



Inland Revenue
Te Tari Taake

Managing overdue tax debt

October to December 2025

Reporting on overdue tax and entitlements debt

Overdue tax and entitlements debt amounted to \$9.0 billion at 31 December 2025.

Every tax dollar not collected is money that cannot be invested by the Government in public services. Supported by additional funding in Budgets 2024 and 2025, Inland Revenue (IR) has increased resourcing, staffing and use of smart tools, data and analytics to collect more debt.

This report tracks our progress in collecting the overdue tax and entitlements debt that we manage. It includes amounts owed from tax credits such as Working for Families and COVID-19 support payments.¹

Debt has risen to its current level of \$9.0 billion over a number of years: it will take time to flatten the growth and track back down.

Managing debt is part of maximising net revenue

Managing debt is part of IR's wider mandate to maximise net revenue over time. We focus on making it easy to get tax right and hard to get wrong and supporting customers to pay tax on time and

avoid getting into debt. Our digital platforms include pre-filled returns, auto-calculated assessments and self-service channels that make complying easy and minimise errors.

If customers do get into debt, we engage early to resolve any outstanding amounts efficiently and prevent escalation.

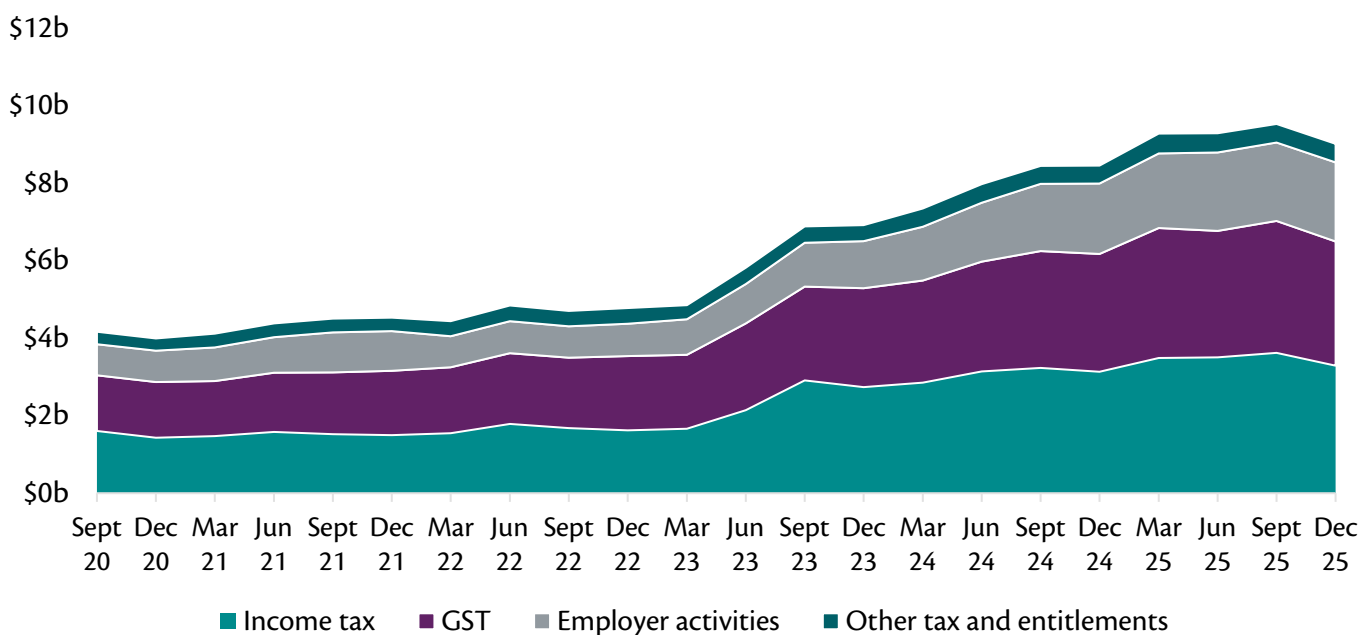
Our approach has ensured:

- 98.4% of our customers are interacting through our online channels
- 94.6% of the \$48.5 billion tax paid by customers so far this year was on time and in full, and
- 97.1% was paid within 6 months of the due date.²

IR also manages debt that cannot be currently collected, including when a customer is going through insolvency proceedings, when an overdue amount is formally disputed or if a customer has passed away.

