



Inland Revenue
Te Tari Taake

Managing overdue tax debt

July to September 2025

How overdue tax and entitlements debt is being managed

Why we are reporting on tax debt

New Zealand's tax and entitlements debt was \$9.5 billion at 30 September 2025.

In Budgets 2024 and 2025, additional funding was allocated to Inland Revenue (IR) to support debt collection and compliance work. This report tracks our progress in collecting overdue tax and entitlements debt.

What is tax and entitlements debt?

The report covers overdue tax and entitlements debt administered by IR, including amounts owed from tax credits such as Working for Families and COVID-19 support payments.¹

The amount of overdue debt owed to IR is constantly changing as customers make payments or incur new debt. Most customers resolve their debt quickly or set up a repayment plan.

IR also manages non-collectable debt, for example, because the amount of tax is in dispute, a customer is in bankruptcy or liquidation, or the customer has passed away.

Managing debt is part of our overall revenue approach

Debt management is part of our wider approach of maximising revenue over time. This approach ensured 94.5% of the \$116.6 billion in tax paid by customers was on time and in full in 2024–25 and 97.7% was paid within 6 months of the due date.²

We focus on making it easier to get things right and hard to get wrong, supporting individuals and businesses to pay their tax on time and avoid getting into debt. Our digital platforms include prefilled returns, auto-calculated assessments and self-service channels that make complying easy and minimise errors.

Debt is more common among small businesses, the self-employed and people who need to file an IR3.

Debt levels are low for wage and salary earners as tax is automatically deducted from their earnings.

It is low for large businesses as we work with these customers directly, and they have in-house experts and use tools such as advance pricing agreements and binding rulings to clarify their tax positions.

Where debt happens, we aim to encourage timely compliance and use the most appropriate and tailored interventions to protect the integrity of the tax system and ensure debt levels do not start to rise.

Tackling debt differently

Every tax dollar that is not collected is money that cannot be invested by the Government in public services. Supported by additional Budget funding, we have started to approach tackling debt differently.

Debt has risen to this current level over a number of years and it will take time to flatten the growth in debt and see a downward trajectory.

Our approach is based around a greater understanding of which of our customers are most likely to get into debt, why debt has occurred and the best actions to take to collect the debt or address wrongdoing.

A range of activities are underway now, while other policy and legislative responses will take more time to formulate and introduce. This includes exploring ways to actively increase the visibility of tax debt so that people are aware if a business has a tax debt and can make an informed choice about where they still want to trade with them. IR is also looking at ways to minimise opportunities for businesses not to pay tax.

Returns are filed



Assessments have been made but are not yet due



Payments are due



Debt becomes overdue

94.5%
of the tax paid in 2024–25 was on time² and in full

\$9.5b

Overdue tax and entitlements debt amounted to \$9.5b as at 30 September 2025

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 and entitlements debt is increasing

Overdue tax and entitlements debt has risen by \$241 million since June 2025 to \$9.5 billion. It has increased by \$1.1 billion (12.8%) since September 2024.

The increase since June 2025 is mainly due to growth in GST and income tax debt. Growth in income tax debt during this time is a result of the tax pooling timeframe expiring (customers are allowed 85 days after the due date to make tax pooling transfers).

Debt related to employer activities (making and paying on deductions for PAYE, KiwiSaver or student loans) and other debt decreased slightly in the quarter.

One overall driver of debt growth is the weak global post-pandemic recovery, rising costs and trade disruptions.

Small businesses and tax debt

Through the COVID-19 period, IR took a more lenient approach to compliance, recognising that taxpayers were facing challenging and unusual times. The number of hours worked on audits and debt collection reduced as we administered support products to help businesses stay afloat. Many businesses have been able to continue to trade profitably once the support ended. However, an increasing number of small businesses are finding it hard to remain viable without the support and are incurring debt.

The increased cost of living and a challenging economic climate has added to the struggles for

some businesses. Some have been using money collected for GST and PAYE as cashflow to fund business growth, instead of passing it on to the Government. Others are simply unable to meet all their debts.

GST and employer-related debts together make up 57% of the total overdue amount and are a primary focus of our debt collection.

