax debt. Tax revenue increased by 10.5% from 2023. Due to changes in debt reporting, this result is not directly comparable to prior years.

The ratio compares favourably with other similar tax administrations, some of which have ratios of as much as 10% to 17%.

Read more about debt and what we're doing to address debt growth on pages 23 to 27 and 77 to 81.

Note: Overdue general tax debt and tax revenue figures used in this calculation exclude child support, student loans, Working for Families Tax Credits and COVID-19 support products.

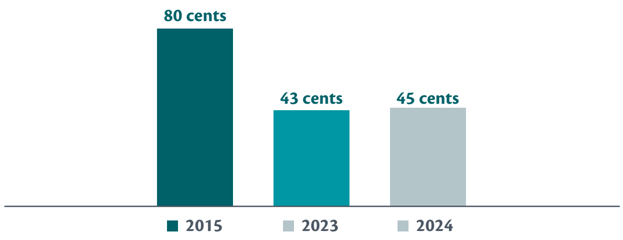
Cost of collecting $100 in tax revenue

The indicator provides an overall measure of how efficiently we collect tax revenue. The ratio compares the operating costs with the total tax revenue assessed.

It cost us

45 cents

to collect $100 in tax revenue



The cost to collect $100 in tax revenue increased marginally from 43 cents in 2023 to 45 cents in 2024. The increase is a result of a 14% increase in costs compared to a 10.5% growth in tax revenue. The main driver for the increase in costs was from the Public Sector Pay Adjustment.

Outcome 2—People receive payments they are entitled to, enabling them to participate in society

It's important that New Zealanders get the payments they're entitled to at the right times. We focus on helping them get things right from the start by making it simpler and easier to access entitlements and refunds.

Timeliness of tax refunds

We look at how long it takes to provide income tax and GST refunds to customers once we receive their returns.

Our target for providing GST refunds is 95% within 4 weeks. We issued 97.1% of refunds within the timeframe, a small increase from 96.6% in 2022–23.

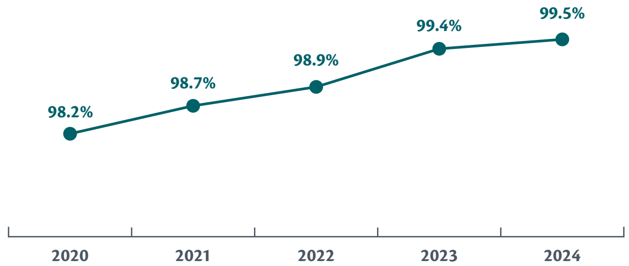
Our target for issuing income tax refunds is 85% within 5 weeks. We issued 86.6% in 2023–24, a small decrease from 2022–23 when we achieved 87.0%.

Accuracy of GST refunds

Our measure of the accuracy of GST refunds is the number of returns that are accepted without any changes.

99.5%

of GST refunds were not amended after the initial refund



Income tax for individuals

This indicator is based on how automatically calculated income tax assessments for individuals are making tax simpler for New Zealanders. We use the data we get from employers every payday and from financial institutions to help support customers to pay the right amount of tax.

As at 30 June 2024

82%

of customers had completed their 2024 assessment and had nothing to do (83% for 2023)

We refine the process each year, finding ways to reduce effort for customers by bringing more customers into this automated process where possible. For the 2024 tax year, 74% of customers needing an income tax assessment got one automatically, up from 71% for the 2023 tax year, with fewer customers having to file a tax return manually.

Note: 2024 results are preliminary and may change as customers with a tax agent have until 31 March 2025 to finalise their assessments.

Timeliness of paid parental leave (PPL) and Working for Families Tax credit (WfFTC) payments

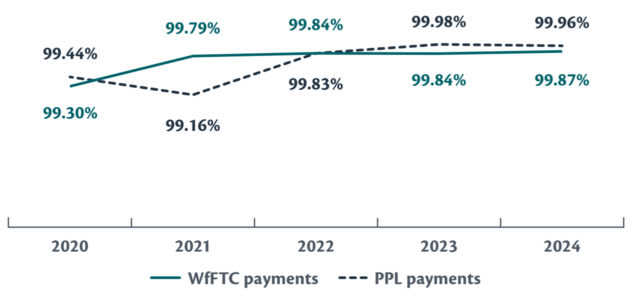
We look at how long it takes to pay the following social policy payments, ensuring customers receive the payments they're entitled to in a timely manner.

99.96%

of PPL payments were made on the first payday following the agreed date of entitlement

99.87%

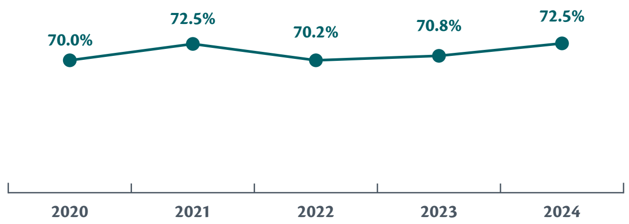
of WfFTC payments were made on the first regular payment date following an application



Timeliness of assessments paid by child support customers

72.5%

of child support assessments were paid by liable parents on time



The improvement in payment timeliness for 2024 reflects a few factors: a decrease in the number of liable parents and therefore fewer assessments and payments being due, an increased proportion of liable parents paying by employer deductions and a decrease in those not paying at all.

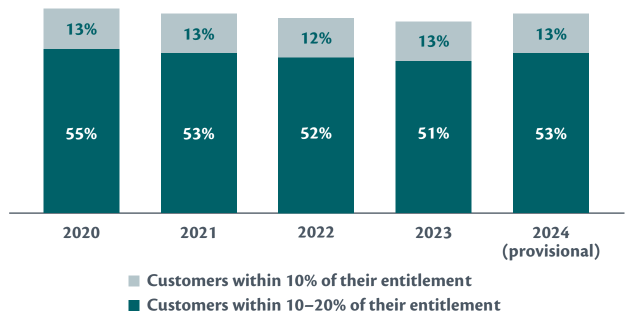
Accuracy of Working for Families Tax Credits payments

There are 4 types of WfFTC payments, each with different eligibility rules. The payments depend on income, the number of dependent children and any shared care arrangements.

We aim to improve the accuracy of WfFTC payments and give customers more certainty about how much they will receive by picking up changes in their income that may affect their entitlement and adjusting payments when necessary. Payment accuracy also relies on customers giving us timely updates if their circumstances change.

Overall, accuracy levels have remained steady over the last 5 years, a positive result given income variability has increased over this time with the impacts of COVID-19, the economic environment and adverse weather events.

Around two-thirds of customers who received payments during the year received within 20% of what they should have. Customers can also choose to receive their entitlement following the finalisation of their income tax assessment. Results for 2024 are provisional and, based on previous years, are likely to fall to similar levels once all assessments have been finalised.



See pages 34 to 35 for information on our work to support families to get the right entitlements.

Outcome 3—New Zealanders benefit economically and socially through our working collaboratively across our external environment

We work with and share appropriate data and information with other government agencies and external partners to deliver better services and outcomes for New Zealanders.

Partnerships are integral to how we operate. IR manages and runs the tax and social policy system by working with many other stakeholders, including other public sector agencies, tax agents, employers, KiwiSaver providers, financial institutions and community groups.

You can read more about the work we do with others, including how we worked closely with other agencies to implement FamilyBoost on page 92, work with our OECD partners to ensure we play our part in global initiatives on page 41, and co-design solutions to better support digital service providers on page 43.

We continue to work with government departments on cross-agency initiatives and administering products and services. Read about our data and information-sharing agreements, international agreements and memoranda of understanding with other agencies at ird.govt.nz/about-us/information-sharing.

The following case studies provide examples of the work we do with others.

CASE STUDY 1

Outcomes from data and information-sharing

IR fosters interagency collaboration through data and information sharing with various government and non-government agencies. Our aim is to enhance service delivery, improve compliance and streamline administrative processes. By leveraging shared data and intelligence, IR and other agencies can collectively identify and address issues quickly and provide more integrated and effective support to New Zealanders.

While ensuring efficient, effective and secure methods of data and information exchange within legislative frameworks, we continue to digitise processes to improve accuracy, streamline operations and reduce manual effort.

Improving the accuracy of entitlements and tax assessments

Integrating data sources from financial institutions, employers, the Ministry of Social Development Te Manatū Whakahiato Ora (MSD) and the Accident Compensation Corporation enables us to provide timely and accurate Working for Families Tax Credits entitlements and individual tax assessments, while requiring minimal effort from customers. This is a fully digitised process that reduces the possibility of fraud.

Recent policy changes such as FamilyBoost and Fees Free highlight the success of interagency collaboration, with effective coordination required across multiple agencies. This is also shown through the sharing of data and information with New Zealand Police Ngā Pirihimana o Aotearoa, the New Zealand Customs Service Te Mana Ārai o Aotearoa and the Serious Fraud Office Te Tari Hara Tāware to help prevent, detect, investigate and provide evidence of serious crime. There is more details on these shares on page 190.

Contributing to evidence-based policy and research

Partnerships with agencies such as Statistics New Zealand Tatauranga Aotearoa (Stats NZ) and MSD enable a comprehensive view of taxpayer behaviours and socioeconomic trends. This facilitates targeted policy interventions and support services, ultimately improving outcomes for New Zealanders.

IR is a major contributor to two of Stats NZ's large research databases: the Integrated Data Infrastructure (IDI) and Longitudinal Business Database. Numerous government agencies, universities, non-profit organisations and private companies can apply to Stats NZ to use the databases to conduct research projects on complex issues affecting New Zealanders.

- IR's data contributes to around two-thirds of research projects, with around a quarter of these being public sector projects.
- IR's data has recently played a crucial role in developing an understanding of business performance benchmarks. Businesses can use this data for planning and goal setting or to assess their performance against similar entities.

CASE STUDY 2

Collecting student loan and child support payments from people overseas

Student loans

To ensure that all student loan borrowers meet their repayment obligations, regardless of where they live, we have data-sharing agreements with other public sector agencies and third parties, both here and overseas.

As at 30 June 2024, 93% of outstanding repayments were for overseas-based borrowers, most of whom are based in Australia. We receive customer contact details from the Department of Internal Affairs Te Tari Taiwhenua and the Australian Tax Office to help locate customers with invalid contact details.

Arrival data from the New Zealand Customs Service helps us to contact people who are not meeting their repayment obligations when they arrive in New Zealand. Last year we received cases from the service for 13,400 customers. As a result of these cases, and consequent follow-up actions, 1,700 are no longer in default with 500 applying for hardship.

We use third-party collection agencies in Australia and the UK to contact people and discuss their overdue repayments initially and then move to enforcement for people who continually refuse to meet their obligations. At 30 June 2024, we had 12 judgments for debt lodged with the Australian courts.

This year, we successfully contacted 11,000 individuals who repaid a total of $9 million. These results have been lower post COVID-19 and we will be increasing our focus in this area, bolstered by additional funding received in Budget 2024.

During COVID-19, we reduced enforcement work with overseas-based borrowers. We have increased our focus on them this year and received additional funding as part of Budget 2024 to focus more on ensuring they meet their repayment obligations. We will do this by using the data we collect from our existing information-sharing arrangements to locate customers. We will continue to use third parties in Australia and the UK to contact borrowers and take enforcement action on our behalf if borrowers do not meet their obligations. We will also focus on those returning to New Zealand as we have more ability to engage with them directly.

Child support

IR has a reciprocal child support agreement with Australia that enables the exchange of personal and income data and information, and the enforcement of collection of payments. While overseas-based student loan borrowers have to make their own payments, for child support customers based in Australia, the money is collected by Services Australia, making it easier for those customers to meet obligations.

As at 30 June 2024, there were 6,486 cases registered in Australia. During the 2024 financial year, we received $34 million from Services Australia.

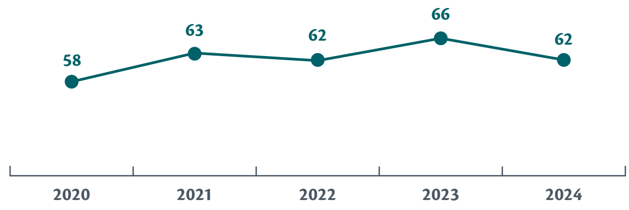
Business customers gain value from easy and seamless dealings with government

The Better for Business programme run by the Ministry of Business, Innovation and Employment Hīkina Whakatutuki (MBIE) researches customer experiences with several government agencies, including IR. MBIE's Customer Experience Index (CXI) uses 10 dimensions to generate insights into how government agencies can improve the experience that businesses have when they deal with them.

We scored

62

on the Customer Experience Index



Over the past year, our CXI score decreased by 4 points to 62, slightly above 2020 pre-COVID-19 levels. Businesses say it is taking more time to deal with us and taking longer to resolve their queries. Filing returns and making payments for GST, provisional tax and income tax take the most time. However, the number of businesses that say they receive a valuable service from us and would recommend IR increased slightly over the year. You can read more about what we are doing to reduce effort for businesses on page 19.

Our customer outcomes—the changes we want in customers' knowledge, skills or behaviour

Our compliance model helps us understand our customers so we can work proactively and tailor our approach.

With the customer at the centre of the model, we recognise 3 factors that influence customers' behaviour: motivation, opportunity and capability.

These factors help us to provide the right support for customers such as providing certainty and making it easy to comply. This helps us achieve our outcomes.

Customer outcome 1—Customer motivation

IR defines customer motivation as the factors that make people willing to comply and follow through with an action.

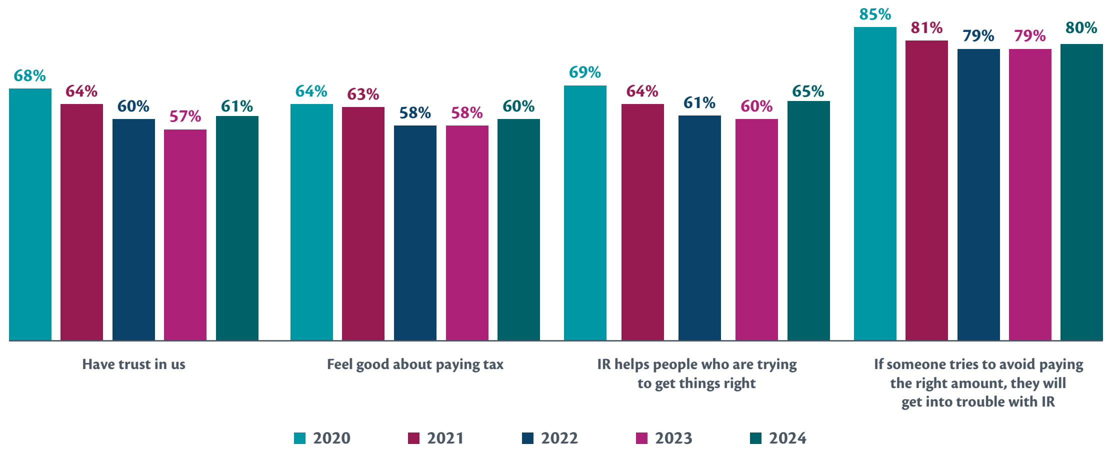
New Zealand's tax and social policy system is based on customers voluntarily making the payments they should and claiming only what they're entitled to. For this system to work, it is critical that the public trusts us.

Customer trust and tax morale

New Zealand's tax system is based on the voluntary compliance of individuals and businesses, so public trust in the integrity of the system is critical to its success. Research has demonstrated that better long-term compliance outcomes can be achieved by increasing tax morale. Not all the factors that influence trust and tax morale are within our control. Based on the factors we can influence, we measure 3 beliefs that reflect the views we aim to create among customers:

- When I pay my tax, I'm doing a good thing.
- When I'm trying to do the right thing, IR will help me.
- When someone else is trying to do the wrong thing, IR will find them.

We measure our customers' trust in us and their tax morale through our Customer Experience and Perceptions Survey. This survey asks customers to rate their responses on a 7-point scale. Results reflect ratings of 5 or more. More information on the survey is provided on pages 96 to 97.



Trust in IR has started to recover following declines over the previous 3 years. In line with this improvement, tax morale also increased with significantly more customers agreeing we help those who are trying to get things right.

Fairness is the main theme customers mention when describing why they perceive IR as trustworthy. The aspects to fairness that help build trust are ensuring everyone pays their share, treating customers fairly and equitably and acting lawfully. We have been building momentum from the rebalancing of our enforcement work following a period where our approach was more heavily focused on supporting customers affected by COVID-19 and economic circumstances.

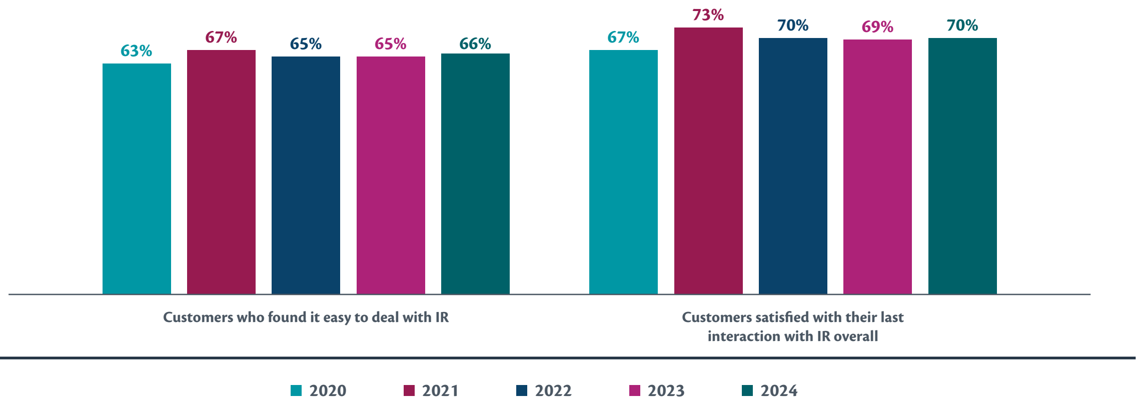
We also know that our customers' direct experiences with us are a key driver of trust, and 2024 has seen some improvements in our call responsiveness. Continuing to focus on reducing effort for customers, addressing product-specific pain points, enhancing online services and improving communication are all areas we are focused on to further improve customer experience.

Customer outcome 2—Customer opportunity

We define customer opportunity as customer ease and satisfaction when interacting with us to meet their obligations or access their entitlements.

Customer satisfaction and perceptions of effort

We use 2 questions in our Customer Experience and Perceptions Survey to measure customers' perceptions of effort and satisfaction. The survey asks customers to rate their responses on a 7-point scale. Results reflect ratings of 5 or more. More information on the survey is provided on pages 96 to 97.



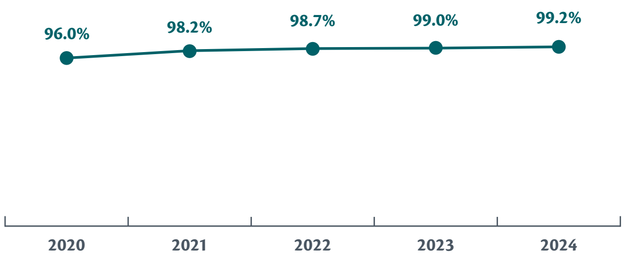
This year's survey results showed small increases in how easy it was for customers to deal with us and their satisfaction when interacting with us. Prompt and easy access combined with high-quality service continue to drive satisfaction and ease. We answered a higher percentage of calls received in 2024, and 66% of customers told us their issue was resolved in one contact.

Returns filed digitally

Most customers use digital channels, particularly when filing their tax returns.

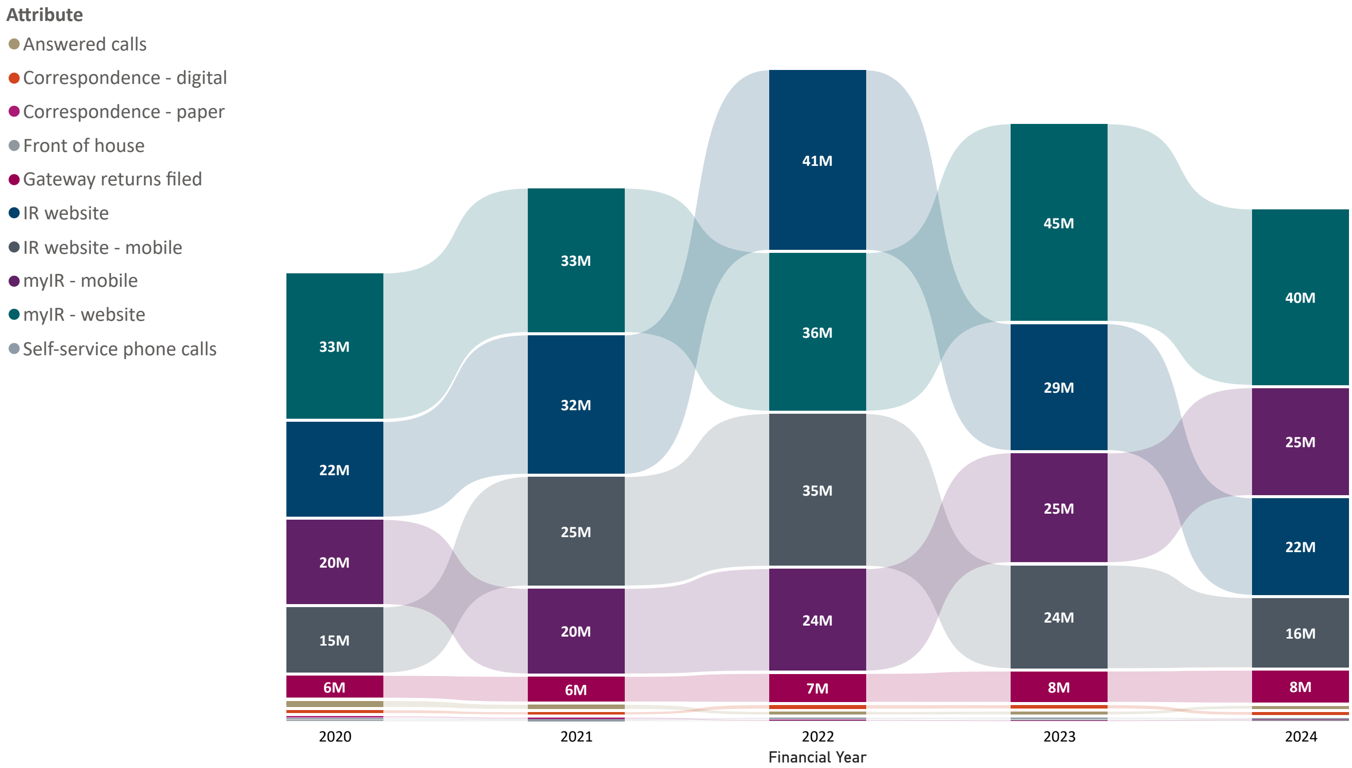
99.2%

of returns were filed digitally (income tax, GST and employment information returns)



Customer interactions across assisted and unassisted channels

Digital services enable customers to do as much for themselves as possible in a way and at a time that suits them. Millions of straightforward transactions happen with no intervention by us, providing customers with certainty sooner.



Over the last 5 years, digital interactions have increased from 98 million in 2020 to 113 million in 2024, mostly through increased use of our website and myIR:

- myIR sessions increased from 53 million in 2020 to 65 million in 2024.
- Website sessions increased from 37 million in 2020 to 38 million in 2024.
- Use of gateway services by businesses to file returns from their own systems increased from 6 million returns filed in 2020 to 8 million in 2024.

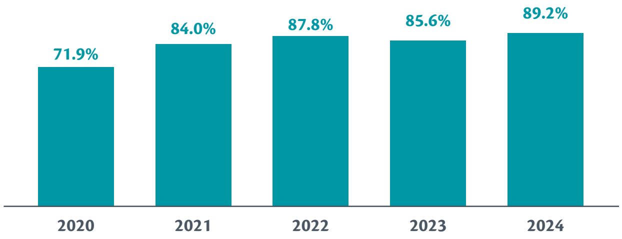
The increases in website and myIR website interactions in 2022 and 2023 is likely due to increased activity around COVID-19 support payments and the Cost of Living payment.

Donation tax credit claim submissions sent digitally

Customers can submit their donation receipts in myIR at any time during the year or they can send us paper records. At the end of the tax year, we pay out refunds for approved submissions.

89.2%

of donation tax credit claims were submitted digitally



This year's result is 3.6 percentage points higher than 2023. However, 30,000 fewer claims were made in 2024, indicating that the challenging economic environment may have played a part in the result.

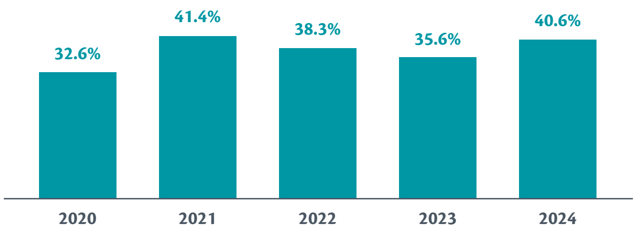
Note: In error, results reported in the 2023 Annual Report did not include claims submitted using gateway services. These have been included in the 2024 and prior year results shown above, increasing results by 1.9 percentage points for 2021, 8.1 percentage points for 2022 and 4.7 percentage points for 2023.

Instalment arrangements set up through self-service

IR provides options for customers who get into debt, including paying off what they owe in instalments while they get back on track. Customers can also set up arrangements ahead of the due date. Customers can set up an instalment arrangement themselves in myIR.

40.6%

of instalment arrangements were set up in myIR



In 2023–24, 77,000 customers set up an instalment arrangement in myIR. We know customers who set up their own arrangements are more likely to stick to them. Instalment arrangements set up by customers in myIR in 2023–24 totalled over $1.3 billion in debt. More detail on how well customers adhere to arrangements is on page 68.

Returns processed without the need for intervention (straight through)

Tax returns processed without the need for further system actions or any staff intervention reduce effort for customers and us.

88.0%

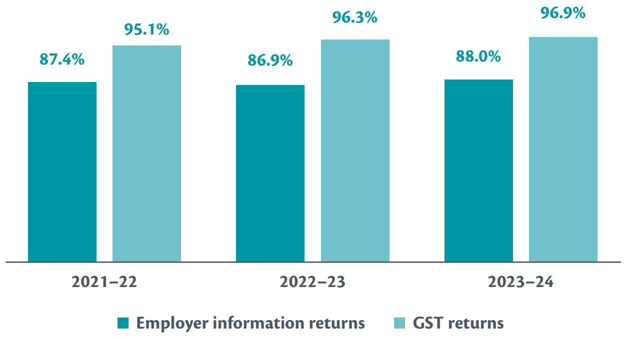
of employment information returns were processed without requiring further intervention

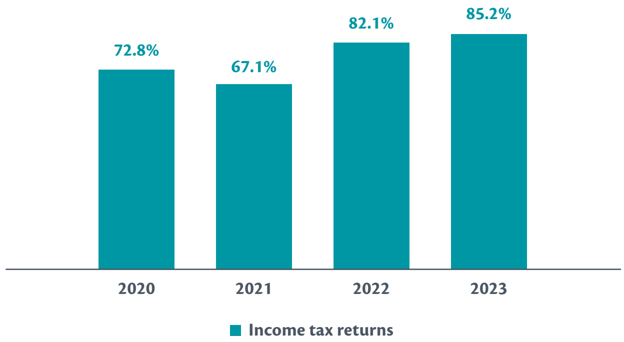
96.9%

of GST returns were processed without requiring further intervention

85.2%

of income tax returns were processed without requiring further intervention





Note: GST and employer information yearly results reflect returns filed from April to March. Income tax returns reflect the result by tax year, noting that 2024 is not included as not all the due dates have passed.

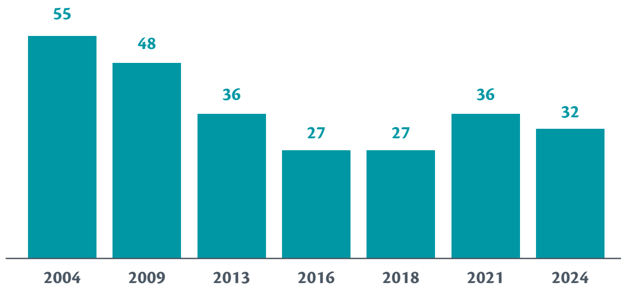
Median customer time spent on tax compliance for small-to-medium-sized enterprises

We are committed to reducing the tax compliance costs to businesses. We survey SMEs to estimate the time they spend on complying with tax requirements and what it costs them.

On average, SMEs spend

32 hours

a year on tax compliance activities



In 2024, SMEs told us they spend an average of 32 hours a year on meeting their tax obligations. That's 4 hours less than in the survey's baseline year of 2013. The value of the time saved by SMEs since 2017–18 is $650 million. This is time that business owners can more productively spend running and growing their businesses.

The introduction of mandatory payday filing on 1 April 2019 means that businesses spend more time complying with PAYE and KiwiSaver obligations than they did in 2013. They spend less time complying with GST, income tax and fringe benefit tax (FBT) obligations.

Improvements to myIR to make it more user-friendly, ensuring our systems are compatible with external software and timely responses to myIR messages are making it easier for SMEs to comply with their obligations. Approximately 20% of SMEs reported that IR had made tax compliance easier in the last 12 months, with most others being neutral, saying tax compliance was neither easier nor harder.

In 2024, more SME business owners agreed (64%) than disagreed (14%) that the time their business spends on tax matters was acceptable. The percentage agreeing that the time they spend on tax is acceptable has increased steadily from 54% in 2016, the first year this question was asked.

Most SMEs (87%) reported low or no stress when dealing with their tax obligations in the 12-month period prior to the survey.

Note: The 2021 result has been updated to reflect corrections for 2 errors: incorrect filing frequencies for some respondents and the treatment of partial responses where no time estimates were provided that were incorrectly included as 0 rather than being excluded.

CASE STUDY

Making improvements to support customers

Improving our website content for paid parental leave (PPL) customers

We've made changes to our website to improve the content for PPL. The changes make content easy to find and provide additional information to help customers understand how PPL works.

The improvements include:

- a new overview page to provide a quick summary of PPL and how it works
- putting the guided help tool 'Can I get paid parental leave?' on its own page so it's easier to find
- extra information to clear up a common misunderstanding that PPL entitlements can be transferred back to the original applicant after being transferred to a partner
- more explanations about surrogates, miscarriages and the link between PPL and Working for Families Tax Credits
- more examples to illustrate the rules.

