

10 August 2026

[REDACTED]
[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 28 June 2026. Your original request is attached as **Appendix A** and on 2 July 2026 you clarified your request to be the following:

1. *GST-registered persons by taxable period (one-, two- and six-monthly), for the last 10 years available, by turnover band so far as systems permit.*
2. *GST returns filed annually, disaggregated by taxable period, over the same period.*
3. *A breakdown of GST filing between registered persons using tax agents or not, reflecting the different taxable periods.*
4. *A breakdown of GST filing between paper and digital, reflecting the different taxable periods — split by gateway and myIR filing, including whether Inland Revenue knows if software was used for myIR filing.*
5. *From 2009 onwards, studies on GST compliance costs, including any analysis linking GST filing frequency or payment timing to debt formation and debt patterns.*

On the period for items 3 and 4: the same 10-year window as items 1 and 2 would be ideal, as it should capture the shift in filing channels over time.

On 27 July 2026, I provided a response to questions 1 – 4 and a partial response to question 5. In this response I advised that question 5 of your request was partially extended as further consultation was required to make a decision on the remaining documents in scope of your request. I am now releasing the remaining documents in scope of question five.

Question 5

The following table lists the remaining six documents in scope of item five, attached as **Appendix B**.

These documents include information that is outside the scope of your request. Full pages not in scope have been removed entirely from the attachment, and those partially in scope have had information redacted as 'not in scope'.

Item	Date	Name
1	November 2017	Significant Enterprises' Tax Compliance Costs
2	December 2018	Small Business Landscape
3	February 2020	GST Regulatory Stewardship; CIE's GST Insights

Item	Date	Name
4	February 2025	SME Compliance Cost vs Revenue Modelling Proof of Concept
5	August 2025	Understanding IR's 'Right from the START' approach in GST and EMP; Phase 2
6	May 2026	Simplifying Small Business Tax and Improving Compliance Outcomes

Right of review

If you disagree with my decision on your OIA request, you have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the OIA. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Graeme Morrison
Policy Lead

Appendix A

I request the following under the Official Information Act 1982. I am eligible to make this request under s 12(1). I make it in my personal capacity, out of a longstanding interest in tax policy; it is not made on behalf of, and does not reflect the views of, my employer or any other organisation with which I am associated. [REDACTED]

[REDACTED] *The request concerns the GST taxable period framework under ss 15 to 15E of the Goods and Services Tax Act 1985 and the associated compliance costs. The items below are indicative of my interest, not an exhaustive limit on it; I would welcome any related material the Department holds.*

1. The number of GST-registered persons by taxable period (one-, two- and six-monthly), for each of the last 10 years available, broken down by turnover band insofar as the Department's systems permit.

2. The number of GST returns filed annually, disaggregated by taxable period, over the same period.

3. Any research, surveys, estimates or analysis the Department holds on the compliance costs (in time or money) incurred by registered persons in preparing and filing GST returns, including any breakdown by filing frequency, business size or turnover band, and any externally commissioned research.

4. Any papers, briefings, officials' reports, Regulatory Impact Statements, Cabinet papers or policy analysis, historical or current, on the GST filing frequency framework — including the taxable period thresholds, the rationale for tiering frequency by turnover, and any consideration of lengthening or shortening taxable periods (for example, two-monthly to three-monthly). This includes material associated with the 2001 discussion document "GST: a review" and any later review of the taxable period rules.

5. Any analysis on take-up of the six-monthly taxable period among eligible persons, and on the compliance, payment or debt outcomes of longer versus shorter filing cycles.

6. Any analysis on the relationship between GST filing frequency or taxable period and GST debt formation, late payment, or the timing of payment relative to filing.

7. Any material on the relationship between accounting software and gateway (direct-from-software) filing and GST compliance, including the proportion of GST returns filed by that channel, and any work — under Business Transformation, Making Tax Simpler, or otherwise — on near-real-time or software-native GST reporting and electronic-filing requirements under ss 36 and 36BD of the Tax Administration Act 1994.

8. Any cost-benefit, fiscal or revenue-timing analysis held by the Department (or, to the extent held by it, by the Treasury) on altering the point at which GST is remitted

to the Crown, including the fiscal cost of GST being held longer under a lengthened filing cycle.

9. Any analysis of comparable overseas GST/VAT filing frequency and thresholds (for example, the Australian BAS cycle or the UK's Making Tax Digital regime) the Department has prepared or relied upon in considering New Zealand's settings.

10. Any consideration of compliance-behaviour-based or "trusted taxpayer" eligibility for filing concessions, so far as it touches GST taxable periods. For anything already published, a reference or link will suffice. I am content to receive the response by email and in whatever format is convenient, and ask that the Department release information progressively as it becomes available rather than holding the whole response to the final item.

Thank you for your assistance.

Yours faithfully,

██████████

██



Inland Revenue
Te Tari Taake

Significant Enterprises' Tax Compliance Costs

Online Survey, November 2017

Disclaimer

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Executive summary

In November 2017, Inland Revenue's Research, Evaluation & Insight Unit conducted an online survey to explore the tax compliance costs of Significant Enterprises. This research is part of a wider research programme that IR is conducting to understand better the tax compliance costs of its customers.

About this research

Inland Revenue (IR) has a business aim of making it easier and less costly for customers to interact with government. This study is focused on Significant Enterprises, defined as follows:

- New Zealand-owned and Foreign-owned businesses operating in New Zealand, having either more than 50 employees or annual turnover of over \$30 million, or
- Government agencies, including Government Departments, District Health Boards, State Owned Enterprises, Regional and District Councils, and Tertiary Education Institutes.

In this study we explore the business costs of complying with the main business taxes and associated social policies; namely, KiwiSaver, Student loans and Child support.

Compliance costs are categorised as: internal costs (Full-time-equivalent staff time spent on tax compliance), external costs (NZ\$ spent on external agencies), one-off costs (NZ\$) and psychological stress.

Complexity of researching tax compliance costs with Significant Enterprises

It is difficult to reliably survey Significant Enterprises about their compliance costs. This is because Significant Enterprises are a relatively small population, and they vary substantially in their tax-related business characteristics. For example:

- turnover ranged from under \$30M to over \$5B
- Income tax paid varied from 'not applicable' for the majority of Government agencies to over \$1B
- ownership included single entities vs. groups, and New Zealand-owned, Foreign-owned, or Government agencies
- some conducted all their tax compliance activity within New Zealand, while others conducted some or all of this activity overseas.

In order to make the survey less onerous for respondents it focused on cost estimates rather than exact costs. Given this and the complexity of the survey, the findings presented here are indicative only.

Key findings

Contributors to compliance costs

Overall, respondents see tax compliance costs as either steady (stated by 50%) or increasing (39%).

Two thirds rated IR as having a neutral overall effect on their organisation's tax compliance costs in recent times, while a quarter (27%) felt IR had increased their compliance costs, and only seven percent felt IR had helped to decrease their organisation's tax compliance costs.

Median compliance costs

Not in scope

When it comes to internal costs, Income tax, Goods and Services tax (GST) and Pay as you Earn (PAYE) together account for 67% of the total FTE-time spent on tax compliance by all 264 respondents. The median internal cost for Income tax is 0.19 FTE, similar to the 0.18 FTE and 0.15 FTE for GST and PAYE respectively. Fringe Benefit tax (FBT) accounts for a further 12% of the total FTE time that all respondents spent on tax compliance, and the remainder is spread across the other taxes and the three social policies.

For external costs, advice and services relating to Income tax accounts for 61% of all respondents' external expenditure on tax compliance, and the median external expenditure for Income tax is \$17,000. GST accounts for 10% of total external expenditure by respondents, while PAYE, FBT and Withholding taxes together account for 11%, and 'other taxes' account for 17%. External expenditure on the three social policies is negligible.

Not in scope

Not in scope

¹ Transfer pricing is the setting of prices for the transfer of goods, services and intangibles between associated parties. www.ird.govt.nz/international/business/transfer-pricing/

Introduction

This report presents the results of an online survey of Significant Enterprises' tax compliance costs.

Background

IR was aware of the complexities of researching tax compliance costs with Significant Enterprises. They are large, complex organisations, and their tax compliance costs are hard to separate from other business costs and to measure with certainty. For these reasons, and to minimise the burden on respondents, this research asked for estimated rather than exact costs, and the findings presented here are indicative only.

Inland Revenue (IR) has a business aim of making it easier and less costly for customers to interact with government. In line with this, IR is conducting research into its customers' tax compliance costs.

This study is focused on Significant Enterprises. Significant Enterprises make a major contribution to New Zealand's revenue, accounting for almost 55% of New Zealand's corporate tax base and 10% of overall tax revenue².

Significant Enterprises consist of:

- New Zealand-owned and Foreign-owned businesses operating in New Zealand, having either more than 50 employees or annual turnover of over \$30 million
- Government agencies, including Government Departments, District Health Boards, State Owned Enterprises, Regional and District Councils, and Tertiary Education Institutes.

This study explores the costs relating to the main business taxes, i.e.:

- Income tax
- GST
- PAYE
- Fringe Benefit Tax (FBT)
- Withholding taxes.

It also explores the compliance costs related to KiwiSaver, Student loans and Child support as compliance with these social policies is intertwined with businesses' tax compliance.

Compliance costs were categorised as follows:

- **Internal** cost to the business, expressed as the number of Full-time-equivalent employees (FTEs) engaged in routine or recurring New Zealand tax compliance tasks
- **External** cost to the business, expressed as New Zealand dollars spent on external tax and payroll companies providing tax compliance services, and the tax portion of accounting costs
- **One-off** or non-recurring costs associated with tax compliance, e.g. a restructure of the organisation, a major upgrade to the organisation's IT systems, learning about new taxes, irregular staff training costs, or external advice in relation to any of the preceding activities
- **Psychological stress** experienced by the businesses, self-rated on a five-point scale where 1=very low stress and 5 = very high stress.

² Inland Revenue Annual Report 2017 (p 39).

Survey respondents were asked to consider compliance as activities and interactions with IR to ensure that the business is paying the correct amount of tax and meeting its social policy obligations. Relevant tasks include record keeping and administration, calculations and payments, return filing and reconciliation, annual returns, dealing with IR and tax planning. Respondents were asked to specifically **exclude** from their compliance considerations penalties and Use of Money Interest (UOMI), Local Authority rates, other regulatory costs (e.g. Companies Office, Reserve Bank, Statistics NZ, NZX) and other external financial reporting costs.

Objectives

The objectives of this report are to:

1. Investigate Significant Enterprises' tax compliance costs
2. Explore Significant Enterprises' views on whether their tax compliance costs change over time
3. Explore Significant Enterprises' views on what IR can do differently to reduce their tax compliance costs.

Method

Prior to the survey, exploratory interviews were conducted with 14 IR staff and four representatives from the Significant Enterprises business community to provide input into the research design. The survey design was tested with three Significant Enterprises.

The survey was conducted online by IR's Research Evaluation and Insight Unit (RE&I) between 14 and 29 November 2017. This was a full coverage survey meaning that all Significant Enterprises that met the criteria were selected to participate in the survey. See Appendix 1 for a full sample description.

There were 2,281 email invitations sent out, with three follow-up email reminders. In addition, the Corporate Taxpayer Group (CTG) promoted the survey in the CTG newsletter to their members. The survey achieved 264 usable responses, a response rate of 11.6%. The achieved sample included:

- 133 NZ-owned businesses (50.4%)
- 90 Foreign-owned businesses (34.1%)
- 41 Government agencies and public bodies (15.3%).

The terms NZ-owned and Foreign-owned businesses and Government agencies have been used at specific points in this report to highlight differences between these three types of Significant Enterprises.

Financial data are often skewed by extreme values. For this reason, we have reported the results of financial information using medians, which are not unduly affected by extreme values. The data are not weighted as this was not a statistically generalizable study.

