Inland Revenue
Te Tari Taake

Managing overdue tax debt

April to June 2025

How overdue tax debt is being managed

Why Inland Revenue is reporting on tax debt

New Zealand's tax debt was $9.3 billion at 30 June 2025.

In Budget 2024, $116 million was allocated to Inland Revenue (IR) over a 4-year period to support debt collection and compliance. This quarterly report tracks our activities and performance in collecting overdue tax debt.

What is tax debt?

The report covers tax debt administered by IR that has become overdue and debt owed relating to tax credits such as Working for Families entitlements and Covid-19 support payments.[1]

The figure on the next page shows the amount of overdue debt for each product at 30 June 2025. The amount owed to IR is constantly changing as customers make payments against their debt or as new debt is incurred. Most customers make their payments on time, resolve their debt quickly or set up a repayment plan. IR also manages debt that has become non-collectable due to (for example) liquidation activity, deceased customers or bankruptcy.

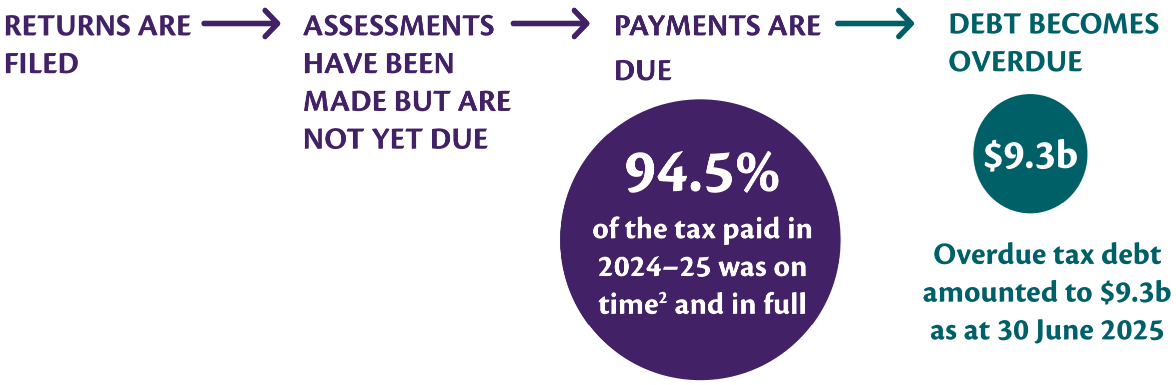
Managing debt is part of our overall revenue approach

We work to stop customers from getting into debt or we address it early so that customers pay it off quickly. This helps to prevent debt from ageing and becoming less recoverable. We focus on making it easy for people to meet their obligations through clear guidance, proactive communication and digital tools that support voluntary compliance. This is part of IR's wider revenue approach, which ensures around 94.5% of tax is paid by customers on time.[2]

We use data and insights to identify patterns of non-compliance and tailor our responses. Where obligations are not met, we act—starting with supportive measures to encourage resolution such as arranging to pay in instalments. For more persistent cases, we take a firmer approach. This can include legal action such as bankruptcies, liquidations, or prosecutions where fraud or tax evasion is involved. This end-to-end approach helps ensure fairness and consistency, while protecting the integrity of New Zealand's tax system.

Our work has been supported by the increased investment in IR through Budgets 2024 and 2025. In the short term, this is enabling us to focus more on debt and increase the amount collected. Looking into the medium term, we're aiming to minimise further growth in debt and write-offs by adapting our systems and approaches to future risks.

A new decision-support tool is streamlining debt collection by helping us focus on the right cases. Our people are able to respond to debt faster and offer tailored repayment options based on each customer's situation. The tool also enables customers to self-manage their debt through their myIR account by proposing pre-approved repayment plans, which they can accept or decline depending on what works best for them.



[1] It excludes debt related to other products we administer: student loans, child support and Small Business Cashflow Scheme loans.
[2] Income tax, GST and employer deductions paid within 7 days of the due date.

Why tax debt is increasing

While relatively low compared to the amount of tax paid on time by customers, tax debt continues to rise, mainly due to ongoing economic pressures faced by businesses, especially small businesses. In addition, from July 2024 we have begun reporting debt as overdue from the day after its due date. If the previous definition had been applied, the overdue debt balance at 30 June 2025 would have been $163 million lower.