Supporting software partners

Nearly all tax returns are filed digitally, and the majority are filed through software delivered by over 80 software partners. Maintaining the connection and stability of these return-filing services is critical to supporting New Zealanders and businesses to meet their obligations.

To better support our digital partners, an online service portal was progressively released to them in phases between November 2023 and June 2024. The portal will improve onboarding for new partners, support self-management for existing partners and reduce partner effort maintaining these critical services.

The benefits to customers include:

Greater visibility

- View alerts and notifications
- See cases in a single place
- Progress is transparent

Faster resolution of issues

- Consolidated account, product and past issue information
- Providing additional information is quicker

More self-service options

- Search and browse knowledge bases and ask the community questions

Targeted communications

- Proactive communications on issues
- Notifications when there has been an update to their case

Customer outcome 3—Customer capability

We define customer capability as the ability of customers to meet their obligations and access their entitlements. It includes customers knowing the rules that apply to them, having access to tools and assistance and understanding what they need to do.

Customer understanding and confidence

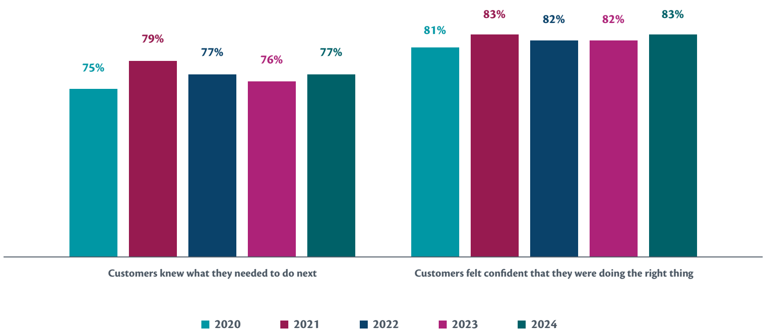
We use 2 questions in our Customer Experience and Perceptions Survey to measure customers' understanding and confidence. The survey asks customers to rate their responses on a 7-point scale. Results reflect ratings of 5 or more. More information on the survey is provided on pages 96 to 97.

77%

of customers knew what they needed to do next

83%

of customers felt confident they were doing the right thing



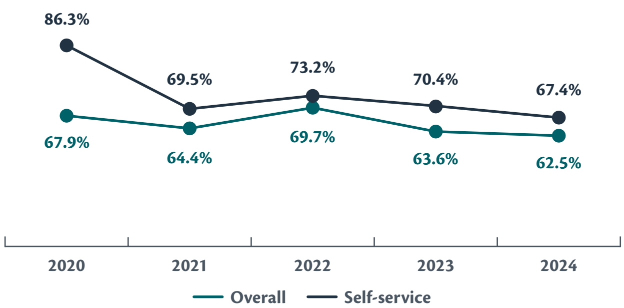
This year's small increases tell us that we're continuing to effectively support customers to get it right from the start and that they're familiar with what they need to do.

Instalment arrangement success

We provide options for customers who get into debt, including paying off what they owe in instalments while they get back on track, minimising the costs they incur by paying late. Customers can set up instalment arrangements themselves, or we can set them up for them.

62.5%

of customers adhered to their instalment arrangement



While 28,000 more customers set up arrangements this year, slightly fewer customers adhered to their instalment arrangements compared to 2023, reflecting ongoing economic conditions impacting customers. These arrangements covered $4.3 billion in debt compared to $3.4 billion last year. Of this, $461 million has already been paid in full. Customers who set up arrangements in myIR are more likely to stick to the arrangement.

Our services—the services we deliver for our customers and government

We measure the performance of our services against output measures and targets as set out in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024. This section reports on financial and non-financial performance for these appropriations. Full details are at the Treasury Te Tai Ōhanga website:

treasury.govt.nz/publications/estimates/vote-revenue-finance-and-government-administration-sector-estimates-appropriations-2023-24

IR has 3 appropriations to provide services to the Government and the public and deliver other activities:

- Services for Customers (a multi-category appropriation)
- Services to Other Agencies
- Residual Activities Following the Transformation Programme's Substantive Closure

Linking appropriations to outcomes

Our Performance Measurement Framework describes how we track the progress we're making towards our outcomes as set out in our Statement of Intent 2021–2025. The framework shows the departmental appropriations that IR is responsible for and how our appropriations and outcomes are connected. Each appropriation contributes to 1 or more of our outcomes.

Our performance against our services: a summary

This year, we achieved 22 out of 29 (76%) of our output performance measures. This is a slight drop from 2022–23 when we achieved 29 out of 36 (81%).

In this section, for any results where we have not achieved the target or have exceeded it by 15% or more, we have provided further explanation. None of the target and forecast figures on pages 70 to 89 are subject to audit.

The key we use to show our performance against the measure

- We met the target
- We did not meet the target

01. Services for Customers

The overarching purpose of this appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.

Services for Customers is a multi-category appropriation with 5 categories:

Services to Ministers and to Inform the Public About Entitlements and Meeting Obligations	Services to Process Obligations and Entitlements	Management of Debt and Unfiled Returns	Investigations	Policy Advice

What we intend to achieve

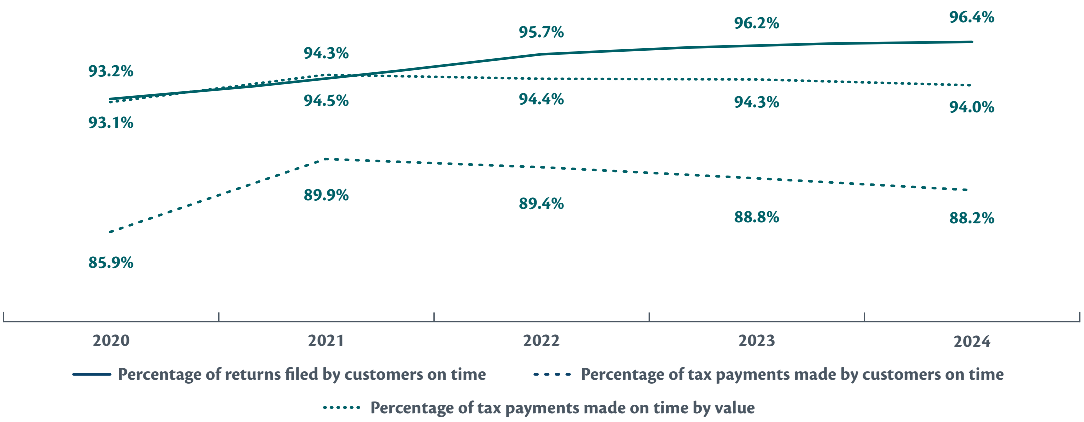
This appropriation is intended to ensure customers find it easy to meet their tax and social policy obligations and receive the payments they're entitled to.

We start this section with our overall results for the appropriation and present the results for each of the 5 categories on pages 72 to 87.

How we performed

We carefully balanced resources across our work programme, with an increased focus on compliance activities. We prioritised activities based on factors such as addressing areas of risk and key customer issues.

Most customers want to do the right thing. This is reflected in the high proportion of customers who file returns on time, with levels increasing to 96.4% in 2023–24, and pay on time. The economic climate has meant a small decline in customers' ability to pay in full and on time. The value of payments made on time has remained high at 94.0%.



Performance measure results

This year, we achieved 1 out of 2 of the overarching performance measures in the Services for Customers multi-category appropriation.

2022–23 Actual		2023–24 Target	2023–24 Actual	2024–25 Target
96.2%	Percentage of returns filed by customers on time	95%	96.4%	95%
88.8%	Percentage of tax payments made by customers on time	90%	88.2%	90%

Not achieved—The target for this measure was increased from 85% to 90% from July 2022 in response to an uplift in performance resulting from IR's move to the new START system. Although we have achieved over 90% for some months during the year, our highest year-end result was 89.9% in 2020–21. Since then, economic conditions have impacted businesses and households' cashflow and ability to pay in full and on time. On-time payment compliance declined across most tax types: GST dropped from 87.1% to 85.5%, employer activities from 92.2% to 91.8% and non-individual income tax from 86.3% to 85.8%.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
693,930	Revenue from the Crown	726,345	726,345	715,117	748,425
5,381	Other revenue	4,718	6,101	6,101	6,101
699,311	**Total revenue**	**731,063**	**732,446**	**721,218**	**754,526**
660,493	**Total expenses**	**706,538**	**732,446**	**721,218**	**754,526**
38,818	**Net surplus/(deficit)**	**24,525**	–	–	–

We came within budget for the Services for Customers multi-category appropriation.

Services to Ministers and to Inform the Public About Entitlements and Meeting Obligations

This category is limited to the provision of services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public, other than policy decision-making responsibilities, and to provide information and assistance to the public to make them aware of their obligations and entitlements.

What we do

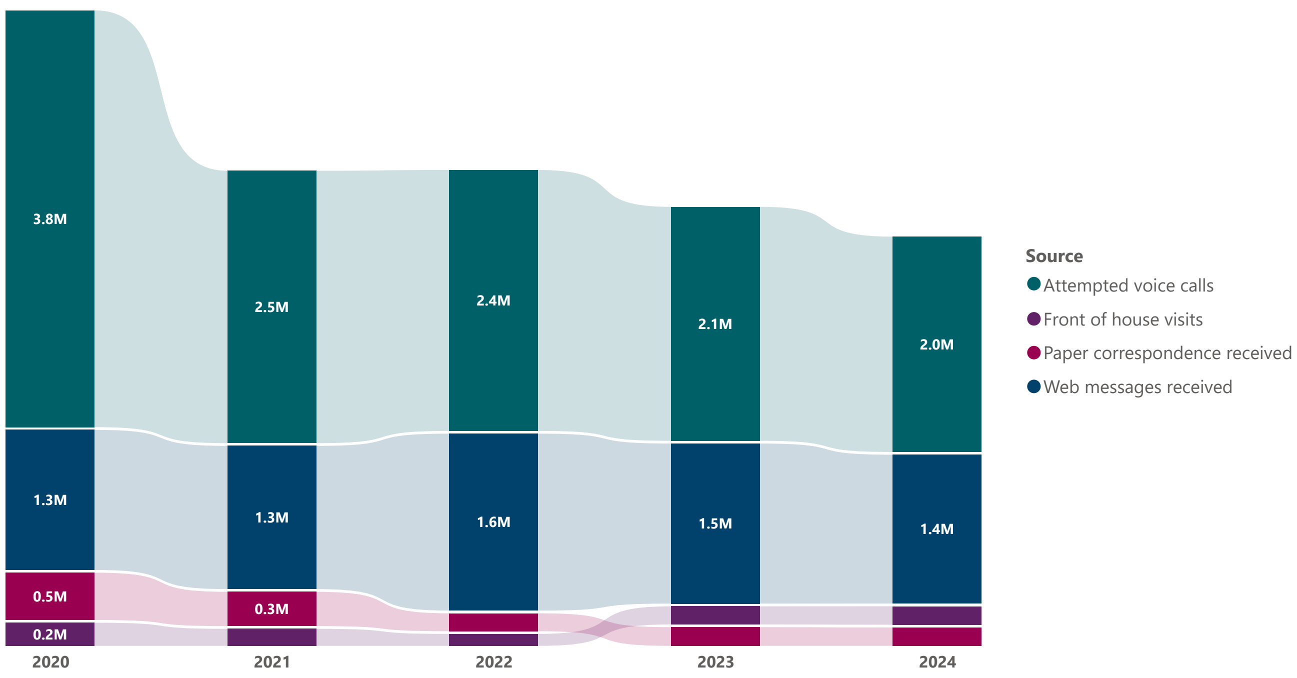
We provide services and information to help taxpayers and other customers meet their payment obligations and receive payments they are entitled to and help Ministers fulfil their responsibilities to Parliament and the New Zealand public.

We provide certainty and clarity through public advice and guidance, private rulings and advice, dispute reviews and an internal escalation service for technical issues.

How we performed

IR continued to focus on supporting customers with their tax and social policy needs, prioritising the resolution of queries for customers who are likely to have the greatest need. Our voice and correspondence channels are managed together to deliver the best customer outcomes.

Customer demand volumes decreased slightly, dropping from 3.95 million interactions in 2023 to 3.68 million interactions in 2024. While key events such as individual income tax assessments drive high demand between March and June each year, the decrease in customer service volumes indicates that more customers are able to manage using self-service channels.



Note: Total web messages received in 2023 has been updated from 1.4 million reported in the 2023 Annual Report to 1.5 million to correct a reporting error.

We continued to provide certainty and clarity for customers, developing public advice and guidance on various issues, including:

- an explanation of when costs like interest, rates and property insurance are deductible when land is held and whether the land being taxed on sale is relevant to deductibility
- guidance on the deductibility of costs incurred in configuring or customising a supplier's application software in a software-as-a-service arrangement
- help with the GST and income tax treatment of grants and subsidies, particularly for payments made by government
- guidance about how the GST grouping rules operate and help explaining which entities can form a GST group
- guidelines to assist with making research and development loss tax credit applications, and
- updated guidance explaining the taxation of trusts.

See page 20 for information on our private rulings service, providing certainty for customers on specific tax positions and giving our interpretation on how the law applies in specific circumstances.

We also issued a General Article (GA 24/01) that concerned the increase in the trustee tax rate to 39% from 1 April 2024 and how we may view some taxpayer transactions and structural changes made in response to the change in tax rate. This area has received a lot of attention from taxpayers given the change in tax rate and so the item sets out specific situations where we may have concerns.

A relatively new type of product being provided are Technical Decision Summaries. These are summaries of applicable private rulings and adjudication decisions that have been made by the Tax Counsel Office. The identity of applicants and any sensitive information are removed. It's early days, but our customers have responded positively to these summaries. We think they are an important additional way to increase transparency around our interpretative decisions.

Performance measure results

This year, we achieved 4 out of 5 targets, similar to 2022–23 when we achieved 8 out of 9 targets.

2022–23 Actual		2023–24 Target		2023–24 Actual	2024–25 Target
72%	Percentage of customers who agree they found it easy to get the information they needed[1]	70%	✓	72%	70%
4 minutes 47 seconds	Average speed to answer telephone calls	4 minutes 30 seconds or less	✓	4 minutes 18 seconds	4 minutes 30 seconds or less
New measure	Percentage of correspondence completed within 10 working days	70%	—	65.1%	70% see page 99
	Not achieved—We manage our voice and correspondence channels together, prioritising customers who are likely to have the greatest need to achieve the best overall customer experience within available resources. At the beginning of 2023–24, we were in a period of recovery following the 2023 high-demand season with significant volumes of work on hand, impacting our response times.				
100%	Percentage of rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards	100%	✓	100%	100%
New measure	Percentage of public items, adjudication cases, taxpayer rulings and short process rulings completed within agreed timeframes	90%	✓	97.5%	90% see page 99

[1] Actual performance measured using a sample of the customer population from our Customer Experience and Perceptions Survey. The survey asks customers to rate their experiences on a 7-point scale. Results represent customers who gave a score of 5 or more. More information on the survey is provided on pages 96 to 97.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
327,767	Revenue from the Crown	335,634	335,634	309,031	314,597
860	Other revenue	839	1,045	1,045	1,045
328,627	**Total revenue**	**336,473**	**336,679**	**310,076**	**315,642**
312,978	**Total expenses**	**326,456**	**336,679**	**310,076**	**315,642**
15,649	**Net surplus/(deficit)**	**10,017**	**–**	**–**	**–**

Services to Process Obligations and Entitlements

This category is limited to the registration, assessment and processing of tax obligations and other entitlements, including associated review and Crown accounting activities, and the collection and sharing of related information with other agencies.

What we do

We deliver efficient and effective registration, assessment and processing of tax obligations and entitlements. This contributes to the availability of revenue to fund government programmes as well as ensuring that customers receive payments they're entitled to.

How we performed

Our processing performance measures focus on timeliness and efficiency for the key services and activities that affect customers. Our systems and more automated processes have made us more efficient in the processing of customers' returns, registrations, payments and refunds.

In 2023–24, we:

Processed	Issued	Transferred	Processed
12.5 million	**1.2 million**	**$10.4 billion**	**682,000**
returns (income tax, GST and employer information)	refunds (income tax and GST)	to KiwiSaver scheme providers	registrations

Performance measure results

This year, we achieved 7 out of 8 targets, similar to 2022–23 when we achieved 10 out of 11 targets.

2022–23 Actual		2023–24 Target		2023–24 Actual	2024–25 Target
85.0%	Percentage of social policy and tax registrations processed within 5 working days	85%	✓	86.8%	85%
87.0%	Percentage of income tax refund disbursements resulting from a return issued within 5 weeks	85%	✓	86.6%	85%
96.6%	Percentage of GST refund disbursements issued within 4 weeks[1]	95%	✓	97.1%	95%
99.5%	Percentage of income tax returns finalised within 3 weeks	95%	✓	99.0%	95%
99.96%[2]	Percentage of GST returns finalised within 3 weeks	98%	✓	99.92%	98%
New measure	Percentage of KiwiSaver contributions passed to scheme providers within 3 days	95%	✓	99.4%	98% see page 99

2022–23 Actual		2023–24 Target	2023–24 Actual	2024–25 Target
$1.48	Average cost of processing income tax returns, GST returns and employment information	$1.75 or less	$2.16	$1.75 or less
	Not achieved—This measure demonstrates the cost-effectiveness of our processing activities. With most processing now being systems-based, system costs including depreciation are a key driver of this measure. As our new operating model has bedded down, results for this measure have varied from $2.92 in 2018–19 to $1.35 in 2021–22. Over the last few years we have stretched the target, from $3.50 in 2021–22 to $1.75 for 2023–24.			
81.1%	Percentage of child support assessments issued within 2 weeks	80%	83.9%	80%

[1] Section 46 of the Goods and Services Tax Act 1985 stipulates that refunds are to be issued within 15 working days unless selected for screening or investigation. The 4 weeks issuing timeframe allows additional time to include those refund claims selected for screening or investigation in our performance.

[2] This result as reported in the 2023 Annual Report was 100%. We are providing the result to 2 decimal places in this year's report.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
146,613	Revenue from the Crown	183,821	183,821	162,084	150,271
3,597	Other revenue	3,493	3,634	3,634	3,634
150,210	**Total revenue**	**187,314**	**187,455**	**165,718**	**153,905**
140,286	**Total expenses**	**180,385**	**187,455**	**165,718**	**153,905**
9,924	**Net surplus/(deficit)**	**6,929**	**–**	**–**	**–**

Management of Debt and Unfiled Returns

This category is limited to activities to prevent returns and debt becoming overdue, and to collect unfiled returns and overdue payments, whether for the Crown, other agencies or external parties.

What we do

IR seeks to achieve the timely and efficient collection of unfiled returns, revenue and debt owed. We believe the best approach for managing debt and unfiled returns is by helping customers get it right from the start and by acting if they choose to do the wrong thing. We do this by:

- understanding our customers, their circumstances and their experiences and dealings with us and other government agencies
- using analytical capabilities to anticipate what customers may need from us to help them stay on track
- reaching customers who need our help earlier by tailoring our approach and messages to them
- ensuring that policy settings reflect a whole-of-government approach and support consistent customer experiences
- equipping our people to support customers in debt.

When customers do get into debt, we help them work through their options and create a plan that suits their specific circumstances. We are required under section 6A of the Tax Administration Act 1994 to collect the highest net revenue over time, considering the resources we have available, levels of voluntary compliance and compliance costs.

How we performed

This year, we increased our compliance and enforcement work and focused on getting overdue returns filed and recovering more tax and overseas-based borrower debt.

Economic conditions are impacting customers' ability to pay. Total overdue tax debt increased to $7.94 billion as at 30 June 2024. The increase is a result of the challenging economic environment and a redefinition of overdue debt (see page 23 for more about this).

In 2023–24, we:

Collected	Assessed
$4.07 billion	**$1.71 billion**
cash from debt activities	of tax revenue from overdue returns being filed

We provide options for customers to pay off what they owe in instalments while they get back on track, minimising the costs they incur by paying late. There were 181,000 instalment arrangements set up in 2023–24, up from 163,000 in 2022–23. As at 30 June 2024, active arrangements for tax and student loan debt covered $1.86 billion, and 24.4% of the arranged amount had been paid.

Debt

This year, overdue tax debt increased to $7.94 billion (excluding student loans, child support and COVID-19 support products). The increase is a result of the challenging economic environment and changes to reporting and definitions of overdue debt. See page 23 for details on debt. Almost half of customers with GST or employer debt only had debt for 2023–24, indicating the challenges businesses have been experiencing.

The increase in overdue tax debt had an associated increase in the impairment and write-offs expense as did our reclassification of some overdue tax debt. As noted on page 104, expenditure on impairment and write-offs was higher than appropriated.

GST, income tax and employer activities debt

Many New Zealanders are struggling with the current economic environment and those experiencing cash flow difficulties will sometimes stop paying their tax as an option for managing their immediate financial circumstances. Our deferral of some proactive debt recovery in the last couple of years also likely contributed to some of the increases.

Our plans to address this growth in debt include:

- increasing staff to scale up our debt activities, particularly for those with high-value debt
- an increased effort pursuing overdue returns, including prosecution activity for extreme examples of non-compliance
- new and increased use of data to better target high-value debtors such as property, crypto and payment service provider data
- a continued focus on GST and employer debt
- providing stronger messaging to customers not engaging with us to take immediate action before we start legal recovery procedures.

Working for Families Tax Credits debt

WfFTC debt increased by $27.9 million from 2022–23. This increase reflects that income variability continued to affect the accuracy of customers' payments during the year.

We try to help customers avoid getting into debt by identifying who might be at risk of being overpaid, communicating with them during the year and adjusting their payments if necessary.

Social policy debt

Child support debt

Child support debt has dropped steadily over the last 5 years. See pages 35 to 36 for more information on this.

CHILD SUPPORT DEBT AS AT 30 JUNE ($ MILLION)

	2020	2021	2022	2023	2024
Total debt value	2,151	1,366	1,188	1,098	1,005
Penalties only	1,553	726	586	504	424

Note: The past due child support gross receivables on pages 169 to 170 comprises penalty and Crown entitlement debt. This differs to the total debt reported above as it does not include non-custodial parent assessment debt payable to the receiving carer.

Student loan overdue debt

As at 30 June 2024, overdue student loan debt totalled $2.4 billion, 7.4% more than last year.

STUDENT LOAN OVERDUE AMOUNTS AS AT 30 JUNE ($ MILLION)

	2020	2021	2022	2023	2024
New Zealand-based borrowers	133.1	140.9	152.4	168.1	175.6
Overseas-based borrowers	1,446.2	1,579.6	1,870.3	2,042.7	2,199.3
Total	**1,579.2**	**1,720.5**	**2,022.7**	**2,210.8**	**2,374.9**

Most outstanding repayment obligations are for overseas-based borrowers. Read more about our debt work on pages 24 to 27 and 58.

Detailed reporting on the Student Loan Scheme is available at educationcounts.govt.nz/publications.

COVID-19 support products overdue debt

As at 30 June 2024, debt for COVID-19 support products was $167.1 million, 61% more than last year. The increase is due primarily to repayment requirements for the Small Business Cashflow Scheme (SBCS). In total, $2.4 billion in SBCS loans were issued to 129,495 customers. As of 30 June 2024, over half has been repaid. Customers are required to make regular repayments from year 3 of the loan and repayment plans are automatically issued to the customer. If the customer does not comply with that plan, this constitutes a default. Over 10,000 customers have SBCS loans in default.

COVID-19 SUPPORT PRODUCTS OVERDUE DEBT AS AT 30 JUNE ($ MILLION)

	2021	2022	2023	2024
COVID-19 Resurgence Support Payment	0.1	3.5	13.9	19.3
COVID-19 Support Payment	–	1.2	7.8	11.2
COVID-19 Resurgence Support Payment and COVID-19 Support Payment	**0.1**	**4.7**	**21.7**	**30.5**
Small Business Cashflow Scheme	6.7	29.0	82.4	136.6
Total	**6.9**	**33.7**	**104.1**	**167.1**

Write-offs

We write off debt in cases of serious hardship, bankruptcy or liquidation or if the cost of collecting the debt is uneconomical. This year, we wrote off $694.5 million of debt using these provisions compared to $523.5 million in 2022–23.

WRITE-OFFS ($ MILLION)

	2021–22	2022–23	2023–24
General write-offs	512.6	523.5	694.5

Note: Write-offs include general tax, Working for Families Tax Credits and KiwiSaver.

We also supported customers following the COVID-19 pandemic, applying specific legislative powers to write off penalties and interest, where possible. We remitted a total of $195.4 million using these provisions.

Liquidation activity

Liquidation is an essential role we play to stop unviable businesses from incurring more debt, support the trading community and ensure a level playing field for businesses that are meeting their tax obligations. $1.26 billion of the tax debt book is owed by 4,429 companies in liquidation. This year to 30 June 2024, we have:

- issued over 1,334 statutory demands
- liquidated 437 companies
- bankrupted 90 individuals.

Unfiled returns

At 30 June 2024, 1.539 million outstanding returns were yet to be filed, including 698,000 for individual income tax, 419,000 for non-individual income tax, 370,400 for GST, 18,200 for employer activities and 33,300 for other tax products. This is a 2.4% increase in total outstanding returns from 30 June 2023 (1.502 million).

Our focus on high-value returns resulted in $1.71 billion in assessed revenue from late-filed returns, $331 million more than in 2022–23, achieving $71.57 of assessed revenue for every unfiled return dollar spent.

Performance measure results

This year, we achieved 6 out of 8 targets, the same as 2022–23.

2022–23 Actual		2023–24 Target		2023–24 Actual	2024–25 Target
$60.12	Value of assessed revenue for every unfiled return dollar spent	$45.00	✓	$71.63	$45.00
	This measure demonstrates the cost-effectiveness of our work to recover assessed revenue from returns not filed by the due date. We targeted unfiled return activity and used analytical tools to identify unfiled returns that were likely to be of higher value. This work resulted in $1.71 billion in assessed revenue.				
$47.11	Cash collected for every debt dollar spent	$40.00	✓	$67.69	$40.00
	This measure demonstrates our cost-effectiveness in collecting overdue debt. The improved result in part reflects that there is more debt to be collected as overall tax debt continues to grow.				
70.8%	Percentage of child support assessments paid on time	70%	✓	72.5%	70%
83.1%	Percentage of student loan customers that meet their obligations	85%	—	82.9%	85%
	Not achieved—This measure looks at compliance levels for student loan borrowers. Repayment levels for New Zealand-based borrowers remain high at 94.6%, up slightly on 94.3% for 2022–23. Repayments from overseas-based borrowers remain low at 29.3% but improved slightly from 26.4% in 2022–23. Improving collection from overseas-based borrowers is a priority for 2024–25.				
41.1%	Percentage of unfiled returns that are finalised within 6 months	60%	—	42.3%	60%
	Not achieved—This measure demonstrates the level of activity focused on helping customers with unfiled returns. A slight improvement in results in 2023–24 reflects returning to a more balanced work programme and more proactive compliance activities. We continue to focus on finalising returns of higher value, assessing $1.71 billion in revenue from late-filed returns. We also continued to reduce unnecessary return filing such as moving IR3 filers to the individual income tax assessment automated process.				
33.4%	Percentage of collectable debt value over 2 years old	40% or less	✓	32.2%	40% or less
58.6%	Percentage of new customer debt resolved within 6 months	50%	✓	58.3% see page 98	50%
	This measure focuses on customers who have recently gone into debt and the debt being cleared in a timely manner.				
84.0%	Percentage of New Zealand liable parent child support debt cases resolved within 12 months	75%	✓	83.7%	80% see page 99

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
90,489	Revenue from the Crown	84,522	84,522	96,969	104,405
471	Other revenue	187	1,272	1,272	1,272
90,960	**Total revenue**	**84,739**	**85,824**	**98,241**	**105,677**
85,511	**Total expenses**	**83,886**	**85,824**	**98,241**	**105,677**
5,449	**Net surplus/(deficit)**	**853**	**–**	**–**	**–**

Investigations

This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.

What we do

We protect the integrity of the tax system, starting with early interventions such as education and integrity reviews. We use an intelligence and risk-based analytical approach to direct our activities. Where we identify people have not taken reasonable care or have intentionally done the wrong thing, we will apply sanctions such as shortfall penalties or, in the case of serious wrongdoing, we will prosecute.

Our 'right from the start' approach helps customers get it right, as we step in early when they're making errors and act if they choose to do the wrong thing. This helps ensure that everyone pays what they need to and receives the right entitlements.

Our systems, processes and capabilities allow us to see more and identify earlier where things do not look right so we can act promptly. We can detect potential incorrect or fraudulent returns before assessments are confirmed, making it harder for customers to get things wrong either accidentally or deliberately.

How we performed

This year we have been progressively scaling up our compliance work as you can read on pages 28 to 31.

We are seeing the outcomes from our increased focus on compliance activities, with more than 5,100 audits opened in 2024 compared to 4,200 in 2023. This year, we closed 4,300 audits, assessing $460 million in additional tax, an increase from 3,600 audits and $397 million in additional tax in 2023. Our audits encompass a broad range of targeted risks, including the following:

- A focus on employer obligations where employers have made various deductions from their employees' salary or wages but have not paid these amounts to IR.
- Non-compliance in areas such as diverted personal services, income splitting, trust distributions, financial statement reviews and employee share schemes.
- Property compliance including bright-line, speculators and defaulting developers.
- The hidden economy with an emphasis on sectors with a high prevalence of cash-based transactions such as hospitality and construction. Recent initiatives such as the Tax Toolbox for Tradies and liquor retailer campaigns have made our compliance work more visible.
- A series of operations focusing on businesses where there was a strong probability that electronic sales suppression software tools were being used.
- IR is starting to receive electronic sales transaction data from a group of payment service providers to help validate the accuracy of GST reported sales and the extent electronic and/or cash transactions may be under-reported to assist in identifying businesses operating partially or wholly outside of the system.
- Organised crime activities that often include tax evasion, fraud, identity theft and money laundering. We participate in responding to organised crime across government and support lead agencies by sharing information, intelligence and disruption of organised crime through targeted investigations.

VALUE FROM COMPLIANCE ACTIVITIES

Performance measure results

This year, we achieved 1 out of 3 targets, the same as 2022–23.