Compliance Costs by Tax Type and Social Policy

This section details how Significant Enterprises' tax compliance costs vary by tax type and social policy.

The survey asked about compliance costs in relation to the main taxes: Income tax, GST, PAYE, FBT, and Withholding taxes, and for three social policies: KiwiSaver, Child support contributions and Student loan repayments.

Estimates of compliance burden are examined by:

- Internal cost, expressed as the number of full-time employees engaged on routine/recurring New Zealand tax compliance tasks (FTEs or Full Time Equivalents)
- External cost, expressed as New Zealand dollars spent obtaining external advisor/provider services and the tax portion of accounting costs
- Psychological stress, rated on a five-point scale where 5 = very high stress
- One-off costs, in New Zealand dollars, are described by tax type as appropriate.

Overview of compliance costs

In 2017, Significant Enterprises on average incurred the following internal and external costs when meeting their responsibilities for tax, and in relation to KiwiSaver, Child Support, and Student Loan social policies:

- Median staff time 1.0 FTE
- Median costs of \$22,000 obtaining external tax advice and services
- A mean psychological stress rating of 2.4 out of a maximum of 5.0 (very high stress).

The variation in compliance costs by tax types and social policies can be seen in Tables 2 and 3 (overleaf).

Table 2 shows that internal compliance costs are mainly focused on the three main taxes: Income tax, GST, and PAYE. Together, these three taxes account for 67% of the total FTE time spent by all 264 respondents on tax compliance.

Interpreting the table

The base for the calculation of 'median internal costs' was all respondents with involvement in each tax type, regardless of whether or not they incurred internal compliance costs.

The final column of Table 2, 'proportion of total FTE for all respondents', was calculated by dividing the sum of all respondents' FTE costs for each tax type by the sum of all respondents' FTE costs for all taxes combined. For example, Income tax accounted for 26% of the total FTE time spent by all respondents on tax compliance. The other taxes and social policies can be read the same way.

As can be seen, 88% of Significant Enterprises paid Income tax in the 2017 tax year. Around three quarters of those not paying Income tax are government agencies.

Table 2: Internal FTE compliance costs by tax type and social policy

	Median tax paid (NZ\$)	Percent involved in each tax (n=264)	Median internal costs (FTE)* (includes respondents who did not incur internal costs)	Proportion of total FTE for all respondents
Not in scope				
GST	\$2.1M	97%	0.18	23%
Not in scope				

Base: Respondents who filed or paid this particular tax type or social policy (i.e. 88% of the 264 respondents filed or paid Income tax, and this is the base for the Income tax row in this table).

Note: As these are medians, the total FTEs do not equal the sum of the components.

Source: Q9, Q9a-Q9e (tax paid), Q10, Q10a – Q10i, (FTE).

Table 3 (overleaf) shows that Income tax accounts for the majority of external costs (NZ\$), with other taxes incurring relatively little external costs.

There are a few exceptions however, with some Significant Enterprises incurring large external costs (over \$100,000) for specific taxes including Income tax, GST, PAYE, FBT and Withholding taxes.

Interpreting the table

The base for the calculation of 'median external costs' was all respondents with involvement in each tax type, regardless of whether or not they incurred external compliance costs. When more than half of respondents incurred zero external costs, the median was zero and is not presented. Table 3 also presents a second calculation of median external costs which includes only those respondents who incurred external costs.

The final column of Table 3, 'proportion of total expenses for all respondents', was calculated by dividing the sum of all respondents' external costs for each tax type by the sum of all respondents' external costs for all taxes combined. For example, Income tax accounted for 61% of all the external compliance costs reported by all respondents. The other taxes and social policies can be read the same way.

Table 3: External compliance costs (NZ\$) by tax type and social policy

	Median tax paid (NZ\$)	Median external costs (including respondents who did not incur external costs) (A)		Median external costs (excluding respondents who did not incur external costs) (B)		Proportion of total external costs for all respondents
		Percent involved in each tax	Median external costs (excluding missing values, NZ\$)	Percent incurring external costs	Median external costs among those that incur this (NZ\$)	
Not in scope						
GST	\$2.1M	97%	-	50%	\$3,300	10%
Not in scope						

Bases may vary as follows: (A) The number of respondents who filed or paid the tax and incurred external costs for a particular tax type, including zero dollars values. (B) The number of respondents who filed or paid the tax and incurred non-zero external cost for a particular tax type.

Source: Q9, Q9a-Q9e (tax paid), Q12, Q13a-Q13i (external costs).

Psychological stress of tax compliance

For each tax type, we asked respondents to rate their level of stress on a scale of 1 to 5 where 1 = very low stress and 5 = very high stress.

Figure 2 shows that all but two of the taxes and social policies are rated as 'low stress' by at least 50% of respondents. The two exceptions are Income tax (29% rate this as low stress) and FBT (37%), which are the most stressful taxes.

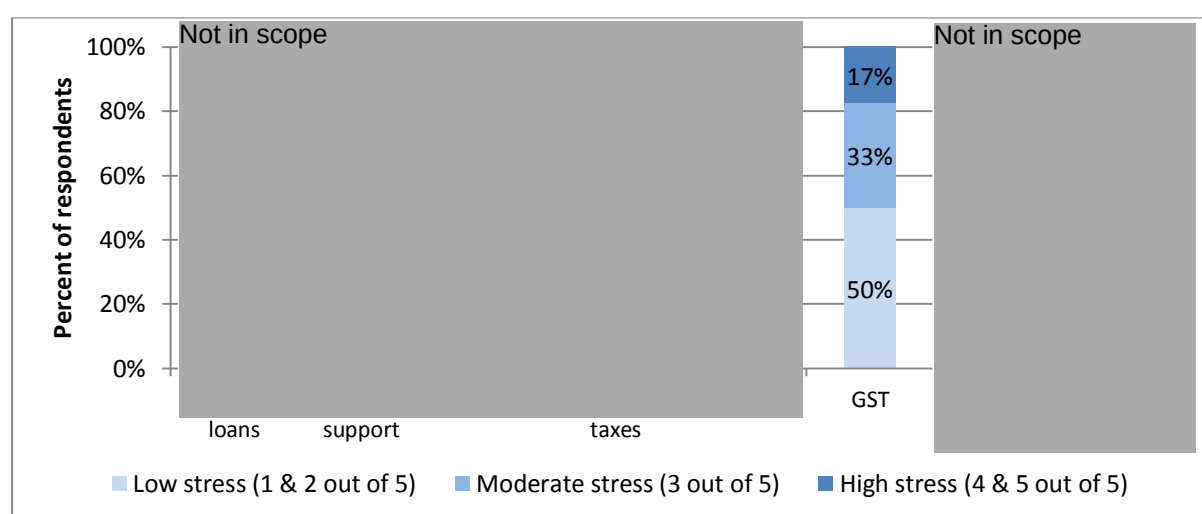
The high stress rating given to Income tax appears to be a function of complexity and penalties. As one survey respondent put it:

"Income tax is considered stressful due to the cost/penalties if you don't get provisional tax estimates correct, and the work involved to calculate tax correctly."

Turnover \$100-300M, 50-99 staff, NZ-owned

FBT is also considered by some to be complex and requiring 'significant manual action'.

Figure 2: Psychological stress by tax type and social policy



Base: Respondents who provided a psychological stress rating for a particular tax type or social policy (excluding those who indicated 'not applicable' or 'don't know').

Source: Q16a-Q16h (stress).

Mean stress ratings ranged from 2.0 for Student loans and Child support to 2.8 for FBT and 3.0 for Income tax (on a 1-5 scale, 1= very low stress, 5=very high stress). The overall mean psychological stress rating across all respondents and all tax types was 2.4.

Not in scope

GST compliance

Table 5: GST compliance burden

Tax paid (median)	\$2.1M
Internal cost (median)	0.18 FTE
External cost (median)	-
Percent who rated this as low stress	50%

Base: (Tax paid and costs) Respondents who filed or paid GST in the 2017 tax year. (Low psychological stress) Respondents who provided a psychological stress rating for GST (excluding those who indicated 'not applicable' or 'don't know').

GST differs from Income tax in that respondents handle the majority of their GST tax compliance internally.

Over half of the Significant Enterprises filing and paying GST reported no external costs. Of those that did, costs ranged from less than \$100 to \$130,000 (median \$3,300). Respondents reported very few one-off costs related to GST.

Respondents generally commented on how the automation of GST makes it low stress.

"GST / PAYE are system generated and only require checking."

Turnover \$100-300M, 100-499 staff, NZ-owned

Around one in five (17%) respondents believed that complying with GST was stressful (rating 4 and 5). For some, this was caused by concern over having to track and reconcile payments 'moved between accounts' (e.g. Income tax and GST) by IR without advising the business. One respondent was also dissatisfied with IR's recent changes to the GST process.

"The new style GST return takes longer to complete, involves more steps to print and does not flow as logically as the old version did."

Turnover \$30M-100M, 100-499 staff, NZ-owned

Not in scope



Small business landscape

December 2018 |



Inland Revenue
Te Tari Taake

Not in scope

03

Overview of our
customers' experience
Page 38

Not in scope

The small business landscape explores the wider context and experiences of our customers. It identifies opportunities to improve.

Starting from an outside-in perspective, the Landscape takes a deep dive into our customers' world and evaluates their experience for different segments. It looks for opportunities to improve the customers' experience and outcomes.

The Landscape seeks to challenge the status quo and where we can improve the now, looking at a broad range of options. It will feed into IR strategies and road maps, and provide insights to work with partners and other agencies on achieving desired outcomes.

How the landscape was created

Leading up to and shaping the landscape



3 focus groups

With 15 customers to understand context



6 workshops

Dive down into customers context



3600 survey responses

Understanding business in NZ



3 immersion sessions

With 24 customers to understand context & journey



7 interviews

Dive down into customer journey and pain points



6000 survey responses

Evaluate their experience with IR across products

The customer experience framework

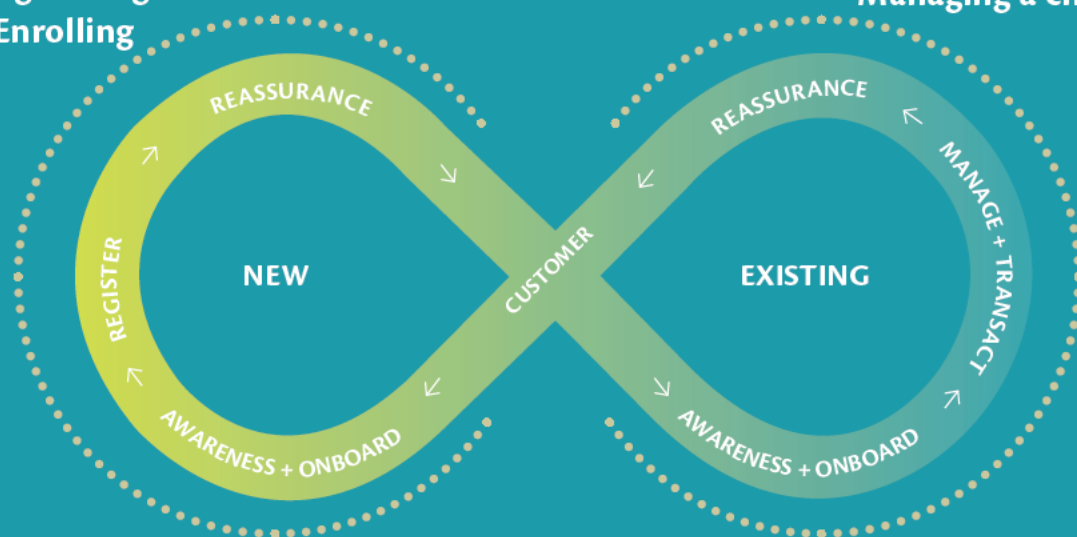
IR has developed a customer experience framework that depicts the phases of a customer's journey with IR and the interactions that can take place. The framework offers a consistent way to evaluate and track customers' experience.