We have stepped up our engagement through the ongoing Getting it Right Campaign and will raise awareness of tax obligations with 257,000 businesses in the construction, hospitality, property services, and hairdressing and beauty services sectors over the next few months. For example, around 1 in 5 pubs and bars have overdue tax debts averaging \$40,000 per business.

ird.govt.nz/get-it-right.

Ageing debt, penalties and interest

A significant amount of tax and entitlements debt is classified as aged, with 40% over 2 years old. As debt ages, it not only gets harder to collect but also starts to grow larger as penalties and interest are added.

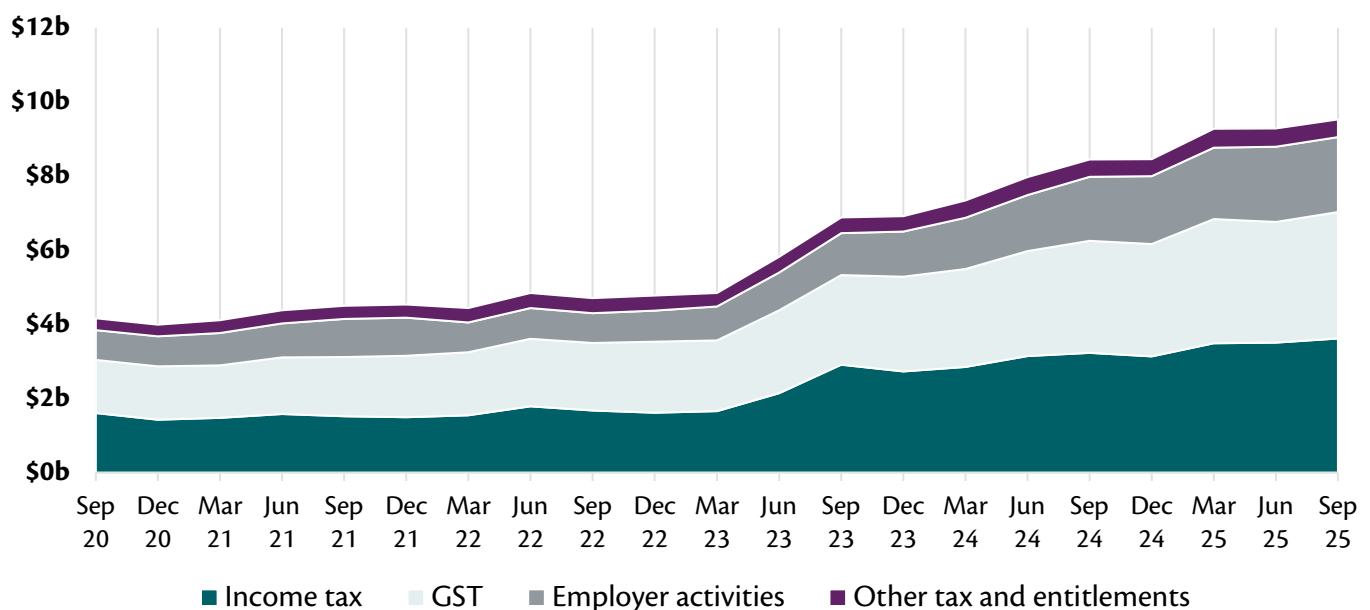
Half of the 500,000 customers in debt at 30 September had debts over 2 years old.

Penalties and interest on overdue amounts has made up 46% of the overall \$1.1 billion increase in debt since September 2024.

\$3.6 billion of this overdue debt is considered non-collectable.