\$3.4 billion, or 37%, of all overdue tax and entitlements debt is deemed non-collectable.

The trend in overdue tax and entitlements debt growth between 2020 and 2025



¹ It excludes debt related to other products that we administer: student loans, child support and Small Business Cashflow Scheme loans.

² Payment levels follow seasonal patterns across the year as the first graph on page 5 shows.

Debt trends and debt drivers

At its current level of \$9.0 billion in December 2025, overdue tax and entitlements debt is 6.6% higher than the December 2024 level of \$8.46 billion.

While this is a 7% year-on-year increase, the pace of debt growth is beginning to moderate compared with previous years. Overall debt decreased by \$269 million (2.9%) between June and December, which is a change in trend from the 3.6% increase seen between June and December 2024.

In part, the decrease since June 2025 reflects the impact of our additional compliance activity.

Debt is forecast to increase in the next two quarters of 2025/26 due to income tax due dates in February and April and the GST due date in May. The forecast—as used for the December 2025 Half Year Economic and Fiscal Update (HYEFU)—is that the total amount will reach \$10.5 billion by 30 June 2026.

Understanding the situation for different customer groups

HYEFU noted that a slower-than-expected economic recovery has led to higher overdue tax debt and had an impact on some customers' ability to meet their obligations.

Debt levels are lower for wage and salary earners as tax is automatically deducted from their earnings. It is also lower for large businesses as IR works with these customers directly—they may have in-house experts and use tools such as advance pricing

agreements and binding rulings to clarify their tax positions.

Debt is more common among small businesses, some of which have been accumulating debt by using GST and employer deductions (PAYE) to help with cashflow. These taxes are simply meant to be collected by businesses and passed on to the Government.

GST and employer deductions make up 58.2% of total debt as at 31 December 2025.

Overdue tax owed by IR's individual customers is also a focus for us—their debt accounts for 24.6% of the total overdue amount. Much of this debt was incurred by individuals who were required to file IR3 in 2025. An IR3 is required when someone earns income that we aren't automatically informed about—for example, income from self-employment, rental properties, investments or overseas sources.

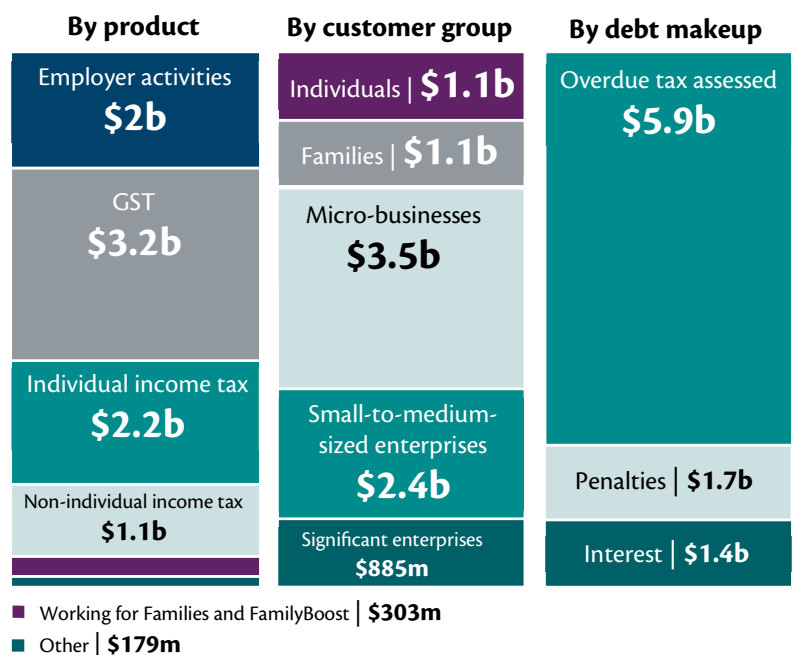
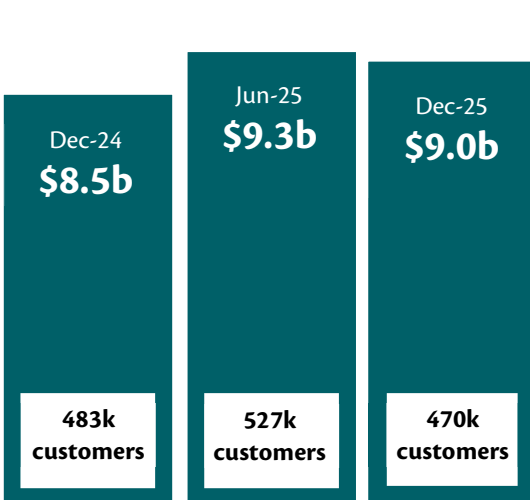
Ageing debt, penalties and interest