Interactions

The framework is designed around 3 types of interactions:

Registering Enrolling

Managing a change



Transacting day to day

Around each interaction we asked the customer if:

Awareness and onboarding

- It was easy to get information customer needed
- They felt confident handling issues going forward

Ease, Time, Stress

- It was easy to interact with IR
- The time involved was acceptable
- They experienced no stress or frustration

Reassurance

- They felt reassured they got things right
- They knew what to do next

Then we asked them about their channels used, the reasons for contacting IR, and their experience.

Contact resolution

We asked customers if they had contacted Inland Revenue and other government agencies with questions and problems, how fast was it resolved.

Overall experience

We asked customers to reflect on their overall experience in terms of their:

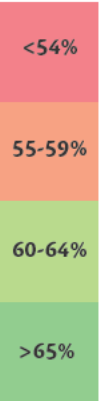
- Satisfaction
- Effort involved
- Sentiment toward compliance

IMPLICATIONS FOR IR:

Overall, micro-business customers have a positive experience when transacting day-to-day with all tax products. Improvements are needed around providing better reassurance when customers register for tax types and making it easier for customers to manage changes in their businesses.

HEAT MAP

Keys:



Registering and enrolling

Awareness + onboarding



Ease, time + stress



Reassurance



Managing a change

Awareness + onboarding



Ease, time + stress



Reassurance



Transacting day to day

Awareness + onboarding



Ease, time + stress



Reassurance



Contact resolution for Micro-businesses overall



Overall satisfaction



Effort handling issues



The cost of meeting my obligations is acceptable



I'm paying the right amount of tax



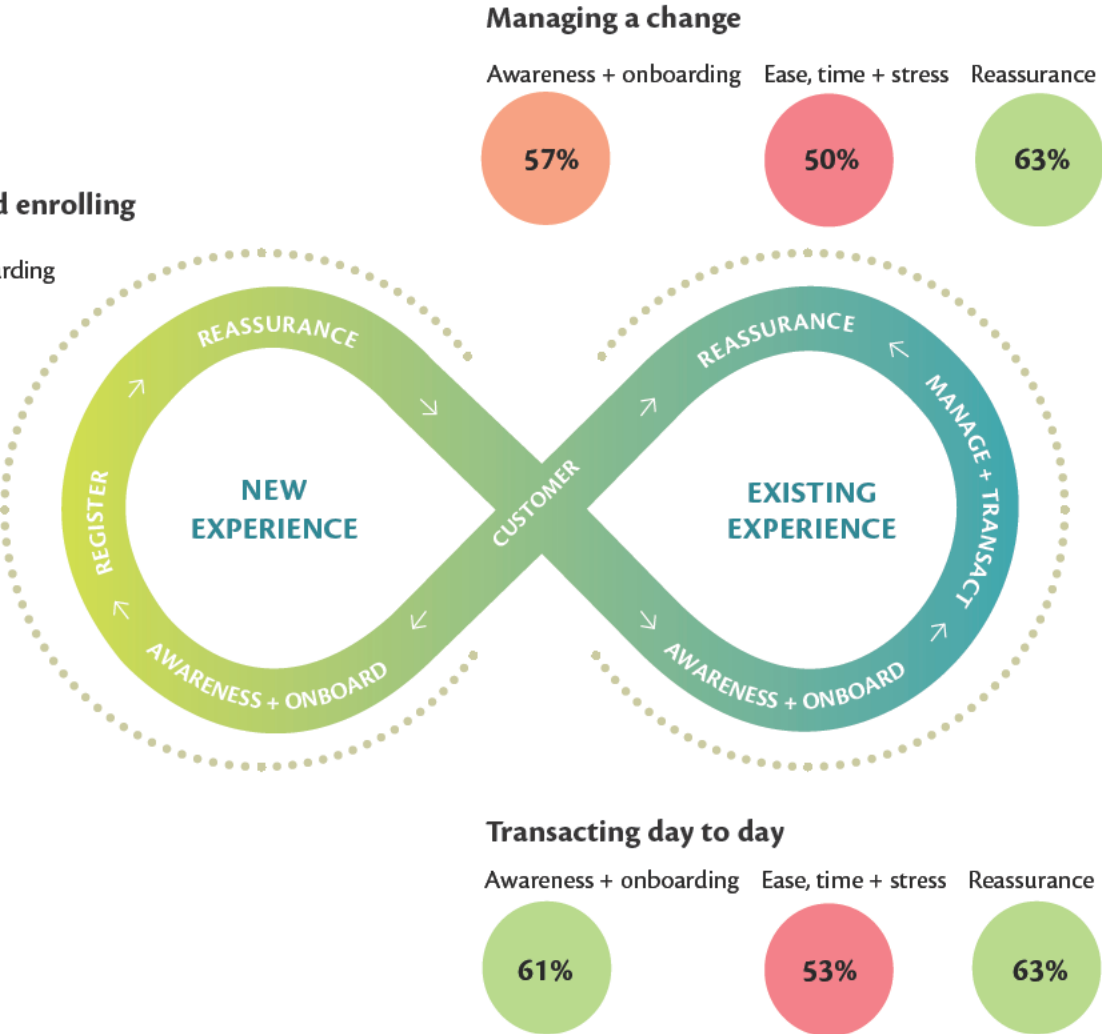
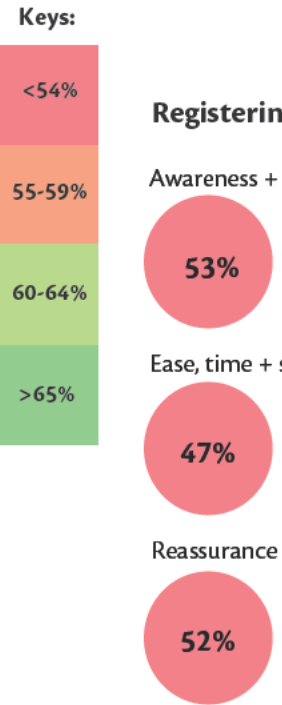
Others are paying the right amount of tax



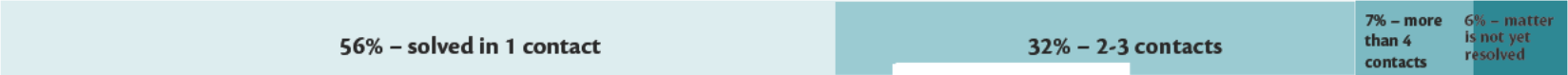
IMPLICATIONS FOR IR:

Overall, SME customers improvements are needed across all aspects of the racetrack to make all interactions with IR easier, fast and less stressful. Their role as an employer is creates the most burden through interaction with PAYE and FBT.

HEAT MAP



Contact resolution for SME customers overall



Overall satisfaction



Effort handling issues



The cost of meeting my obligations is acceptable



I'm paying the right amount of tax



Others are paying the right amount of tax



Businesses thoughts on the overall experience



Businesses want to be recognised as a business, not a series of tax products

Businesses feel that Inland Revenue services are not designed with them in mind. There are inconsistencies between products and outdated processes. Different rules, policies and functionality of each tax product adds an extra layer of complexity for anyone trying to navigate tax.

"Inland revenue much more customer focused than they used to be but still a lot of complicated stuff that needs simplified."



There is lots of burden to meet obligations

A lot of small businesses find the expense of meeting obligations burdensome. They feel frustrated that a lot of tax products are complex that it forces them outsource. They feel it should be simple enough to do it themselves.

"I took over filing our tax returns and GST 3 years ago as our accountant was just getting ridiculously expensive. I went to a IRD seminar but felt it was very slanted to using an accountant and not very helpful as far as filing myself."



Tax can impact on a businesses cash flow

Businesses that have unstable cash flow really struggle with estimating what their income will be. They feel that this is unfair and puts a strain on the business. Businesses also find some tax dates add extra pressure on cash flow. The time it takes to receive refunds from us can also create strain on cash flow.

"We feel the Provisional tax system for a company like ours is totally unfair and puts us under considerable financial stress - we have to BORROW the money to pay provisional tax!!"



Small businesses can't get ahead with the current tax rules

Businesses feel that Inland Revenue should be focused on making the tax system fairer and are often chasing the wrong person. They feel bigger organisations, and international companies are able to get away with paying less tax than they should.

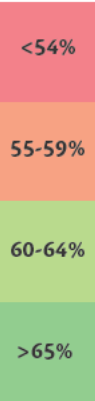
"I just think small businesses are overtaxed and are put under pressure to meet tax obligations. The big businesses should be taxed way more and not have big wig accountants getting them out of obligations. Small businesses should be supported more by the government. It's appalling!"

IMPLICATIONS FOR IR:

GST is widely understood and viewed as fair by businesses. It is a predictable tax obligation that customers regularly transact with, therefore GST is the tax that people feel most confident and positive about. Customers find interacting with GST to be the least demanding once they are used to the process. However, for businesses starting out, GST can be difficult as owners need to handle all other tax obligations and business-related challenges at the same time. In general, new businesses need more guidance and tools to help them navigate GST, as well as getting familiarised with other tax obligations.

HEAT MAP

Keys:



Registering and enrolling

Awareness + onboarding



Ease, time + stress



Reassurance



Managing a change

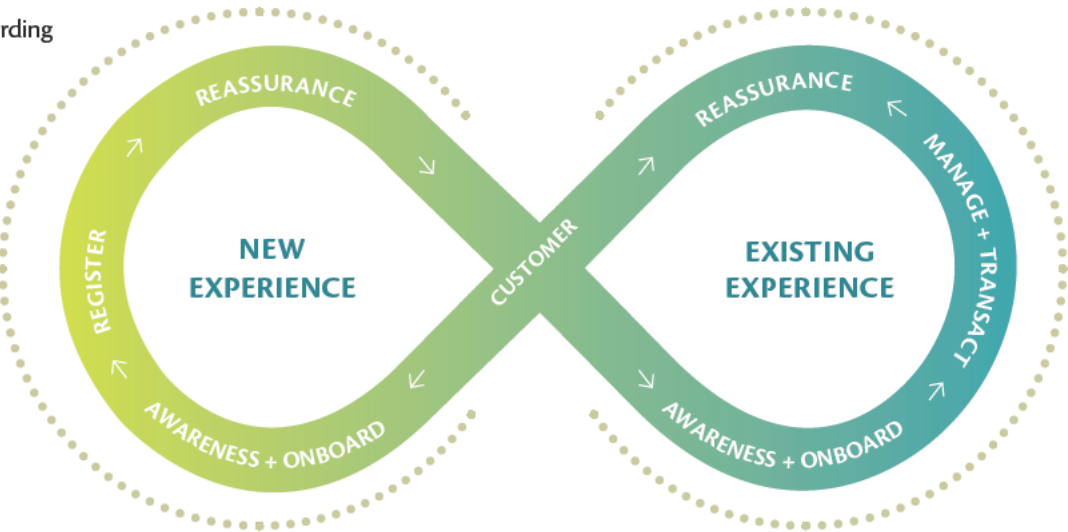
Awareness + onboarding



Ease, time + stress

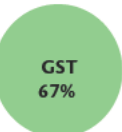


Reassurance



Transacting day to day

Awareness + onboarding



Ease, time + stress



Reassurance



Contact resolution for GST



Overall satisfaction



Effort handling issues



The cost of meeting my obligations is acceptable



I'm paying the right amount of tax



Others are paying the right amount of tax



Businesses thoughts on GST



GST experience is mixed

Some people find the new system easy to use. However some feel that the usability lacks.

"It's like it was designed by a person who never had to use it."

"I feel the new GST and FBT system has been greatly improved."



GST tax dates can cause strain on businesses

Some businesses feel that GST dates can be a strain, especially when close to other tax dates.

"GST refunds are taking too long to pay. This impacts cash flow."