2022–23 Actual		2023–24 Target		2023–24 Actual	2024–25 Target
74.5%	Percentage of customers whose compliance behaviour improves after receiving an audit intervention[1]	85%	Not achieved	69.3%	85%
	Not achieved—The measure looks at the impact audit activity has on customer compliance behaviour across a range of compliance aspects. A number of these aspects had lower results in 2024 including customers addressing a previous discrepancy area, customers paying or setting up a plan to pay the discrepancy amount and return compliance. Decreases in return and payment compliance may reflect the ongoing impact of challenging economic conditions on customers and a rebalancing from higher compliance levels in 2023 as customers sought to meet requirements to access COVID-19 payment support.				
$9.04[2]	The identified value of compliance activities over associated costs	$10.00	Not achieved	$9.50	$10.00
	Not achieved—This measure looks at the cost effectiveness of our compliance activities. See page 50 and the figure on the previous page for more information on the different components that are included in this measure. We have progressively returned to a more balanced work programme and undertaken more proactive compliance activities, and expect results to improve over time. Some compliance activities like audit take some time to complete and results from the scaling up of activity in 2023–24 will not show up immediately.				
79.3%	Percentage of litigation judgments found in favour of the Commissioner	75%	Achieved	88.2%	75%
	There are low volumes of litigation judgments, and we achieved the measure with 30 successful judgments during 2023–24. We expect an increase in compliance work to have a subsequent impact on the volume of cases in future years. We closely monitor our active cases for litigation risks.				

[1] Actual performance is measured using a sample of audit cases.

[2] The result reported in the 2023 Annual Report of $8.92 did not correctly reflect a methodology improvement made during that year. The impact of this changes the result to $9.04 as at 30 June 2023.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
112,431	Revenue from the Crown	108,553	108,553	133,634	165,243
453	Other revenue	199	149	149	149
112,884	**Total revenue**	**108,752**	**108,702**	**133,783**	**165,390**
107,634	**Total expenses**	**102,665**	**108,702**	**133,783**	**165,390**
5,250	**Net surplus/(deficit)**	**6,087**	–	–	–

Policy Advice

This category is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision making by Ministers on government policy matters.

What we do

We provide advice to Ministers on tax and social policy matters to help them make policy decisions. Our advice aims to protect and maintain the integrity of the tax system, keep the tax and social policy system as simple and coherent as possible and ensure we stay internationally competitive.

We work on policy initiatives alongside other agencies, including the Treasury, MBIE, MSD, the Accident Compensation Corporation, the Office for Māori Crown Relations Te Arawhiti, Callaghan Innovation, the Ministry for Primary Industries Manatū Ahu Matua, the Ministry of Education and the Ministry for the Environment Manatū Mō Te Taiao.

When possible, we use the Generic Tax Policy Process to develop better, more effective tax policies by considering key elements and trade-offs at an early stage. There are opportunities for the public to comment on proposed policies at several points during the process.

We include Māori perspectives into the design of policy and services to ensure that IR is being more responsive to Māori perspectives and needs. We use the Tax and Social Policy Māori Advisory Panel to advise on tax and social policy implications from a Māori perspective and provide advice on Māori engagement methods.

We implement the Government's Tax and Social Policy Work Programme, which is based on the Government's revenue and economic strategies.

Our role includes:

- advising on tax and social policy measures
- developing tax and social policies
- drafting tax legislation and helping to get it passed
- negotiating and maintaining double tax agreements with other countries
- forecasting government revenue and analysing the revenue implications of policy change
- including Māori perspectives into the design of policy and services

Our main policy achievements this year

Page 40 provides information on our work for the mini-budget, The Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill and Budget 2024.

Stewardship

A stewardship regulatory review of the donation tax credit regime began in mid-2023. The review tests whether the regime is operating efficiently and effectively, is achieving the intended outcomes and remains fit for purpose. The review takes an end-to-end view of the regime from policy, administration and system design through to customer (donors/donee) behaviour and compliance.

The review has included a survey of individuals that do and do not donate, interviews with donors and donee organisations, and meetings with professional advisors and representatives of the not-for-profit sector. A report setting out findings and recommendations is expected to be published in mid to late 2024.

Other

IR supported the Minister of Revenue in repealing the Taxation Principles Reporting Act 2023, providing policy advice on options for either amending or repealing the Act. The repeal Bill was introduced on 19 December 2023 under urgency and received its third reading the same day. The Bill received Royal assent on 22 December 2023.

How we performed

An independent panel assessed the quality of the policy advice papers we wrote for Ministers this year. They found that 88% of the advice we provided met or exceeded a score of 3.5 out of 5, a material improvement from 70% in 2022–23.

Performance measure results

This year, we achieved both targets, the same as in 2022–23.

2022–23 Actual		2023–24 Target	2023–24 Actual	2024–25 Target
3.6	Average score of papers assessed using the Policy Quality Framework	3.5 or more out of 5	3.8	3.5 or more out of 5
	Scale for scoring the quality of policy advice			
	1—Unacceptable: Does not meet the relevant quality standards in fundamental ways.			
	2—Poor: Does not meet the relevant quality standards in material ways.			
	3—Acceptable: Meets the relevant quality standards overall but with some shortfalls.			
	4—Good: Meets all the relevant quality standards.			
	5—Outstanding: Meets all the relevant quality standards and adds something extra.			
4.9[1]	The Minister's satisfaction with the policy advice services received	4 or more out of 5	4.6	4 or more out of 5

[1] Result based on a response from the Associate Minister of Revenue.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
16,630	Revenue from the Crown	13,785	13,785	13,399	13,911
–	Other revenue	–	1	1	1
16,630	**Total revenue**	**13,785**	**13,786**	**13,400**	**13,912**
14,084	**Total expenses**	**13,146**	**13,786**	**13,400**	**13,912**
2,546	**Net surplus/(deficit)**	**639**	**–**	**–**	**–**

02. Services to Other Agencies

N/A

This appropriation is limited to the provision of services by Inland Revenue to other agencies where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.

What we do

We provide support services to other government agencies such as a hosted financial management information system and shared financial transactional services.

How we performed

The New Zealand Productivity Commission was disestablished in February 2024, at which point our financial support services were no longer required. The annual year-end survey was not completed.

Performance measure results

2022–23 Actual		2023–24 Target	2023–24 Actual	2024–25 Target
100%	Percentage of satisfaction of the New Zealand Productivity Commission for services provided	90%	N/A	Not required

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
1,520	Other revenue	1,293	1,824	1,824	1,764
1,520	**Total revenue**	**1,293**	**1,824**	**1,824**	**1,764**
1,520	**Total expenses**	**1,293**	**1,824**	**1,824**	**1,764**
–	**Net surplus/(deficit)**	–	–	–	–

03. Residual Activities Following the Transformation Programme's Substantive Closure

This appropriation is limited to residual activities consistent with IR's transformation programme that still need to be completed following its substantive closure.

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ACHIEVED

What we intended to achieve

This appropriation is intended to undertake residual activities following the closure of the programme that we were unable to complete before 30 June 2022 due to COVID-19 priorities.

How we performed

Residual transformation activities were finalised in 2023–24. The key initiatives were the Future Proofed Voice Channel initiative, residual work for Ātea Optimisation and the organisational change initiative.

Performance measure results

	2023–24 Target	2023–24 Actual	2024–25 Target
All residual activities following the closure of the transformation programme are completed	By 30 June 2024	✓ Achieved	Not required

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2024

Actual 2023[1] $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
32,600	Revenue from the Crown	16,912	16,912	14,600	–
11	Other revenue	–	–	–	–
32,611	**Total revenue**	**16,912**	**16,912**	**14,600**	**–**
29,188	**Total expenses**	**15,667**	**16,912**	**14,600**	**–**
3,423	**Net surplus/(deficit)**	**1,245**	**–**	**–**	**–**

[1] We completed our transformation programme in 2021–22 and the Transformation appropriation closed in June 2022. We transferred $35 million from the Transformation appropriation in the 2021–22 financial year to the new appropriation Residual Activities Following the Transformation Programme's Substantive Closure for the 2022–23 and 2023–24 financial years. These residual activities have been completed and the appropriation ceased on 30 June 2024. Therefore, the forecast for 2025 is nil.

Outcomes of the transformation programme

The transformation programme sought to reduce customer effort and cost, improve compliance levels, make policy changes faster and more cost-effectively, improve systems resilience and make IR more efficient.

The capabilities delivered are reducing effort for customers, enabling them to do far more for themselves, and providing them with certainty sooner. Third parties are playing a much greater role in the tax and social policy system, and we are increasingly partnering with others to deliver services.

In just over 5 years, IR successfully transformed the tax and social policy system. From 2017 to 2021, we progressively moved products to new systems and processes and significantly improved the services available to customers. As products were moved, policy changes were made at the same time to help simplify things for customers and improve how we administer the tax and social policy system. The programme was delivered on time, under budget and has achieved the intended outcomes, with improvements delivered across all the indicators we use to track progress.

Read more about the results at ird.govt.nz/about-us/business-transformation/where-we-started/programme-business-case and in our 2022 Annual Report. We also share lessons at the close-out of our transformation at ird.govt.nz/about-us/business-transformation/what-we-learnt.

While the transformation programme closed on 30 June 2022, we committed to continuing to track and report against its benefit commitments until 2023–24. This is the final year of reporting against these commitments.

We deliberately set ourselves aspirational targets in return for the investment made in transformation. We did not achieve all the benefits we set out to. However, improvements were delivered across all benefit measures. We recognise there is more work to do to reduce effort for smaller businesses and we are continuing to focus on making it easier for businesses.

We achieved 7 of the 10 quantitative indicators in this final year of reporting. The measures achieved relate to digital uptake, system availability, system resilience, additional Crown revenue and administrative savings. Digital uptake is well above target at 99% and a significant contributor to agility, our systems are highly resilient and available 99.9% of the time, we have delivered more than $500 million in administrative savings and achieved the increases in Crown revenue we committed to.

We did not achieve 3 targets—customer perceptions of effort, and reduction in compliance effort and costs for small business customers.

- The percentage of customers who find it easy to comply increased to 84% in 2023–24. This measure remained relatively stable during the period from 2016–17 to 2021–22 when changes resulting from the transformation programme were being implemented. It has now returned to the level it was at in the 2015–16 year, the last full year before transformation began. We always expected that customers would take time to become familiar with the changes made.
- Results from our 2024 survey of SMEs show the target reduction in compliance effort was not achieved. SMEs reported saving 4 hours compared to a target of 18 hours. The value of the time saved by SMEs was also behind target. SMEs say the things that make it hard for them include keeping up with changes to the tax and social policy system, getting timely responses to queries, meeting filing and information requirements and increased costs for professional advice and software.

TRANSFORMATION PROGRAMME OUTCOME INDICATORS

	Indicator	2022–23 Actual	2023–24 Target	2023–24 Actual
Easier for customers	Digital uptake by customers	99%	85%	**99%**
	Customers who find it easy to comply	82%	90%	**84%**
	Reduction in compliance time for SME customers	0 hours indicative[1]	18 hours	**4 hours**
	System availability for customer-facing e-channels	99.6%	99.5%	**99.9%**
	Customer outcomes from information sharing and security of information	Read the case study on page 57 and information on pages 189 to 195.		
	Cumulative reduction in compliance costs for SME customers	$500m indicative[1]	$1,330m	**$650m[2]**
	Cumulative additional Crown revenue to the Government[3]	Target achieved	$2,880m	**Target achieved**
Reduced time and cost to implement policy	Reduction in the time and cost to implement policy	Read a case study on implementing FamilyBoost on page 92.		
	Increased revenue system resilience as assessed by IR	High	**High**	**High**
IR is more efficient	Digital uptake by customers	99%	85%	**99%**
	Annual reduction in our administration costs	$110m	$100m	**$100m**
	Cumulative reduction in our administration costs	$419m	$495m	**$519m**

[1] The 2020–21 SME compliance cost survey has been used as an indicative result. Note the result has been updated to reflect corrections for 2 errors: incorrect filing frequencies for some respondents and the treatment of partial responses where no time estimates were provided that were incorrectly included as 0 rather than being excluded.

[2] The value of the time saved is calculated using the number of SMEs and hours saved multiplied by the percentage of customers filing returns electronically and the dollar value of an hour spent by SMEs on tax. The number of SMEs, hours saved and the value of an hour are obtained from SME compliance cost survey results.

[3] Achievement of additional Crown revenue is measured through case studies and proxy measures given the difficulty of direct attribution.

Reduction in the time and cost to implement policy

CASE STUDY

FamilyBoost

The Coalition Government committed to implement a new FamilyBoost payment by 1 July 2024. The timeframe was tight, with FamilyBoost to be delivered at the same time as other significant changes to personal tax thresholds and other tax credits. We needed to identify feasible system and process options that could be delivered within the timeframe and what trade-offs would be required to the preferred policy and process settings to make this happen.

Options were prepared for Ministers' direction, building off standard design patterns and principles and established tax administration settings and reusing existing technology from similar products, namely Working for Families Tax Credits and donation tax credits. The design was kept as simple as possible with a focus on reusing existing data and working within existing business models as much as possible, whether within IR or the private sector. These approaches meant we could deliver a solution quickly. While the customer experience will not be as smooth and low effort as desired, we will improve it over time.

Because FamilyBoost was developed as part of Budget 2024, there was limited ability to consult with customers early in the process, requiring reliance on our knowledge and understanding of customer behaviour and preferences, and the understanding of the early childhood education (ECE) sector by the Ministry of Education. Experience with policy frameworks for the design of family-based payments was used.

On 25 March 2024, the Government announced it was introducing FamilyBoost. The design quickly shifted to testing with ECE service providers and software vendors that supply invoicing technology. This ran alongside a communication and public education plan. Policy settings were finalised and legislation was drafted in May 2024, introduced on 30 May 2024 and enacted on 4 June 2024 with payment eligibility commencing from 1 July 2024. People are able to claim at the end of each quarter so the first payments are expected to be issued in October 2024.

Customer outcomes from information-sharing and security of information

Read about our information-sharing case studies on pages 57 to 58.

Significant initiatives

The following table outlines the significant initiatives that have material fiscal impacts for Vote Revenue from the last 3 Budgets that impact the 2023–24 financial year.

Initiatives included are those that have a fiscal impact over the forecast period of at least $50 million for departmental or $500 million for non-departmental revenue or expenditure.[1] Initiatives that are technical in nature have not been included.

Amounts are for the forecast period (5 years for operating and 10 years for capital) for each Budget.

BUDGET 2023

Initiative	Original Budget amount	Location of performance information
Inland Revenue—cost pressure This initiative provides funding to meet inflationary cost pressures associated with technology and as a service expenditure and provides funding to give effect to the Public Sector Pay Adjustment (PSPA).	$37m and $126m for administration costs	This increase in expenditure is incorporated into the Vote Revenue departmental baseline and will be reflected in the departmental financial statements.

BUDGET 2022

Initiative	Original Budget amount	Location of performance information
Cost of Living Payment This initiative funded the cost of living payments and administration cost to help low-and middle-income households to manage the rising cost of living.	$14m for administration costs and $800m for payments	• ird.govt.nz/about-us/tax-statistics/cost-of-living-payment-statistics • taxpolicy.ird.govt.nz/publications/2022/2022-ir-col-payment • Financial information on this payment is reported in the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations table: Cost of Living Payment appropriation.
COVID-19 Support Payment The COVID-19 Support Payment was introduced as part of the Government's COVID-19 support initiatives to help support viable and ongoing businesses or organisations that met the criteria.	$1,530m for payments	• ird.govt.nz/about-us/tax-statistics/covid-19-support-payment-statistics • ird.govt.nz/about-us/tax-statistics/resurgence-support-payment-statistics • Pages 30 to 32, 55 and 120 of the 2022 Annual Report. • Financial information on these payments is reported in the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations table: COVID-19 Support Payment appropriation (2021, 2022, 2023 and 2024 Annual Reports).

[1] Thresholds have been amended from those used in the 2023 Annual Report to better reflect IR's funding context.

Initiative	Original Budget amount	Location of performance information
Maintaining capability, integrity and to respond to demand This initiative provided time-limited funding that expires on 30 June 2025 to retain up to 240 full-time equivalent employees to support the response to and recovery from COVID-19. It enabled IR to address rising levels of unfiled returns and debt, support affected customers to get their tax obligations right from the start and respond to emerging integrity risks. The initiative also included funding to manage remuneration cost pressures.	$155m for administration costs	Performance information relating to this initiative is integrated within existing IR performance measures. There were no new or amended performance measures for this initiative.
Taxation of housing: limiting interest deductions for residential property This initiative recognises the additional tax revenue arising out of changes to interest deductibility rules for residential property and the related administration cost.	$19m for administration costs and $1,770m tax revenue increase	This increase in revenue is included in the overall revenue forecast and results. It is not reported separately.

BUDGET 2021

Initiative	Original Budget amount	Location of performance information
COVID-19 Resurgence Support Payment[1] The Resurgence Support Payment was introduced as part of the Government's COVID-19 support initiatives to help support viable and ongoing businesses or organisations that met the criteria.	$400m for payments	• ird.govt.nz/about-us/tax-statistics/resurgence-support-payment-statistics • Pages 30 to 32, 55 and 120 of the 2022 Annual Report. • Financial information on these payments is reported in the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations table: COVID-19 Resurgence Support Payment appropriation (2021, 2022, 2023 and 2024 Annual Reports).

[1] COVID-19 Resurgence Support Payment commenced May 2021 and an additional $2.727 billion was appropriated in 2021–22.

Disclosure of judgements

Reporting entity

Inland Revenue is a New Zealand government department as defined by section 5 of the Public Service Act 2020. The relevant legislation governing our operations includes the Public Finance Act 1989, Public Service Act 2020 and Public Accountability Act 1998.

IR's ultimate parent is the New Zealand Crown.

We are the principal steward of New Zealand's tax and social policy system. This means we consider whether the products we administer and the system as a whole are effective and efficient, work as intended, achieve the intended outcomes and are fit for purpose. We do not operate to make a financial return, and we are a Public Benefit Entity (PBE) for performance reporting purposes.

The Our Performance section covers all our activities as set out in the 2023–24 Estimates of Appropriations for Vote Revenue. It also includes other indicators from across our Performance Measurement Framework as outlined in our Statement of Intent 2021–2025. This section relates to the year ended 30 June 2024. It was authorised for issue by the Commissioner and Chief Executive of Inland Revenue on 30 September 2024.

Performance measures are reported on pages 49 to 89. Additional information, including on organisational capability, is not audited but provides additional context to our performance.

We also use performance information from our Performance Measurement Framework to provide our organisation's Enterprise Priorities and Performance Committee and other stakeholders with a regular update on performance areas at risk and to inform decision-making, planning and prioritisation.

Statement of Compliance

The Our Performance section has been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period, and it complies with PBE financial reporting standards.

We have made judgements on the application of reporting standards and estimates and assumptions concerning the future, discussed below. The estimates and assumptions may differ from the subsequent actual results.

Critical reporting judgements, estimates and assumptions

We use a framework of performance measures to help us achieve outcomes for New Zealand, contribute to Government priorities, improve outcomes for customers and deliver high-quality services. The measures included this year help assess our progress and results.

We review our performance measures each year. Performance measures are selected through consultation with subject matter experts with consideration for measures that best demonstrate performance against our key functions and activities, the availability of data and relevance to the result or outcome we are trying to achieve. Proposed changes are approved by our organisation's Strategic and Investment Board—proposed changes to output measures are then approved by the Minister of Revenue. With the exception of policy advice measures, and some externally mandated indicators within organisational health, we have discretion to select our measures and targets.

For comparability and consistency, we have maintained a core set of performance measures throughout the Performance Measurement Framework. This allows us to compare performance from prior years and to maintain visibility of critical performance areas over time. Information about any changes that have been made to output measures are provided in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024 for Vote Revenue.

IR sets annual targets for output and asset performance measures based on of historical performance, with consideration of factors that may impact future performance and opportunities for improvement. Outcome measures are monitored for trend-over-time results across 5 years where possible.

The judgements that have the most significant impact on selection and measurement are disclosed below. There were no pervasive constraints on information that influenced our service performance information.

Output measures

Our output measures show how well we performed against the services we deliver. Our performance against our output measures and standards is set out on pages 69 to 89. They reflect the information included in The Estimates of Appropriations. The 2023–24 actual results in this section are audited.

We have included comparison against the results for 2022–23 where possible and included 2024–25 performance standards. This information is unaudited.

We provide additional information to explain any significant changes in performance or where our standards have not been met.

Note: Reporting for the Research, Science and Innovation: R&D Tax Incentive (M84) (A10) appropriation through an evaluation will be provided by MBIE by March 2025 and will be publicly available.

Judgement groupings

Given the size, diversity and complexity of our functions and services, we have grouped our material judgements into 5 categories:

- Policy advice
- Customer experience
- Service delivery
- Debt
- Organisational health.

Policy advice

In keeping with the Policy Quality Framework provided by the Department of the Prime Minister and Cabinet Te Tari o te Pirimia me te Komiti Matua (DMPC), we measure:

- the quality of our policy advice by applying the framework's prescribed measures for quality of policy advice, and
- Ministerial satisfaction that all government agencies with a policy advice appropriation must apply.

More information can be found at dpmc.govt.nz/our-programmes/policy-project/agency-panels-and-quality-reporting.

The survey was completed by the Minister of Revenue in June 2024.

Customer experience

Customer experience surveys are an important tool to help IR understand customers' experiences and perceptions. Surveying our customers is critical to support accountability reporting and identify areas for improvement and for individual capability development.

Survey performance measures have been selected because they provide information on the impact of our services on customers. We use this information to understand whether services met customer expectations, contributing towards our broader outcomes. The Performance Measurement Framework contains 12 customer survey-based measures from:

- our Customer Experience and Perceptions Survey
- our SME compliance cost survey
- the Better for Business survey run by MBIE.

Customer Experience and Perceptions Survey

This is our largest survey and an ongoing monitor that helps us measure trust, tax morale and customer experience over time. This continuous, online survey includes weekly random samples of the general public and those who have recently had an interaction with us.

Actual performance is measured from respondents' ratings on a 7-point scale. Results represent respondents who gave a score of 5 or more. In 2023 -24, we received 2,655 responses from the general public, with an average survey response rate of 3.3%. We received a total of 4,467 responses from customers who had a recent interaction with IR, with an average survey response rate of 4.6%. The margin of error for the survey questions reported is below 2%. The survey was run on behalf of IR by Verian.

SME compliance cost survey

A key outcome indicator for our multi-year business transformation programme was a cumulative reduction in compliance costs for SME customers. We have tracked changes in the time and costs that small businesses incur in meeting their tax responsibilities through surveys run in 2013, 2016, 2018 and 2021. These results have been shared externally and published on IR's website.

The transformation programme closed on 30 June 2022 but reporting on benefit commitments continued to 30 June 2024. The final survey was run between April and May 2024, with 5,348 responses provided. The response rate for the survey was 11% and the margin of error for the survey questions reported is below 2%.

Better for Business survey

The purpose of the Better for Business research monitor run by MBIE is to measure the experience of business when engaging with government. The survey captures information on business interactions with government as a whole as well as with individual agencies. The survey has been running since 2013 and gains feedback from over 2,000 businesses each year across New Zealand's business population.

The all-of-government Customer Experience Index (CXI) in the survey is scored from 0 to 100 (least to most positive) using 10 dimensions to generate insights into how government agencies can improve the experience that businesses have when they deal with them.

Service delivery

We review service delivery measures each year to ensure key products or services are represented in our measures and that they are balanced, meaningful to customers and reflect the operating environment. Measures focus on the quality, timeliness and cost of services. They are a commitment of what we will deliver with the funding provided.

Quality

We monitor the quality of our rulings reports, adjudication reports and public items produced to ensure they meet the standards required. We evaluate whether we have met the standards by reviewing a random sample of 25% of each report type. Reviews consider whether the contents of reports and items meet the applicable purpose, logic, alternatives, consultation and practicality standards—for instance, that templates include overt consideration of alternative arguments raised and consideration of consultation comments.

Reviews are completed by senior staff members who were not involved in processing the adjudication, ruling or public item.

Timeliness

Timeliness in responding to customer activities is an important part of our role to make it easy for customers to meet their tax obligations and receive their entitlements. Measures cover key activities such as customer registrations, processing returns and payments, answering customer queries, managing debt and unfiled returns and providing rulings and advice.

Cost

A number of cost-based measures in our Performance Measurement Framework demonstrate the cost-effectiveness of our activities. We allocate costs to business services, appropriations and products. Cost allocations include 2 components:

- Direct allocations, where activities contribute directly to an appropriation or category and can be mapped directly to one or more business services. Direct costs are allocated based on judgements by business group representatives. These are reviewed regularly during the year.
- Indirect allocations, where cost centres do not contribute directly to an appropriation or category and cannot be linked directly to a business service. The allocation rule for these is based on the weighting of direct allocations for the direct cost centres that the indirect cost centre is aligned to.

We review direct allocation rates at least twice a year to ensure that the existing allocations for an individual cost centre accurately reflect how cost centres expend effort.

Debt

Our overdue debt reporting has been based around when our debt collection activities commence. This excludes provisional payments where a return has not been filed and the income tax due date has not passed. For 2024, we have changed our definition to include overdue provisional tax amounts from 2023 tax years and earlier where a return has not been filed as the return and payments are now overdue. We have also included additional debt that is not being actively pursued—for example, where the person is deceased or the company is no longer solvent. More information is on page 23.

We have aligned our methodology for the output measure 'percentage of new customer debt resolved within 6 months' to these definitional changes. The criteria are materially the same as prior years. However, more debt components are now included.

Organisational health

Organisational health indicators provide information on how IR is using its resources to deliver for customers and government and ensure performance is sustainable. A number of indicators are externally mandated such as targets under the Carbon Neutral Government Programme, gender pay gap reporting, timeliness in paying invoices to domestic suppliers and e-invoicing.

Performance measure footnotes or additional information

IR includes footnotes or additional information for some performance measures. These criteria we apply to ensure disclosure of the most relevant and useful information are:

- the reason for not achieving a particular target
- the reason for achieving 15% above a target
- assessment criteria used such as the survey scale
- any change in measurement methodology from the previous year
- any correction to a previously reported result
- clarifying which products or services are included or not included in the result or the date or timing to which the data relates.

Changes to measures and targets

We review our performance measures and targets each year. We do this to make sure measures continue to be relevant, reflect the range of services we provide and changes in our operating environment and support the achievement of our outcomes.

We apply the standard PBE FRS 48 for Service Performance Reporting, with its principles-based requirements to ensure service performance information and reporting is appropriate and meaningful to users. Considerations include:

- maintaining consistency of reporting
- ensuring performance information is comparable, relevant, reliable, neutral, understandable and complete.

Changes to our services measures for 2023–24

The changes for 2023–24 tighten our suite of measures, ensuring we continue to focus on key performance areas. The changes include:

- introducing 2 new measures to ensure performance measures reflect our core activities (KiwiSaver processing timeliness and responding to customer correspondence)
- adjustments of targets for 3 measures
- removing 5 measures that do not represent core high-volume activities or add value as a performance measure.

Full details on these changes can be found in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024 for Vote Revenue on the Treasury's website:

treasury.govt.nz/publications/estimates/vote-revenue-finance-and-government-administration-sector-estimates-appropriations-2023-24

Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Inland Revenue for the year ended 30 June 2024.

Statement of Departmental Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2024

Actual 2023 $000		Actual[1] 2024 $000	Unaudited revised budget[5] 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Vote: Revenue				
	Output expenses				
	Services for Customers—MCA				
312,978	Services to Ministers and to Inform the Public About Entitlements and Meeting Obligations	326,456	336,679	310,076	315,642
140,286	Services to Process Obligations and Entitlements	180,385	187,455	165,718	153,905
85,511	Management of Debt and Unfiled Returns	83,886	85,824	98,241	105,677
107,634	Investigations	102,665	108,702	133,783	165,390
14,084	Policy Advice	13,146	13,786	13,400	13,912
660,493	**Total departmental output expenses**	**706,538**	**732,446**	**721,218**	**754,526**
1,520	Services to Other Agencies RDA[2]	1,293	1,824	1,824	1,764
662,013	**Total output expenses**	**707,831**	**734,270**	**723,042**	**756,290**
	Other expenses				
29,188	Residual Activities Following the Transformation Programme's Substantive Closure[3]	15,667	16,912	14,600	–
29,188	**Total other expenses**	**15,667**	**16,912**	**14,600**	**–**
691,201	**Total expenses**	**723,498**	**751,182**	**737,642**	**756,290**
	Capital Expenditure PLA[4]				
25,860	Property, plant and equipment	19,159	36,769	24,800	22,900
14,346	Intangible assets	13,196	28,231	18,100	37,100
40,206	**Total capital expenditure PLA**	**32,355**	**65,000**	**42,900**	**60,000**

[1] Excludes remeasurement of $1.509 million (2022–23: $13.254 million). The remeasurement consists of foreign exchange losses mainly on forward foreign exchange contracts and macroeconomic changes in the actuarial valuations of retiring and long-service leave.

[2] Revenue-dependent appropriation (RDA). The amount of an RDA is limited to the amount of revenue earned.

[3] A portion of the 2021–22 Transformation appropriation funding was returned to the Crown and $35 million transferred to financial years 2022–23 and 2023–24 to the Residual Activities Following the Transformation Programme's Substantive Closure appropriation. This appropriation ceased on 30 June 2024.

[4] PLA refers to appropriations established under a permanent legislative authority.

[5] The revised budget figures for 2023–24 are those included in The Supplementary Estimates of Appropriations and Supporting Information for the Year Ending 30 June 2024.

The budget and forecast figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted in preparing the departmental financial statements.

Explanations of significant variances against budget are detailed in the relevant notes of the departmental financial statements.

All of the 2023–24 performance information for each appropriation administered by IR has been reported in the section Our Performance.

Statement of Departmental Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2024

In the 2023–24 financial year, there were no departmental instances of:

- expenses and capital expenditure incurred in excess of appropriations (2022–23: nil)
- expenses and capital expenditure incurred without appropriation, or other authority, or outside the scope or period of appropriation (2022–23: nil).

Statement of Departmental Capital Injections and Capital Withdrawals

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget 2024 $000	Unaudited forecast 2025 $000
	Vote: Revenue			
2,700	Capital injections	–	–	800
(11,900)	Capital withdrawal	(5,500)	(5,500)	–
(9,200)	**Net capital injections and withdrawals**	**(5,500)**	**(5,500)**	**800**

Inland Revenue has not received any capital injections during the year without, or in excess of, authority (2022–23: nil).

Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited revised budget[1] 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Vote: Revenue				
	Benefits or related expenses				
321,341	Best Start Tax Credit PLA	336,108	340,000	339,000	339,000
293,961	Child Support Payments PLA[2]	413,390	432,000	466,000	453,000
–	FamilyBoost Tax Credit PLA[3]	–	–	–	174,000
2,151,179	Family Tax Credit PLA	2,296,578	2,281,000	2,284,000	2,316,000
464,036	In-Work Tax Credit PLA	436,964	449,000	477,000	582,000
932	KiwiSaver: Interest	2,841	3,000	1,000	2,500
995,699	KiwiSaver: Tax Credit	1,011,371	1,068,000	1,093,000	1,101,000
12,324	Minimum Family Tax Credit PLA	11,467	12,000	12,000	12,000
607,952	Paid Parental Leave Payments	647,296	655,000	677,000	685,000
4,847,424	**Total benefits or related expenses**	**5,156,015**	**5,240,000**	**5,349,000**	**5,664,500**
	Borrowing expenses				
1,912	Environmental Restoration Account Interest PLA	4,185	4,300	2,100	4,300
8,403	Income Equalisation Interest PLA	8,602	10,000	9,000	7,000
10,315	**Total borrowing expenses**	**12,787**	**14,300**	**11,100**	**11,300**
	Other expenses				
599,986	Cost of Living payment[4]	–	–	–	–
–	COVID-19 Resurgence Support Payment[5]	–	50	–	–
–	COVID-19 Support Payment[6]	90	160	–	–
1,467,609	Impairment of Debt and Debt Write-Offs[7]	2,375,843	1,900,000	931,000	1,676,000
6,476	Impairment of Debt and Debt Write-Offs Relating to Child Support	–	20,000	–	–
–	Impairment of Debt Relating to the SBCS[8]	37,693	50,000	–	–
53,926	Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19	–	2,000	28,000	–
550,743	Initial Fair Value Write-Down Relating to Student Loans	544,076	559,000	640,000	633,000
8,777,434	KiwiSaver: Employee and Employer Contributions PLA[2]	9,423,573	9,470,000	9,770,000	10,220,000
63,897	Research, Science and Innovation: R&D Tax Incentive[9]	316,958	461,334	535,334	556,168
11,520,071	**Total other expenses**	**12,698,233**	**12,462,544**	**11,904,334**	**13,085,168**
	Capital expenditure				
100,105	Small Business Cashflow Scheme COVID-19	65	5,000	60,000	–
100,105	**Total capital expenditure**	**65**	**5,000**	**60,000**	**–**
16,477,915	**Total appropriations**	**17,867,100**	**17,721,844**	**17,324,434**	**18,760,968**

[1] The revised budget figures for 2023–24 are those included in The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024.

[2] These appropriations are pass-through transactions and do not get recorded in the Schedule of Non-departmental Expenditure.

[3] The FamilyBoost appropriation was introduced as part of Budget 2024 and commenced 1 July 2024.

[4] The Cost of Living payment appropriation was in place for 2022–23 only.

[5] The expenditure for the COVID-19 Resurgence Support Payment appropriation mainly occurred in 2021–22. Current year actual expenditure of $400 reflects additional claims incurred in 2023–24.

[6] The expenditure for the COVID-19 Support Payment appropriation mainly occurred in 2021–22. Current year actual expenditure reflects additional claims incurred in 2023–24.

[7] Impairment of Debt and Debt Write-Offs relates to general tax, Working for Families Tax Credits, KiwiSaver and COVID-19 debt (excluding the Small Business Cashflow Scheme).

[8] Refers to the Small Business Cashflow Scheme COVID-19.

[9] Due to the change in the title of the Minister responsible for the R&D Tax Incentive, this appropriation was renamed during the year from Research, Science and Innovation: R&D Tax Incentive to Science, Innovation and Technology: R&D Tax Incentive, effective from 1 July 2024.

PLA refers to appropriations established under a permanent legislative authority.

Most of the non-departmental appropriations administered by the department are exempt from the requirements to report end-of-year performance information under section 15D of the Public Finance Act 1989.

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP, using the same accounting policies as those adopted to prepare the non-departmental financial schedules. The forecast figures for 2024–25 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Statement of Non-departmental Unappropriated Expenditure

For the year ended 30 June 2024

In the 2022 -23 and 2023 -24 financial years:

- there was 1 instance of expenditure incurred in excess of appropriation or other authority (2022–23: 1)
- there were 2 instances of expenditure incurred without appropriation or other authority (2022–23: nil).

Expenses incurred in excess of appropriation

Expenses type and appropriation name		Amounts exceeding appropriation
		$
Non-departmental other expenses:		
Impairment of Debt and Debt Write-Offs	2023–24:	513,000,358

This expenditure relates to impairment and write-off expenses for Crown debt administrated by Inland Revenue.

Inland Revenue has incurred expenditure in excess of appropriation due to the reclassification of overdue debt from not due to past due. The reclassified debt has been impaired at the past due debt rates. In addition, the amount of interest and penalties that has been remitted as part of the COVID-19 pandemic response in previous years has been revised.

The amount of impairments and write-offs incurred in excess of the appropriation is unappropriated expenditure.

More information is provided on pages 166 and 167.

Expenses incurred without appropriation

Expenses type and appropriation name		Amounts without appropriation
		$
Non-departmental other expenses:		
COVID-19 Resurgence Support Payment	2022–23:	23,911
	2023–24:	400
Non-departmental other expenses:		
COVID-19 Support Payment	2022–23:	1,061,057
	2023–24:	2,080

COVID-19 Resurgence Support Payment

This expenditure relates to payments to eligible firms to manage the economic impacts of the COVID-19 pandemic following a move to higher alert levels. An appropriation for this expenditure was in place up to 30 June 2022. Additional valid claims have been processed after this date. As there was no appropriated amount for these payments between 1 July 2022 and 27 March 2024, amounts incurred in this period were without appropriation.

COVID-19 Support Payment

This expenditure relates to payments to eligible firms adversely affected as a result of the COVID-19 pandemic by a public health measure, business circumstance or other related matter. An appropriation for expenditure was in place up to June 2022. Additional valid claims have been processed after this date. As there was no appropriated amount for these payments between 1 July 2022 and 27 March 2024, amounts incurred in this period were without appropriation.

About us
Mō mātou

Our organisational capability

In this section, you can read about:

- our leadership team
- our people
- how we meet the needs of Māori
- our assets and finances
- our carbon emissions.

Our leadership team

Peter Mersi

Commissioner and Chief Executive

Peter was appointed in July 2022. He has previously held Chief Executive roles at the Ministry of Transport Te Manatū Waka and Land Information New Zealand Toitū Te Whenua and acted as Chief Executive at the Department of Internal Affairs Te Tari Taiwhenua.

He co-chairs Papa Pounamu, an initiative to support and grow diversity and inclusion in the public sector, and is the Service Transformation System Lead.

Lisa Barrett

Deputy Commissioner, Customer and Compliance Services—Business

This group led by Lisa gives advice and support to businesses of all sizes to get it right from the start, intervenes when they're getting things wrong and follows up when they choose not to do the right thing. The group provides certainty and assurance to businesses on complex and significant tax issues, large-scale transactions and global tax arrangements. It also provides advice on compliance strategy and tax technical and legal support to IR.

James Grayson

Deputy Commissioner, Customer and Compliance Services—Individuals

This group led by James helps to ensure individuals and families pay and receive the right entitlements from the start by giving advice and support, intervening when they're getting it wrong and following up when people choose not to do the right thing. It also gives advice and support to tax agents, and designs and delivers any changes to our core tax and social policy system and customer channels.

Mary Craig

Deputy Commissioner, Enterprise Design and Integrity

Mary leads Enterprise Design and Integrity, which develops our strategic direction and integrates our planning, prioritisation, intelligence and data, performance reporting, architecture and investment management activity. It also provides services and advice to safeguard the integrity and reputation of IR.

David Carrigan

Deputy Commissioner, Policy

This group led by David provides policy advice to the Government, represents New Zealand overseas on tax policy issues and maintains New Zealand's network of tax treaties with other countries. It also drafts most tax legislation and supports the passage of proposed changes through Parliament.

Mike Cunnington

Deputy Commissioner, Enterprise Services

Mike leads Enterprise Services, which supports IR to operate efficiently, effectively and safely by providing seamless and integrated services for technology, finance, human resources and capability, commercial services, marketing and communications, service management and knowledge management.

Michelle Redington

Chief Tax Counsel

Michelle leads the Tax Counsel Office, which provides technical advice about the interpretation and application of tax law to customers and IR. It provides statements and rulings to explain how tax law affects taxpayers and their agents.

Our people

Everything starts and ends with people—their capabilities and how they work enable IR to deliver services to customers and bring in revenue efficiently and effectively.

IR's people experience remains positive and continues to improve, with three-quarters of people saying they felt good or very good about their work experience this year. A positive people experience supports retention and high performance and attracts diverse, capable people.

Managing our workforce

As with any large organisation, IR needs to operate with the agility to respond to changes in customer demand, Government priorities and unplanned national events. At IR, leaders make resourcing choices based on workforce plans, funding and the type of work to be done.

This year, the permanent workforce has grown by 360 employees. This planned growth helps to ensure we can meet current and future customer needs and support Government priorities. At the same time, resourcing decisions consider the need to realise efficiencies.

IR also continues to use a temporary labour force to supplement our workforce when needed.

We have been able to attract people to roles in customer-facing groups as we are seen as a good employer. People experience and exit survey results show that just over 80% of people who currently work here and those who have previously worked here would recommend IR as an employer.

Developing our people

An induction programme introduced in September 2023 is helping new people to settle in quickly at IR. The programme aims to help them feel connected to our purpose and culture and to feel supported and know what's expected of them.

IR has committed to providing people with opportunities to develop their capabilities. The majority of development happens on the job. Capability and outcome-focused roles and networked teams enable people to work across IR and be exposed to varied and interesting work.

Career development is valued by people as a reason to join and stay here. People have regular performance and development conversations with leaders to set priorities and goals based on their strengths and aspirations.

We know people value these opportunities. People experience survey results show that 80% say they feel well supported to meet their development goals. This year, around half the appointments made were people moving to another role within IR.

Unplanned turnover over the last year is low at 7.2%.

Focusing on the future

Learning and development ensures that we maintain specialist technical knowledge while supporting people to adapt how they work in response to customer needs and the environment.

With a strong focus on the growth and development of our technical workforce, building the skills, knowledge and experience to support end-to-end compliance remains a priority. A dedicated learning team supports this, including ensuring we are ready to address the most significant high-level debts and outstanding returns with a consistent approach across all our tax and social policy products.

In addition, our internal tools and resources have been better aligned to support people in having positive conversations with customers. Heading into the 2025 year, we are prepared to support customers to get things right from the start and deal with their debt and outstanding returns situations.

Strengthened leadership development learning supports the skills that underpin effective performance and development conversations.

Managing health and safety

IR takes its responsibilities for staff health and safety seriously, including risks to people's mental wellbeing that can arise when engaging with customers under stress. We work on an ongoing basis to prevent work from causing harm, promote positive health and wellbeing and support recovery when needed. Our people experience surveys help us monitor and understand how staff are feeling and what we can do to help them find the right work-life balance.

Reflecting the communities we serve

IR works to ensure our people represent all the communities we serve, which is why our customer-facing workforce is highly diverse. Diversity is lower in roles that design policies and services.

You can read more about the work we are doing in IR's Diversity, Equity and Inclusion report, available at ird.govt.nz. An updated plan will be available in November 2024.

The gender pay gap narrowed again this year, with the median gap sitting at 14.6%.

Gender pay differences are minimal in like-for-like roles. However, while there is diversity in frontline and lower-paid roles, diversity reduces in higher-paid, more senior or influential roles.

Frontline roles have very high female representation, which reflects the applicant pool for these roles.

Overall, the ethnicity of our people closely reflects the ethnicity breakdown in the New Zealand working-age population. The average pay gap is highest for Pacific Peoples, followed by Asian, Middle Eastern, Latin American and African people (MELAA) and Māori. Europeans have a negative pay gap, indicating they are receiving higher-than-average pay.

As with gender, representation is the primary reason for our ethnicity pay gaps. A large proportion of Māori, Pacific Peoples, Asian and MELAA people are in lower-paid roles, and a smaller proportion are in higher-paid roles. There are minimal differences in ethnicity pay in like-for-like roles.

Our workforce profile

Measure	2020	2021	2022	2023	2024
Headcount	4,831	4,210	3,923	4,130	**4,486**
Full-time equivalent	4,724	4,106	3,819	4,023	**4,384**
Average age	44.9	46.3	45.8	45.3	**44.8**
Full-time*	97%	97%	96%	96%	**97%**
Part-time*	3%	3%	4%	4%	**3%**
Permanent	84%	94%	99%	97%	**99%**
Fixed-term	16%	6%	1%	3%	**1%**
Contractors	371	106	75	94	**46**

*Data for 2020 through to 2023 has been restated due to a methodology change.

Measure	2020	2021	2022	2023	2024
Female staff overall	65%	65%	66%	66%	**66%**
Female all people leaders	59%	56%	57%	58%	**59%**
Female managers	49%	48%	48%	48%	**46.5%**
Male staff overall	35%	35%	34%	33%	**33%**
Male all people leaders	41%	44%	43%	41%	**41%**
Male managers	51%	52%	52%	51%	**53.5%**

Measure	2020	2021	2022	2023	2024
New hires	540	97	539	627	**627**
Exits	763	700	787	431	**372**
Unplanned turnover	8.1%	8.2%	13.4%	9.6%	**7.2%**
Total turnover (annual)	10.5%	10.4%	18.7%	10.1%	**7.2%**
Average length of service (years)	15.4	15.5	14	13.7	**12.8**

The gender pay gap has shifted since 2016

20.6% in 2016 → **14.6%** as at 30 June 2024

IR ethnic pay gap as at 30 June 2024

European	Māori	Asian	Pacific Peoples	MELAA	Other ethnicity
–26.2%	**7.9%**	**16.6%**	**13.5%**	**9.4%**	**–15.3%**

Ethnic pay gaps are calculated by comparing the average salaries of people identifying with a group and the average salaries of everyone else who has declared an ethnicity. A negative percentage means the group is paid above the overall average salary, and a positive percentage means they are paid less.

Meeting the needs of Māori

As part of our aspiration to improve oranga (wellbeing in its widest sense) for all New Zealanders, we are growing our capability to deliver to Māori customers, who represent a large and growing part of the New Zealand economy. Our approach includes the following:

- Within our Community Compliance group, we provide a Kaitakawaenga Māori service. Regular engagements take place in marae and clinics to assist with tax compliance and to support whānau with getting the right social policy entitlements.
- Incorporating Māori voices and worldviews in policy and service design through the Tax and Social Policy Māori Reference Group.
- IR is designing and developing a learning programme to support our people to build their Māori cultural capability and help create better outcomes for Māori customers. As well as providing foundational learning for all IR people, the programme will cater for the small percentage of roles that need higher levels of expertise.

IR is not currently responsible for Treaty of Waitangi settlement commitments and so is not required to provide an update in accordance with He Korowai Whakamana framework.

Our assets and finances

Workplaces

We are based in 17 cities and towns and have 20 offices.

This year, we largely completed the optimisation of our property portfolio. Since June 2020, we have reduced the total area we lease by 29% and yearly rental costs by 31%. We continue to look for opportunities to consolidate the space we have, with work under way to combine 2 CBD sites in Christchurch Ōtautahi into 1 site and to explore options to better use space in the Asteron Centre in Wellington Te Whanganui-a-Tara. Agreements have been signed for new sites in Nelson Whakatū and the North Shore in Auckland Tāmaki Makaurau. These sites will enable space to be used more efficiently and will be more cost-effective.

We also continue to look for opportunities to co-locate with other government agencies where possible. Finding a co-location partner that is a good fit for IR and its sites can be challenging. Some agencies have unique security or operational settings that would impact how we deliver services to customers or require changes to our sites to meet those settings.

We monitor 6 indicators of the performance of our property portfolio and vehicle fleet against organisational goals and government guidelines—2 of 6 indicator targets were achieved.

Our buildings need to comply with fire safety regulations and the Building Act 2004. All sites have approved evacuation procedures. We did not achieve our target this year as 3 of our sites have outstanding trial evacuations. We are endeavouring to get these scheduled by the landlord. The building warrant of fitness for 1 of our sites is yet to be finalised. The landlord has completed the compliance checks and the local council has some outstanding actions to complete.

NABERSNZ is a system for rating the energy efficiency of office buildings. We have completed the first round of building energy efficiency assessments for our larger sites. The landlord for our 1 low-rated site has completed work to resolve the issue and a reassessment will be completed in 2024–25.

We did not meet our metro buildings utilisation target as a reduction in the number of people at 1 of our sites has caused the square metres per person to exceed the guidelines. We expect the utilisation of this site to improve due to planned recruitment in 2024–25.

Usage of our vehicle fleet has increased over the last year but is still below target. The increase in usage is the result of removing old vehicles at sites where new ones have arrived.

90%

% of legislative compliance requirements met by their due date against a target of 100%

2023: **86%**

100%

% of non-legislative compliance requirements met by their due date against a target of 100%

2023: **100%**

100%

% of front-of-house facilities which meet security standards against a target of 100%

2023: **100%**

91%

% of NABERSNZ building energy efficiency assessments rated 4 or more for existing buildings and 5 for new buildings against a target of 100%

2023: **91%**

92%

% of metro buildings where utilisation is no more than 16 square metres per person against a target of 100%

2023: **83%**

21%

% utilisation of bookable vehicles against a target of 45%

2023: **18%**

Technology

To ensure the tax and social policy system remains highly digital, responsive and secure, we have committed to ensuring that our systems will be (at most) within 1 version of the most current version.

We upgraded our core system, START, to the latest version in October 2023. This was the biggest update to START since we completed business transformation. The upgrade provides quicker access to customer information for our people, enabling them to better support customers, and delivered enhancements to myIR for our customers. Upgrading to the latest version means IR has ready access to enhancements and new features.

In November 2023, we upgraded the voice technology platform our call centres use. New features such as our people being able to see wait times on screen before transferring a customer, and enhanced speech analytics that give us better insights into why customers call, are helping us to deliver better services. Moving to the new platform means we can now continually enhance features and services for our people and customers.

We also upgraded all IR devices to Windows 11 during September and October 2023. This ensures that our technology remains safe and secure and our people have access to the latest tools to boost their productivity.

We monitor and report on the availability (access to systems), utilisation (how efficiently systems are used), condition (how up to date systems are) and functionality (how fit for purpose systems are) of our key assets to show how our systems are performing. We met all of our targets.

99.9%

% of serviceable hours that systems were available to users against a target of >99.5%

2023: **99.9%**

4.4

Average score for assessment of functionality of services against a target of >4.0

2023:**4.2**

99.2%

Average of various asset condition indicators against a target of >95%

2023: **99.0%**

97.3%

Utilisation of infrastructure against a target of >90%

2023: **96.3%**

4.85

Supplier performance against a target of >4.65

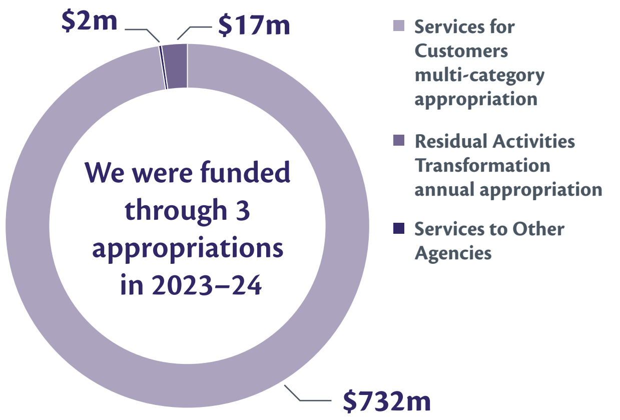
2023: **4.86**

Our finances

Each year, IR receives funding from the Government to deliver services. In 2023–24, we delivered services through 3 departmental appropriations. An appropriation is a parliamentary authorisation for the Government or an Office of Parliament to incur expenses or capital expenditure.

The total budgeted appropriation for 2023–24 was $751 million. IR spent $723 million, $28 million lower than the funding appropriated.

2023–24 BUDGET APPROPRIATIONS



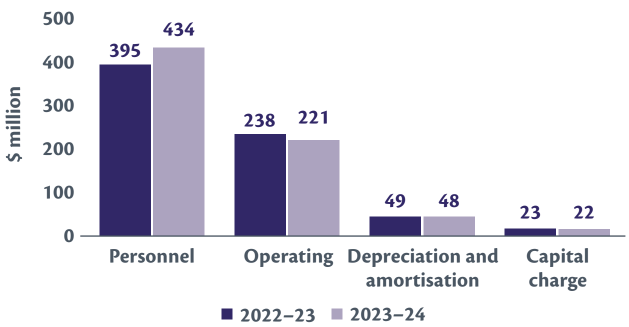
We made savings in contractors, personnel, accommodation, technology and communications expenditure, which will be returned to the Crown. We will continue to focus on finding efficiencies and savings in these areas in 2024–25.

Operating expenditure

Operating expenditure against appropriations including remeasurements (expenditure that does not require an appropriation) was $725 million. It covers spending on personnel (60% of the total), operating (30%), depreciation including amortisation and impairment (7%) and capital charge (3%).

Total personnel costs were for our people's remuneration, employee entitlements and training and development costs. The increase in personnel costs includes the outcome of the Public Sector Pay Adjustment into collective employment agreements for 2023–24 and outyears.

2023–24 EXPENDITURE BY CATEGORY



Operating costs this year mainly related to technology, telecommunications, accommodation leases, contractors and office expenses.

Operating expenditure on contractors and consultants fell to $27 million from $42 million in 2022–23. The ratio of contractors and contractor operating expenditure to workforce operating spend was 6.2% in 2023–24 (10.3% in 2022–23).

$723m

appropriated operating expenditure to deliver outcomes in 2023–24

2023: **$691m**

$32m

capital investment in 2023–24

Nil

breaches of departmental appropriations

96.3%

of domestic invoices paid within 10 working days against a target of 95%

2023: **96.6%**

Capital expenditure

We spent $32 million on capital investments in 2023–24 ($40 million in 2022–23) primarily for technology, software development and leasehold improvements.

Our future outlook

Operating appropriation for 2024–25 is forecast to be $756 million, an increase of $33 million from 2023–24. This increase includes additional funding to deliver and administer FamilyBoost and personal income tax threshold changes.

In terms of capital expenditure, IR is maintaining capital reserves, funded from annual depreciation, to upgrade and replace assets.

Our carbon emissions

IR is part of the Carbon Neutral Government Programme (CNGP) set up to accelerate the reduction of emissions within the public sector.

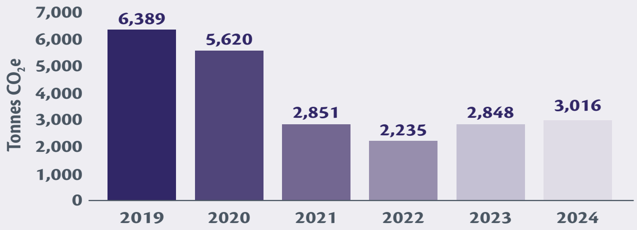
Measuring emissions

IR's emissions base year is 2018–19. Our 2023–24 emissions results for the mandatory emissions sources as defined by the CNGP are summarised in the table below.

We are yet to commence measurement of CNGP non-mandatory emissions sources that may be material. As such, IR's emissions profile will be larger than that summarised below.

The graph below shows annual emissions by year (CNGP mandatory sources).

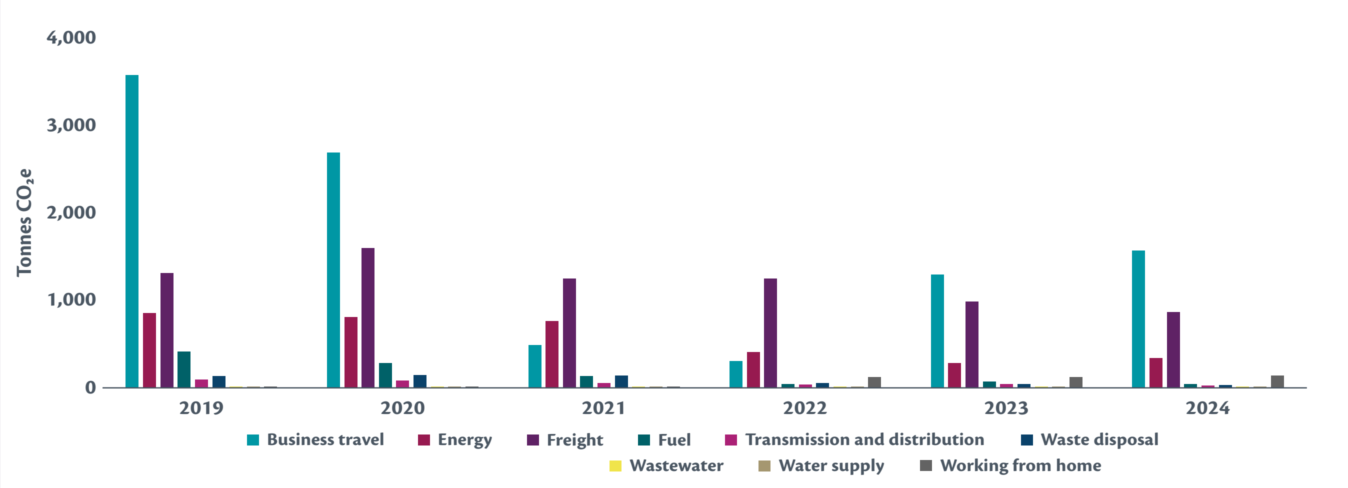
OUR CARBON EMISSIONS BY YEAR



Emissions source	Tonnes of carbon dioxide equivalent (tCO_2e) in 2023–24	Reduction against our base year	Proportion of our emissions (previous year)	Year-on-year change (previous year)	Insights * Emissions reduction activities under way
Overall	3,015.78	52.8% reduction	N/A	Up 5.9% (up 27%)	IR's emissions profile is larger than that reported as we have yet to commence measurement of non-mandatory emissions sources that are likely to be material.
Business travel	1,570.51 (mostly air travel)	56% reduction	52% (45%)	Up 22% (up 320%)	Air travel was up 23% against last year (up 359% on the previous year). International travel made up 45% of air travel emissions and 36% of travel distances.
Freight	863.85 (mostly mail-related)	34% reduction	29% (35%)	Down 12% (down 21%)	4% reduction in mail volumes. The New Zealand Post emissions factor increased. International mail made up 6% of all paper-based mail by volume but 48% of all freight emissions (mail and courier). 90% of our mail is sent to Australia, 5% to the UK, 2% to the USA, 2% to Singapore.
Energy (all sites)	335.39	61% reduction	11% (10%)	Up 20% (down 30%)	10% decrease in energy consumption, although the Ministry for the Environment Manatū Mō Te Taiao quarterly emissions factor increased. * Site consolidation and space reduction, building services upgrades and more modern sites, LED lighting.
Working from home	139.71	68,961% increase from our base year (0)	5% (4%)	Up 11% (up 5%)	
Fuel	46.83 (mostly vehicle fleet-related)	89% reduction	2% (3%)	Down 36% (up 64%)	54 out of 64 vehicles are now EVs. IR's transition to EVs is now complete in all sites except Dunedin Ōtepoti and sites that are currently being upgraded or fitted out. * 100% EVs by December 2024, fleet optimisation/reduction.

The graph below shows a breakdown of emissions by source across 3 years (CNGP mandatory sources).

OUR CARBON EMISSIONS BY SOURCE (TONNES CO_2e)



Reduction targets

We set our emissions reduction targets in 2022, covering the mandatory emissions sources as defined by the CNGP. We are targeting reductions of 43% by 2025 and 50% by 2030 against our base year of 2018–19.

Current modelling indicates we will better our 2025 reduction target. Measured emissions are currently 52.8% lower than the 2018–19 base year. At the end of 2024–25, IR will need to offset all remaining mandatory emissions to achieve carbon neutrality.

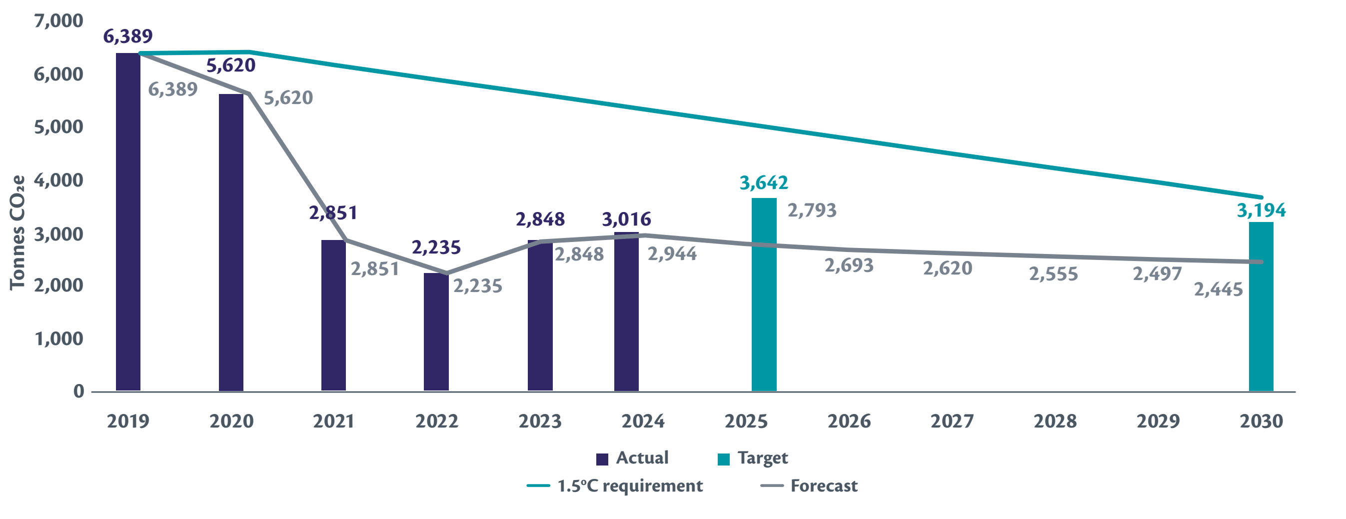
Our plan

IR's emissions reduction initiatives have largely focused on areas where there is an existing government requirement, including transitioning to a fully electric vehicle (EV) fleet, enhancing the energy efficiency of the sites we occupy and minimising office waste. In addition, this year, we built an emissions measurement and reporting solution to minimise the otherwise manual effort required to monitor emissions. The solution also provides greater visibility of our emissions profile via a dashboard available to our people.