A significant amount of tax and entitlements debt is classified as aged—42% of collectable debt is over 2 years old.

Preventing debt from ageing by acting early is a key IR focus because that debt not only gets harder to collect but also starts to grow larger as penalties and interest are added. Penalties and interest account for 35% of the overdue debt.

The debt as at December 2025

Overdue tax and entitlements debt



A range of actions to collect more debt and flatten growth

IR takes a proactive approach with customers who don't engage with us on a tax debt. This is through targeted campaigns, including calling and messaging customers, face-to-face visits from our community compliance teams, bank deductions,¹ pre-approved arrangement offers, and case management.

One-to-one case management remains a critical intervention for customers who show behaviours consistent with trading while insolvent. Warning customers about potential legal consequences continues to be effective and, while it prompts immediate engagement from some customers, taking legal action is still required for others—most commonly this involves unpaid GST and PAYE.

Prosecutions continue for high-risk employer debtors, with multiple cases currently underway.

IR is also using analytics to gain a greater understanding of which customers are most likely to get into debt, why a debt has occurred and to take the best actions to collect debt or address wrongdoing.

Greater engagement and visibility on debt

We have continued to reach customers via digital and social media, including our campaign encouraging customers who have a tax bill for the 2024–25 tax year to make a payment before the 7 February due date. We have also launched a campaign to educate taxpayers about common reasons for getting a tax bill—such as being on an incorrect tax code—and how to avoid one.

ird.govt.nz/7-feb.

ird.govt.nz/avoid-bills.

Small businesses and debt related to GST and employer obligations remain key focus areas. This quarter, our 'Get it right' campaign targeted construction service industries. We reached 433,000 customers through targeted digital and social media advertising to remind them of tax responsibilities with a focus on debt, outstanding returns, record keeping and employee obligations.

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

We've also continued to engage with businesses through their associations and publications, with a

focus on sectors with relatively high levels of debt. This includes articles through the Small Passenger Services Association, Transporting NZ and organisations in the construction and liquor industries.

For example, we highlighted that one in six plumbers owe overdue tax debt. That debt is worth on average \$20,000 per customer, much of it is GST and it adds up to a collective \$40 million in unpaid taxes.

The situation is similar for taxis and ride-share operators, where the average amount of debt is smaller at \$6,000 but still totals \$40 million across the industry.

Decision support tool

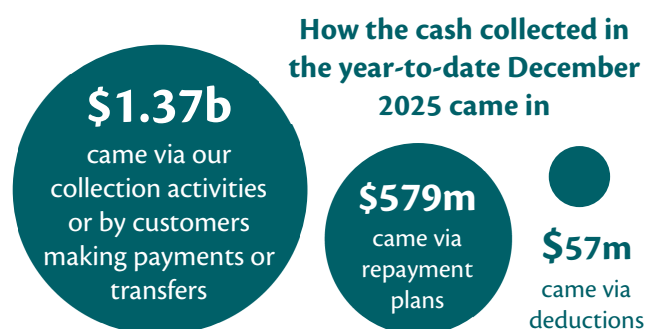
A new decision-support tool implemented in June 2025 is streamlining debt collection at IR. The tool identifies the best actions we can take based on customer behaviour and account activity, enabling faster and more consistent responses tailored to individuals' circumstances. This includes identifying candidates for bank deductions and issuing pre-approved instalment arrangements to customers.

Over the first six months since its launch, we have used the tool to help more than 130,000 customers address their debt, close 85,000 debt collection cases and resolve over \$200 million in debt.

Credit reporting

Credit reporting was introduced in 2017 to encourage tax compliance and improve the visibility of significant debt. We can share information about unpaid tax with an approved credit reporting agency that may affect a business's credit rating, financing, purchasing ability and business relationships.