"Only thing I do not like is paying my GST & Provisional Tax together!!! It's a lot to come out at once in a small business."



GST threshold is too low

Businesses feel that the threshold of \$60k to pay GST is too low. They feel that this can cripple their business.

"The GST threshold is far too low - it's a killer for small business!"

"...The GST bill cripples us every 2 months."



GST might create a non even playing field

Some businesses feel that international companies that aren't paying GST create more strain on their business as it is hard to compete. Businesses are not sure how the new GST rules will change this.

GST Regulatory Stewardship; CIE's GST Insights

JIRA ref: ICIE-234

Customer Insight & Evaluation

February 2020

Introduction

This document has been produced to help IR understand the key issues relating to GST¹. It presents the major GST insights and challenges identified in CIE's published and unpublished reports in the last three to four years².

A secondary question was initially considered, namely; to determine what information needs to be regularly produced for managers regarding GST. After discussion between CIE and Policy, this question has been deferred until a later date.

For ease of reading, this document has grouped the key GST insights and challenges as follows:

1. GST in the context of business taxes
2. GST pain points for customers
3. GST compliance; characteristics, behaviour and attitudes
4. GST online filing functionality.

1. GST in the context of business taxes

Businesses regard GST as less complex than other taxes^{3,4}. For instance:

- The rationale for GST is easier to understand than that of other products such as provisional tax or FBT.
- GST is a predictable tax obligation that customers regularly interact with, therefore GST is the tax people feel most confident and positive about.
- GST is the least demanding tax once customers are used to the process. The regularity of interaction builds familiarity.

GST should not be considered in isolation from the other business taxes. Looking at GST in the context of other business taxes⁵:

- New businesses can find it difficult getting to grips with all their tax obligations and other business-related challenges, including GST.
- Due dates for GST can coincide with other taxes. Along with delays in refunds, this can negatively impact cashflow.
- Businesses feel frustrated that the overall complexity of tax products forces them to outsource their taxes (although GST is often the exception, with a number choosing to do their own GST while outsourcing their other tax requirements).

¹ All the source reports from which these findings have been gathered are collated in the Teams folder for Regulatory Stewardship (sub folder CIE Research reports related to GST).

² CIE's published reports are available at <http://intranet.ird.govt.nz/analytics-and-insight/research-intelligence-insights>.

³ CIE, *Customer Experience & Perceptions. Quarter 1 Benchmark Report*. (2019)

⁴ CIE, *Small Business Landscape*. (2018)

⁵ Ibid.

- Businesses feel that the different rules, policies and functionality of each tax product adds an extra layer of complexity to their business taxes. They feel a more holistic view of their business would be valuable.

2. GST pain points for customers

While GST is seen positively in relation to other business taxes, there are still pain points in getting GST right^{6,7,8}.

For instance, when businesses and NFPs are deciding whether to register for GST:

- Customers new to GST can find it very difficult to determine if they should register for GST.
- NFP customers in particular find it difficult to apply the GST registration rules to their own situation, and sometimes colleagues mistakenly recommend registering when it is not necessary.
- For NFPs, the confusion about whether to register is exacerbated when their income is highly unpredictable due to wide fluctuations during the year, and/or large one-off events such as grants.

Note - Community Compliance is heavily involved in assisting businesses and NFPs in deciding whether or not to register for GST. A high proportion of NFPs are known to be unnecessarily registered for GST, largely due to the NFP not having a 'taxable activity' as required for claiming GST.

Regarding GST rules and requirements:

- Businesses rate GST as the most time-consuming of all the tax products in terms of recording information and calculating tax.
- Some smaller businesses consider the \$60,000 GST threshold to be too low, and delays in GST refunds can slow their business activity.
- Some businesses feel GST might create an 'uneven playing field', and that it is hard to compete with international companies that aren't paying GST. While this issue has been addressed very recently, the outcome for businesses is not yet clear.
- NFPs have difficulty determining if GST applies to certain goods and services, including grants.
- Regular changes in NFP's nominated persons cause delays in their GST processing, and impacts their ability to meet their GST obligations.

⁶ CIE, *Small Business Landscape*. (2018).

⁷ CIE, *Not for Profits & Charities Landscape*. (2019)

⁸ CIE, *2018 Study on the Time & Cost of Doing Business Taxes Incurred by NZ Small Businesses*. (2018).

3. GST compliance; characteristics, behaviour and attitudes

The main customer characteristics associated with late filing of GST^{9,10} are:

- Younger businesses (i.e. under two years).
- Areas with low numbers of GST filers.
- Rural areas (attributed to a lack of IR visibility in rural areas).
- Areas with high social deprivation.

Regarding compliance behaviour and attitudes (amongst tradespeople)¹¹:

- Those who are committed to declaring all of their income tend to be more likely to be established in their career, and either spend most of the time working from the office themselves or have a family member who completes the tax returns on their behalf.
- Those who are less likely to be committed to declaring all of their income tend to be younger and have a lower annual business turnover.
- Mid-career tradespeople are also less committed to declaring all of their income.
- On average, tradespeople believe 15% of the work in their industry is done under the table.
- Tradespeople have some sympathy for people not declaring income when they are starting out in business, helping out family and friends, or working 'in their own time'.

4. GST online filing functionality

The overall feeling is that online filing of GST is becoming easier with the technological improvements implemented by IR (e.g. filing GST directly from accounting software)^{12,13}.

Satisfaction with the new online GST filing is mixed, with some finding it easy to use, while others believe that the usability can be improved¹⁴.

The key usability issues¹⁵ that have been identified for online filing of GST are:

- IT/service issues (System stability/crashes/kickouts/page not opening/logging in).
- Navigation (Finding things/finding way around).
- Confirmation that the GST has been submitted.

⁹ CIE, *GST and Compliance Behaviour, GIS Visualisations and Insights*. (2018)

¹⁰ CIE, *IR Regional Profiles*. (2017)

¹¹ CIE, *Attitudes and commitment to tax compliance*. (2019)

¹² CIE, *2018 Study on the Time & Cost of Doing Business Taxes Incurred by NZ Small Businesses*. (2018).

¹³ CIE, *ERI GST Pilot: Early Release Initiative GST, customer survey*. (2016).

¹⁴ CIE, *Small Business Landscape*. (2018).

¹⁵ CIE, *GST Customer Effort and Satisfaction Survey*. (2018).

References

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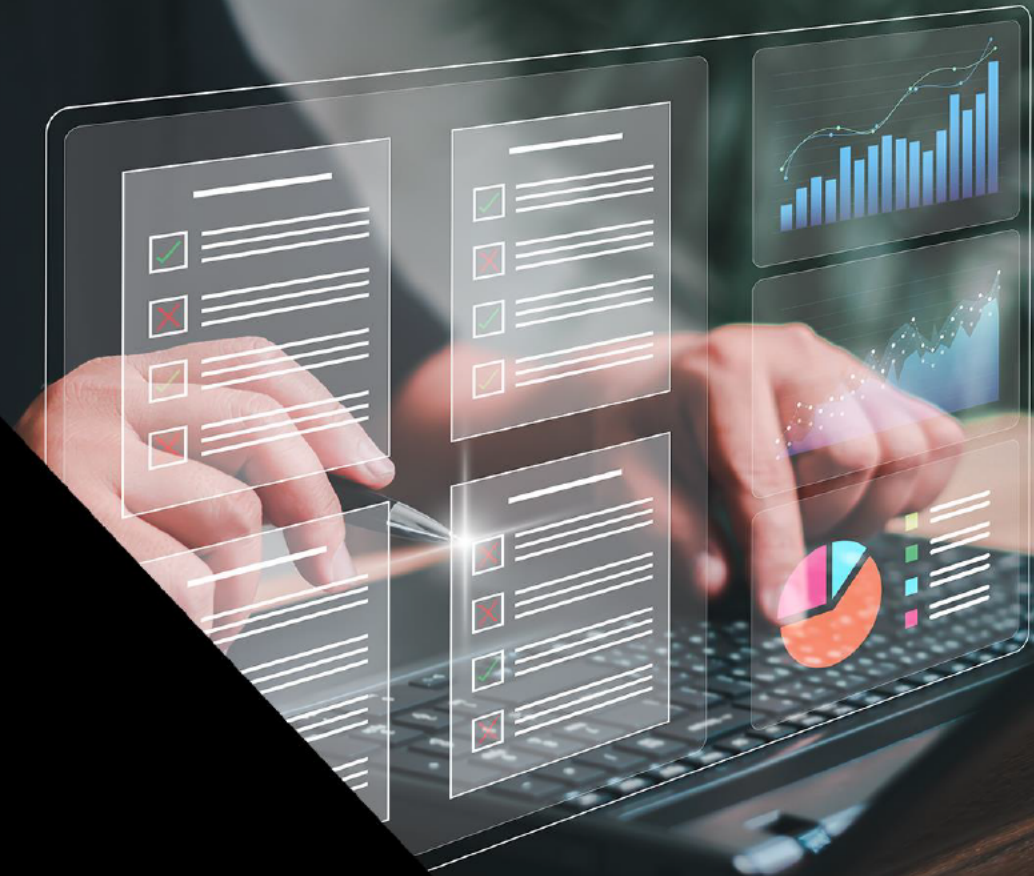
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Item 4



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SME compliance cost vs revenue modelling proof of concept

Feb 2025



Background

The SME compliance cost survey was introduced in 2013 with the purpose of tracking the outcome of the BT programme over time. In 2023, the Policy team had the intention to interpret compliance costs better by looking at compliance costs per dollar of revenue collected, hoping to uncover how compliance costs are likely to depend on several factors including turnover, numbers of employees and types of taxes levied. Given the impact of Cyclone Gabrielle on small businesses in 2023, a decision was made to hold off on the survey until 2024.

While the SME cost of compliance measures have previously focussed on understanding the compliance costs by tax type, analysing these cost relative to revenue collected would help to inform policy the efficiencies and customers' effort needed to collect tax revenue for different tax types by...

1

Comparing cost relative to revenue collected between tax types

- ▶ This can help policy to examine whether new taxes are likely to have relatively high compliance costs per dollar raised.

2

Reviewing taxes with very high compliance costs per tax revenue dollar raised

- ▶ If compliance costs per dollar raised are very high, this could indicate a need for policies to review the cost vs benefit of a tax type.

3

Assessing impact by type of firm

- ▶ This provides a view of how tax burdens can vary by firm type and size, potentially guide more equitable and efficient policy decisions.

To model compliance costs per dollar of revenue, cost estimates from the 2024 SME compliance survey were linked against tax collected for:

- GST
- Income tax
- PAYE
- KiwiSaver
- FBT

Limitations

As the SME Compliance Cost survey is not designed for modelling compliance costs per dollar of revenue, this work should be treated as a proof of concept and the results are indicative only to examine whether certain tax types are likely to have higher compliance costs per dollar raised.

External cost not split by tax type

- ▶ External cost such as accountant and tax agent services was only estimated at a total level and not by tax type.
- ▶ Therefore, using cost derived from in-house time spent (internal cost) to compare cost between tax types will underestimate the full compliance burden by tax type.
- ▶ The magnitude of underestimation varied by returns SMEs filed since the split between internal and external costs differed by returns SMEs filed.
 - ▶ SMEs who filed FBT had a higher proportion of external costs compared to those who filed other tax types i.e., PAYE (46% vs 31%).

Issues with memory recall

- ▶ Cost estimates based on time spent on very specific tasks related to filing from up to 12 months ago might not be the most accurate.
- ▶ Customers might not be certain about what returns they have filed.
- ▶ In the survey, almost 6 in 10 respondents who claimed to have filed FBT did not have any FBT filing records in IR's internal database.