The breakdown of tax debt by tax type (see the diagram below) shows GST and employer-related debts together make up 57% of the total overdue amount. GST is paid by customers and held by businesses to pass on to the government—failing to pass it on compromises the level playing field for compliant businesses and undermines the fairness of the tax system.

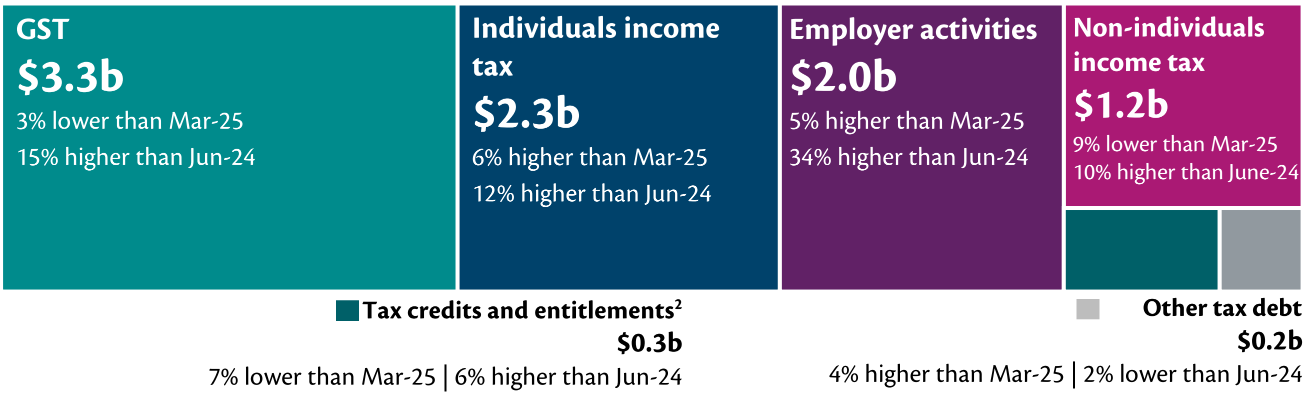
Additionally, the older a debt becomes, the more difficult it is to collect and the more it costs the government in impairment, making it a priority for us to prevent debt from ageing.

Significant enterprises customers paid 97.5% of their tax[1] on time in 2024–25, compared with 94.5% across all customers. The result decreased further for micro businesses, with only 86.1% of these customers paying on time.

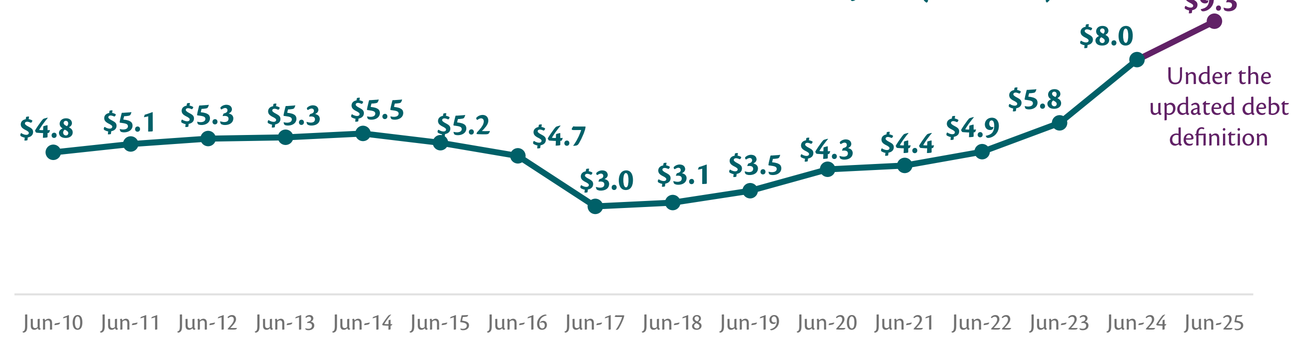
While most businesses continue to meet their tax obligations on time, small businesses and self-employed individuals often face challenges. Limited resources—such as cash flow constraints, seasonal income fluctuations or uncertainty about what's required—can make it harder to stay on top of tax responsibilities. These customers often lack access to professional advice or tools that simplify tax management, which can lead to late payments or reporting errors. Our new tools, such as offering pre-approved repayment plans automatically, are helping to address some of these issues. We continue to take firmer action against those who choose not to comply.