In-train emissions reduction activities are as follows:

- transition to a fully EV fleet and optimise our fleet where possible
- enhance the energy efficiency of buildings where required through improvements to the landlord's building systems and the installation of LED lighting
- minimise office waste through enhancing waste management practices
- reduce postal freight emissions where possible through alternative mail delivery channels
- minimise the post-COVID-19 growth in air travel through increasing awareness of travel-related emissions and including environmental considerations in travel decisions.

OUR EMISSIONS PROJECTED OUT TO 2030



Financial statements Departmental
Pūrongo pūtea Ā-Tari

Contents

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Revenue				
726,530	Revenue from the Crown	2	743,257	729,717	748,425
6,912	Other revenue	2	6,259	7,925	7,865
733,442	**Total revenue**		**749,516**	**737,642**	**756,290**
	Expenses				
395,036	Personnel	3	434,097	412,661	436,607
237,716	Operating	4	220,430	247,823	235,193
48,596	Amortisation, depreciation and impairment	9, 10	48,235	54,990	62,300
23,107	Capital charge	6	22,245	22,168	22,190
704,455	**Total expenses**		**725,007**	**737,642**	**756,290**
28,987	**Net surplus and total comprehensive revenue and expense**		**24,509**	**–**	**–**

The accompanying accounting policies and notes form part of these financial statements.

Explanations of major variances against budget are detailed in the relevant notes.

Statement of Financial Position

As at 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Current assets				
53,265	Cash and cash equivalents		83,661	45,065	45,065
243,070	Debtor Crown	11	201,936	190,647	180,723
12,649	Debtors and prepayments	11	12,711	13,810	13,825
308,984	**Total current assets**		**298,308**	**249,522**	**239,613**
	Non-current assets				
338	Prepayments	11	395	50	50
40,794	Property, plant and equipment	9	48,192	58,630	78,804
276,252	Intangible assets	10	251,997	250,033	251,456
317,384	**Total non-current assets**		**300,584**	**308,713**	**330,310**
626,368	**Total assets**		**598,892**	**558,235**	**569,923**
	Current liabilities				
39,961	Creditors and other payables	12	35,621	28,156	48,656
41,219	Surplus payable to the Crown	8	24,534	–	–
60,330	Employee entitlements	13	56,349	50,070	52,070
68	Provision for other liabilities	14	–	–	–
2,158	Derivative financial instruments	17	2,029	–	–
143,736	**Total current liabilities**		**118,533**	**78,226**	**100,726**
	Non-current liabilities				
117	Creditors and other payables	12	484	–	–
22,477	Employee entitlements	13	25,190	23,880	24,100
688	Provision for other liabilities	14	706	100	500
10,053	Derivative financial instruments	17	10,207	–	–
33,335	**Total non-current liabilities**		**36,587**	**23,980**	**24,600**
177,071	**Total liabilities**		**155,120**	**102,206**	**125,326**
449,297	**Net assets**		**443,772**	**456,029**	**444,597**
449,297	Taxpayers' funds	7	443,772	456,029	444,597
449,297	**Total taxpayers' funds**		**443,772**	**456,029**	**444,597**

The accompanying accounting policies and notes form part of these financial statements.

Explanations of major variances against budget are detailed in the relevant notes.

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
470,729	Opening balance at 1 July		449,297	461,529	443,797
28,987	Total comprehensive revenue and expense		24,509	–	–
(41,219)	Repayment of surplus to the Crown	8	(24,534)	–	–
2,700	Capital injections		–	–	800
(11,900)	Capital withdrawals		(5,500)	(5,500)	–
449,297	**Closing balance at 30 June**		**443,772**	**456,029**	**444,597**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Cash flows from operating activities			
726,480	Receipts from the Crown	784,391	718,441	754,638
7,986	Receipts from other revenue	5,037	7,862	8,187
(389,256)	Payments to employees	(435,365)	(449,120)	(468,355)
(219,088)	Payments to suppliers	(216,863)	(206,664)	(215,302)
(23,107)	Payments for capital charge	(22,245)	(22,168)	(22,190)
1,738	Goods and services tax (net)	(2,813)	1	2,215
104,753	**Net cash flow from operating activities**	**112,142**	**48,352**	**59,193**
	Cash flows from investing activities			
612	Receipts from sale of property, plant and equipment	792	–	–
(23,035)	Purchases of property, plant and equipment	(21,955)	(24,800)	(22,900)
(14,262)	Purchases of intangible assets	(13,864)	(18,102)	(37,100)
(36,685)	**Net cash flow from investing activities**	**(35,027)**	**(42,902)**	**(60,000)**
	Cash flows from financing activities			
2,700	Capital injections	–	–	800
(52,266)	Repayment of surplus to the Crown	(41,219)	–	–
(11,900)	Capital withdrawals	(5,500)	(5,500)	–
(61,466)	**Net cash flow from financing activities**	**(46,719)**	**(5,500)**	**800**
6,602	Net increase/(decrease) in cash and cash equivalents	30,396	(50)	(7)
46,663	Cash and cash equivalents at the beginning of the year	53,265	45,115	45,072
53,265	**Cash and cash equivalents at the end of the year**	**83,661**	**45,065**	**45,065**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
28,987	Net surplus	24,509	–	–
	Add/(less) non-cash items			
48,596	Amortisation, depreciation and impairment	48,236	54,990	62,300
12,232	Movement in fair value of derivative financial instruments	25	–	(15,522)
60,828	**Total non-cash items**	**48,261**	**54,990**	**46,778**
	Add items classified as investing or financing activities			
139	Net loss/(gain) on disposal of property, plant and equipment and intangible assets	186	–	–
139	**Total items classified as investing or financing activities**	**186**	**–**	**–**
	Add/(less) working capital movements			
(50)	(Increase)/decrease in debtor Crown	41,134	(11,276)	6,213
5,372	(Increase)/decrease in debtors and prepayments	(119)	4,031	582
3,241	Increase/(decrease) in creditors and other payables	(508)	4,117	8,492
5,555	Increase/(decrease) in employee entitlements	(1,269)	4,699	(2,684)
681	Increase/(decrease) in provision for other liabilities	(52)	25	(188)
14,799	**Net movements in working capital items**	**39,186**	**(6,638)**	**12,415**
104,753	**Net cash flow from operating activities**	**112,142**	**48,352**	**59,193**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2024

Actual 2023 $000		Actual 2024 $000
	Movement in liability arising from financing activities:	
(11,047)	Increase/(decrease) in surplus payable to the Crown liability	(16,684)
(11,047)	**Total movement in liability arising from financing activities**	**(16,684)**
	Non-cash item	
(41,219)	Surplus payable to the Crown	(24,534)
(41,219)	**Total non-cash item**	**(24,534)**
	Add/(less) owner's injections and withdrawals	
2,700	Capital contributions	–
(11,900)	Capital withdrawals	(5,500)
(9,200)	**Net owner's injections and withdrawals**	**(5,500)**
(61,466)	**Net cash flow from financing activities**	**(46,719)**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2024

Actual 2023 $000		Actual 2024 $000
	Capital commitments	
2,485	Intangible assets	710
528	Leasehold improvements	–
140	Information technology equipment	–
3,153	**Total capital commitments**	**710**
	Operating lease commitments as lessee	
	The future aggregate minimum lease payments to be paid under non-cancellable operating leases:	
24,341	Not later than 1 year	23,855
59,137	Later than 1 year and not later than 5 years	60,809
4,972	Later than 5 years	23,699
88,450	**Total non-cancellable operating commitments**	**108,363**
91,603	**Total commitments**	**109,073**

The accompanying accounting policies and notes form part of these financial statements.

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that has not been paid for or recognised as a liability at balance date.

Cancellable capital commitments that have early exit or penalty costs explicit in the agreement are reported at the lower of the remaining contractual commitment or the value of those penalty or exit costs (i.e. the minimum future payments).

Non-cancellable operating lease commitments

Inland Revenue Te Tari Taake (IR) leases property, plant and equipment in the normal course of business. The majority of these commitments are long-term non-cancellable accommodation leases for IR's premises at locations throughout New Zealand. The annual lease payments are reviewed regularly, and the amounts disclosed as future commitments are based on current rental rates.

IR sub-leases some of its premises. The total minimum future sub-lease payments expected to be received under non-cancellable sub-leases at balance date is $2.139 million (2023: $4.037 million).

IR’s non-cancellable operating leases have varying terms and renewal rights. There are no restrictions placed on IR by any of its leasing arrangements.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2024

Actual 2023 $000		Actual 2024 $000
	Contingent liabilities	
75	Employee grievances	155
383	Legal proceedings and disputes—taxpayer	237
20	Other	–
478	**Total contingent liabilities**	**392**
	Contingent assets	
1,629	Legal proceedings and disputes—taxpayer	999
1,629	**Total contingent assets**	**999**

The accompanying accounting policies and notes form part of these financial statements.

Contingent liabilities

Employee grievances

These contingent liabilities represent amounts that may be claimed by employees as a result of alleged grievances against IR.

Legal proceedings and disputes—taxpayer

These contingent liabilities relate to potential claims against IR for court costs only, associated with tax disputes and other tax-related legal proceedings being taken through the courts. The actual revenue (tax) under dispute is recognised as a non-departmental contingency (refer to the Schedule of Non-departmental Contingent Assets and Contingent Liabilities on page 157). The expected value of the contingent liabilities is calculated using an outcome probability model that considers both the total potential liability and the probability of that outcome.

Other

There are no other contingent liabilities reported as at 30 June 2024. The previous claim was resolved.

Contingent assets

Legal proceedings and disputes—taxpayer

These contingent assets relate to potential amounts recoverable by IR for court costs only, associated with tax disputes and other tax-related legal proceedings being taken through the courts. The actual revenue (tax) under dispute is recognised as a non-departmental contingency (refer to the Schedule of Non-departmental Contingent Assets and Contingent Liabilities on page 157). The expected value of the contingent assets is calculated using an outcome probability model that considers both the total potential court costs recoverable and the probability of that outcome.

Notes to the financial statements

For the year ended 30 June 2024

These financial statements are for the year ended 30 June 2024 and include unaudited forecast financial statements for the year ending 30 June 2025.

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Who we are

Note 1. Basis of preparation

Reporting entity

Inland Revenue Te Tari Taake (IR) is a government department as defined by section 2 of the Public Finance Act 1989, and is domiciled and operates in New Zealand.

The relevant legislation governing IR's operations includes the Public Finance Act 1989, the Public Service Act 2020, and the Tax Administration Act 1994.

IR is a wholly owned entity of the Crown whose primary objective is to provide services to the public rather than to make a financial return. Accordingly, IR has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

Reporting period

The reporting period for these financial statements is for the year ended 30 June 2024. The unaudited forecast financial statements are for the year ending 30 June 2025.

The Commissioner of Inland Revenue, as Chief Executive, authorised these financial statements on 30 September 2024.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP) and the Treasury Te Tai Ōhanga instructions.

IR has applied the Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) in preparing the 30 June 2024 financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies set out below and in the notes to the financial statements have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on a historical cost basis unless otherwise stated. The accrual basis of accounting has been used.

Functional and presentation currency

These financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000). The functional currency of IR is New Zealand dollars.

Estimations and judgements

In preparing these financial statements, judgements, estimates and assumptions have been made concerning the future.

These judgements, estimates and their associated assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience, including expectations of future events that are believed to be reasonable under the circumstances, and other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The main estimates and judgements that are relevant to IR's financial statements are disclosed in Note 9 (Property, plant and equipment), Note 10 (Intangible assets), Note 11 (Debtors and prepayments), Note 13 (Employee entitlements) and Note 14 (Other liabilities).

Accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note, and that materially affect the measurement of financial results, the financial position and/or output statements within the section on Our Performance, are outlined below.

Goods and services tax

All amounts in the financial statements, appropriation statements and output statements are exclusive of goods and services tax (GST), except for debtor Crown, net debtors and accounts payable, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST owing or due at balance date, being the difference between output GST and input GST, is included in creditors and other payables in the Statement of Financial Position. The net GST paid or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as Public Service agencies. No charge for income tax has been provided for.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit and funds held in the bank accounts. All cash held in bank accounts is held in on-demand accounts and no interest is payable to IR. IR is only permitted to spend its cash and cash equivalents within the amount, scope and period of its Vote Revenue appropriations.

Foreign currency transactions

IR's activities expose it to the risks of changes in foreign exchange rates. Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the spot exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the financial results. IR does not hold any departmental foreign currency bank accounts.

Comparatives

When the presentation or classification of items in the financial statements change, comparative figures for prior periods are re-stated to ensure consistency with the current period unless it is impractical to do so. The presentation of some information has changed from the previous period, with prior period balances re-classified to be comparable with current year figures.

Cost allocations

IR allocates costs directly to an appropriation where a line of sight exists between an appropriation and a cost centre or a project. IR uses indirect allocation where a cost centre, a project or an initiative cannot be attributed directly to an appropriation. Indirect allocation rates are derived from the weighting of apportioned direct costs from relevant cost drivers to appropriations.

Budget and forecast figures

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted in preparing these financial statements.

The budget and forecast figures are not subject to audit.

The budget figures for 2023–24 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024.

The forecast figures for 2024–25 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

The forecast financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE Financial Reporting Standard 42 Prospective Financial Statements.

Forecast policies

The forecasts have been compiled on the basis of existing government policies and ministerial expectations at the time the statements were finalised. The Commissioner, in his role as Chief Executive of Inland Revenue, is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures. The Commissioner approved the forecast financial statements for issue on 1 May 2024. Although IR regularly updates its forecasts, it will not publish updated forecast financial statements for the year ending 30 June 2025. The main assumptions are as follows:

- IR's core activities will remain substantially the same as for the previous year.
- IR's transformation programme ceased in 2021–22, with some residual transformation activities post the closure of the programme ending in 2023–24.
- Operating costs are based on historical information and IR's best estimates of future costs to be incurred for the delivery of its services.
- Estimated year-end information for 2023–24 was used as the opening position for the 2024–25 forecasts.

Any changes to budgets during 2024–25 will be incorporated into The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these forecast financial statements and the actual reported results include:

- changes due to initiatives approved by Cabinet
- technical adjustments to the budget, including transfers between financial years
- macroeconomic impacts on estimations, judgements and assumptions
- the timing of expenditure relating to significant programmes and projects.

Where our income came from

Note 2. Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue is recognised as follows.

Revenue from the Crown

Revenue from Crown transactions are considered to be non-exchange transactions.

Revenue from the Crown is measured based on IR's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

IR can incur expenses only within the scope, period and value limits of its Vote Revenue appropriations. The fair value of revenue from the Crown is considered equivalent to the funding entitlement.

Revenue from the Crown was higher than budget by $13.540 million. The variance is due to net baseline increases and decreases during the financial year as set out in the 2023–24 Supplementary Estimates.

Other revenue

Other revenue transactions as outlined below are considered to be exchange transactions.

Revenue from recoveries

Revenue from recoveries is recognised as revenue when earned.

Sale of services

The sale of services is recognised in the accounting period in which the services are provided.

Rental revenue from accommodation sub-leases

Rental revenue from sub-leased accommodation is recognised as revenue on a straight-line basis over the term of the lease.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
3,460	Accident Compensation Corporation earner levy collection fee	3,460	3,460
1,136	Rental revenue from accommodation sub-leases	903	1,250
813	Revenue from rulings	800	1,168
993	Court costs recovered	373	1,520
153	Foreign trust administration fees	119	–
113	Services and information provided to other agencies	113	113
3	Unrealised foreign exchange gain	–	–
241	Other	491	414
6,912	**Total other revenue**	**6,259**	**7,925**

Costs incurred in achieving our outcomes

Note 3. Personnel

Salaries and wages

Salaries and wages expenditure is recognised as an expense in the period to which it relates.

Superannuation schemes

Employer obligations for contributions to the Inland Revenue Superannuation Scheme, State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes. These obligations are expensed in the period they are paid.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
363,969	Salaries and wages	409,131	395,329
11,376	Employer contributions to defined contribution schemes	12,102	11,469
6,247	Retiring, long-service, annual and sick leave	4,656	2,609
2,364	Training and development	2,868	1,913
712	ACC levies	803	608
10,368	Other personnel expenses	4,537	733
395,036	**Total personnel**	**434,097**	**412,661**

Explanation of major variances against budget

Personnel costs were $21.436 million higher than budget. The variance is primarily due to an increase in salaries and wages as a result of Crown funding for Public Sector Pay Agreement outcomes.

Note 4. Operating

Operating expenses are recognised as an expense in the period to which they relate.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to the ownership of an asset. Accommodation lease rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Lease incentives received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the term of the lease as a reduction in the rental expense.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
115,078	Technology and telecommunications	122,367	130,531
45,217	Contractors and consultants	28,464	39,141
28,612	Accommodation leases	28,141	28,847
10,047	Office expenses	9,849	10,548
7,211	Outsourced contracts	7,607	7,181
–	Contingent workers—customer-facing	5,602	6,689
4,400	Travel and transport	4,658	5,401
4,178	Communications and publicity	3,752	4,864
3,671	Legal expenses	3,343	4,371
14,394	Net realised and unrealised foreign exchange losses	1,579	–
996	Bank fees	1,520	1,247
1,384	Audit fees for the audit of the financial statements	1,456	1,456
147	Net loss on disposal of assets	433	–
260	Debt expected credit losses and write-offs	156	–
153	Disbursements for the audit of the financial statements	118	155
1,968	Other operating expenses	1,385	7,392
237,716	**Total operating**	**220,430**	**247,823**

Explanation of major variances against budget

Operating expenses were $27.393 million lower than budget. This is mainly due to a reduction in contractors and consultants, technology and travel expenditure through efficiencies in line with the Government's Fiscal Sustainability programme.

Note 5. Contractors and consultants

IR uses contractors and consultants to provide additional capacity to cover short-term demand or where specialist skills or independent external advice are needed.

A contractor is a person who is not considered an employee, providing extra capacity in a role that exists within IR, or acting as an additional resource for a time-limited piece of work.

A consultant is a person or supplier who is not considered a contractor or employee, engaged to perform a piece of work with a clearly defined scope and to provide expertise, in a particular field, not readily available within IR.

IR has elected to disclose contractors and consultants information separately in accordance with the Public Service Commission Te Kawa Mataaho (PSC) guidance:

Actual 2023 $000		Actual 2024 $000
36,743	Contractors	17,748
5,000	Consultants	9,437
41,743	**Total contractors and consultants—operating**	**27,185**
6,953	Contractors and consultants—capital	12,220
48,696	**Total contractors and consultants**	**39,405**

The difference between the amounts in the table above and the contractors and consultants expense in Note 4 is because the financial statement definitions vary slightly to PSC definitions. For example, fees paid to other government agencies are excluded for PSC purposes.

With the closure of the transformation programme, IR has reviewed its classification of contractors and consultants expenditure to ensure alignment with PSC definitions in a post-transformation environment. Updated classifications were effective from 1 July 2022.

The ratio of contractors and consultants operating expenditure to workforce operating spend was 6.2% in 2023–24 (10.3% in 2022–23).

Note 6. Capital charge

IR pays a capital charge to the Crown on taxpayers' funds as at 31 December and 30 June each year. This is recognised as an expense in the period to which the charge relates.

The capital charge rate for the year ended 30 June 2024 was 5.0% (2023: 5.0%).

Actual 2023 $000		Actual 2024 $000
23,107	Capital charge	22,245

Return to New Zealand taxpayers

Note 7. Taxpayers' funds

Taxpayers' funds are the Crown's net investment in IR.

Taxpayers' funds are divided and categorised into a number of components:

- total comprehensive revenue and expense
- repayment of surplus to the Crown
- capital injections
- capital withdrawals.

Capital management

IR's capital is reflected in its taxpayers' funds and is represented by net assets.

IR manages its revenue, expenses, assets liabilities and general financial dealings prudently and conservatively. IR's taxpayers' funds are largely managed as a by-product of managing revenue, expenses, assets liabilities and compliance with the Government Budget processes, the Treasury Instructions and the Public Finance Act 1989.

The objective of managing IR's taxpayers' funds is to ensure that IR effectively achieves its agreed outcomes and remains a going concern.

Note 8. Surplus payable to the Crown

The surplus is required to be paid to the Crown by 31 October each year.

Actual 2023 $000		Actual 2024 $000
28,987	Net surplus/(deficit)	24,509
12,232	Plus unrealised (gain)/loss in forward foreign exchange contracts	25
41,219	**Total surplus payable to the Crown**	**24,534**

Assets used to deliver our services

Note 9. Property, plant and equipment

IR has operational assets that include information technology (IT) equipment, furniture, office equipment, motor vehicles and leasehold improvements. The capitalisation thresholds are:

• IT equipment	Over $2,000
• Furniture	Over $2,000
• Office equipment	Over $2,000
• Motor vehicles	No threshold
• Leasehold improvements	No threshold

Certain items of IT equipment, furniture and office equipment, which are low value and high quantity such as chairs and IT monitors, are pooled together. All pooled assets are capitalised.

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost is the value of consideration given to acquire or create the asset, and includes any directly attributable costs of bringing the asset to working condition for its intended use.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits or service potential associated with the item will flow to IR beyond 1 year, and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Subsequent costs

Subsequent costs are capitalised when it is probable that the future economic benefits or service potential associated with the item will flow to IR beyond 1 year and the cost of the item can be measured reliably. All repairs and maintenance are expensed.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than assets under construction. The rate of depreciation will reduce the value of the asset to the estimated residual value over the useful life of the asset. The useful lives of major classes of assets on initial measurement have been estimated as:

• IT equipment	3 to 5 years
• Furniture	3 to 10 years
• Office equipment	5 to 10 years
• Motor vehicles	3 to 5 years
• Leasehold improvements	3 to 10 years

Where appropriate, the useful life for an individual asset on initial measurement may be set outside of the above ranges.

All property, plant and equipment other than motor vehicles are assumed to have no residual value. Motor vehicles are assumed to have a 20% to 40% residual value.

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is shorter.

Assets under construction are recognised at cost less impairment and are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised on a net basis in the net surplus or deficit.

2024	IT equipment $000	Furniture and office equipment $000	Motor vehicles $000	Leasehold improvements $000	Assets under construction $000	Total tangible assets $000
Cost						
Opening balance as at 1 July 2023	16,509	12,865	3,440	59,826	13,866	106,506
Additions/capitalisation	6,350	5,178	2,593	4,069	969	19,159
Transfers between categories	–	–	–	9,690	(9,690)	–
Disposals	(5,933)	(5,864)	(2,017)	(6,742)	–	(20,556)
Closing balance as at 30 June 2024	**16,926**	**12,179**	**4,016**	**66,843**	**5,145**	**105,109**
Accumulated depreciation and impairment losses						
Opening balance as at 1 July 2023	8,911	9,296	1,820	45,685	–	65,712
Depreciation and impairment	4,741	1,125	717	4,205	–	10,788
Disposals	(5,670)	(5,810)	(1,472)	(6,631)	–	(19,583)
Closing balance as at 30 June 2024	**7,982**	**4,611**	**1,065**	**43,259**	**–**	**56,917**
Carrying amount as at 30 June 2024	**8,944**	**7,568**	**2,951**	**23,584**	**5,145**	**48,192**
2023						
Cost						
Opening balance as at 1 July 2022	26,906	22,021	2,813	64,193	2,503	118,436
Additions/capitalisation	5,147	1,534	692	6,847	11,640	25,860
Transfers between categories	–	–	–	277	(277)	–
Disposals	(15,544)	(10,690)	(65)	(11,491)	–	(37,790)
Closing balance as at 30 June 2023	**16,509**	**12,865**	**3,440**	**59,826**	**13,866**	**106,506**
Accumulated depreciation and impairment losses						
Opening balance as at 1 July 2022	21,139	19,211	1,440	53,819	–	95,609
Depreciation and impairment	2,722	717	432	3,325	–	7,196
Disposals	(14,950)	(10,632)	(52)	(11,459)	–	(37,093)
Closing balance as at 30 June 2023	**8,911**	**9,296**	**1,820**	**45,685**	**–**	**65,712**
Carrying amount as at 30 June 2023	**7,598**	**3,569**	**1,620**	**14,141**	**13,866**	**40,794**

Impairment

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are also reviewed annually for indicators of impairment at each balance date. Assets under construction are tested for impairment at each balance date.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined based on either the depreciated replacement cost or the restoration cost, depending on the nature of the impairment and the availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is considered to be impaired and is written down to the recoverable service amount. The impairment loss and any reversal of impairment loss are recognised in the net surplus or deficit.

Note 10. Intangible assets

IR has intangible assets in the form of internally generated software and software licences. All of IR's intangible assets have finite useful lives.

Internally generated intangible assets

There are 2 types of internally generated intangible assets: computer software configuration and business process design.

The cost of internally generated intangible assets comprises direct labour, materials purchased and an appropriate portion of relevant overheads. These costs are associated with the development of identifiable and unique software controlled by IR, which will generate future economic benefits beyond 1 year.

Expenditure on development activities, where research findings are applied to a plan or design for new or substantially improved processes, is capitalised if the processes are technically and commercially feasible. Any other development costs are expensed.

Costs incurred on research of an internally generated intangible asset are expensed. Where the research phase cannot be distinguished from the development phase, the total cost is expensed.

Costs associated with maintaining internally generated computer software are expensed. Costs of configuring and customising commercial off-the-shelf software are capitalised. Costs of configuring and customising software-as-a-service arrangements are expensed.

Website development costs are recognised as an intangible asset if it can be demonstrated that the website will generate probable future economic benefits. Subsequent costs associated with the development and maintenance of IR's existing websites are expensed unless they meet the capitalisation requirement of PBE IPSAS 31 Intangible Assets. Staff training costs and change management costs are expensed.

Software licences

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and be able to use the specific software. Costs associated with supporting and maintaining computer software licences are expensed. The capitalisation thresholds for intangible assets are:

- Internally generated intangible assets   Over $20,000
- Software licences   Over $20,000

Additions

Intangible assets are initially recorded at cost and subsequently recorded at historical cost less amortisation and impairment losses.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for use and ceases when the asset no longer has a recognisable value. The amortisation charge is expensed. The useful lives of major classes of intangible assets on initial measurement have been estimated as:

- Internally generated intangible assets   3 to 15 years
- Software licences   3 to 15 years

Assets under construction are recognised at cost less impairment and are not amortised. The total cost of a capital project is transferred to the appropriate asset class on its completion and then amortised.

The assets' useful lives are reviewed and adjusted if appropriate at each balance date and where appropriate for an individual asset these can be outside of the above ranges on initial measurement.

The gain or loss arising from the disposal of an intangible asset forms part of the net surplus or deficit.

Impairment

Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets are also reviewed annually for indicators of impairment at each balance date. Assets under construction are tested for impairment at each balance date.

For further details, refer to the policy for impairment of property, plant and equipment in Note 9. The same approach applies to the impairment of intangible assets.

Estimating the useful lives of intangible assets

The useful lives of intangible assets are based on:

- management's view of the expected period over which IR will receive benefits
- historical experience with similar assets
- anticipation of future events that may impact their useful lives such as changes in technology or legislation.

2024	Internally generated intangible assets $000	Software licences $000	Assets under construction $000	Total tangible assets $000
Cost				
Opening balance as at 1 July 2023	385,410	60,489	12,797	458,696
Additions by purchase, software customisation and other development	12,315	–	881	13,196
Transfers between categories	9,896	–	(9,896)	–
Disposals	(17,132)	(29,087)	–	(46,219)
Closing balance as at 30 June 2024	**390,489**	**31,402**	**3,782**	**425,673**
Accumulated amortisation and impairment losses				
Opening balance as at 1 July 2023	136,632	45,812	–	182,444
Amortisation and impairment	35,103	2,344	–	37,447
Disposals	(17,131)	(29,084)	–	(46,215)
Closing balance as at 30 June 2024	**154,604**	**19,072**	**–**	**173,676**
Carrying amount as at 30 June 2024	**235,885**	**12,330**	**3,782**	**251,997**

2023				
Cost				
Opening balance as at 1 July 2022	408,420	151,887	6,901	567,208
Additions by purchase, software customisation and other development	7,247	–	7,099	14,346
Transfers between categories	1,203	–	(1,203)	–
Disposals	(31,460)	(91,398)	–	(122,858)
Closing balance as at 30 June 2023	**385,410**	**60,489**	**12,797**	**458,696**
Accumulated amortisation and impairment losses				
Opening balance as at 1 July 2022	132,210	131,637	–	263,847
Amortisation and impairment	35,882	5,518	–	41,400
Disposals	(31,460)	(91,343)	–	(122,803)
Closing balance as at 30 June 2023	**136,632**	**45,812**	**–**	**182,444**
Carrying amount as at 30 June 2023	**248,778**	**14,677**	**12,797**	**276,252**

There is no restriction over the title of IR's intangible assets, nor are any intangible assets pledged as security for liabilities. IR's intangible assets are mainly related to the core revenue system and supporting infrastructure (START).

Of the $251.997 million carrying value for intangibles, $225.048 million relates to the development of the tax and social policy management system (START) and supporting infrastructure assets. The estimated remaining life of the START assets is 7 years.

Note 11. Debtors and prepayments

Accounts receivable and other debtors transactions are considered to be exchange transactions. Debtor Crown transactions are considered to be non-exchange transactions.

Allowance for credit losses

Debtors and receivables are recorded at their face value, less an allowance for credit losses. IR applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring credit losses, receivables have been assessed both on a collective basis where they possess shared credit risk characteristics, and on an individual basis where we had specific information about cost recoveries. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
	Current assets—exchange transactions		
	Debtors		
2,366	Accounts receivable	3,307	3,310
(1,426)	Less allowance for credit losses	(1,512)	(1,500)
494	Other debtors	459	–
1,434	Net debtors	2,254	1,810
11,215	Prepayments	10,457	12,000
12,649	**Total current assets—exchange transactions**	**12,711**	**13,810**
	Non-current assets—exchange transactions		
338	Prepayments	395	50
338	**Total non-current assets—exchange transactions**	**395**	**50**
12,987	**Total debtors and prepayments—exchange transactions**	**13,106**	**13,860**

The expected credit loss rates for accounts receivable are based on the payment profile of receivables over the previous periods and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking economic factors that might affect the recoverability of receivables.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the expected credit loss allowance.