Potential overlaps of cost estimates between PAYE and KiwiSaver

- ▶ Time spent calculating ESCT for KiwiSaver is part of time spent for payday filing.
- ▶ Depending on how respondents interpreted the survey questions, time estimates for KiwiSaver could also be included in the time estimates for PAYE, since cost estimates for...
 - ▶ KiwiSaver is based on time spent on meeting KiwiSaver obligations.
 - ▶ However, PAYE is based on time spent on payday filing, which includes meeting KiwiSaver obligations.

Assumptions made for modelling compliance costs per dollar of revenue

As the SME Compliance Cost survey is not designed for modelling compliance costs per dollar of revenue, this work should be treated as a proof of concept and the results are indicative only to examine whether certain tax types are likely to have higher compliance costs per dollar raised.

Compliance costs per dollar of revenue based on last filing / obligation

- ▶ Cost estimates and revenue collected were annualised based on the last filing by tax type before the survey was completed.
- ▶ Since the survey was only conducted in a specific 4–5-week window once per year, tax types such as GST could be more subject to business seasonality when it was used for annualising cost and revenue.
 - ▶ This could over/under-estimate compliance costs per dollar of revenue.

Negative revenue treated as \$0 for calculating cost per dollar of revenue

- ▶ Negative revenue will distort the calculation as it would suggest SMEs were paid to file their returns.
- ▶ A negative result cannot be interpreted the same way as a positive result in the context of efficiencies.
- ▶ As such, to avoid misleading interpretation, negative revenue was treated as \$0 for calculating costs per dollar of revenue.

Different definition of ‘last payday filing’ – customer vs IR internal data

- ▶ Some customers can have multiple payday filing submissions for different employees with the same payday. This can be depending on how customers have configured their payroll software used for filing.
- ▶ When linking cost estimates with tax revenue collected from ESCT and PAYE, tax revenue collected from the last payday filing is based on the last payday filing submission by customers before the survey was completed, where cost estimate based on customers’ response could be based on all payday filings submitted for different employees for the same payday.

SMEs with consolidated and GST groups excluded

- ▶ Due to challenges of attributing income tax and GST costs / revenue to individual SMEs who were part of a consolidated GST or group, these SMEs were excluded from the analysis.

In-house cost and revenue collected by product

For the five tax types included in the 2024 SME compliance cost survey, at the median, it costed SMEs 11.98c of in-house time spent for every dollar of tax revenue they paid to IR. Amongst the tax types, FBT had the lowest median annual cost of in-house time spent per dollar of revenue collected at 6.34c, while KiwiSaver had the highest median at \$1.79.

Median	All tax types	Tax for taxpayers' own tax liability (GST, income tax, FBT)	Withholding tax on behalf of another taxpayer (PAYE, KiwiSaver)	GST	Income tax	PAYE	KiwiSaver	FBT
Internal compliance cost per dollar of revenue collected	11.98c*	11.01c*	14.56c	11.28c*	24.51c	9.30c	179.42c	6.34c
Internal compliance cost	\$2,844#	\$2,174#	\$3,470#	\$1,382#	\$627#	\$2,217#	\$1,221#	\$118#
Revenue	\$25,369*	\$21,132*	\$23,695	\$12,811*	\$3,419	\$23,379	\$741	\$2,309

Notes: As these are medians, the compliance cost divided by the revenue does not equal to the compliance cost per dollar of revenue collected.

* Tax revenue collected is based on Net GST + Customs GST. Calculations using Gross GST are in the Appendix section.

Costs calculated based on claimed responses used for external reporting and included those who claimed to have filed but had no record in IR's internal database.



Appendix

In-house cost and revenue collected by product

Median	GST	Income tax	PAYE	KiwiSaver	FBT
Internal compliance cost per dollar of revenue collected	11.28c*	24.51c	9.30c	179.42c	6.34c
Internal compliance cost	\$1,382#	\$627#	\$2,217#	\$1,221#	\$118#
Revenue	\$12,811*	\$3,419	\$23,379	\$741 (ESCT)	\$2,309

Median	GST	Income tax	PAYE	KiwiSaver	FBT
Internal compliance cost per dollar of revenue collected	11.28c*	24.51c	9.30c	20.6c	6.34c
Internal compliance cost	\$1,382#	\$627#	\$2,217#	\$1,221#	\$118#
Revenue	\$12,811*	\$3,419	\$23,379	\$6,709 (Employee KiwiSaver deduction + Employer KiwiSaver contribution)	\$2,309

Notes: As these are medians, the compliance cost divided by the revenue does not equal to the compliance cost per dollar of revenue collected.

* Tax revenue collected is based on Net GST + Customs GST. Calculations using Gross GST are in the Appendix section.

Costs calculated based on claimed responses used for external reporting and included those who claimed to have filed but had no record in IR's internal database.

In-house cost and revenue collected (excl Customs GST)

Median	All tax types	Tax for taxpayers' own tax liability (GST, income tax, FBT)	Withholding tax on behalf of another taxpayer (PAYE, KiwiSaver)	GST	Income tax	PAYE	KiwiSaver	FBT
Internal compliance cost per dollar of revenue collected	12.54c*	11.52c*	14.56c	12.10c*	24.51c	9.30c	179.42c	6.34c
Internal compliance cost	\$2,844#	\$2,174#	\$3,470#	\$1,382#	\$627#	\$2,217#	\$1,221#	\$118#
Revenue	\$24,367*	\$20,254*	\$23,695	\$12,202*	\$3,419	\$23,379	\$741	\$2,309

Notes: As these are medians, the compliance cost divided by the revenue does not equal to the compliance cost per dollar of revenue collected.

* Tax revenue collected is based on Net GST excluding Customs GST. Calculations using Net GST + Customs GST are in the Main section.

Costs calculated based on claimed responses used for external reporting and included those who claimed to have filed but had no record in IR's internal database.

In-house cost and revenue collected (based on Gross GST)

Median	All tax types	Tax for taxpayers' own tax liability (GST, income tax, FBT)	Withholding tax on behalf of another taxpayer (PAYE, KiwiSaver)	GST	Income tax	PAYE	KiwiSaver	FBT
Internal compliance cost per dollar of revenue collected	7.45c*	6.18c*	14.56c	5.51c*	24.51c	9.30c	179.42c	6.34c
Internal compliance cost	\$2,844#	\$2,174#	\$3,470#	\$1,382#	\$627#	\$2,217#	\$1,221#	\$118#
Revenue	\$38,153*	\$34,722*	\$23,695	\$23,967*	\$3,419	\$23,379	\$741	\$2,309

Notes: As these are medians, the compliance cost divided by the revenue does not equal to the compliance cost per dollar of revenue collected.

* Tax revenue collected is based on Gross GST. Calculations using Net GST + Customs GST are in the Main section.

Costs calculated based on claimed responses used for external reporting and included those who claimed to have filed but had no record in IR's internal database.



Inland Revenue

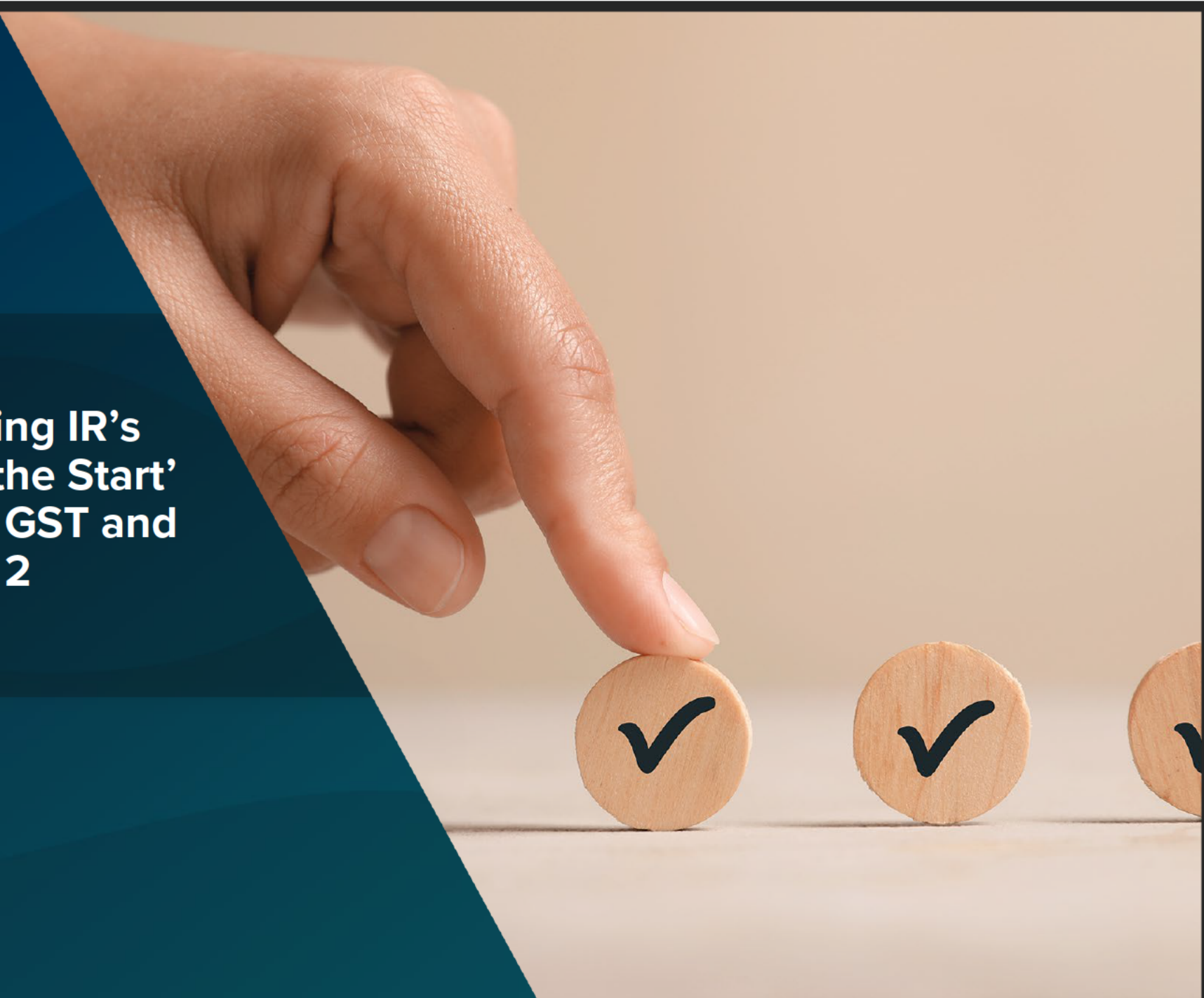
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Item 5



Understanding IR's 'Right from the Start' approach in GST and EMP; Phase 2

August 2025



PHASE 2

OBJECTIVES

What business problem were we looking to solve?

IR needs greater clarity on how, why, and to what extent a 'Right from the Start' (RftS) intervention approach supports the long term compliance behaviour of customers with GST and EMP.

What were our objectives?

- Understand the journey and significant moments for customers when they register for GST and EMP.
- Identify what IR can provide in the beginning stages to set customers up for success.
- Understand the appropriateness of the previous RftS intervention approach and other IR resources aimed at helping customers get things right.
- Gather and analyse customer perceptions to support the design of the RftS intervention approach for GST and EMP.
- Gather customer needs for future RftS intervention approaches.

Who did we speak with in phase 2?

METHODOLOGY



- ▶ 3 preparatory focus groups with tax intermediary representative bodies (April 2025)



- ▶ 50 in-depth qualitative interviews with customers who registered for GST and/or EMP in the previous 2 years (May-August 2025)

- Customer quotas were set to ensure we spoke with people from different segments and industries, and with differing success in on-time filing of their GST/EMP returns.



- ▶ The fieldwork was conducted by IR's Customer Voice & Measurement team (CVM).



- ▶ The fieldwork was completed online using MS Teams and by telephone.