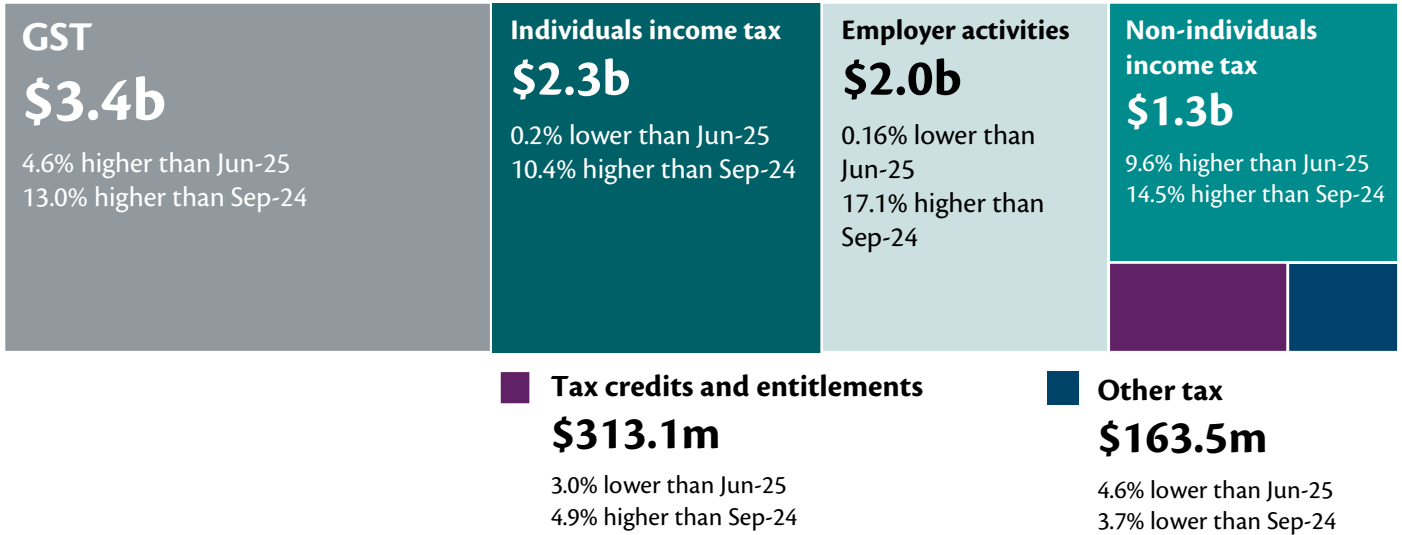
Annual tax and entitlements overdue debt

(\$billions)



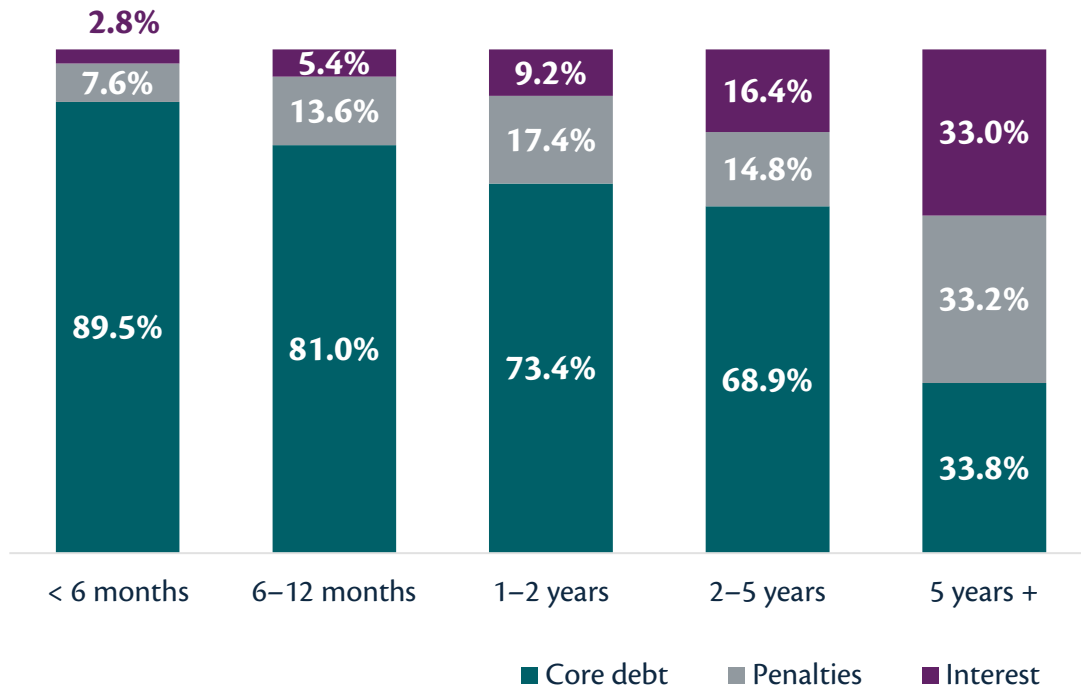
Tax and entitlements overdue debt

as at 30 September 2025



Penalties and interest proportion by age of debt

as at 30 September 2025



Key results from collection activities

IR collected **\$1.07 billion in tax and entitlement debt this quarter**, which is on track to achieve an annual target of \$4.2 billion. The amount is \$142 million less than the debt collected by September 2024, reflecting the difficulties facing some customers and (positively) a reduction in the value of overdue payments from tax pooling customers. More tax pooling transfers were made on time.