The allowance for credit losses at 30 June 2024 and 30 June 2023 was determined as follows:

2024	Expected credit loss rate	Gross carrying amount $000	Lifetime expected credit loss $000
Not past due	2.30%	871	20
Past due 1 to 30 days	7.67%	404	31
Past due 31 to 60 days	6.43%	373	24
Past due 61 to 90 days	30.67%	75	23
Past due > 90 days	89.27%	1,584	1,414
Total	**45.72%**	**3,307**	**1,512**
2023			
Not past due	0.49%	616	3
Past due 1 to 30 days	24.00%	50	12
Past due 31 to 60 days	13.73%	51	7
Past due 61 to 90 days	32.61%	46	15
Past due > 90 days	86.60%	1,604	1,389
Total	**60.25%**	**2,367**	**1,426**

Movements in the allowance for credit losses are as follows:

Actual 2023 $000		Actual 2024 $000
1,234	Opening balance as at 1 July	1,426
256	Additional provisions made during the year	150
(64)	Receivables written off during the year	(64)
1,426	**Closing balance as at 30 June**	**1,512**

Sensitivity analysis

The following table shows the effect of changes in the lifetime expected credit loss assumption.

2023 $000		2024 $000
(47)	Impact of a 2% increase on the lifetime expected credit loss assumption	(66)
47	Impact of a 2% decrease on the lifetime expected credit loss assumption	66

Liabilities incurred by Inland Revenue

Note 12. Creditors and other payables

Creditors and other payables due within 12 months are recognised at their nominal value unless the effect of discounting is material. Creditors and other payables due beyond 12 months are subsequently measured at amortised cost using the effective interest rate method, where applicable.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
	Creditors and other payables—exchange transactions		
8,989	Accounts payable	9,888	2,000
19,853	Accrued expenses—other	17,431	18,000
158	Lease incentive	521	156
29,000	**Total creditors and other payables—exchange transactions**	**27,840**	**20,156**
	Creditors and other payables—non-exchange transactions		
11,078	GST payable	8,265	8,000
11,078	**Total creditors and other payables—non-exchange transactions**	**8,265**	**8,000**
40,078	**Total creditors and other payables**	**36,105**	**28,156**

Creditors and other payables are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates to their fair value. The government's objective is to pay 95% of invoices to domestic suppliers within 10 business days. IR achieved 96.3% of domestic suppliers paid within 10 business days in 2023–24.

Explanation of major variances against budget

Creditors and other payables were $7.949 million above budget due to the timing of some large suppliers' invoices being received and recognised in June 2024 and paid in July 2024.

Note 13. Employee entitlements

Current entitlements

Employee entitlements, which IR expects to be settled within 12 months of balance date, are measured at nominal value based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave and time off in lieu earned up to but not yet taken at balance date, and retiring and long-service leave entitlements expected to be settled within 12 months.

IR recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that IR anticipates it will be used by staff to cover those future absences.

IR recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where a past practice has created a constructive obligation and a reliable estimate of the obligation can be made.

Non-current entitlements

Employee entitlements that are payable beyond 12 months, such as long-service leave and retiring leave, have been calculated on an actuarial basis.

Actual 2023 $000		Actual 2024 $000	Unaudited budget 2024 $000
	Current liabilities—exchange transactions		
30,962	Annual leave	32,796	29,000
18,908	Accrued salaries and wages	18,255	14,184
4,930	Retiring leave	2,020	4,280
1,620	Sick leave	1,897	1,190
1,490	Long-service leave	1,380	1,410
2,114	Other provisions	1	6
6	Time off in lieu	–	–
300	Termination benefits	–	–
60,330	**Total current liabilities—exchange transactions**	**56,349**	**50,070**
	Non-current liabilities—exchange transactions		
17,000	Retiring leave	18,900	20,369
5,410	Long-service leave	6,290	3,511
67	Termination benefits	–	–
22,477	**Total non-current liabilities—exchange transactions**	**25,190**	**23,880**
82,807	**Total employee entitlements**	**81,539**	**73,950**

Explanation of major variances against budget

Provisions for total employee entitlements were $7.589 million higher than budget. This is mainly due to the remuneration increase following the Public Sector Pay Adjustment that was only approved after the Budget was already set.

Termination benefits

Termination benefits are payable when an employee's employment contract is terminated before their normal retirement or when an employee accepts voluntary redundancy in exchange for these benefits. IR recognises the expense when it is demonstrably committed to either terminate the employment of current employees, according to a detailed formal plan without the possibility of withdrawal, or as a result of an accepted offer for voluntary redundancy.

Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Otherwise, they are reported as the present value of the estimated future cash outflows, where applicable.

Movements in the provisions for termination benefits and other provisions are as follows:

	Termination benefits $000	Other provisions $000	Total $000
Opening balance as at 1 July 2023	367	2,114	2,481
Additional provisions made	–	2	2
Amounts used	(234)	(2,116)	(2,350)
Unused amounts reversed	(134)	–	(134)
Closing balance as at 30 June 2024	**–**	**–**	**–**
Opening balance as at 1 July 2022	4,261	1,439	5,700
Additional provisions made	2	2,133	2,135
Amounts used	(2,957)	(1,458)	(4,415)
Unused amounts reversed	(938)	–	(938)
Closing balance as at 30 June 2023	**367**	**2,114**	**2,481**

Measuring retiring and long-service leave liabilities

The actuarial calculations for long-service leave and retiring leave liabilities are based on:

- employee contractual entitlements
- years of service accrued to balance date and years remaining to entitlement
- the present value of the estimated future cash outflows using an applicable discount rate and salary inflation rate.

Sick leave, annual leave and vested long-service leave are classified as a current liability. Non-vested long-service leave and retiring leave liabilities expected to be settled within 12 months of balance date are also classified as a current liability. All other long-service leave and retiring leave is classified as a non-current liability.

The present value of retiring and long-service leave obligations depends on a number of factors that are determined on an actuarial basis by an independent actuary. Key assumptions used in calculating liabilities are the discount rate and salary inflation. Any changes in these assumptions will impact the carrying amount of the liabilities.

The discount rates used by the independent actuary for the retiring and long-service leave valuations are based on the Treasury's published forward rates at 30 June 2024. The forward rates are derived from New Zealand government bonds. The long-term salary inflation assumption is based on the Treasury's published rates at 30 June 2024 and agreed employee collective agreements outcomes. The long-term salary inflation assumption used was 3% (2023: 7.24%).

The net effect of assumptions for discount rates and salary inflation has resulted in an increase to the liability. The following section provides a sensitivity analysis of these assumptions.

Sensitivity analysis

The following table shows the effect of changes in forecast discount, salary inflation and withdrawal rates on liabilities for long-service and retiring leave. Each factor is considered separately as if all other factors remained constant.

	Actual	Discount rate change		Salary inflation change		Withdrawal rate change	
	$000	$000	$000	$000	$000	$000	$000
		−1.0%	+1.0%	−1.0%	+1.0%	−1.0%	+1.0%
2024							
Long-service leave	6,290	352	(318)	(127)	365	398	(362)
Retiring leave	18,900	1,360	(1,230)	(6)	1,410	398	(377)

	Actual	Discount rate change		Salary inflation change		Withdrawal rate change	
	$000	$000	$000	$000	$000	$000	$000
		−1.0%	+1.0%	−1.0%	+1.0%	−1.0%	+1.0%
2023							
Long-service leave	5,410	303	(274)	(120)	313	342	(312)
Retiring leave	17,000	1,010	(920)	(10)	1,050	495	(467)

Note 14. Other liabilities

Provision for other liabilities

IR recognises a provision for future payments of uncertain amounts or timing where there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that a payment will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for net deficits from future operating activities.

Provisions are recorded at the best estimate of the expenditure required to settle the obligation. Provisions to be settled beyond 12 months are recorded at their present value and are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash flows, where applicable. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance expenses.

Actual 2023 $000		Actual 2024 $000
	Current liabilities	
68	Onerous contracts	–
68	**Total current liabilities**	**–**
	Non-current liabilities	
688	Lease make-good	706
688	**Total non-current liabilities**	**706**
756	**Total provision for other liabilities**	**706**

Other disclosures

Note 15. Related party transactions and key management personnel

IR is a wholly owned entity of the Crown. The Government significantly influences the role of IR as well as being its major source of revenue.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those where it is reasonable to expect that IR would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions. IR has no related party transactions that are required to be disclosed in 2024 (2023: nil).

Remuneration of key management personnel

The remuneration of key management personnel during the year was as follows:

2023		2024
	Leadership team, including the Commissioner (Chief Executive)	
3,547	Remuneration ($000)	2,960
8.12	Full-time equivalent staff	7.11

The key management personnel remuneration disclosure includes the Chief Executive (Commissioner), 5 Deputy Commissioners, the Chief Tax Counsel and those formally acting in those positions during the financial year. The Commissioner's remuneration is determined and paid by PSC and invoiced to IR.

The remuneration disclosure excludes the Minister of Revenue. The Minister's remuneration and other benefits, as set by the Remuneration Authority, are received for more than the Minister's role as a member of key management personnel of IR and are not paid by IR.

Note 16. Financial instruments—categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows

Actual 2023 $000		Actual 2024 $000
	Financial assets measured at amortised cost	
53,265	Cash and cash equivalents	83,661
243,070	Debtor Crown	201,936
1,434	Net debtors	2,254
297,769	**Total financial assets measured at amortised cost**	**287,851**
	Financial liabilities measured at amortised cost	
28,842	Creditors and other payables	27,319
28,842	**Total financial liabilities measured at amortised cost**	**27,319**
	Financial liabilities measured at fair value through surplus or deficit	
12,211	Derivative financial instrument liabilities	12,236
12,211	**Total financial liabilities measured at fair value through surplus or deficit**	**12,236**

Note 17. Derivative financial instruments

For certain foreign currency transactions, IR uses derivative financial instruments (foreign currency forward exchange contracts) to mitigate risks associated with foreign currency fluctuations. The foreign currency forward exchange contracts are entered into with New Zealand Debt Management.

The use of foreign currency forward exchange contracts is governed by IR's foreign exchange policy, which provides principles on the use of financial derivatives consistent with IR's risk management strategy.

IR does not hold or issue derivative financial instruments for trading purposes and has not adopted hedge accounting.

Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into, and are subsequently restated at fair value at each balance date. They are reported as either assets or liabilities, depending on whether the derivative is in a net gain or net loss position respectively. Movements in the fair value of derivative financial instruments are recognised in the financial result.

Derivative financial instruments are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value is classified as non-current. The net fair value of derivative financial instruments is a liability of $12.236 million as at 30 June 2024 (2023: an asset of $12.211 million).

The notional principal amount of outstanding forward exchange contract derivatives as at 30 June 2024 was NZ$152.706 million.

(2023: NZ$190.205 million). The contracts consisted of the purchase of US$75.885 million and AU$0.199 million (2023: US$105.129 million and AU$0.262 million). The unrealised loss on the forward exchange contract derivatives was NZ$0.025 million at 30 June 2024 (2023: unrealised loss of NZ$12.232 million). The majority of the forward exchange contracts relate to software maintenance and support.

Note 18. Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

1. quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
2. valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are observable
3. valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

IR's financial assets and liabilities at balance date are valued at fair value using observable inputs (level 2). There are no quoted market prices (level 1) for these instruments.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value.

Actual 2023 $000	Valuation technique Level 2—observable inputs	Actual 2024 $000
	Financial liabilities	
(12,211)	Forward foreign exchange contracts (net)	(12,236)

Note 19. Financial instruments—financial instrument risks

IR's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. IR has policies to manage the risks associated with financial instruments, and seeks to minimise exposure from financial instruments. IR does not enter into any transactions that are speculative in nature.

Market risk

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates is called currency risk.

IR purchases goods and services from overseas suppliers, and it is therefore exposed to currency risk arising from various currency exposures, primarily for United States and Australian dollars.

Under its foreign exchange policy, IR enters into foreign currency forward exchange contracts to manage foreign exchange exposures when single foreign exchange transactions exceed NZ$100,000 or the transaction exposure for an individual currency exceeds NZ$100,000. This policy has been approved by the Treasury and is in line with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Sensitivity analysis

Assuming that all other variables remained constant, the impact on the surplus of a 5% increase/decrease in the New Zealand dollar against various other currencies held by IR in its foreign currency account at 30 June 2024 would be a $5.722 million decrease and a $6.325 million increase respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate due to changes in market interest rates. IR has no interest-bearing financial instruments so it has no exposure to interest rate risk.

Credit risk

The risk that a third party will default on its obligations to IR, causing a loss to be incurred, is called credit risk. In the normal course of its business, credit risk from receivables is concentrated with the Crown and other government agencies but not with any individual agencies. The carrying amount of financial assets recognised in the Statement of Financial Position best represents IR's maximum exposure to credit risk at balance date.

IR does not require any collateral, security or other credit enhancements to support financial instruments with the financial institutions that it deals with because these entities have high credit ratings. Westpac is IR's main bank for departmental transactions and has an S&P Global Ratings credit rating of AA–. IR enters into foreign currency transactions with New Zealand Debt Management (S&P Global Ratings credit rating of AA+). For its other financial instruments, IR does not have significant concentrations of credit risk.

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is not material.

Liquidity risk

Liquidity risk is the risk that IR will encounter difficulty raising liquid funds to meet commitments as they fall due.

As all but an insignificant proportion of revenue and funds come from the New Zealand Government and cash is drawn down on a fortnightly basis, IR does not have significant liquidity risk. In meeting its liquidity requirements, IR closely monitors its forecast cash requirements with expected cash drawdowns from New Zealand Debt Management. IR maintains a target level of available cash to meet daily liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding forward foreign exchange contracts

The table below analyses IR's financial liabilities that will be settled based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount $000	Total contractual cash flows $000	Up to 1 year $000	1 to 5 years $000	Over 5 years $000
2024					
Creditors and other payables	27,319	27,319	27,319	–	–
Total	**27,319**	**27,319**	**27,319**	**–**	**–**
2023					
Creditors and other payables	28,842	28,842	28,842	–	–
Total	**28,842**	**28,842**	**28,842**	**–**	**–**

Contractual maturity analysis of forward foreign exchange contracts

The table below analyses IR's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Derivative financial instruments net carrying amount $000	Total contractual cash flows $000	Up to 1 year $000	1 to 5 years $000	Over 5 years $000
2024					
Gross settled forward foreign exchange contracts (net liability)	(12,236)	–	–	–	–
Outflow	–	152,706	34,200	112,336	6,170
Total	**(12,236)**	**152,706**	**34,200**	**112,336**	**6,170**
2023					
Gross settled forward foreign exchange contracts (net liability)	(12,211)	–	–	–	–
Outflow	–	190,205	42,492	141,543	6,170
Total	**(12,211)**	**190,205**	**42,492**	**141,543**	**6,170**

Note 20. Events after balance date

There have been no significant events after balance date.

Financial schedules Non-departmental
Hōtaka pūtea Wāhi kē

Why we include the non-departmental schedules

Inland Revenue Te Tari Taake collects and distributes money on behalf of the Crown and the following non-departmental schedules provide information on the financial extent of these activities. The Commissioner is accountable for the financial management of these activities.

2023–24 non-departmental tax revenue totalled $115 billion and comprises tax returns and accruals. The majority of this amount is expected to be collected and will be used to fund government programmes. 2023–24 non-departmental expenses totalled nearly $8 billion, including Working for Families Tax Credits, KiwiSaver Tax Credits, interest and other expenses.

What non-departmental schedules are and are not

The non-departmental schedules are prepared in accordance with relevant accounting policies and the Treasury Te Tai Ōhanga instructions to disclose non-departmental activities.

The non-departmental schedules do not, and are not intended to, constitute a set of financial statements and, therefore, do not include elements that would normally be expected to be found in financial statements such as details of a surplus or deficit or a Statement of Financial Position.

For a full understanding of the Crown's financial position and the results of its operation and cash flows, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Contents

Schedule of Non-departmental Revenue

For the year ended 30 June 2024

Actual 2023 $000		Note 2	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Direct taxation				
	Individuals				
46,097,993	Source deductions (PAYE)		50,881,388	48,981,000	52,086,000
9,903,909	Other persons		9,866,290	11,380,000	10,541,000
(2,182,023)	Refunds		(2,655,493)	(1,884,000)	(2,766,000)
768,768	Fringe benefit tax		837,873	739,000	837,000
54,588,647	**Total individuals**		**58,930,058**	**59,216,000**	**60,698,000**
	Corporate tax				
18,958,948	Gross companies tax		18,737,597	23,028,000	19,513,000
(970,486)	Refunds		(738,180)	(633,000)	(718,000)
621,378	Non-resident withholding tax		707,257	636,000	695,000
18,609,840	**Total corporate tax**		**18,706,674**	**23,031,000**	**19,490,000**
	Other direct income tax				
2,092,066	Resident withholding tax on interest income		3,472,738	1,839,000	3,198,000
1,127,363	Resident withholding tax on dividend income		2,521,013	1,180,000	1,000,000
1,691,192	Employer superannuation contribution tax		1,982,113	2,024,000	2,033,000
4,910,621	**Total other direct income tax**		**7,975,864**	**5,043,000**	**6,231,000**
78,109,108	**Total direct taxation**		**85,612,596**	**87,290,000**	**86,419,000**

Schedule of Non-departmental Revenue (continued)

For the year ended 30 June 2024

Actual 2023 $000		Note	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
		2			
	Indirect taxation				
	Goods and services tax				
44,934,862	Gross goods and services tax		47,414,703	47,363,000	48,389,000
(19,054,797)	Refunds		(18,167,981)	(19,181,000)	(18,939,000)
25,880,065	**Total goods and services tax**		**29,246,722**	**28,182,000**	**29,450,000**
	Other indirect taxation				
153,256	Approved issuer levy		198,303	125,000	166,000
342,096	Gaming duties		349,953	341,000	390,000
(31)	Other indirect taxation		26	1,000	2,000
495,321	**Total other indirect taxation**		**548,282**	**467,000**	**558,000**
26,375,386	**Total indirect taxation**		**29,795,004**	**28,649,000**	**30,008,000**
104,484,494	**Total taxation**		**115,407,600**	**115,939,000**	**116,427,000**
	Other revenue				
139,829	Child support		24,550	13,000	16,000
110,192	Interest unwind—Small Business Cashflow Scheme		94,613	115,000	35,000
577,032	Interest unwind—student loans		661,558	621,000	603,000
230,872	Other revenue		221,694	106,000	158,000
1,057,925	**Total other revenue**		**1,002,415**	**855,000**	**812,000**
105,542,419	**Total revenue excluding gains**		**116,410,015**	**116,794,000**	**117,239,000**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Expenditure

For the year ended 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Benefits or related expenses				
321,341	Best Start tax credit		336,108	339,000	339,000
–	Child tax credit		(458)	–	–
–	FamilyBoost tax credit		–	–	174,000
2,151,179	Family tax credit		2,296,578	2,284,000	2,316,000
464,036	In-work tax credit		436,964	477,000	582,000
932	KiwiSaver: Interest		2,841	1,000	2,500
995,699	KiwiSaver: Tax credit		1,011,371	1,093,000	1,101,000
12,324	Minimum family tax credit		11,467	12,000	12,000
607,952	Paid parental leave payments		647,296	677,000	685,000
–	Parental tax credit		(241)	–	–
4,553,463	**Total benefits or related expenses**		**4,741,926**	**4,883,000**	**5,211,500**
	Borrowing expenses				
1,912	Environmental restoration account interest		4,185	2,100	4,300
8,403	Income equalisation interest		8,602	9,000	7,000
10,315	**Total borrowing expenses**		**12,787**	**11,100**	**11,300**
	Other expenses				
599,986	Cost of Living Payment		(23,587)	–	–
–	COVID-19 Resurgence Support Payment		(7,118)	–	–
(23,349)	COVID-19 Support Payment		(4,804)	–	–
1,467,609	Impairment of debt and debt write-offs	3	2,375,843	931,000	1,676,000
53,926	Initial fair value write-down relating to the Small Business Cashflow Scheme COVID-19	5	(25)	28,000	–
550,743	Initial fair value write-down relating to student loans	6	544,076	640,000	633,000
6,476	Impairment of debt relating to child support		(5,908)	–	–
2,655,391	**Total other expenses**		**2,878,477**	**1,599,000**	**2,309,000**
7,219,169	**Total expenditure excluding losses**		**7,633,190**	**6,493,100**	**7,531,800**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Gains and Losses

For the year ended 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
241,000	Net gains/(losses) on Small Business Cashflow Scheme—fair value remeasurement	5	(38,393)	–	–
500,000	Net gains on student loans—fair value remeasurement	6	355,000	–	–
741,000	**Total net gains**		**316,607**	–	–

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Assets

As at 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Current assets				
1,569,006	Cash and cash equivalents		2,800,812	1,700,000	3,766,000
18,950,657	Receivables	3	22,045,776	25,832,784	16,863,700
50,000	Receivables—child support	4	31,420	63,000	50,000
42	Receivables—other		10	–	–
352,000	Small Business Cashflow Scheme	5	325,000	318,000	114,700
1,611,000	Student loans	6	1,572,000	1,878,000	1,823,000
22,532,705	**Total current assets**		**26,775,018**	**29,791,784**	**22,617,400**
	Non-current assets				
679,500	Receivables	3	942,600	492,000	679,500
188,467	Receivables—child support	4	164,824	132,928	143,467
434,453	Small Business Cashflow Scheme	5	139,582	151,999	56,453
7,761,547	Student loans	6	8,024,393	7,069,542	7,738,547
9,063,967	**Total non-current assets**		**9,271,399**	**7,846,469**	**8,617,967**
31,596,672	**Total assets**		**36,046,417**	**37,638,253**	**31,235,367**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Liabilities

As at 30 June 2024

Actual 2023 $000		Notes	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
	Current liabilities				
19,625	Child support		22,292	20,128	19,625
6,186,785	Refundables and payables	7	6,627,320	5,987,633	6,092,935
49,143	Unclaimed monies	8	63,200	28,271	49,143
6,255,553	**Total current liabilities**		**6,712,812**	**6,036,032**	**6,161,703**
	Non-current liabilities				
475,822	Reserve schemes	9	392,362	393,757	348,822
475,822	**Total non-current liabilities**		**392,362**	**393,757**	**348,822**
6,731,375	**Total liabilities**		**7,105,174**	**6,429,789**	**6,510,525**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Movements Between Other Government Departments

For the year ended 30 June 2024

Actual 2023 $000		Note	Actual 2024 $000	Unaudited budget 2024 $000	Unaudited forecast 2025 $000
25,445,699	Opening balance		24,865,297	25,318,164	31,140,642
99,064,250	Net result from operating activities		109,093,432	110,300,900	109,707,200
	Asset transfer between departments				
1,271,263	Ministry of Social Development—student loans	6	1,348,087	1,505,000	1,626,000
(100,915,915)	New Zealand Debt Management		(106,365,573)	(105,915,600)	(117,749,000)
24,865,297	**Closing balance**		**28,941,243**	**31,208,464**	**24,724,842**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Commitments

As at 30 June 2024

Inland Revenue, on behalf of the Crown, has no non-cancellable capital or lease commitments (2023: nil).

Schedule of Non-departmental Contingent Assets and Contingent Liabilities

As at 30 June 2024

Actual 2023 $000		Note 10	Actual 2024 $000
	Quantifiable contingent assets		
56,035	Disputes—non-assessed		49,858
56,035	**Total quantifiable contingent assets**		**49,858**
	Quantifiable contingent liabilities		
38,958	Legal proceedings and disputes—assessed		70,889
397,615	Unclaimed monies		511,347
436,573	**Total quantifiable contingent liabilities**		**582,236**

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Schedule of Non-departmental Trust Money

For the year ended 30 June 2024

Actual 2023 $000		Contributions 2024 $000	Distributions 2024 $000	Total 2024 $000
	Child support			
40,487	Child support trust account	13,997	(13,767)	40,717
40,487	**Total child support**	**13,997**	**(13,767)**	**40,717**
	KiwiSaver			
205	KiwiSaver returned transactions trust account	107,095	(106,949)	351
301	KiwiSaver voluntary contribution trust account	358	(322)	337
506	**Total KiwiSaver**	**107,453**	**(107,271)**	**688**
40,993	**Total trust money**	**121,450**	**(121,038)**	**41,405**

The child support trust account was established in accordance with section 139 of the Child Support Act 1991. The child support trust account holds all funds collected on behalf of receiving carers from liable parents who are either based in New Zealand or overseas.

The KiwiSaver trust accounts were established in accordance with section 72 of the KiwiSaver Act 2006. The KiwiSaver returned transactions trust account accepts returned payments from the scheme providers before they are passed on to scheme members or their employers. The KiwiSaver voluntary contribution trust account holds voluntary payments from members before funds are passed on to the scheme providers.

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Notes to the financial schedules

For the year ended 30 June 2024

Index

How we have prepared these schedules

Note 1. Basis of preparation

Reporting entity

Inland Revenue Te Tari Taake (IR) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand.

A wide variety of legislation governs IR's operations, including the Public Finance Act 1989, the Public Service Act 2020 and the Tax Administration Act 1994.

IR is a wholly owned entity of the Crown whose primary objective is to provide services to the public rather than to make a financial return. Accordingly, IR has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

These non-departmental financial schedules present financial information on public funds managed by IR on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024. For a full understanding of the Crown's financial position and the results of its operations and cash flows for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

Reporting period

The reporting period for these financial schedules is for the year ended 30 June 2024. The unaudited forecast financial schedules are for the year ending 30 June 2025.

The Commissioner of Inland Revenue, as Chief Executive, authorised these financial schedules on 30 September 2024.

Statement of Compliance

The financial schedules have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and the Treasury Te Tai Ōhanga instructions.

IR has applied the Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) in preparing the 30 June 2024 financial schedules.

Basis of preparation

The financial schedules have been prepared on a going concern basis, and the accounting policies set out below and in the notes to the financial schedules, have been applied consistently to all periods presented in these financial schedules.

These financial schedules have been prepared on a historical cost basis unless otherwise stated. The accrual basis of accounting has been used.

Functional and presentation currency

These financial schedules are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000). The functional currency of IR is New Zealand dollars.

Accounting standards issued and not yet effective

There are no relevant new standards that have been issued but are not yet effective.

Critical accounting estimations, judgements and assumptions

In preparing these financial schedules, critical estimates, judgements and assumptions have been made concerning the future.

These estimates, judgements and their associated assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience, including expectations of future events that are believed to be reasonable under the circumstances, and other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to revenue, and the carrying amounts of receivables and payables within the next financial year, are referred to in the notes. The most significant areas of uncertainties are:

- Estimation of income tax revenue for other persons and companies—Note 2 outlines the significant uncertainties, assumptions and sensitivities in estimating income tax revenue for companies and other persons for the year ended 30 June 2024. The methodology used to estimate income tax revenue for companies and other persons is based on macroeconomic forecasts. There is implicit uncertainty in the assumptions used in the macroeconomic forecasts.
- Impairment of tax receivables—Note 3 outlines the significant uncertainties, assumptions and sensitivities in estimating the value of tax receivables and the associated impairment as at 30 June 2024. The impairment of tax receivables is calculated based on expected future repayments. The future repayments are uncertain because they are dependent on macroeconomic factors and the repayment behaviour of debtors.
- Student loans—Note 6 outlines the significant uncertainties, assumptions and sensitivities in estimating the fair value of the student loan portfolio as at 30 June 2024. The fair value is based on expected future income levels and debt repayments. The expected future income levels and debt repayments are uncertain because they are dependent on macroeconomic factors and the behaviour of borrowers.

Accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note, and that materially affect the measurement of financial results, the Schedule of Non-departmental Assets, the Schedule of Non-departmental Liabilities, the Schedule of Non-departmental Gains and Losses and/or the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations within the Our Performance section, are outlined below.

Expenses

Expenses are recognised in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents include cash in transit and funds held in bank accounts administered by IR. All cash is on demand and no interest is payable to IR.

Foreign currency transactions

IR does not have any material non-departmental foreign currency exposure. The risk of any material foreign currency exposure is borne by the customer when they enter into the transaction.

Fair value remeasurement

Fair value remeasurement is the change in the value of a loan portfolio over the year. Loans are initially measured at fair value. The changes to fair value between periods are recognised as a gain or loss in the Schedule of Non-departmental Gains and Losses. More information is provided in Note 5 for the Small Business Cashflow Scheme and Note 6 for student loans.

Comparatives

When the presentation or classification of items in the financial schedules change, comparative figures are re-stated to ensure consistency with the current period unless it is impractical to do so.

Changes in accounting policies

There have been no material changes in accounting policies since the date of the last audited financial schedules.

All accounting policies have been applied consistently throughout the year.

Budget and forecast figures

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial schedules.

The budget and forecast figures are not subject to audit.

The budget figures for 2023–24 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024.

The revised budget figures for 2023–24 (refer to the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations on page 102) are those included in The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2024.

The forecast figures for 2024–25 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

The forecast financial schedules have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE Financial Reporting Standard 42 Prospective Financial Statements.

Forecast policies

The forecasts have been compiled on the basis of existing Government policies and ministerial expectations at the time the schedules were finalised. The Commissioner, in his role as Chief Executive of Inland Revenue, is responsible for the forecast financial schedules including the appropriateness of assumptions underlying them and all other required disclosures. The Commissioner approved the forecast financial schedules on 1 May 2024. Although IR regularly updates forecasts, it will not publish updated forecast schedules for the year ending 30 June 2025.

The main assumptions are:

- Tax revenue: tax policy changes enacted and announced by the Government will take place as planned and will affect tax revenue and receipts as calculated and agreed between IR and the Treasury.
- Student loans: the fair value of student loans is based on a valuation model adapted to reflect current student loans policy. As such, the fair value over the forecast period is sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors such as wage inflation and discount rates. Any change in these assumptions would affect the fiscal forecast.
- Small Business Cashflow Scheme: the fair value of the scheme over the forecast period is sensitive to changes in borrower repayments and defaults, which are based on volatile factors that are subject to change.
- Estimated year-end information for 2023–24 is used as the opening position for the 2024–25 forecasts.

For other key fiscal forecast assumptions, refer to the Budget Economic and Fiscal Update 2024 (treasury.govt.nz/sites/default/files/2024-05/befu24.pdf).[1]

Any changes to forecasts during 2024–25 will be incorporated into The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these forecast financial schedules and the actual reported results include:

- changes due to initiatives or legislation approved by Cabinet
- macroeconomic changes impacting revenue, expenditure and debt levels
- the timing and number of customers' filing of returns and related payments
- the timing and number of customer refunds, disbursements and credit claims
- the outcome of disputes, including litigations
- changes to the Commissioner's interpretation and application of existing tax law through investigations, binding rulings and a variety of public statements.