Tax intermediaries - preparatory focus groups



• Tax cohort

CUSTOMERS - in-depth interviews

Tax type registered in last 2 years

GST	20
EMP	20
Both GST and EMP	10

Segment

SME	9
Micro	31
Families	10

Late returns in last 12 months

3+	17
1-2	15
0	18

Whether linked to tax agent

Not linked to a tax agent	33
Linked to a tax agent for their GST account only	10
Linked for both GST and EMP	7

Not in scope

Total	50
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SETTING THE SCENE

The range of customers we spoke to

FOUR CUSTOMER PROFILES

Varied levels of confidence and support



Find GST and EMP straight forward

01

Supported by professional services...

Customers using tax agents, bookkeepers, payroll providers, or payroll software felt their GST/EMP journey was low effort and the support helped them meet their compliance requirements.

"If something goes wrong, I know I've got the support I need to quickly get things right."

"They don't know everything, but they pick out things we don't, and they organise payment plans for us."

"My payroll provider takes all my hassles away."

"It's so streamlined now, it's scary how much is all online, you can't get anything wrong."

"I love Xero. It takes the pain out of it for me."



GST and EMP issues occur but are usually solvable

02

Commercially experienced, sometimes supported...

Experienced and confident at managing their own tax obligations, they understood how IR and our systems worked, were comfortable with tax and legal terminology, use non-accounting tools to manage their tax, and sometimes seek support from their networks or peers.

"My friend... recently registered for PAYE... helped me with my registration process... I learnt from him and he helps me out."

"I employed people in the past... it was a while ago, but I knew enough... to be able to work out what I had to do, so I did it."

"The accountant did the first GST return, and I sat there and he gave me training step-by-step."

03

Low commercial experience and not using professional services - but motivated to learn and resilient...

View their tasks as learning opportunities, sometimes as a way to save money or avoid compliance penalties, and show perseverance by educating themselves via Google, AI, YouTube, acquaintances, and contacting IR.

"I wanted to set myself up as an employee first, to figure out what to do... so when I employed someone... I would not mess around with their pay as I tried to get things right."

"These days AI is pretty smart. You can go to ChatGPT even with the very technical questions around GST."



Constantly struggling with their GST and EMP compliance

04

Low commercial experience, not using professional services, struggling to get it, and low resilience...

View their tax tasks as impossible, and perceive themselves as inexperienced and 'not good with numbers'. Learning and understanding the technicalities feels like a struggle, with each action feeling increasingly burdensome and overwhelming.

"IR3 meant I had a large tax bill at the end of the year... IR telling me to do payday filing when I did not understand it, and still do not understand it after months of trying... has me at the point where I question 'what I am doing trying to work for myself.'"

"The most difficult thing for me was the lack of support around manoeuvring through the business world. Even people who were in the same industry as me, they were still not sharing information about how they went on their journey."

Why do some customers struggle?



Low capability

- Some customers simply lacked a basic understanding of finance and tax.
- They did not know key terms, concepts, or understand how the system works.
- Those who were unwilling or unable to learn from the information provided found it even harder to make progress, despite receiving support from IR.



Low self-belief

- Customers who started their journey uncertain or anxious often had worse outcomes, as their mindset made it hard for them to take action or ask for help when needed.
- Their lack of self-belief was closely tied to having low capability.



Low resilience (ability to bounce back)

- A single mistake, especially one that led to a penalty, could seriously knock their confidence.
- Instead of learning from the experience, they often dwelled on the error, which made it harder for them to recover.
- Repeated setbacks and penalties wore them down, reducing both their resilience and confidence over time.
- The longer this went on, the more likely they ended up with “their head in the sand.”



Poor advice

- Some customers received inaccurate advice from trusted associates, Google searches, or AI chatbots, blending correct and incorrect information, leading them off track.
- Those relying on such advice quickly ran into problems, as what they believed to be true was often wrong.
- Correcting these mistakes was hard as they had to ‘unlearn’ bad habits before they could move forward, slowing their progress and raising their frustration.



Poor processes and systems

- Customers without proper systems to manage their business and tax obligations found things got worse over time, lacking tools or processes to stay organised, and didn’t know how to fix the issues themselves.
- This led to missed deadlines, errors, and penalties that could have been avoided with better setup and functional systems.



‘She’ll be right’ attitude

- Some self-employed and sole traders took a relaxed approach, believing things would work out eventually because they always had in the past.
- Even when problems were obvious, they delayed action, trusting that their network of contacts or past experience would help them recover.

Three cases illustrating the struggles for newly registered customers

Not in scope

CASE 2



Self employed, catering. Had been operating for two years at a very small scale well under the GST threshold. Recently opted to register for GST.

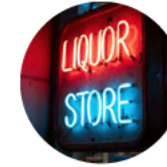
This person had transitioned from a benefit to self employment. She was receiving advice from an MBIE business mentor, and she attended two IR seminars, one for GST and one for starting a businesses.

She had not considered registering for GST in the first two years due to the small scale of the business. However, she had been asked a number of times if she was GST registered, and she also heard about the ability to claim GST on expenses which sounded to her like an opportunity for extra income. She then opted to register but was disappointed to be paying GST bills rather than receiving refunds. She has not adjusted her pricing to add the 15% for GST as she is worried this will drive away her customers. Also, she experienced a traumatic incident which meant she needed to temporarily put a hold on all her business activity.

She is currently unsure about continuing to be GST registered but would like to persevere, and she is wondering if she is 'missing something' regarding why she has received GST bills rather than refunds.

Also, she felt very excited and proud to have created her business and deregistering for GST would feel like she was going backwards.

CASE 3



Had one business and took over a second business, a bottle store. Recently registered the second business for EMP & GST.

This person had prior business experience when they took over another business. He uses MYOB, and an external accountant.

In spite of his confidence with business taxes, he has two ongoing tax concerns he hasn't been able to get to the bottom of –

- Regarding EMP - for some months he had been getting bills from IR for underpayments. He was stressed every time he had to make an extra payment as it meant he was getting something wrong but he couldn't work out what.
- Regarding GST - for one business he runs, the monthly statements stopped some months ago and he can't work out why. The other business continues to receive these statements.



Effectiveness of current RftS approach for GST & EMP

Significant moments in the customers' GST/EMP journey

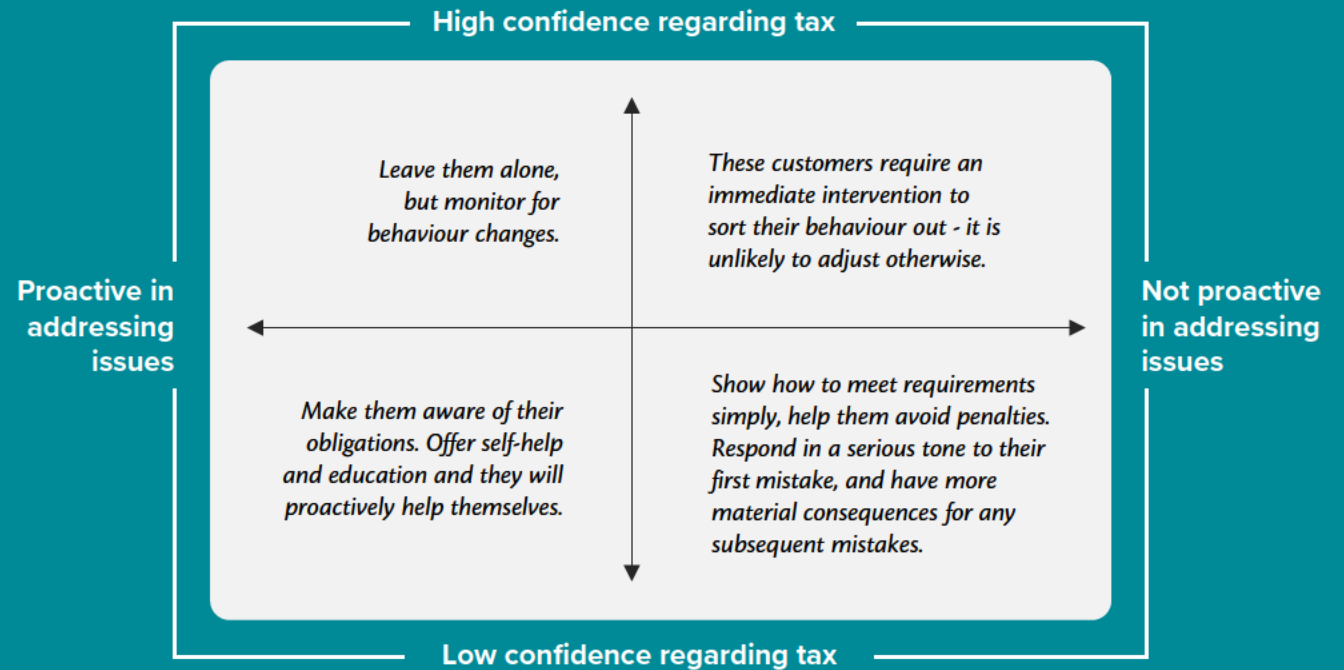
Not in scope

Filing & paying

The next critical moment was the first missed filing or first missed payment. At this point, IR must clearly demonstrate why it's beneficial for customers to stay on top of their obligations.

After registration, compliance came down to individual customer confidence* and proactivity in addressing issues.

IR's role here is well-known – i.e. focus shifts more towards compliance



*Confidence in this report is referring to customers' knowledge and capability, as well as how easy they feel it would be to find information or assistance to fill any knowledge gaps.



CUSTOMER VIEW - GST

Customers who have high confidence in their ability to manage GST can make informed choices about GST



Those who are highly confident are able to calculate the pros and cons at the key GST choice points

Choosing to register for GST earlier than necessary when it carries advantages

Generally, those who voluntarily register for GST before they strictly need to are predicting their income will soon pass the GST threshold. They prefer to get their GST registration sorted straight away so they don't have to worry about it later when they may potentially be very busy.

Some also register early in order to:

- Claim GST on sizable set-up expenses
- Convey added credibility to their clients.

"When we're sending invoices, we want to send them with GST on them. I just personally think that looks better."

Choosing between invoice vs payments basis using cashflow and prior experience

For some, the choice between invoice vs payments basis is based on their knowledge of the pros and cons related to their income and expenditure patterns. For instance, those who have a very stable pattern of payments arriving on time may be more inclined to opt for 'invoice' basis, whereas those who expect delays in invoices being paid will be inclined to select 'payments' basis.

"If we won a big tender, I may have to choose Invoice basis instead of payments, but so far it's been quite good being on payments basis because that's what the nature of the business is. It helps with our cashflow."

"The decision rests on cashflow, don't pay GST before you're paid."

Some customers with particularly high GST confidence are also open to changing their choices as needed.

Choosing to file more frequently than necessary helps keep finances under control

Customers with significant income fluctuations are inclined to file GST frequently to smooth out any large GST bills arising from periods of high income.

Those who expect to regularly get GST refunds also have an incentive to file GST more frequently than strictly necessary to speed up the refunds.

Customers' overall preference is to choose a filing frequency that gives them control of their GST payments. The added workload of filing GST more frequently than necessary is far less concerning.

Customers with low GST confidence are susceptible to misunderstandings and misconceptions



Those with low GST confidence feel uncertain and intimidated by business taxes in general.
They fear making mistakes or missing deadlines and being held accountable by IR.

Some see GST registration as compulsory

Some register for GST when well below the threshold because conversations with peers have led them to believe that they 'must' be registered to do any business activity.

"All I understand is that if you're doing business in New Zealand and people are paying you for your time or whatever, you must register."

Some customers were even aware that there was a GST threshold, but didn't realise that this contradicted their belief that they must register regardless of income level.

Registering correctly at the GST threshold, but without considering the advantages of early registration

Some customers with low GST confidence were focused solely on the GST threshold when deciding about registering. They wanted to avoid the hassle of doing GST until they had to.