Debt trends follow typical patterns across the year and differ across products. They are also impacted by due dates, which fall at the end of each month. If a due date lands on a weekend or public holiday, payments may become overdue in the next calendar month. This happened in June 2025, when GST due on 28th June did not become overdue until 1st July.

TAX AND ENTITLEMENTS DEBT BY PRODUCT AS AT 30 JUNE 2025



ANNUAL TAX AND ENTITLEMENTS OVERDUE DEBT FIGURES AS AT 30 JUNE ($BILLION)



[1] Income tax, GST and employer activities.

[2] The 2024 comparison reflects alignment with 2025 changes to debt group categories.

Key results

IR collected $4.29 billion in tax and entitlements debt in the year ending 30 June 2025, achieving more than the target of $4.08 billion set as part of Budget 2024. This is the most debt collected since 2018.

As a part of a wider package to carry out more compliance activities, **$6 million in additional funding was invested** in Budget 2024 to increase the amount of overdue tax collected. Further funding has been invested in debt collection activities as part of Budget 2025.

As at 30 June 2025, **14.4% ($1.34 billion) of total tax debt was under an active repayment plan**. The adherence rate for repayment plans set up from July to 30 June 2025 is 54.7%. In June, a new intervention was piloted in myIR, which is intended to increase the total amount of debt under active repayment plans. This initiative offers customers pre-approved repayment plans automatically. Early results indicate strong uptake among those who opened the notifications.

We are **working with Baycorp NZ to contact 3,000 customers who owe less than $5,000** to trial cost-effective ways of engaging customers in debt—this is similar to the approach we use with some overseas-based student loan borrowers. We're seeing early positive results from this campaign.

As part of our collection activities, we automatically issue s157 notices to employers under some circumstances to deduct overdue amounts from their employees' pay. We can also request amounts be deducted from other third parties, including banks. This year, we issued nearly 88,500 deduction notices (a 19% increase compared to last year) to support recovery of unpaid amounts, with 20,741 notices remaining active as at 30 June 2025. We are looking at how we can further automate these processes.

IR is seeing strong engagement with some customers who have very high debts. A recent SMS campaign achieved a **63% response rate**, which is exceptionally high for SMS engagement. Cash collection from this group over April to June 2025 totalled $39 million, up from $25 million in the January to March 2025 quarter. Around 40% of these entities that do not engage with us ultimately progress to bankruptcy or liquidation.

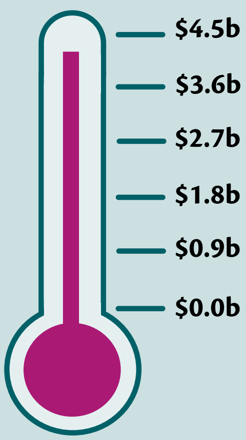
While customers proceeding to liquidation or bankruptcy represent a very small proportion of taxpayers, their impact on tax debt, and on public perceptions of the tax system, is significant. **Of the $9.3 billion overdue tax and entitlements debt, $3.4 billion is considered non-collectable**, for example because the amount of tax is in dispute, a customer is in bankruptcy or liquidation or a customer has passed away. Some of this debt is eventually able to be recovered.

In 2024–25, IR initiated 650 liquidations, an increase of 213 cases (49%) on 2023–24. This increase has heightened awareness that IR will act where needed. Our liquidation interventions need to be timely to minimise the impact on wider businesses, and are important in keeping non-collectable debt to a minimum. Most debt owed by customers in liquidation will not be recovered.

Timely legal action ensures that serious breaches are addressed appropriately. We initiated 50 prosecutions in 2024–25, a 32% increase compared to last year. While prosecutions may not always result in full debt recovery, they are essential for upholding fairness of the tax system.