New decision support tool

A new decision-support tool we implemented in June 2025 is streamlining debt collection. It helps us identify customers who will self-correct versus those who need more assistance, act faster on debt and offer tailored repayment options.

In the first 3 months of using the tool, we identified a group of 42,000 customers as being likely to self-correct after the billing cycle: 77% of those identified resolved their balance.

We are offering pre-approved repayment plans to some customers via their myIR account. **12.5% of pre-approved customers offered a plan this quarter accepted it and a further 17% cleared their balance after the offer.**

Where debt remains unresolved, we may issue Section 157 notices as 1 cost-effective recovery method. Notices are issued automatically to employers under some circumstances to deduct overdue amounts from their employees' pay. We can also request amounts be deducted from other parties such as banks. The new support tool is enabling us to issue more notices. **As at 30 September, 22,209 active deductions were in place for debt, which is 35% higher than this time last year.**

Collection agency trial

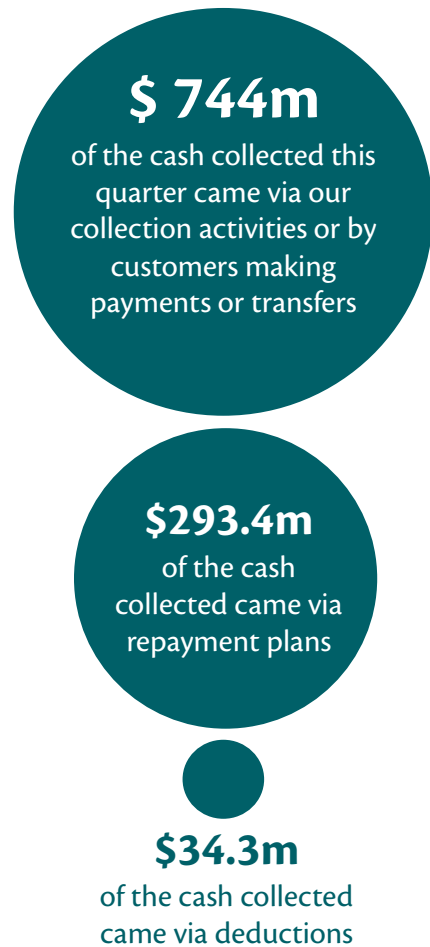
A recent trial collaboration with a collection agency focused on the agency reminding people with a low-value income tax debt about it and pointing out

options they have to pay. **Under the trial, \$1.24 million was recovered and more than 500 repayment arrangements were established over \$1.27 million in debt.**

Debt management and prosecutions

We have continued to target high-risk debtors who fail to meet their employer tax obligations, leading to several recent prosecutions.

As at 30 September, 4,258 debt cases were under active management across IR. **Of these cases, 32% (representing \$530 million) are under legal action.**



GST was the main source of cash collected | **\$446m**

Individuals income tax | **\$237m**

Employer tax | **\$190m**

Non-individuals income tax | **\$149m**

To ensure all businesses have a level playing field, IR has intensified efforts to stop insolvent companies from trading and gaining an unfair advantage over compliant businesses because they are not paying tax obligations. 21.4% more cases were referred internally within IR for liquidation in this quarter compared to this time last year, and there was a 2.5% increase in bankruptcies. **IR liquidated 124 companies and bankrupted 38 individuals this quarter.**

In addition, we are taking timely legal action to ensure that serious breaches are addressed appropriately. **17 prosecutions were initiated this quarter, compared to 5 at this time last year.**

Next quarter

Going into the next quarter, we're continuing collection activities alongside our proactive work to prevent debt.

Early interventions remain essential. We're contacting businesses owing \$500 or more new debt to get them quickly back on track and visiting businesses with more than \$10,000 of new GST and PAYE debt.