However, for some, there is a lingering doubt about whether they would have been better off if they'd registered earlier. In particular, some wonder if they should have tried to claim the GST on their set-up expenses.

Registering earlier than needed based on misconceptions about claiming expenses

One person described how they decided to register while well under the GST threshold. Of note, they had believed that claiming the GST on their expenses would likely lead to a refund, i.e. they viewed this as an extra type of income.

They were disappointed and confused when their GST returns resulted in bills.

"[When I received a GST bill] I didn't realise I would be paying Inland Revenue money. This just didn't make sense...I'd always been told you can claim your money back, you can claim your expenses back. It sounded like a win-win, no wonder everyone's in GST. But little did I know it doesn't work like that... Maybe I'm doing something wrong."

Intermediaries have seen this disappointment as well in their clients. They note their clients can be a little suspicious about their accountant or bookkeeper when a GST bill arises in spite of claiming a number of expenses.

Customers with low confidence regarding GST don't necessarily see the need to fill their knowledge gaps



Customers focus on the viability of their business and staying out of trouble with IR.

Having a gap in their understanding of GST doesn't worry them - unless it impacts their business or their ability to comply with their taxes.

In particular, for 'invoice vs. payments basis', some customers have little or no understanding of the terms, but they also don't feel compelled to learn this

None of the customers interviewed with low GST confidence were able to describe the difference between the invoice and payments basis for GST. They generally didn't understand the terms, couldn't recall which option they had chosen, or why they made that choice.

Intermediaries believe that their clients' choice of invoice or payments can be simplistic, e.g. 'whatever is at the top of the form' or 'people choose invoice basis because they issue invoices'.

Interestingly, customers who didn't know the meaning of invoice or payments basis were largely uninterested when asked if they would like to know more about the terms. They were not keen to learn this technicality, and could see no problem with their current settings.

Additional pain points in the GST journey for those with low GST confidence

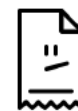


Claiming expenses feels 'risky'

Some customers are unsure what counts as business vs. personal expenses, and how to manage the GST component if they make expense claims.

Further, some associate claiming expenses with 'exploiting' the tax system.

"You could say every lunch is a business lunch, and that's dangerous. That's what breaks the system."



Reluctance to increase prices by 15% when becoming GST registered

Some felt unsure about raising their pricing to match the GST paid. They were worried about losing customers so they'd borne the cost themselves and aimed to make increase their business turnover enough so they were no worse off. Guidance on how to transition prices when crossing the GST threshold would be appreciated.

One person who was an Uber driver also was wondering how to add GST to his fares – i.e. he was unaware how GST worked in the industry.



Very common GST terms aren't always understood

Some customers with low GST confidence need more guidance when IR is introducing key GST terms and concepts.

"[IR thinks] everyone knows what 'taxable activity' is or what 'taxable supplies' are. Well, actually no, I don't know what you're talking about."

"[When IR asks 'is this a nil return?'] What are they trying to ask me? Am I getting nothing out of this?... It's the confusion around the language."



Deregistration guidance – and it's needed as early as day 1

Sometimes business activity doesn't get going. For one person, having no business activity led them to assume they had no GST obligations, and they then ignored IR's communications about late GST returns.

Unfortunately they ended up with penalties at a time when their finances were very tight. They needed to be prompted and helped to deregister immediately.

For others where the business activity gets going but fails to cross the threshold, an understanding about the pros and cons of deregistration would help.



GST/EMP universal opportunities

Recapping the strong GST and EMP themes



Strong GST themes

Responsibility

- People are often asked by their customers/peers if they are GST registered.
- Belief that anyone doing business needs to register for GST. Even when people know about the GST threshold, they aren't always convinced they don't need to be registered below the threshold.

Compliance

- Those with high GST confidence sometimes register before reaching the GST threshold as they see advantages for doing so.
- GST has complexities that are beyond them. Only top accountants have full knowledge.
- Claiming GST on expenses is tricky so people stay conservative and not try to claim any expenses they're not sure about.
- People feel they don't need to know everything about GST, just enough to avoid penalties. In particular, they're not interested in the technicalities of invoice vs payments basis.
- Filing monthly/every two months is a popular choice even if they could file less often. They aren't concerned about the added workload, they prefer to regularly monitor their financial situation.

Not in scope



SIMPLIFYING SMALL BUSINESS TAX AND IMPROVING COMPLIANCE OUTCOMES



May 2026



Introduction

This survey was commissioned to inform Inland Revenue's Simplifying Small Business Tax ('SSBT') initiative.

Small businesses experience significantly higher tax effort and poorer compliance than other customer groups. Overall, the initiative aims to make tax compliance as simple as possible for small businesses and improve their compliance outcomes.¹

The purpose of the survey was to validate Inland Revenue's existing understanding of small businesses for the SSBT initiative team and to confirm that no material issues had been overlooked. The scope was limited to income tax and GST.

The research explores key challenges small businesses report in meeting their tax obligations, the role of software and tax intermediaries in tax processes, and small business tax mindset and planning behaviours. It also considers how these factors relate to tax effort and compliance.

Specific objectives of this research



- Assess the biggest challenges small businesses face meeting their tax obligations



- Understand the use of intermediaries/ software, why or why not, and perceived benefits



- Explore tax processes, the perceived effort and alignment with expectations



- Analyse the relationship with effort and compliance



- Examine how small businesses think and plan for tax, and ways IR can support them

How the research was done

Surveying the business owner or decision maker of business operations / tax processes

Sample reflects a cross-section of small businesses in New Zealand aligned to research objectives (see 'Survey methodology').



**15 MINUTE
ONLINE SURVEY**

Use of a chatbot conversational tool to explore the challenges small businesses face meeting tax obligations

Small businesses defined as fewer than 20 FTE.

- **Reported bands** are 0-5; 6-9; 10-19 FTE.
- **Results for 0 FTE** are reported where relevant and statistically reliable.

Fieldwork conducted **22nd Sep – 8th Oct**

Total of **503 completes** achieved

TRA



Inland Revenue
Te Tari Taake

– NZ GOVT.



Survey methodology

Survey design balanced robustness, representativeness, and practicality.

Recruitment was conducted via an external research panel provider. An achieved sample of ~500 delivers an estimated margin of error of $\pm 4.38\%$ at the 95% confidence level.

The sample does not match Statistics New Zealand population proportions because quotas were set to achieve reliable estimates for the 6–9 and 10–19 FTE groups, as a result the target quota of 0–5 FTE businesses was lowered.

This has a small, but non-material impact on results, weighting applied by FTE band and industry.

Small businesses who participated in this research

Small businesses of varying size and industries from across New Zealand participated in this survey.



The survey emphasised insights from small business owners and captured a diverse cross-section of New Zealand businesses, spanning different setups, sizes, and industries ensuring findings reflect the breadth of the small business community.

Business Description

Business supplementing other income (sole trader with no employees)	4%
Working for myself (sole trader with no employees)	12%
A contractor (sole trader with no employees)	6%
A sole trader with employees	33%
A partnership with employees	9%
A company with employees	26%
Other	9%
NET: Sole trader with no employees	23%
NET: Have employees	68%

Business owner vs decision maker*

Business owner	450 respondents
Business decision maker	53 respondents

Business Owner vs Decision Maker: while respondents could fit into both categories, this split reflects the number of participants that answered as a business owner vs. a business decision maker. Those in both categories answered as a business owner.

FTEs

0	23%
1	25%
2 - 5	44%
6 - 9	4%
10 - 19	3%
20 or more	0%
NET 0 - 5	93%
NET 6+	7%

Industry Classification

NET Primary	10%
NET Secondary	21%
NET Wholesale/Retail	11%
NET Professional Services	45%
NET Government	6%
NET Other Services	7%

Secondary industries consist of Manufacturing; Electricity, Gas, Water, and Waste Services; Construction; Transport, Postal, and Warehousing; Information Media and Telecommunications.

Turnover

Less than \$100k	34%
Between \$100k - \$499k	34%
Between \$500k - \$999k	13%
Between \$1m - \$4.9m	12%
Between \$5m - \$9.9m	2%
Between \$10m - \$19.9m	2%
Rather not say	2%
None of the above	0%

GST Registered

Yes	74%
No	26%

Region

Auckland	36%
Wellington	13%
Canterbury	12%
Upper North Island	22%
Lower North Island	12%
Other South Island	9%

Most have experience doing business in New Zealand and are knowledgeable about tax.



Nearly two-thirds of small businesses have more than six years of business tenure, and a similar proportion report six or more years of experience operating in New Zealand. This depth of experience contributes to stronger familiarity with tax requirements and higher overall tax knowledge.

Business Tenure

Less than a year	4%
1-2 years	10%
3-5 years	22%
6-10 years	18%
More than 10 years	46%
Don't know / can't remember	0%
NET: Less than 6 years	36%
NET: 6 or more years	64%

Business Experience in NZ

Less than a year experience	5%
1-2 years' experience	10%
3-5 years' experience	21%
6 or more years' experience	64%
NET: Less than 3 years	16%
NET: 3 years or more	84%

Perceived overall tax knowledge

Know a lot	22%
Know a moderate amount	46%
NET: Know moderate / a lot	67%
Know a little	29%
Know nothing	2%
Not sure	1%

Tax knowledge, business tenure and experience

NET: Know moderate / a lot	67%		
	0-2 years	3-5 years	6-10 years
Business tenure	43%	66%	62%
Business experience	45%	63%	75%

*Business owners – number of businesses

1	81%
2	14%
3	3%
4	1%
5 or more	1%

Time living in New Zealand

Less than two years	1%
Two to five years	3%
Six to ten years	4%
More than ten years	91%
Rather not say	0%

Stability of cashflow varies by the size, age and industry of the business.

Cashflow by business size

	Total	Sole trader no employees	0-5 FTE	6-19 FTE
Stable (consistent throughout the year)	46%	34%	45%	57%
Seasonal	15%	12%	15%	21%
Fluctuates randomly	37%	50%	38%	20%
Other	1%	3%	1%	2%
Not sure	1%	1%	1%	0%

Cashflow by business tenure

	0-2 years	3-5 years	6-10 years
Stable	39%	49%	47%
Seasonal	6%	20%	20%
Fluctuates randomly	49%	32%	30%

Cashflow by has had debt

	Yes	No	Not sure
Stable	14%	79%	6%
Seasonal	23%	73%	4%
Fluctuates randomly	25%	70%	5%

Cashflow by industry

	Construction	Retail Trade	Professional, Scientific Technical Services	Secondary	Wholesale / Retail	Professional Services	Government	Other Services
Stable (consistent throughout the year)	50%	34%	50%	52%	36%	54%	44%	29%
Seasonal	12%	13%	7%	14%	20%	8%	16%	17%
Fluctuates randomly	37%	43%	41%	34%	39%	37%	39%	49%
Other	1%	7%	2%	1%	4%	1%	0%	3%
Not sure	0%	2%	0%	0%	1%	1%	0%	2%

Take outs from small business cashflow

Small businesses show significant variation in cashflow stability, and this is strongly influenced by their size, age, and industry. Larger small businesses with 6+ FTEs are far more likely to have stable cashflow, while sole traders and 0-5 FTE businesses experience more random fluctuations.

Stability also increases with business tenure, those operating for more than three years are noticeably more stable than newer businesses.

Industry also plays an important role, Professional services, construction, and other secondary industries report the highest rates of stable cashflow, whereas retail and other service sectors show more volatility.

These patterns have direct tax implications. Businesses with **fluctuating cashflow are more likely to incur tax debt (24% vs 14%)**.

The role of intermediaries in tax processes

Intermediaries play less of a role in GST processes than in income tax, and again a smaller role in payment.



Intermediaries play a larger role in income tax than GST. Sole traders with no employees use intermediaries less than businesses with employees. Larger businesses (6+ FTE) are more likely to draw on in-house bookkeepers, accountants, finance teams, or office administrators to support GST processes.