$4.29b

in cash was collected from debt activity in 2024–25 against a full-year target of $4.08b



GST was the main source of cash collected

$1.73b

Non-individuals income tax

$832m

Individuals income tax

$804m

Employers

$725m

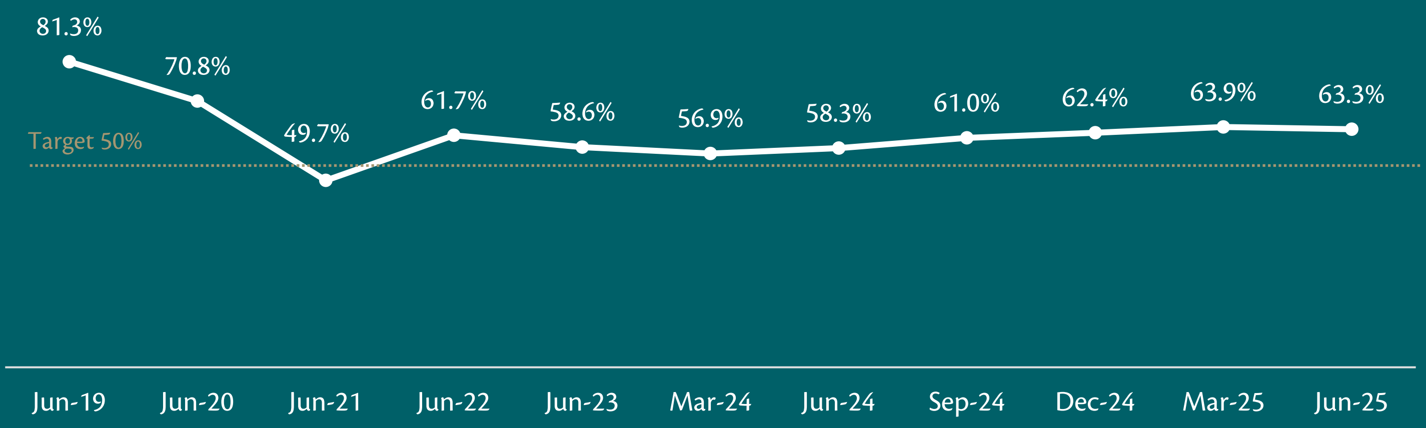
Results from quarter to quarter

63.3%

of customers with new debt had it resolved within six months in 2024–25, indicating we are helping customers newly in debt to pay their tax.

Measure: new customer debt resolved within six months

Target: 50%

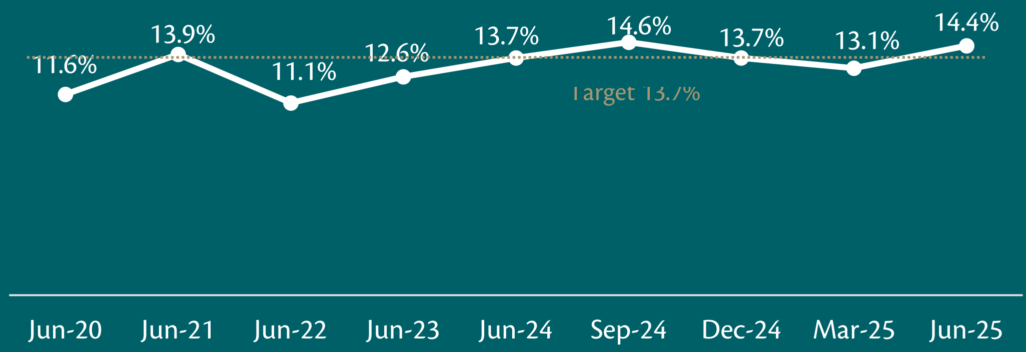


14.4%

of tax debt had an active repayment plan in place as at 30 June 2025 (22.1% of collectable tax debt).

Measure: tax debt value under an active repayment plan

Target: 13.7%



ABOUT THE DATA IN THIS REPORT

- Non-collectable debt refers to any debt that is currently unlikely to be recovered, including situations where customers are under insolvency administration (such as liquidation or bankruptcy proceedings), where the debt is under dispute or pending a legal determination, if the customer is deceased, or the debt is from provisional tax where the terminal tax due date has passed but the related return has not been filed.
- We take a conservative approach to defining what repayment plans are considered ‘active’: no payments must have been missed for a plan to be considered so.
- Note: data used in this report is subject to audit at the end of the financial year and is not considered final until signoff and publication of IR’s Annual Report.
- We publish data on overdue tax debt at Overdue tax debt statistics. You can read analysis on annual trends and our debt management performance in the 2025 Inland Revenue Annual Report: ird.govt.nz/about-us/publications/annual-corporate-reports/annual-report.