



26 January 2021

Dear [REDACTED]

Thank you for your recent request made under the Official Information Act 1982 (OIA), received on 13 December 2021. You requested the following:

- 1) *the number of claims initially disallowed under \$100 per taxpayer, that were subsequently accepted for the 2020 and 2021 year after the taxpayer obtained a complete copy of the receipt.*
- 2) *the number of donee organisations in 2020 and 2021 that Inland Revenue contacted to advise them that their receipts were not strictly complete.*
- 3) *the cost (or estimated cost) of issuing an assessment/refund, (and an amended assessment/refund if it is different)*
- 4) *the number of cases prosecuted (or approved for prosecution) in the 2020 and 2021 year; And the number where criminal penalties have been applied for the 2020 and 2021 year.*

I also acknowledge your request is supplementary to earlier observations you provided relating to perceptions over the Commissioner's use of resources under the broader care and management provisions, more specifically the application of these in relation to lower value donation tax credit claims.

Processing of donation tax credit claims

Inland Revenue's business transformation programme has seen significant changes to the way information is received and processed. New technologies are now used in finalising a range of assessments and verifying claims. In respect of claims for donation tax credits, this includes the submission of an electronic image of individual receipts to support the claims lodged.

These new technologies now allow for optical reading of receipt images, automated validation against other information held and/or pre-set conditions and rules, including whether or not a receipt may have alterations, erasures or be incomplete in form. In many instances, where a receipt fails an automated validation check, it may be declined without need for manual review or, where there may be several exception reasons within the same claim, re-directed for manual review.

The technologies have a high degree of accuracy and are regularly reviewed alongside system tolerances to ensure only non-qualifying receipts are identified

and declined. While acknowledging your comments over the materiality in declining individual receipts, you will appreciate that where there is high automated processing of claims, these tolerances also need to be set in the context of all receipts received.

Question 1

The following table illustrates the number of customers who meet the following criteria:

- One or more non qualifying receipts were disallowed; and
- Each receipt was for a value under \$100; and
- Replacement qualifying receipts were subsequently received and approved for the same value.

Donation Tax Credit Returns Individual Receipts	Customers	Receipts
31/03/2020	304	637
31/03/2021	227	462

I have also provided an additional table which sets out:

- the number and value of non-qualifying donation receipts where a donation tax credit claim was declined; and
- the number of investigations initiated into suspected fraudulent donation claims.

Donation Tax Credit receipts for the 12-month period ending 30 June 2021	Volume	Value \$
Ineligible donation receipts (rounded)	429,000	\$14.2m
Investigations into suspected fraudulent donation claims	962	\$2.5m

You will see from the two tables provided that for the periods highlighted, the volume of declined and subsequently resubmitted receipts is a very low component of declined claims.

The highest volumes of ineligible receipts Inland Revenue receives claims for are in relation to:

- Claims for childcare fees
- Duplicate receipts
- Claims for private memberships
- Outside of eligible claim period
- Not approved donee organisation
- Receipt does not relate to claimant.

Question 2

The information sought on the number of contacts made with specific donee organisations is refused under section 18(f) of the OIA in that the information requested cannot be made available without substantial collation or research.

While declining this element of your request, Inland Revenue has progressively shifted our emphasis to a "Right from the Start" approach to compliance and has actively sought opportunities to intervene earlier through improved information and education together with simpler and easier to use systems and processes.

Where we see customers get it wrong, either accidentally or deliberately, we have worked with key groups to reduce the need for post-filing audit and investigation.

Inland Revenue has proactively worked with a wide range of approved donee organisations to increase their understanding of eligible donations and to assist them in ensuring that donation receipts issued to customers contain the relevant information to support subsequent donation tax credit claims. This includes regular liaison with government agencies such as the Department of Internal Affairs, the Ministry of Education (including direct engagement with specific schools as needed) and other groups such as the Inter-Church Bureau.

Question 3

I am unable to provide a cost (or estimated cost) relating to an accepted or disallowed donation tax credit claim and your request is refused under section 18(e) of the OIA that the document alleged to contain the information requested does not exist.

This said, and within the context of my response on page 1, Inland Revenue’s new technologies have allowed for advanced automation of eligibility rules and consequential processes that are applied to individual receipts with a high level of accuracy. This means that non-qualifying receipts can be identified and appropriately excepted irrespective of value, in essence enabling automated level of application of the care and management provisions.

Question 4

Working with customers to get their tax assessments, entitlements or claims right is Inland Revenue’s preferred approach. However, where all other avenues fail, we will act against those who deliberately attempt to defraud New Zealand’s revenue system.

The table below shows the number of customers approved for prosecution in 2020 and 2021 relating to fraudulent donation tax credit claims.

Year	Approved for Prosecution	Sentenced
2020	3	<ul style="list-style-type: none">1 x guilty verdict. Sentenced to seven months home detention (with special conditions imposed).
2021	7	<ul style="list-style-type: none">1 x guilty verdict. Sentenced to seven months and three weeks home detention.

Right of Review

If you disagree with my decision(s) on your OIA request, you can ask an Inland Revenue review officer to review my decision(s). To ask for an internal review, please email the Commissioner of Inland Revenue at: CommissionersCorrespondence@ird.govt.nz.

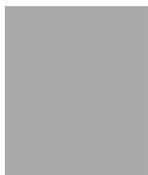
Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you for your request.

Yours faithfully



Richard Philp
Customer Segment Lead
Microbusiness & Not for Profit