GST: Parties involved across the different tax stages

	Record-keeping	Filing	Payment
Business owner / director	71%	62%	72%
External bookkeeper / accounts clerk / accountant	34%	35%	18%
Tax agent	19%	17%	13%
In-house bookkeeper / accounts clerk / accountant	21%	19%	16%
Office manager / administrator	22%	16%	16%
Dedicated finance team	14%	11%	8%
Registered tax pooling intermediary	-	-	7%
NET: Intermediary	45%	47%	29%

Note: The "NET Intermediary" scores for the record-keeping and filing stages included: External bookkeeper / accounts clerk / accountant; Tax agent. For the payment stage the NET score also included: Registered tax pooling intermediary. NET scoring: As more than one answer can be selected, the sum of the options will often exceed the NET score. The NET score reflects unique respondents (to prevent counting respondents twice).

Intermediary involvement in GST by business size

	Record-keeping	Filing	Payment
Sole trader with no employees	35%	42%	21%
0-5 FTE	45%	48%	28%
6+ FTE	44%	39%	40%

Intermediary involvement income tax vs GST - GST registered

Record-keeping		Filing		Payment	
GST	Income Tax	GST	Income Tax	GST	Income Tax
45%	57%	47%	66%	29%	38%

Small businesses use intermediaries mainly to avoid mistakes and mitigate risk.



For both income tax and GST, the main reasons for using intermediaries are to ensure calculations are correct and obligations are met, avoid mistakes and penalties, and access specialist expertise and support. This suggests solutions that mitigate risk and embed expert advice into workflows will resonate as strongly as time savings.

Not in scope

Reasons for using intermediaries – GST

NET: Compliance / avoiding mistakes and penalties	84%
For our peace of mind	50%
To reduce the risk of underpaying or overpaying GST	46%
To avoid mistakes in the payment / refund process (e.g. incorrect references etc.)	46%
To ensure our tax calculations are correct and obligations are met	45%
To avoid penalties from Inland Revenue	41%
To meet industry compliance requirements (e.g. regulated sectors)	17%
NET: Expertise and support	65%
To get expert / specialist advice	47%
To have an independent check / second pair of eyes	39%
Because our GST situation is complex (e.g. mixed supplies etc.)	15%
NET: Efficiency / convenience	67%
To help prepare and reconcile records for GST returns	40%
To save time	34%
To have someone else deal with Inland Revenue	33%
To get the benefits that come with tax pooling (i.e. delayed payments)	13%

Approximately a third do not use intermediaries, as they believe they are able to do it themselves and to save money.



Many small businesses choose not to use intermediaries because they feel confident managing tax themselves - it's simple, they have time, and they find dealing with Inland Revenue easy. Cost is a significant factor for 0–5 FTE businesses, along with perceptions that intermediaries are not relevant for their business size or type. In addition, 24% (income tax) and 36% (GST) say software tools make tax compliance easy enough without external help.

Not in scope

Reasons for NOT using intermediaries – GST

NET: Existing capabilities (it's not hard)	88%
Our GST obligations are simple to handle ourselves	59%
We have time to manage GST ourselves	52%
We have the skills / knowledge in-house	50%
We use software or tools that make it easy	36%
Dealing directly with Inland Revenue is easy	34%
We want to save money	46%
0-5 FTE	48%
6+ FTE	23%
NET: Low relevance	57%
We don't think our type / size of business requires one	34%
We prefer to stay directly involved	30%
We don't believe they add much value	17%
We don't think tax pooling is relevant for our business	8%

The role of software in tax processes

Software use for income tax rises with business size: 82% for 6-19 FTE and 59% for 0-5 FTE.¹

This is similar for GST: 80% for 6-19 FTE and 66% for 0-5 FTE

Most valued software features differ by business size

	Total	0-5 FTE	6 – 19 FTE
Not in scope			
GST			
Always up-to-date with NZ tax rules and rates	39%	37%	51%
Covers all main NZ tax types	36%	34%	45%
Automatic tax calculations	47%	48%	38%

Smaller businesses (0–5 FTE) prioritise simple software features like bank feeds, basic reconciliation, and secure storage, while larger small businesses (6–19 FTE) need more advanced capabilities such as detailed tax reporting and full tax-type coverage.

Digital tools should scale with business complexity. Smaller businesses benefit from easy, low-cost, automated options, whereas larger firms require more sophisticated, comprehensive, and integrated functionality. Offering graduated software tiers would allow businesses to grow without switching platforms.

1. Represents software use for record-keeping and filing stages.

Q: Finally, when it comes to using software for the business's income tax processes / systems, which features are most beneficial for your business? Finally, when it comes to using software as part of the business's GST processes / systems, which features are most beneficial for your business? Base: Total Sample n = 503

Not in scope

NET: Error reduction and efficiency	92%
To reduce errors	55%
To automatically calculate GST obligations	54%
To save time	47%
To reconcile with financial records	44%
To easily generate reports and track finances	42%
For ease of paying / receiving refunds directly through the software	34%
To ensure payments / refunds are made on time e.g. reminders etc.	33%
NET: Peace of mind and accessibility	66%
For peace of mind (e.g. records stored and backed up securely)	45%
To access records anytime, anywhere (e.g. cloud-based software)	36%
Because it integrates with other business systems	22%
To support future business growth / scalability	12%
It was recommended to us	27%

Software non-use is due to confidence in existing systems, lack of perceived relevance and to save money.

Not in scope

REASONS FOR NOT USING SOFTWARE - GST

NET: Confidence in existing systems	76%
Our GST needs are simple and don't require software	54%
We are confident using spreadsheets or paper records	43%
Paying / receiving a refund directly via online banking / Inland Revenue is easy	43%
We prefer having full control over calculations and records	20%
Our business is too small to justify using software	46%
We want to save money	37%
NET: Uncertainty / reluctance	22%
We don't know which software would suit our business	16%
We don't have the time to learn new software	12%
We don't trust software	0%
We used software before but had a negative experience	3%

Software plays a larger role in GST processes, potentially highlighting a pathway for further use in income tax.



Larger small businesses use software more consistently than smaller businesses. This suggests that as business size and complexity increase (e.g., GST registration, more employees), so does the use of tools to manage tax obligations.

GST: Tools used across the different tax stages

	Record-keeping	Filing	Payment
Accounting or business software	67%	68%	33%
Manual	46%	43%	47%
Inland Revenue myIR portal	-	-	40%

Software use in GST by business size

FTE	Record-keeping	Filing	Payment
Sole trader with no employees*	-	-	-
0-5 FTE	66%	66%	33%
6+ FTE	80%	80%	39%

* Sample size for sole trader no employees was too small to report on (n <50)

Use of software income tax by GST registration

GST registered	70%	71%	34%
Not GST registered	31%	31%	11%

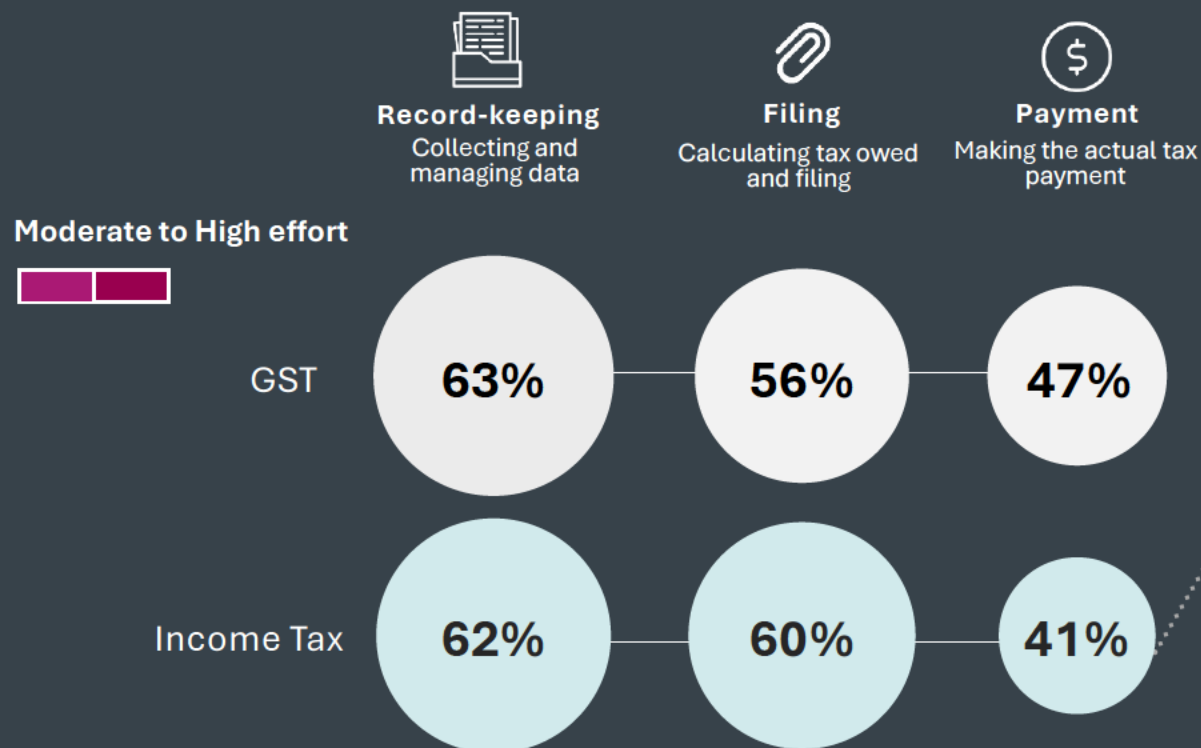
GST registered businesses are more likely to use software

Understanding motivators and perceived benefits for use of software in GST may help communicate the benefits for use of software to manage income tax and encourage use.

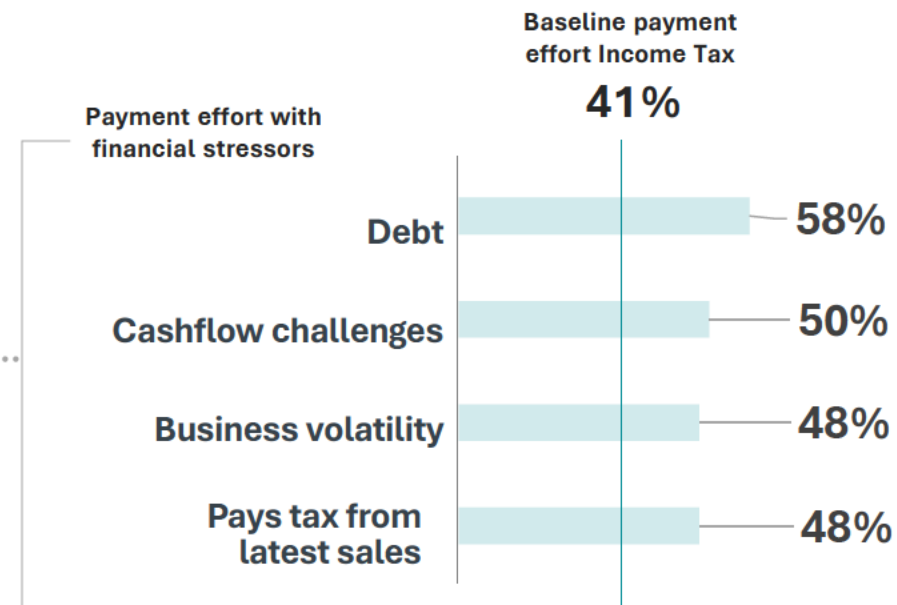
Relationship with effort and compliance

Record-keeping and filing are the highest-effort stages but...

REPORTED PERCEIVED EFFORT BY TAX STAGES



...payment effort spikes with financial stressors



Payment effort is generally low, but increases sharply when businesses face debt, cashflow pressure, or volatility. These payment difficulties reflect underlying financial stress that compounds compliance burden across all tax stages.