The explanation of significant variances between the 2023–24 results and the related forecast are provided in the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024.

[1] This link leads to information not covered by the audit opinion on page 183.

How we have recognised revenue

Note 2. Revenue

Tax revenue

Tax revenue is a non-exchange transaction and is accounted for in accordance with PBE IPSAS 23 Revenue from Non-Exchange Transactions.

This means the payment of tax in itself does not entitle a customer to an equivalent value of services or benefits because there is no direct relationship between paying tax and receiving Crown services and benefits.

Tax revenue is recognised when a taxable event has occurred, the tax revenue can be reliably measured and it is probable that economic benefits will flow to the Crown.

Tax is recognised at face value as the fair value is not materially different from the face value.

The New Zealand tax system is based on self-assessment where customers are expected to understand the tax laws and comply with them. IR helps customers comply and addresses non-compliant activities. Most people pay their fair share of tax. For the minority who do not, IR intervenes and encourages them to do the right thing. However, such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. IR is unable to reliably estimate the amount of unreported tax.

Income tax

Income tax is recognised on an accrual basis in the period the taxable event occurs. It is deemed to accrue evenly over the period to which it relates.

Where income tax returns have not been filed for the relevant period, accrued income tax revenue receivable or refundable has been estimated based on tax payments and/or provisional assessments for that period, or the prior year residual income tax or provisional assessments and payments information. Tax revenue is recognised proportionally based on the balance date of the customer. The amount of income tax receivable or refundable is not known with certainty until income tax returns for the period have been filed. The filing of income tax returns can happen more than a year after the tax year. For example, 2024 income tax returns may not be filed until March 2025 (or after) and 2025 income tax returns may not be filed until March 2026 (or after).

While the majority of customers make provisional tax payments during a year using a 5% uplift under legislation, the income tax revenue estimation process is based on a rebuttable presumption that the forecast of firms' net operating surplus, from the most recent Treasury forecast, is the best estimate of the expected uplift for unfiled returns unless rebutted for material impacts. The firms' net operating surplus is a component of Income Gross Domestic Product (GDP) and is designed to measure net profits of businesses. This measure is approximately equal to accounting profit before taxes, dividends and interest, but after depreciation.

The following assumptions have been used in these financial statements:

- An annual average growth in firms' net operating surplus for the tax year to 31 March 2024 of (1.65%).
- An annual average growth in firms' net operating surplus for the tax year to 31 March 2025 of 4.73%.

The March 2024 tax year growth assumption is the annual growth rate implied by Stats NZ Tatauranga Aotearoa quarterly national accounts data (income, saving, assets and liabilities) released in July 2024.

The March 2025 tax year growth assumption is from the Treasury's most recent forecast of firms' net operating surplus growth in the Budget Economic and Fiscal Update 2024, which was finalised on 5 April 2024 and published on 30 May 2024. There is no more up-to-date publicly available information in respect of firms' net operating surplus for the 2025 tax year and, therefore, we have not rebutted the presumption to use the Treasury's forecast of firms' net operating surplus growth.

For the 2025 income tax year, which ends on 31 March 2025, the period from 1 April 2024 to 30 June 2024 is included in these financial schedules.

The non-March balance dates use a pro-rata calculation of these rates.

The measurement of income tax accruals requires significant estimates, judgements and assumptions and has a number of uncertainties. These include the following:

- Where customers have chosen to estimate their provisional tax, income tax revenue is recognised based on the most recent estimate provided to IR.
- Where customers subject to the provisional tax regime (calculated using the standard option) have not yet filed an income tax return:
  - for customers with March balance dates for the 2024 income tax year, revenue is estimated as 98.35% of the prior year residual income tax
  - for customers with March balance dates for the 2025 income tax year, revenue is estimated as 104.73% of the prior year residual income tax
  - for all other income tax years, provisional tax assessments are recognised as revenue based on the provisional tax method adopted by the customer. Provisional assessments are based on 105% of the prior year residual income tax.

- Where customers have made payments for more than the provisional tax assessment (for both the standard and estimation option), their credit balance is also accrued as revenue.
- Where customers have made payments to IR but have not submitted a provisional tax assessment for the period, an estimate is made based on the payments.
- For customers who had a receivable or refundable residual income tax in the prior year but are not subject to provisional tax, the estimation is based on the prior year residual income tax.
- For customers who are subject to provisional tax and have not filed their income tax return for the previous period, an estimate is made of the tax revenue receivable and refundable at year end based on prior year provisional tax assessments and any prior year payments that were in excess of their provisional assessment.

Significant assumptions and sensitivities

The significant assumptions and sensitivities behind the estimation of income tax revenue for companies and other persons are:

Actual 2023		Actual 2024
2.41%	Treasury's forecast firms' net operating surplus—2023 income tax year	N/A
0.98%	Treasury's forecast firms' net operating surplus—2024 income tax year	N/A
N/A	Stats NZ average annual growth in net operating surplus—2024 income tax year	(1.65%)
N/A	Treasury's forecast firms' net operating surplus—2025 income tax year	4.73%
	Sensitivities	
245,000	Impact on revenue of a 1% increase in firms' net operating surplus ($000)	232,000
1,227,000	Impact on revenue of a 5% increase in firms' net operating surplus ($000)	1,168,000
2,455,000	Impact on revenue of a 10% increase in firms' net operating surplus ($000)	2,351,000
(245,000)	Impact on revenue of a 1% decrease in firms' net operating surplus ($000)	(231,000)
(1,227,000)	Impact on revenue of a 5% decrease in firms' net operating surplus ($000)	(1,152,000)
(2,455,000)	Impact on revenue of a 10% decrease in firms' net operating surplus ($000)	(2,289,000)

Income tax revenue has a high degree of estimation and is therefore uncertain. Application of key assumptions used in estimating income tax revenue may not necessarily reflect actual tax returns when they are filed. Any variance between the estimate and actual tax returns is recognised as revenue when the tax return is filed. The estimation of income tax revenue is challenging because estimation is required so far ahead of the point when a customer is required to file relevant income tax returns. In addition, forecasts of firms' net operating surplus are inherently uncertain and volatile.

Goods and services tax (GST)

GST returns are assessed on a 1, 2, 3 or 6-monthly basis and are due the month after the end of the period. At year end, IR estimates the amount of GST outstanding as follows:

- For customers who file a return of GST for the June period, the actual amounts filed are used.
- For customers who have not filed a return, the estimate is based on customer payments for that return period or the most recently assessed GST return.

Source deductions (PAYE)

Employers are required to file an employment information form for each payday. Revenue is assessed based on these forms. June employment information forms filed by employers in July are accrued at year end.

Non-tax revenue

Child support

Child support revenue comprises amounts owed to the Crown (this is called Crown entitlement—refer Note 4 for more information, including changes since 1 July 2023) and the penalties levied on child support debts owed to both custodial parents and the Crown by parents who pay child support. This revenue is recognised initially at fair value and subsequently tested for impairment at year end.

Interest unwind—Small Business Cashflow Scheme

Small Business Cashflow Scheme loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind.

The interest unwind has been calculated using a discount rate appropriate for low-rated commercial and unsecured retail lending.

Interest unwind—student loans

Student loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, student loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind. The interest unwind has been calculated using the official cash rate plus a risk adjustment calculated by the consulting actuaries plus an expense allowance for IR to collect the loans.

In prior years, the expense allowance was incorrectly recorded in the Schedule of Non-departmental Gains and Losses. In accordance with PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors (PBE IPSAS 3), the comparatives are not required to be restated because the amount is immaterial. The 2023–24 unaudited budget and 2024–25 unaudited forecast have been updated accordingly.

Crown assets we are managing

Note 3. Receivables

Receivables include general taxes, Working for Families Tax Credits and COVID-19 debt (excluding the Small Business Cashflow Scheme) and any penalties and interest associated with these activities. These are non-contractual sovereign receivables. The interest and penalties charged on receivables are presented as revenue in the Schedule of Non-departmental Revenue. Receivables for child support, the Small Business Cashflow Scheme and student loans are reported separately in Notes 4, 5 and 6 respectively.

Receivables are initially recognised at face value as the fair value is not materially different from the face value. Receivables are subsequently tested for impairment at year end in accordance with PBE IPSAS 26 Impairment of Cash-Generating Assets.

Allowances for amounts that IR does not expect to recover are recognised when there is objective evidence that the asset is impaired. Impairments are included in the Schedule of Non-departmental Expenditure. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

As a result of new information this year we have made a change that has resulted in the reclassification of $867 million of receivables, from not due to past due receivables. Overall, total gross receivables have remained the same. As a result of the reclassification, there has been an increase in impairment because past due receivables are impaired at a higher rate. In accordance with PBE IPSAS 3, the change in reporting has been made in the current year. Details of the reclassifications and the associated impact on impairment are included below:

- $366 million of provisional tax relating to the 2023 tax year and earlier that remains unpaid, and where the customer also has an overdue annual tax return for the period, has been reclassified as past due. The impairment expense related to this reclassification was $221 million.
- $357 million of mostly income tax debt from customers who are using tax pooling for the current tax period, but who have overdue tax debt from previous periods not covered by tax pooling, has been reclassified as past due. The impairment expense related to this was $254 million.
- $144 million of overdue tax receivables that was previously omitted from past due reporting (most of which was due to customers being deceased, undischarged bankrupts or in liquidation). The impairment expense related to this reclassification was $116 million.

At the end of the year, receivables are valued by an independent external valuer using predictive models. We provide data to the valuer on receivable balances and repayments. The data is up to 30 June 2024.

To calculate the impairment of receivables, assumptions are applied to future repayment behaviour, as well as economic factors such as discount rates. The key assumptions are explained below:

- The recoverable amount of receivables is calculated by forecasting the expected repayments based on analysis of historical debt data, deducting an estimate of collection costs and then discounting using an appropriate rate. If the recoverable amount of the portfolio is less than the carrying amount, the carrying amount is reduced to the recoverable amount. Alternatively, if the recoverable amount is more, the carrying amount is increased.
- Tax pooling funds held in the Crown bank accounts have been netted off against receivables. These funds have been deposited by commercial intermediaries and allow customers to pool tax payments to reduce their exposure to use-of-money interest. Underpayments and overpayments are offset within the same pool.

The gross value of receivables at 30 June 2024 is $28.485 billion, an increase of $4.844 billion (20.5%) from 2022–23.

Not due receivables debt has increased by $2.690 billion (15.1%). However, excluding the reclassification adjustments, the increase is $3.557 billion (20.0%). $2.144 billion of the increase relates to changes in payment due dates as a result of the Matariki public holiday i.e. the GST payment date for returns for the period ended 31 May 2024 and the provisional tax due date fell on 1 July 2024 rather than 28 June 2024. The remainder of the increase mainly relates to higher income tax revenue this year.

Past due receivables have increased in 2023–24 by $2.154 billion (37.0%) to $7.974 billion. Excluding the reclassification adjustment, the increase is $1.287 billion (22.1%). This growth is larger than in 2022–23 when the past due receivables increased by $974 million (20.1%). The increase in past due receivables this year is mainly due to increases in GST, income tax and employer activities debt balances. These debt balances are $596 million, $1.001 billion and $499 million higher respectively than in 2022–23.

We have seen notable net growth in the past due debt for all tax types as the ongoing impacts from COVID-19, domestic weather events, high inflation and global economic uncertainty have caused significant strain on businesses. As a result, many businesses are not up to date with their tax payments and we have seen an increase in customers setting up instalment arrangements to manage their tax debt.

Despite the increase in past due receivables over the last year, the amount of debt collected has been higher than projected in previous valuations. For the valuation assumptions, the valuer has used a weighted average of the previous 5 years of repayments and the most recent discount rates. Overall, the average impairment ratio for past due receivables has remained relatively constant at 68.2% (June 2023: 68.3%): impairment ratios have decreased for Working for Families Tax Credits and income tax debt, but increased for GST and employer activities.

The valuer has noted that it is not possible to fully assess the implications of global economic uncertainty on the fair value of the balances or the economy as a whole (both in terms of length and the degree of impact). The uncertain and volatile nature of future debt repayments means that there may be significant uncertainty in the estimated value of these receivables. The valuation reflects the increased levels of debt observed in the data up to 30 June 2024. Future repayments of debt will be dependent on the economic conditions our customers face and on the impact of our compliance activities and relief mechanisms such as instalment arrangements.

The valuation resulted in an impairment of $1.486 billion for 2023–24.

Write-offs including COVID-19 remissions for the year totalled $890 million, $136 million higher than the prior year. Standard write-offs were $171 million higher than the previous year. COVID-19 remissions ceased in April 2024 and were $35 million lower than the prior year. The expense for this year included $137 million additional remissions related to 2020–21 to 2022–23 that had not previously been reported.

Overall, impairment of debt and debt write-offs totalled $2.376 billion for the year ended 30 June 2024, of which $728 million relates to the impairment associated with the reclassifications and late remissions noted above.

The fair value of receivables at 30 June 2024 is $22.988 billion, an increase of $3.358 billion (17.1%) from 2022–23.

Actual 2023 $000		Actual 2024 $000
	Receivables	
23,641,222	Gross receivables	28,485,397
(4,011,065)	Impairment	(5,497,021)
19,630,157	**Fair value receivables**	**22,988,376**
	Current and non-current apportionment	
18,950,657	Receivables—current	22,045,776
679,500	Receivables—non-current	942,600
19,630,157	**Fair value receivables**	**22,988,376**
	Ageing profile of gross receivables	
17,821,047	**Not due**[1]	**20,510,982**
	Past due[2]	
1,531,330	Less than 6 months	1,886,308
591,526	6–12 months	873,641
996,408	1–2 years	1,668,453
2,700,911	Greater than 2 years	3,546,013
5,820,175	**Total past due**	**7,974,415**
23,641,222	**Total gross receivables**	**28,485,397**
25%	% Past due	28%
	Receivables—impairment	
3,297,830	Opening balance	4,011,065
1,467,609	Impairment losses recognised	2,375,843
(754,374)	Amounts written off as uncollectable	(889,887)
4,011,065	**Closing balance**	**5,497,021**

1 Not due receivables comprise estimations or assessments for tax where the tax has been earned, but is not yet due to be paid, and returns that have been filed before due date. It also comprises social policy receivables not yet due to be paid.

2 Receivables are classified as past due when they are not received from customers by their due date. Due dates will vary, depending on the type of debt owing (for example, income tax, GST or KiwiSaver) and the customer's balance date. Past due debt includes debts collected under instalment, debts under dispute, default assessments and debts of customers who are bankrupt, in receivership or in liquidation. IR has debt management policies and procedures in place to actively manage the collection of past due debt.

Past due debt

Actual 2023 $000		Actual 2024 $000
2,239,800	GST	2,836,207
2,143,300	Income tax	3,144,080
1,015,900	Employer activities	1,514,498
153,900	Other	175,687
5,552,900	**Total tax debt**	**7,670,472**
245,600	Working for Families Tax Credits	273,454
5,798,500	**Total tax and Working for Families debt**	**7,943,926**
21,700	COVID-19—Resurgence Support Payment and COVID-19 Support Payment	30,489
5,820,200	**Total past due debt**	**7,974,415**

The estimated recoverable amount of this portfolio, and the significant assumptions underpinning the valuation of receivables, are shown below:

Actual 2023		Actual 2024
17,785,260	Recoverable amount of receivables not due ($000)	20,455,226
1,844,897	Recoverable amount of receivables past due ($000)	2,533,150
19,630,157	**Total fair value ($000)**	**22,988,376**
10.39%	Use-of-money interest rate	10.91%
6.50%	Discount rate	5.50%
(31,000)	Impact on the recoverable amount of a 2% increase in discount rate ($000)	(44,000)
33,000	Impact on the recoverable amount of a 2% decrease in discount rate ($000)	47,000

Credit risk

Under the Tax Administration Act 1994, IR has broad powers to ensure that people meet their obligations. Part 10 of the Act sets out the powers of the Commissioner to recover unpaid tax.

The Crown does not hold any collateral or any other credit enhancements over receivables that are past due.

Receivables are widely dispersed over a number of customers, and as a result, the Crown does not have any material individual concentrations of credit risk.

Note 4. Receivables—child support

Child support is money paid by parents who do not live with their child or who share care with someone else. The money is to help with the cost of raising a child.

Liable parents can manage their child support payments through IR by using a formula assessment or voluntary agreement, or they can be arranged through a private agreement with the other parent or non-parent carer.

Prior to 1 July 2023, for child support managed by IR, liable parent payments were passed to receiving carers to the extent that the receiving carer had not received a benefit from the Ministry of Social Development Te Manatū Whakahiato Ora (MSD). From 1 July 2023, receiving carers receive the total liable parent payment unless the carer has received an Unsupported Child's Benefit from MSD; then that portion is withheld as Crown entitlement.

Any withheld amount is the Crown entitlement, and this is legally enforceable. Receiving carer entitlements are not recognised as revenue, and any funds yet to be passed to the receiving carers are recorded in the Child Support Trust Account as presented in the Schedule of Non-departmental Trust Money.

Penalties are imposed when there are defaults on child support payments.

Child support receivables include the Crown entitlement and penalties. The Crown entitlement and penalties are presented as revenue in the Schedule of Non-departmental Revenue. Receivables are initially recognised at fair value and are subsequently tested for impairment at year end in accordance with PBE IPSAS 26 Impairment of Cash-Generating Assets.

Allowances for amounts that IR does not expect to recover are recognised when there is objective evidence that the asset is impaired. Impairments are included in the Schedule of Non-departmental Expenditure. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

Child support valuation model, significant assumptions and uncertainties

At the end of the year, receivables are valued by an independent external valuer using predictive models. We provide data to the valuer on receivable balances and repayments up to 30 June 2024.

To calculate the impairment of receivables, assumptions are applied to future repayment behaviour, as well as economic factors such as discount rates. The recoverable amount of receivables is calculated by forecasting the expected repayments based on analysis of historical debt data and then discounting it using an appropriate rate. If the recoverable amount of the portfolio is less than the carrying amount, the carrying amount is reduced to the recoverable amount. Alternatively, if the recoverable amount is more, the carrying amount is increased.

As noted by the valuer, the uncertain and volatile nature of future repayments means that there is significant uncertainty in the estimate of value.

The fair value of child support receivables at 30 June 2024 is $196 million, a decrease of $42 million from last year.

Actual 2023 $000		Actual 2024 $000
	Receivables—child support	
885,762	Gross receivables	755,072
(647,295)	Impairment	(558,828)
238,467	**Fair value receivables**	**196,244**
	Current and non-current apportionment	
50,000	Receivables—current	31,420
188,467	Receivables—non-current	164,824
238,467	**Fair value receivables**	**196,244**
	Ageing profile of gross receivables	
	Past due	
91,978	Less than 12 months	77,140
40,138	1–2 years	35,178
753,646	Greater than 2 years	642,754
885,762	**Total past due**	**755,072**
885,762	**Total gross receivables**	**755,072**
100%	% Past due	100%
	Receivables—impairment	
657,364	Opening balance	647,295
68,796	Impairment losses/(gains) recognised	(3,023)
(78,865)	Amounts written off as uncollectable	(85,444)
647,295	**Closing balance**	**558,828**

The estimated recoverable amount of this portfolio, and the significant assumptions underpinning the valuation of the fair value of receivables, are shown below:

Actual 2023		Actual 2024
184,531	Recoverable amount of receivables past due—Crown entitlement ($000)	160,391
53,936	Recoverable amount of receivables past due—penalties ($000)	35,853
238,467	**Total fair value ($000)**	**196,244**
6.00%	Discount rate	6.00%
(7,300)	Impact on the recoverable amount of a 1% increase in discount rate ($000)	(7,600)
7,800	Impact on the recoverable amount of a 1% decrease in discount rate ($000)	8,300

Credit risk

The Crown does not hold any collateral or any other credit enhancements over receivables for child support that are past due.

Receivables for child support are widely dispersed over a number of customers, and as a result, the Crown does not have any material individual concentrations of credit risk.

Note 5. Small Business Cashflow Scheme

The Small Business Cashflow Scheme was established in May 2020 to assist small-to-medium-sized businesses impacted by COVID-19. The scheme provided loans to businesses employing 50 or fewer full-time equivalent employees for a maximum loan term of 5 years. The loans are administered by IR.

Eligible businesses were able to borrow a $20,000 base amount plus an additional $1,800 per equivalent full-time employee, up to a maximum loan of $110,000. To be eligible for the loans, borrowers needed to declare that they were a viable business and that they would use the money for core business operating costs. Applications for new lending for the scheme ended on 31 December 2023.

Loans are interest-free for the first 2 years and then an interest rate of 3% per annum applies. Repayments are not required for the first 2 years, but voluntary payments can still be made. After this period, regular principal and interest payments are required to be paid on outstanding balances.

IR holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is responsible for collecting the loan.

Small Business Cashflow Scheme loans are designated at fair value through surplus or deficit under PBE IPSAS 41 Financial Instruments because it is uncertain when borrowers will make repayments.

The difference between the amount of the loan and the fair value on initial recognition is recognised as an expense.

The initial fair value is lower than the amount of the initial loan for a number of reasons, including that:

- repayments are not required for the first 2 years
- the time value of money will erode the value of future repayments because there is no interest charged in the first 2 years
- the interest rate of 3% charged is lower than the market interest rates for loans to small-to-medium-sized businesses
- borrowers may default on their obligations.

After loans are issued, an adjustment is made each month to unwind the interest. This adjusts the present value of the write-down over time. IR also receives repayments from borrowers.

At the end of the year, actuarial and predictive models are used to compare the carrying value to the fair value of the loan portfolio, and the difference is recognised in the surplus and deficit of the Financial Statements of the Government of New Zealand. The difference is also shown in the Schedule of Non-departmental Gains and Losses.

IR uses the following key terms to help define loan values:

Fair value	The market value of loans if they could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Nominal value	The total amount owed by borrowers at a point in time, including loan principal and interest.

Since the scheme began in May 2020, $2.363 billion has been disbursed and $1.289 billion has been repaid. The nominal and fair values of the loan balance as at 30 June 2024 are $1.120 billion and $465 million respectively.

The nominal and fair values of loans are shown below.

Actual 2023 $000		Note	Actual 2024 $000
820,599	Opening fair value		786,453
100,105	Lending		65
(53,926)	Initial fair value write-down on lending		25
(431,517)	Repayments		(378,181)
110,192	Interest unwind	2	94,613
241,000	Fair value remeasurement		(38,393)
786,453	**Closing fair value**		**464,582**
	Current and non-current apportionment		
352,000	Small Business Cashflow Scheme loans—current		325,000
434,453	Small Business Cashflow Scheme loans—non-current		139,582
786,453	**Fair value Small Business Cashflow Scheme loans**		**464,582**
1,785,260	Opening nominal value		1,478,351
100,105	Lending		65
(431,517)	Repayments		(378,181)
32,808	Interest		33,168
(8,305)	Write-offs		(13,585)
1,478,351	**Closing nominal value**		**1,119,818**

Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Schedule of Non-departmental Assets, fair values are determined according to the following hierarchy:

- quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

The Small Business Cashflow Scheme is valued at 30 June 2024 using significant non-observable inputs (level 3). There are no quoted market prices (level 1) and no observable inputs (level 2).

The next section provides details on the model, and the table on the next page outlines the significant assumptions and sensitivities for the level 3 valuation technique.

Small Business Cashflow Scheme valuation model, significant assumptions and uncertainties

At the end of the year, the Small Business Cashflow Scheme is valued by an independent external valuer using an actuarial and predictive model. We provide data to the valuer on borrowing and repayments and data on borrowers such as industry and region. The data is up to 30 June 2024. The key assumptions in determining the $465 million fair value of the Small Business Cashflow Scheme as at 30 June 2024 are the timing of principal and interest repayments and the default rates. The most critical assumption is the default rates which have been explicitly modelled for each industry sector.

The valuer has refined the valuation approach this year and now determines the fair value by forecasting the expected loan repayments and interest payments and applying estimated default rate and repayment rate assumptions. The expected repayments are then discounted and an allowance for expenses is deducted.

As noted by the valuer, there are significant uncertainties in estimating the fair value of the scheme. The key uncertainties include:

- the scheme is relatively new and there is limited data to determine the likely repayment default experience
- there are limited reference points to determine discount rates for discounting the cash flows
- the businesses that have acquired loans may have also been impacted by the recent high levels of inflation and general macroeconomic uncertainty
- the uncertain and volatile nature of the future debt repayments.

The fair value remeasurement at 30 June 2024 is a decrease of $38 million (2023: $241 million increase). This is mainly due to lower repayments than forecast this year and assumption updates to reflect lower repayment experience in the future.

A breakdown of the fair value remeasurement—Small Business Cashflow Scheme loans reported in the Schedule of Non-departmental Gains and Losses is set out below:

Actual 2023 $000		Actual 2024 $000
3,000	Discount rate adjustment	(700)
238,000	Expected repayment adjustment	(37,693)
241,000	**Total fair value remeasurement—Small Business Cashflow Scheme**	**(38,393)**

The significant assumptions and sensitivities behind the fair value are:

Actual 2023		Actual 2024
	Assumptions	
3.00%	Loan interest rate	3.00%
29.00%–33.20%	Default rate	23.00%–32.00%
19.00%	Discount rate	12.00%
	Sensitivities	
N/A[1]	Impact of a 5% increase in the default rate ($000)	(126,800)
N/A[1]	Impact of a 5% decrease in the default rate ($000)	121,100

1 A sensitivity is not available for 2022–23 due to the change in valuation methodology this year.

The loan portfolio is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans, causing the scheme to incur a loss. The risk of default has been assumed to be equivalent to a C-grade investment.

The scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the scheme does not have any material individual concentrations of credit risk.

IR will use a variety of activities that inform and assist customers to repay their loans and enforce compliance to reduce the risk of non-payment of obligations.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. There is a risk that, if interest rates rise, the value of the scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value.

Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate attached to the loans is set by the Government.

Note 6. Student loans

StudyLink Hoto Akoranga MSD administers the initial capital lending and issues student loans, which are then transferred to IR. IR holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is also responsible for the collection of debt.

Student loans are designated at fair value through surplus or deficit under PBE IPSAS 41 Financial Instruments because borrowers only start repayments if they earn an income above a certain threshold.

The difference between the amount of the student loan and the fair value on initial recognition is recognised as an expense. The initial fair value is lower than the amount of the initial student loan for a number of reasons, including that:

- some borrowers will never earn enough to repay their loans
- some overseas-based borrowers will default on their payment obligations
- the time value of money will erode the value of future repayments because there is no interest charged on New Zealand-based borrowers' balances.

After loans are issued, an adjustment is made each month to unwind the interest. This adjusts the present value of the write-down over time. IR also receives repayments from borrowers.

At the end of the year, actuarial models are used to compare the carrying value to the fair value of the student loan portfolio, and the difference is recognised in the surplus and deficit of the Financial Statements of the Government of New Zealand. The difference is also shown in the Schedule of Non-departmental Gains and Losses. Details of the models are provided later in this note.

IR uses the following key terms to help define student loan values:

Fair value	The market value of student loans if they could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Nominal value	The total amount owed by borrowers at a point in time, including loan principal, interest, fees and penalties.

The nominal and fair values of student loans are shown below:

Actual 2023 $000		Note	Actual 2024 $000
9,208,542	Opening fair value		9,372,547
(1,633,547)	Repayments		(1,596,483)
1,271,263	Borrowings transferred from the Ministry of Social Development		1,348,087
(550,743)	Initial fair value write-down on new borrowings		(544,076)
500,000	Fair value remeasurements		355,000
577,032	Interest unwind	2	661,558
–	Other		(240)
9,372,547	**Closing fair value**		**9,596,393**
	Current and non-current apportionment		
1,611,000	Student loans—current		1,572,000
7,761,547	Student loans—non-current		8,024,393
9,372,547	**Fair value student loans**		**9,596,393**
16,137,239	Opening nominal value		15,942,333
(1,633,547)	Repayments		(1,596,483)
1,271,263	Borrowings transferred from the Ministry of Social Development		1,348,087
123,333	Penalties		125,984
54,848	Interest on overseas-based borrowers		61,757
21,361	Administration and establishment fees		20,628
(32,164)	Death and bankruptcies		(34,512)
–	Other		(240)
15,942,333	**Closing nominal value**		**15,867,554**

Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Schedule of Non-departmental Assets, fair values are determined according to the following hierarchy:

- quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

Student loans as at 30 June 2024 are valued using significant non-observable inputs (level 3). There are no quoted market prices (level 1) and no observable inputs (level 2).

The next section provides details on the model, and the table on page 179 outlines the significant assumptions and sensitivities for the level 3 valuation technique.

Student loan valuation model

At the end of the year, the student loan portfolio is revalued to fair value by an independent external valuer using actuarial models. Stats NZ collates most of the data for the actuarial valuation model from IR, the Ministry of Education Te Tāhuhu o Te Mātauranga and MSD. The data is made up of borrowings, repayments, income, educational factors and socioeconomic factors. It is current up to 31 March 2023. In addition, supplementary data from IR and the New Zealand Customs Service Te Mana Ārai o Aotearoa, about loan transactions and borrowers' cross-border movements for the period up to 31 March 2024, is also included.