A new digital and social media advertising campaign began in October to educate all taxpayers about common reasons for getting a tax bill, such as being on an incorrect tax code, and ways to avoid debt.

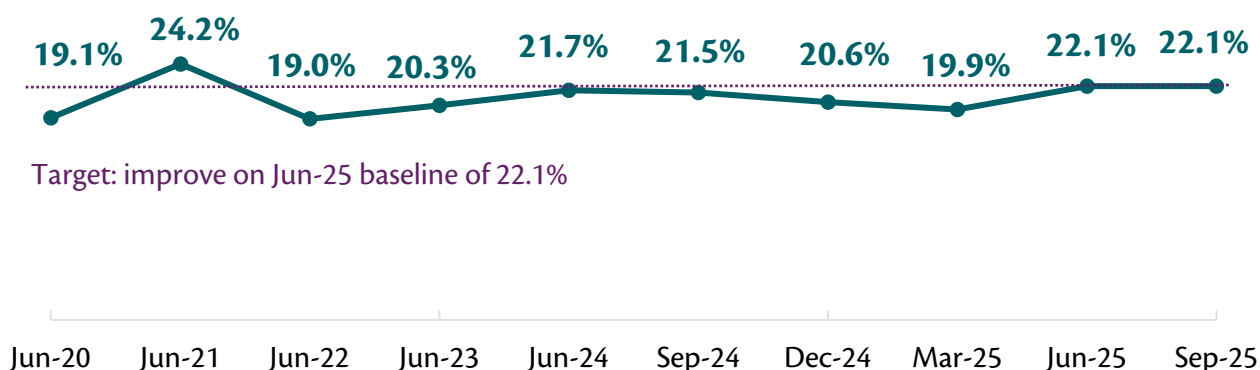
ird.govt.nz/avoid-bills.

Debt management metrics from quarter to quarter

22.1%

of collectable tax debt was under an active repayment plan at 30 September 2025. Levels vary by customer group, from 8% for small businesses to 23% for significant enterprises. The adherence rate for plans set up from July to 30 September 2025 is 69%.

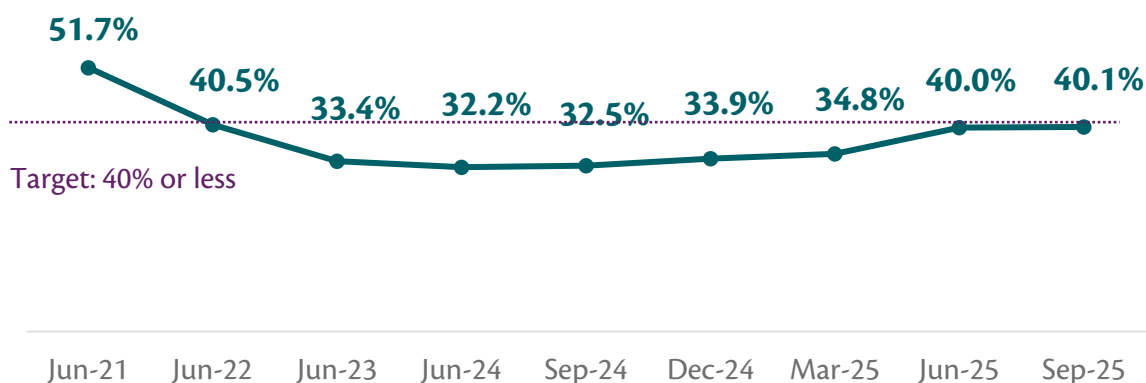
Measure: percentage of collectable tax debt value under an active repayment plan



40.1%

of collectable debt was 2 two years old at 30 September 2025.

Measure: percentage of collectable debt value over 2 years old



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 which repayment plans are considered as 'active'. No payments must have been missed for a plan to be considered so.

Note: the 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. Analysis on annual trends and performance in debt management is available in our 2025 Annual Report:

[ird.govt.nz/about-us/publications/annual-corporate-reports/annual-report](https://www.ird.govt.nz/about-us/publications/annual-corporate-reports/annual-report).

We publish data on overdue tax and entitlements debt on our website:

<https://www.ird.govt.nz/about-us/tax-statistics/tax-and-entitlement-debt-statistics>.