We have updated our approach to how and when we use credit reporting and applied it in selected cases, with results noted on the next page.



¹ Bank deductions: where debt remains unresolved, we may issue Section 157 notices 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.

This quarter's debt collection activities and key results

IR has collected \$2 billion in tax and entitlement debt in the financial year to date. This is on track to achieve a minimum target of \$4.2 billion.

This quarter saw us continue to support the high numbers of customers needing assistance to get back on track with their obligations. Firm messaging and clear engagement timeframes are prompting quicker responses, including lump-sum payments and repayment plan arrangements.

We launched a new panel in our secure online portal, myIR, that makes it easier for customers to find information on their debt obligations and manage debt without needing to contact IR.

Two nationwide campaigns were launched in October to reach small businesses in debt: calls and face-to-face follow-ups with customers with debts aged 3-12 months, and a targeted email campaign to 11,000 customers with older debt (1-5 years).

These campaigns highlighted escalating consequences such as breaches of directors' duties or potential prosecution. Emails sent to customers with debt aged over \$10,000 resulted in a 40% higher average payment amount (\$4,355) than a control group we also monitored.

As at 31 December, 4,525 debt cases were under management across IR. Twenty-five percent of these cases, representing \$393 million in tax debt, are under legal action.

Section 157 notices for compulsory bank or employer deductions remain a cost-effective way to address difficult-to-resolve debt. We have issued 44,004 notices so far this year, compared to 24,369 issued by December 2024.

Our use of statutory demands (formal notices requiring payment of debt prior to establishing a presumption of insolvency) has risen from 759 issued in 2021/22 to 1,750 in 2024/25. We have issued 986 demands so far this year, up 8.5% on last year.

IR has continued to initiate liquidations and bankruptcy proceedings after identifying businesses that are no longer viable or likely to incur further debt. We have liquidated 310 companies and bankrupted 83 individuals in the year-to-date December 2025, compared with 228 and 31 respectively over the same period last year.

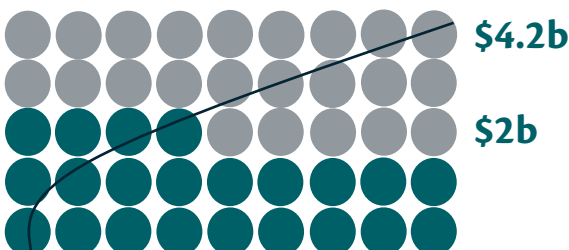
We issued 60 notices of intent to credit report businesses that owed over \$150,000 in overdue business tax—their collective debt value is \$23 million.

We informed the businesses that IR would credit report them if they did not take positive action such as setting up a debt repayment plan.

Thirty-four businesses have now been credit reported and we are pursuing liquidation. The remaining 43% of contacted customers engaged with us and are working to resolve their debt.

\$2b

in cash has been collected from debt activity in the year-to-date December 2025 against a full-year target of \$4.195b



The main sources of tax collected in the year-to-date December 2025

GST is the main source of cash collected | **\$876.4m**

Individuals income tax | **\$422.1m**

Employer activities | **\$368.1m**

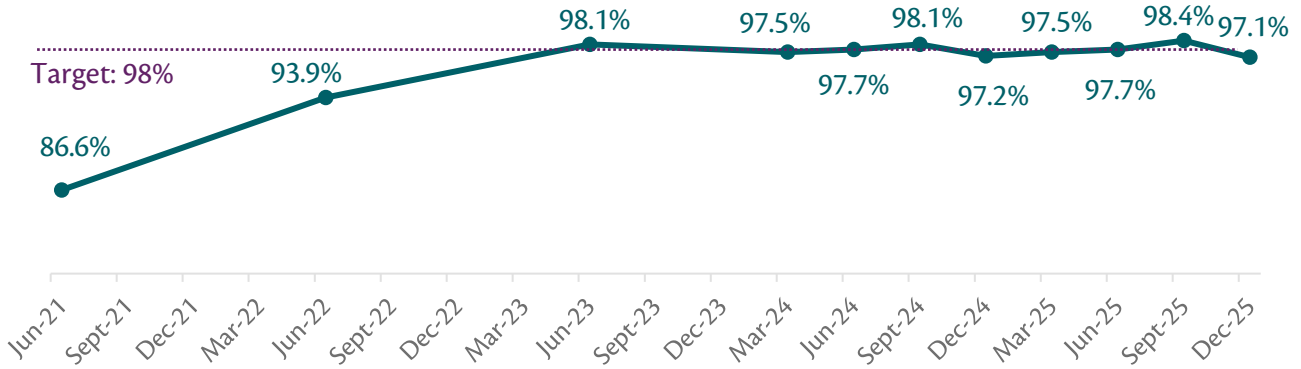
Non-individuals income tax | **\$260.3m**