The fair value movement, recognised in the Schedule of Non-departmental Gains and Losses, relates to changes in discount rate and a reassessment of the expected repayments of loans. The fair value movement at 30 June 2024 is an increase of $355 million (2023: $500 million increase). This increase incorporates the following changes to the fair value:

- The discount rate adjustments have increased the value of the scheme by $80 million (2023: $194 million increase). This is largely due to risk-free rate and risk adjustment changes. The discount rates used for determining the fair value are equal to the Treasury's prescribed risk-free rates for accounting valuations plus a risk adjustment. Since 30 June 2023, risk-free rates have generally increased, which has decreased the fair value of the student loan portfolio by $88 million. Differences in the discount rates applied to interest unwind and initial fair value write-down contributed a further $6 million decrease in fair value. The risk adjustment decreased from 1.71% to 1.26%, which is in line with market data, increasing the fair value by $174 million.
- Data and modelling changes have increased the value of the scheme by $308 million (2023: $48 million increase). This is mainly due to:
  - Updated domestic income and repayment assumptions, which have increased the fair value by $154 million.
  - Additional funding introduced through Budget 2024 towards initiatives to improve overseas-based borrower compliance. These initiatives are expected to increase the probability of repayment and have increased the value of the scheme by $150 million.
  - Other modelling changes including the roll forward of data, which have increased the value by $4 million.
- Other expected repayment adjustments have decreased the fair value of the scheme by $33 million (2023: $229 million increase). These include:
  - Updated macroeconomic assumptions have decreased the fair value by $59 million (2023: $48 million increase). This can be broken down into 3 components:
    - A decrease of $51 million due to lower salary inflation assumptions, resulting in lower projected domestic incomes and domestic borrower repayment obligations.
    - A decrease of $12 million due to lower loan and late payment interest rate assumptions (i.e., less interest collected).
    - An increase of $4 million due to decreases to CPI assumptions, meaning higher domestic repayment obligations.
  - The experience variance—this has decreased the value by $7 million (2023: $44 million increase), largely due to lower-than-expected repayments and lower-than-expected write-offs.
  - Updates to the expense assumption—these have increased the value by $7 million (2023: $2 million increase).
  - A policy change implemented through Budget 2024 to increase the overseas loan and late payment interest rates by 1% each tax year from 1 April 2025 to 31 March 2030. This increased the fair value by $26 million.

A breakdown of the fair value remeasurement—student loans reported in the Schedule of Non-departmental Gains and Losses is set out below.

Actual 2023 $000		**Note**	**Actual 2024 $000**
(345,000)	Risk-free rates		(94,000)
539,000	Risk adjustment		174,000
194,000	**Discount rate adjustment**		**80,000**
48,000	Macroeconomic effects		(59,000)
44,000	Experience variance		(7,000)
2,000	Expense assumption		7,000
–	Policy changes		26,000
48,000	Data and modelling changes		308,000
135,000	COVID-19 impacts—model changes		–
277,000	**Expected repayment adjustment**		**275,000**
29,000	Repayment collection allowance	2	–
500,000	**Total fair value remeasurement—student loans**		**355,000**

The student loan valuation model reflects macroeconomic assumptions, current student loan policy and announced policy where relevant. The fair value is sensitive to changes in a number of underlying assumptions and judgements, including future income levels, repayment behaviour and macroeconomic factors such as inflation and discount rates. As noted by the valuer, it is not possible to assess with any certainty the implications of the global economic uncertainty on the fair value of the scheme or the economy as a whole, in terms of the length or degree of impact. For these reasons, the valuation has a high degree of inherent uncertainty and there is a significant risk of material adjustment to the fair value in future accounting periods. The key risks are:

- The proportion of overseas-based borrowers making a repayment is an important metric for the scheme as the value of the loans for these borrowers hinges on the level of their compliance. As part of Budget 2024, IR was allocated funding to administer initiatives aimed at improving overseas-based borrower compliance. The valuers have increased the probability that overseas-based borrowers will make loan repayments. While there are historical precedents for initiatives to improve overseas repayment behaviour, the Budget 2024 initiatives only commence on 1 July 2024, meaning there is no concrete data to verify the impact at the time of the valuation. This lack of data poses a risk that the fair value of the scheme may be overstated or understated.
- There is uncertainty in the domestic and global economies as economies around the world experience high inflation. While inflation is beginning to be brought under control in New Zealand, subsequent effects on unemployment and interest rates may continue to emerge. There has been no explicit adjustment to the valuation to account for this. However, the fair value includes a risk adjustment, part of which accounts for general uncertainty in the economic outlook. In addition, macroeconomic forecasts used in the valuation take into account the current economic outlook. There is a risk that the fair value of the scheme may decrease at future valuations if the economic outlook worsens.
- Migration in and out of New Zealand has been severely impacted by the government response to the COVID-19 pandemic. In the 2024 tax year, we saw emigration out of New Zealand exceeding the levels seen before the pandemic, potentially due to pent-up demand for moving overseas and macroeconomic trends. There remains significant uncertainty about future net migration and there is therefore a risk that experience may differ significantly from our assumptions.
- There is uncertainty around the characteristics and behaviour of borrowers leaving study and those who do not have substantive employment. There is a risk that experience for this group may differ significantly from assumptions.

The significant assumptions and sensitivities behind the fair value are:

Actual 2023		Actual 2024
	Assumptions	
9,372,547	Fair value ($000)	9,596,393
6.94%	Discount rate including an allowance for expenses	6.48%
2.80%–5.80%	Interest rate applied to loans for overseas-based borrowers	2.90%–6.60%
1.93%–7.28%	Consumer Price Index	2.00%–5.65%
3.00%–5.87%	Future salary inflation	2.95%–4.96%
	Sensitivities	
82,000	Impact on fair value of a 1% increase in average wage earnings inflation over 5 years ($000)	83,000
(86,000)	Impact on fair value of a 1% decrease in average wage earnings inflation over 5 years ($000)	(87,000)
224,000	Impact on fair value of a 2.5% increase in the probability of overseas-based borrowers making repayments ($000)	218,000
(166,000)	Impact on fair value of a 2.5% decrease in the probability of overseas-based borrowers making repayments ($000)	(177,000)
(397,000)	Impact on fair value of a 1% increase in the discount rate ($000)	(416,000)
436,000	Impact on fair value of a 1% decrease in the discount rate ($000)	457,000
29,000	Impact on fair value of a 1% increase in the probability of borrowers going overseas ($000)	68,000
(22,000)	Impact on fair value of a 1% decrease in the probability of borrowers going overseas ($000)	(45,000)
68,000	Impact on fair value of a 1% increase in the probability of borrowers returning to New Zealand ($000)	59,000
(76,000)	Impact on fair value of a 1% decrease in the probability of borrowers returning to New Zealand ($000)	(63,000)
55,000	Impact on fair value of a 1% increase in the probability of borrowers moving from low earner to high earner ($000)	52,000
(59,000)	Impact on fair value of a 1% decrease in the probability of borrowers moving from low earner to high earner ($000)	(55,000)

The scheme is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, causing the scheme to incur a loss. The risk of death or default cannot be quantified.

The Student Loan Scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by the collection of compulsory repayments through the tax system. This is less effective with overseas-based borrowers. Many New Zealand-based borrowers earning over the income threshold have compulsory deductions from salary and wages to repay their loans. Overseas-based borrowers are required to make repayments twice a year based on their loan balance. IR uses a variety of communications and campaigns to reduce the risk of non-payment of obligations.

Loans are written off in the event of death or bankruptcy.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. There is a risk, that if interest rates rise, the value of the scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value.

Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the Government.

Performance of the scheme

A detailed explanation and insights into the performance of the scheme are available in the Student Loan Scheme Annual Report at educationcounts.govt.nz.

Crown liabilities we are managing

Note 7. Refundables and payables

Refundables and payables are financial liabilities and are recognised at their nominal value as they are due within 12 months. The nominal value is considered to approximate their fair value.

Taxes refundable represent refunds due to customers.

KiwiSaver payable mainly represents the annual government contribution payments to be paid in July 2024. The balance also includes a small amount of contributions yet to be forwarded to scheme providers at balance date.

Actual 2023 $000		Actual 2024 $000
5,164,482	Taxes refundable	5,547,650
1,005,823	KiwiSaver payable	1,058,653
16,480	Paid parental leave payable	21,017
6,186,785	**Total refundables and payables**	**6,627,320**

Note 8. Unclaimed monies

Under the Unclaimed Money Act 1971, entities (for example, financial institutions and insurance companies) transfer money not claimed after a prescribed length of time (usually 5 years) to IR. The funds are repaid to the entitled owner on proof of identity.

Unclaimed money that is received or held by IR becomes unclaimable when there is no identifying information, the amount is less than $100 or the money is unclaimed for 25 years or more.

Note 9. Reserve schemes

Actual 2023 $000		Actual 2024 $000
336,629	Income equalisation	253,060
139,193	Environmental restoration	139,302
475,822	**Total reserve schemes**	**392,362**

The income equalisation scheme allows customers in the farming, fishing and forestry industries to make payments during the year by way of income equalisation deposits. Interest is paid at a rate of 3% per annum if a deposit is left in the scheme for a period of more than 12 months.

The environmental restoration account allows businesses to set aside money to cover costs for monitoring, avoiding, remedying or mitigating any detrimental environmental effects that may occur in later years. Interest is calculated at a rate of 3% per annum and is payable from the day after the deposit is made until the day before a refund is made. Refunds will be made when the environmental restoration costs are incurred.

Crown contingencies we are managing

Note 10. Contingencies

Contingent assets and liabilities are recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities.

Contingent assets

Disputes—non-assessed

Contingent assets arise as part of the tax dispute process, for example, when IR has advised a customer of a proposed adjustment to their tax assessment through a notice of proposed adjustment. At this point, IR has not issued an amended assessment and no revenue has been recognised so these adjustments are recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities as disputes—non-assessed. The customer has the right to dispute this adjustment and a disputes resolution process is entered into. IR records a contingent asset based on the cash likely to be received from the disputes process, based on experience and similar prior cases, net of losses carried forward.

Contingent assets can also arise where the customer has not filed an assessment, but IR believes they are liable for tax. In this situation, IR will issue an assessment. Where the customer chooses to dispute the IR-initiated assessment, the assessment is not recognised as revenue and a contingent asset is recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities. The value of the asset is based on the cash likely to be received from the disputes process, based on experience and similar prior cases, net of losses carried forward.

Contingent liabilities

Legal proceedings and disputes—assessed

If a legal case is still not resolved at the end of the disputes process, IR will issue an amended assessment to the customer and recognise revenue and a contingent liability. The customer is then able to file proceedings with the Taxation Review Authority or the High Court disputing the assessment.

Unclaimed monies

Unclaimed monies are repaid to the entitled owner on proof of identity. Based on trends from prior years, the estimated likely amount of unclaimed monies that will be paid is recorded as a liability in the Schedule of Non-departmental Liabilities and the remainder is recorded as a contingent liability in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities.

Other disclosures

Note 11. Collection of earner levy

IR collects earner levies on behalf of the Accident Compensation Corporation and passes the monies directly to them. The levies are not recognised as revenue or expenditure in the non-departmental schedules.

Actual 2023 $000		Actual 2024 $000
2,403,675	Earner levy	2,712,780
2,403,675	**Total collection of earner levy**	**2,712,780**

Note 12. Events after balance date

There have been no significant events after balance date.

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report
Pūrongo Kaitātari Pūtea Tōkeke

To the readers of Inland Revenue's Annual Report for the year ended 30 June 2024

The Auditor-General is the auditor of Inland Revenue (the Department). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 119 to 148, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in taxpayers' funds, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information for the appropriations administered by the Department for the year ended 30 June 2024 on pages 49 to 92 and 95 to 99;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2024 on pages 100 to 104; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 152 to 182 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2024;
  - the schedules of expenditure; revenue; gains and losses; and movements between other Government departments for the year ended 30 June 2024;
  - the schedule of trust money for the year ended 30 June 2024; and
  - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information for the appropriations administered by the Department for the year ended 30 June 2024:
  - presents fairly, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.

- the statements of expenses and capital expenditure of the Department are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2024; and
  - expenditure; revenue; gains and losses; and movements between other Government departments for the year ended 30 June 2024; and
  - the schedule of trust money for the year ended 30 June 2024.

Our audit was completed on 30 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to the significant uncertainties with some transactions and balances that are included in the schedules of non-departmental activities. In addition, we outline the responsibilities of the Commissioner and Chief Executive (Chief Executive) and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of matters – Significant uncertainties

Without modifying our opinion, we draw attention to the following matters in the non-departmental statements and schedules.

Estimation of income tax revenue for companies and other persons

Note 2 on pages 163 to 165 outlines the significant uncertainties, assumptions, and sensitivities in estimating income tax revenue for companies and other persons for the year ended 30 June 2024. The methodology used to estimate income tax revenue for companies and other persons is based on macroeconomic forecasts about economic performance. There is uncertainty in the assumptions used in the macroeconomic forecasts and the relationship between those forecasts and tax revenue.

Impairment of tax receivables

Note 3 on pages 166 to 168 outlines the significant uncertainties, assumptions, and sensitivities in estimating the value of tax receivables and associated impairment as at 30 June 2024. The impairment of tax receivables is calculated based on expected future repayments. The future repayments are uncertain because of the uncertainty associated with the estimation of the repayment behaviour of debtors.

Student loans

Note 6 on pages 175 to 179 outlines the significant uncertainties, assumptions, and sensitivities in estimating the fair value of the student loan portfolio as at 30 June 2024. The fair value is based on expected future income levels and debt repayments. The expected future income levels and debt repayments are uncertain because they are dependent on macroeconomic factors and the behaviour of borrowers.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Department for preparing:

- Financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- Performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- Statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- Schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's statement of intent.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information for the appropriations administered by the Department.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 48, 93, 94, 105 to 118, 149 to 151, 187 to 200, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2024 and subsequently, an external member of the Risk and Assurance Committee of the Department is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Department.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the Department.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Additional information
Taipitopito anō

Delegations outside the Public Service

In accordance with Schedule 6 of the Public Service Act 2020, Inland Revenue Te Tari Taake (IR) is required to report on situations where the Commissioner has delegated any of the Commissioner powers outside the Public Service.

Westpac

The Commissioner has delegated powers under the Treasury Delegations to Westpac's Corporate and Institutional Banking Unit to enable it to effectively manage the movement of payments received in IR's Australian WBC Account (Payments) to IR's Westpac New Zealand Account.

This delegation allows Westpac to transfer the payments out of IR's WBC Australia Account to IR's Westpac New Zealand AUD Account, apply the foreign exchange rate to the AUD amount and then transfer the NZD amount to IR's Westpac New Zealand Account.

This delegation has been operating as intended in line with the contractual arrangements with Westpac.

Callaghan Innovation

Callaghan Innovation and IR act in partnership to determine entitlement to the Research and Development Tax Incentive (RDTI).

To fully enable discussions with customers, agents and experts in relation to applications for the RDTI, the Commissioner has delegated powers to share information under section 18 of the Tax Administration Act 1994 to staff in Callaghan Innovation who consider RDTI applications.

This delegation is limited to information that relates to RDTI applications and has been working as intended.

Information sharing with the Department of Internal Affairs Te Tari Taiwhenua (DIA)

Under information-sharing regulations, IR must report annually for this approved information-sharing agreement (AISA) on actions taken during the financial year.

A copy of the approved AISA is available to view at ird.govt.nz/about-us/information-sharing/information-sharing/dia

	Financial year ending 30 June 2023	Financial year ending 30 June 2024
Contact records received from DIA	240,425	168,623[1]
Contact records not matched to a corresponding IR record for: • overseas-based child support debtors • overseas-based child support non-debtors who do not appear to have up-to-date contact information, and • overseas-based student loan defaulters.	236,980	165,721
Contact records matched to corresponding IR records for:		
• overseas-based child support debtors	349	290
• overseas-based child support non-debtors who do not appear to have up-to-date contact information	*	66
• overseas-based student loan defaulters	2,910	1,751
• overseas-based student loan non-debtors who do not appear to have up-to-date contact information.	181	795
Ongoing programme operating costs[2]	1,728	1,728
Individuals successfully contacted[3] using contact records matched to:		
• overseas-based child support debtors	10 (2.9%)	21 (7.2%)
• overseas-based child support non-debtors who do not appear to have up-to-date contact information	(0%)	*
• overseas-based student loan defaulters	88 (3.0%)	100 (5.7%)
• overseas-based student loan non-debtors who do not appear to have up-to-date contact information.	7 (3.9%)	38 (4.8%)
Payments received from individuals as a result of successful contact with:		
• overseas-based child support debtors	*	*
• overseas-based student loan defaulters.	108 payments ($16,421)	23 payments ($11,631)
Percentage of individuals who have addressed their debt[4] as a result of being successfully contacted by IR:		
• overseas-based child support debtors	*	*
• overseas-based student loan defaulters.	0.6% (18 individuals)	0.8% (14 individuals)

* Not released for confidentiality reasons.

1 Overall records are lower than the previous year due to an issue with data received from DIA in June relating to 2 months of data. Results relating to the 2 months from a resupplied file will be incorporated into the overall results for 2024–25 and reported in our next Annual Report.

2 Approximate annual incidental administrative charge.

3 Leads were not necessarily loaded for all those matched, and there was a slight methodology change for non-debtors.

4 Individual no longer has payments overdue or has made a payment arrangement with IR.

Information sharing with New Zealand Police Ngā Pirihimana o Aotearoa, the New Zealand Customs Service Te Mana Ārai o Aotearoa and the Serious Fraud Office Te Tari Hara Tāware

Our approved information-sharing agreement (AISA) with New Zealand Police, the New Zealand Customs Service and the Serious Fraud Office sets out key activities that we need to report on each year in our Annual Report.

Under sections 154(1)(b), 155 and 156 of the Privacy Act 2020, the Privacy Commissioner has specified the following reporting in respect of the AISA for supply of information for the purpose of prevention, detection, investigation or providing evidence of serious crime.

A copy of the AISA is available to view at ird.govt.nz/about-us/information-sharing/information-sharing/nz-police.

Information shared between 1 July 2023 and 30 June 2024

	Serious Fraud Office		New Zealand Customs Service		New Zealand Police	
Description	**2022–23**	**2023–24**	**2022–23**	**2023–24**	**2022–23**	**2023–24**
Number of requests for information made by the agency	75	39	14	16	463	632
Number of responses with information provided by IR to the agency	75	39	11	11	471	573
Number of occasions IR proactively provided information to the agency	1	2	0	0	3	10
Number of occasions IR proactively received information from the agency	0	0	1	1	0	0

Notes

The Serious Fraud Office sent 2 large overall requests, that included numerous entities and individuals. For reporting purposes, these have been recorded individually. For 2023–24, 8 requests were received in May 2023 and a response was provided in July 2023: these have been included in the figures above.

The New Zealand Customs Service requested 8 shares in May 2023, with the response provided in July 2023. These have been included in the above figures.

Benefits

This is the number of times that information provided by IR has been used in a case, with a resolution of:

	Serious Fraud Office		New Zealand Customs Service		New Zealand Police	
Description	**2022–23**	**2023–24**	**2022–23**	**2023–24**	**2022–23**	**2023–24**
No offence	1	0	0	0	94	108
Prosecution	7	1	10	1	121	139
Warning	0	0	0	0	3	0
Still under investigation	0	0	9	7	227	326
No response received (still in progress)	0	0	0	0	0	0
No. of requests cancelled or did not meet criteria	0	0	0	5	18	59
Total	**8**	**1**	**19**	**13**	**463**	**632**

Warning, diversion and youth case action do not apply as the AISA focuses on serious offending and these possible resolutions are for lower-level offending that falls below the serious crime threshold.

Costs

The estimated cost of the agreement for the year ended 30 June 2024 is approximately $80,000.00.[5]

Amendments

No amendments have been made to the agreement.

5 Excludes estimated costs for legal services and team lead roles.

Information sharing with the Ministry of Social Development Te Manatū Whakahiato Ora

Under sections 154(1)(b), 155 and 156 of the Privacy Act 2020, the Privacy Commissioner has specified the following reporting in respect of the approved information-sharing agreement listed in schedule 2A of the Privacy Act between IR and the Ministry of Social Development (MSD) to facilitate the following public services:

- The accurate and efficient assessment of eligibility for, and entitlement to, benefits and subsidies.
- The accurate and efficient assessment and enforcement of tax obligations, including recovering any associated debt.
- The accurate and efficient assessment and enforcement of obligations relating to benefits and subsidies, including recovering any associated debt.
- The development of public policy using personal information to assess the potential costs to the Crown and the impact on individuals, or groups of individuals, who may be affected.
- Administration, research and analysis for the purposes set out in the agreement for which information may be shared.

IR will collate the following information annually (for the period between 1 July and 30 June) and report the information in its Annual Report for that year.

Scale

Metric	Shares derived from:	2022–23	2023–24
Administration of shared services:			
Number of records disclosed (MSD to IR)	Commencement / cessation of benefits / students	55	21
	Child support administration	672,153	157,908
	Student loan programme	17,079,734	16,259,014
Number of records disclosed (IR to MSD)	Community Services Card	1,725,016	1,830,267
	Commencement / cessation of benefits / students	55	21
	Proactive information share—benefits and subsidies	846,787	832,131
	Child support administration	116,757	121,549
	Student loan programme	119,118	298,866

Benefits (Quantitative)

Metric		2022–23	2023–24
Number of services automatically transferred	Working for Families Tax Credits (WFFTC) administration	14,549	14,666
Number of services stopped (overpayments)	WFFTC double payment (number)	904	947
	WFFTC double payment (value)	$721,118	$696,906
Services offered or renewed (number)	Community Services Card	273,444	306,976
Service cancellations (number)	Proactive information share—benefits and subsidies	1,495	886
Adverse action notices (number sent)	Community Services Card	4,401	4,652
	Commencement / cessation of benefits / students	0	0
	Proactive information share—benefits and subsidies	66,315	46,076
Challenges (number received and number upheld)	Community Services Card (received)	0	0
	Community Services Card (upheld)	0	0
	Commencement / cessation of benefits / students (received)	0	0
	Commencement / cessation of benefits / students (upheld)	0	0
	Proactive information share—benefits and subsidies (received)	812	960
	Proactive information share—benefits and subsidies (upheld)	150	133
Overpayments established (number and value)	Commencement / cessation of benefits / students (number)	0	0
	Commencement / cessation of benefits / students (value)	$0	$0
	Proactive information share—benefits and subsidies (number)	17,158	12,749
	Proactive information share—benefits and subsidies (value)	$57,483,151	$50,453,814
Arrears created (number and value)	Commencement / cessation of benefits / students (number)	0	0
	Commencement / cessation of benefits / students (value)	$0	$0
	Proactive information share—benefits and subsidies (number)	25	30
	Proactive information share—benefits and subsidies (value)	$5,868	$3,438
Referrals for suspected fraud (number)	Proactive information share—benefits and subsidies	1	0
Prosecutions successful (number)	Proactive information share—benefits and subsidies	0	0

Qualitative benefits

In the 2023–24 year:

- The information sharing under this AISA has effectively helped MSD to assess eligibility for Community Services Cards, benefits and subsidies, and to identify overpayments. It is also the most effective way for IR and MSD to ensure customers receive their correct Working for Families Tax Credits entitlements.
- There have been no data breaches under the AISA.
- Data was continually shared throughout this reporting period. However, MSD has continued to reprioritise resources to manage the increased demand volumes across all data match and information shares. This has impacted both the commencement/cessation of benefits/students match and proactive information share—benefits and subsidies recorded values within this reporting period.

Assurance

In the 2023–24 year, we can confirm MSD and IR have received no privacy complaints about the operation of the information sharing under the AISA. There has been no change to the Order in Council.

Information sharing with approved credit reporting agencies

In the year ended 30 June 2024, IR has credit reported/formally notified and communicated information on 3 taxpayers with an approved credit reporting agency.

Algorithm Charter for Aotearoa New Zealand

Algorithm Charter for Aotearoa New Zealand

IR adopted the Algorithm Charter (the charter) for Aotearoa New Zealand in July 2020. The charter includes 6 commitments intended to shape government agency behaviours in ways that minimise risk to people and maximise the benefits algorithms can provide.

IR has a governance programme over our data and information, which includes how we work with the charter commitments and assessing the risk when we use algorithms. Legislation provides us and our customers with specific rights regarding information.

AI governance

Our AI governance activities follow Government direction along with guidance from system leads on the approach and work on AI.

We have legal, ethical and business responsibilities to ensure that the data and information we are a steward of is protected, maintained and developed for the benefit of more than just ourselves.

Appendix 1: Glossary

Term	Definition
Advance pricing agreements (APAs)	A cooperative approach to addressing transfer pricing compliance. APAs produce significant time and cost savings and certainty of outcomes for both tax authorities and multinationals in comparison with adversarial audits. APAs encourage upfront taxpayer compliance and early resolution of potential disputes.
Appropriation	A parliamentary authorisation for the Government or an Office of Parliament to incur expenses or capital expenditure. Expenditure can only be incurred under an appropriation or other statutory authority.
Approved information-sharing agreement (AISA)	A tool that allows government agencies to provide efficient and effective public services through collaborating and sharing information without intruding on people's rights or exposing agencies to risk. Approved information-sharing agreements are listed in Schedule 2 of the Privacy Act 2020. See privacy.org.nz/privacy-for-agencies/information-sharing.
Automatic Exchange of Information (AEOI)	Refers to the global Standard for Automatic Exchange of Financial Account Information in Tax Matters, which aims to fight offshore tax evasion. AEOI involves financial institutions collecting details of financial accounts held by non-residents and passing that information to us so that we can then pass it on to the relevant country.
Automatically issued individual income tax assessments	We automatically calculate and issue income tax assessments for individual customers if we have all their income information (income from employment, investments such as bank deposits or savings interest or a benefit under an employment share scheme) for the tax year.
Bright-line rule	A rule that any profit on a residential property will be taxable if it is sold within a set period of time, the bright-line period, unless an exclusion or rollover relief applies.
Business Transformation	IR's now completed programme to make tax and payments simpler, open and more certain for customers.
Cabinet	The group of Government Ministers who make the Government's significant decisions. Cabinet is chaired by the Prime Minister.
Carbon Neutral Government Programme	A programme set up to accelerate the reduction of emissions within the public sector.
Child support pass-on	From July 2023, when a liable parent makes a child support payment, it is passed on to the receiving carer on a sole-parent rate of benefit instead of being used to pay the cost of providing the benefit.
Compliance intervention	A step or action taken to assist with compliance. This could range from a simple customer contact through to an audit, statutory dispute or prosecution.
COVID-19 support products	Payments introduced to support businesses and organisations that had a loss of revenue due to COVID-19. The Small Business Cashflow Scheme is a loan. The Resurgence Support Payment and COVID-19 Support Payment were grants.
Crown	All Ministers and all departments, the State as a whole.
Crypto-assets	Also known as crypto-currencies or virtual currencies, crypto-assets are treated as a form of property for tax purposes. What people make from selling, trading or exchanging crypto-assets is taxable.

Customer-centric	Putting our customer at the centre of everything we do. This gives us a better approach to designing new and existing services and guides us on where to focus effort and resources and ways to reach customers in an appropriate manner.
Digital Identity Services Trust Framework	The legal framework for digital identity services in New Zealand. It includes rules and regulations for how digital identity services that are accredited should work, protecting information and privacy.
Estimates of Appropriations	Detailed documents in which the Government sets out its spending plans for the coming financial year. The Estimates are presented to Parliament, which then approves them through an Appropriation Bill. (Full name: The Estimates of Appropriations for the Government of New Zealand.)
Gateway services	Gateway services are machine-to-machine APIs, web services and file transfers that support communication of tax and social policy information between IR, tax software, KiwiSaver schemes and other government departments as required. These highly secure services help ensure large-scale information transfer both automatically and on demand as need requires. Each software provider has, at their discretion, chosen which of the gateway services they will integrate with and offer to their customers. Tax intermediaries can use these gateway service offerings to file their clients' tax returns or use myIR.
Generic Tax Policy Process	The tax policy process that IR uses, which involves ensuring major tax initiatives are subject to public scrutiny at all stages of their development. Read more at taxpolicy.ird.govt.nz/about/how-we-develop-tax-policy.
Global Anti-Base Erosion rules (GlOBE)	Rules that form part of the OECD-led Two-Pillar Solution to address the tax challenges of the digitalisation of the economy and ensure large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions in which they operate.
Integrity of the tax system	At all times, we need to make sure we are protecting the integrity of the tax system, which section 6(2) of the Tax Administration Act 1994 defines as follows: (2) Without limiting its meaning, the integrity of the tax system includes— a. Taxpayer perceptions of that integrity; and b. The rights of taxpayers to have their liability determined fairly, impartially, and according to law; and c. The rights of taxpayers to have their individual affairs kept confidential and treated with no greater or lesser favour than the tax affairs of other taxpayers; and d. The responsibilities of taxpayers to comply with the law; and e. The responsibilities of those administering the law to maintain the confidentiality of the affairs of taxpayers; and f. The responsibilities of those administering the law to do so fairly, impartially, and according to law.
Kaitakawaenga Māori	Kaitakawaenga Māori deliver IR services in a whānau, hapū and iwi-centric way to ensure our Māori customers have the tools to self-manage their tax affairs whether they are an individual or in business.
KiwiSaver Government Contribution	Government annual contribution towards KiwiSaver members' retirement savings.
Multi-category appropriation (MCA)	A single appropriation made up of multiple categories (which can be different types of expenditure, including output expenses, other expenses and non-departmental capital expenditure) that all contribute to the same overarching purpose. Multi-category appropriations allow greater flexibility.

myIR	Our online customer service portal that enables customers to access and review their tax information online.
NABERSNZ	A system for rating the energy efficiency of office buildings.
Organisation for Economic Co-operation and Development (OECD)	Provides a forum in which the governments of 35 member countries can work together to share experiences and seek solutions to common problems. Promotes policies that will improve the economic and social wellbeing of people around the world. See oecd.org.
Public Finance Act 1989	The purpose of the Public Finance Act is to consolidate and amend the law governing the use of public financial resources. Refer to legislation.govt.nz/act/public/1989/0044/latest/DLM160817.html
R&D Tax Incentive	A tax credit intended to incentivise businesses and individuals who perform R&D activities.
Resident withholding tax (RWT)	A tax on dividends or interest that is paid to New Zealand residents. The payer deducts RWT from this income.
Services Australia	Australian government agency that delivers services and payments on behalf of its government.
Small Business Cashflow Scheme	A loan that was available to eligible organisations and small-to-medium-sized businesses, including sole traders and the self-employed, if they have been adversely affected by COVID-19. Applications closed on 31 December 2023.
START	An acronym for Simplified Tax and Revenue Technology—our taxation and revenue system.
Tax and Social Policy Work Programme	A published document that sets out IR's policy focus for a relevant period. The work programme follows the strategic direction set out in the Government's revenue strategy.
Voluntary compliance	The New Zealand tax system is based on voluntary compliance, which relies on taxpayers meeting their obligations under the tax laws, for example, filing tax returns and returning all income when it is due.
Voluntary disclosure	A disclosure that IR customers can make to tell us what is wrong with their tax returns before we find out in some other way. Any individual, business, trust or employer can make a voluntary disclosure.
Working for Families Tax Credits	Payments for families with dependent children aged 18 and under. The payments are to help parents raise families. The entitlements are based on people's yearly family income and family circumstances. There is more about the 4 types of tax credits at ird.govt.nz/working-for-families/about.

Photo credits

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