Debt management metrics from quarter to quarter

97.1%

of customers tax payments were made within six months as at 31 December 2025.

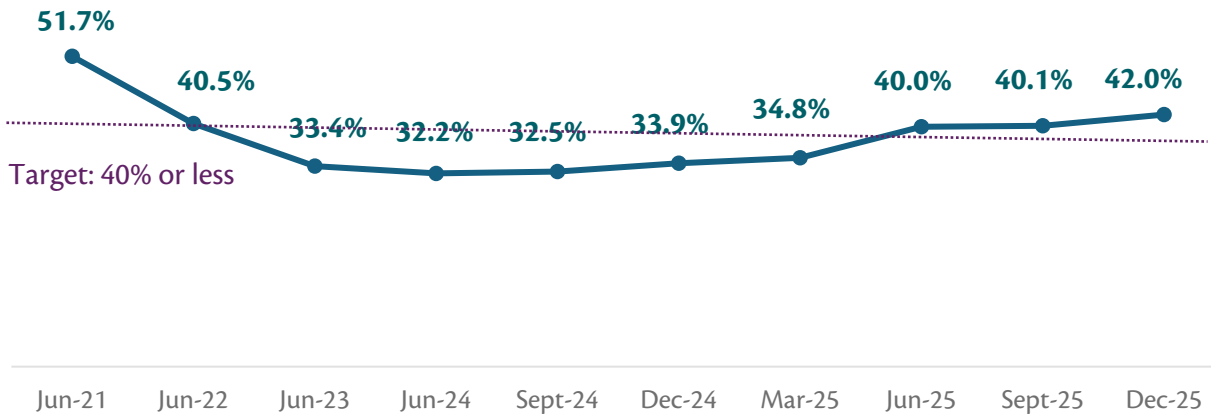
Measure: percentage of tax payments made by customers within six months of the due date by value



42.0%

of collectable debt was two years old as at 31 December 2025.

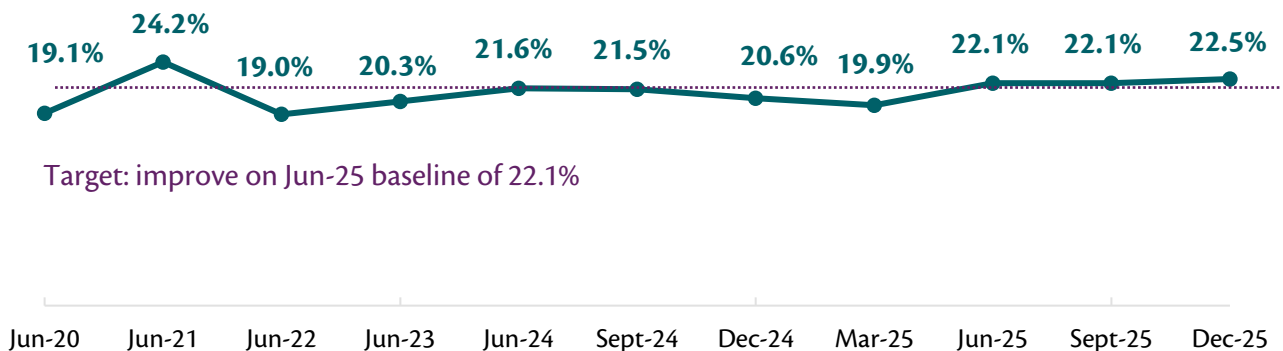
Measure: percentage of collectable debt value over 2 years old



22.5%

of collectable tax debt was under an active repayment plan as at 31 December 2025.

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



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>.