



22 July 2025

[REDACTED]  
[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 23 June 2025. You requested the following:

*1. Tax-Subsidy Alignment Checks*

- a. Did IRD conduct cross-checks between wage subsidy recipients and their tax declarations (profit/loss, PAYE, GST)?*
- b. Were any significant discrepancies or anomalies identified?*

*2. Flagged Entities or Sectors*

*How many businesses were flagged for:*

- a. Claiming hardship while reporting profit?*
- b. Receiving subsidies while maintaining high executive payouts or dividends?*

*3. Referral & Follow-up*

- a. Number of cases referred back to MSD or MBIE*
- b. Internal memos or policies related to COVID-related tax monitoring*

**Item 1**

The Ministry of Social Development (MSD) was responsible for administering the wage subsidies (and leave subsidies, hereafter referred to as 'the subsidies') and determining eligibility. In some instances, requests were made to Inland Revenue from MSD for information under a sharing agreement documented in a Memorandum of Understanding (MOU) specific to COVID-19 support. These requests for information were usually prior to the subsidies being paid and handled by a dedicated team. In such instances, taxpayer records were reviewed, and confirmation was provided to MSD whether they were an employer or self-employed. In some instances, taxpayers were asked to provide Inland Revenue with financial information before confirmation of self-employment was provided to MSD. Further information regarding the MOU between Inland Revenue and MSD can be found on Inland Revenue's website at [ird.govt.nz/about-us/information-sharing/mous/msd](https://ird.govt.nz/about-us/information-sharing/mous/msd).

Some work was carried out by Inland Revenue on behalf of MSD where Inland Revenue was requested to undertake analysis of recipients of Wage Subsidy Scheme payments using a range of risk criteria determined by MSD (e.g. ceased employees post wage subsidy payment). Inland Revenue provided summary observations from this analysis as an input to MSD's post payment verification activity. The determination about final eligibility and whether further investigation activity or decisions to recall wage subsidy payments was made by MSD.

Subsidies received by employers (including self-employed employers) on behalf of employees were required to be passed on as salary/wages with PAYE and other payroll deductions made as required. These subsidies were non-taxable for income tax to the extent it was passed on as salary/wages (and then the salary/wages were non-deductible, therefore neutral from an income tax perspective). Further information regarding the tax treatment of subsidies received by employers can be found on our website at [ird.govt.nz/covid-19/business-and-organisations/employing-staff/leave-subsidies/wage-subsidy---issues-for-employers](https://ird.govt.nz/covid-19/business-and-organisations/employing-staff/leave-subsidies/wage-subsidy---issues-for-employers).

Subsidies for self-employed persons and other individuals in receipt of this subsidy were taxable for income tax and required to be reported in the government subsidies field of their individual returns/assessments. Further information regarding the tax treatment of subsidies received by employers can be found on our website at [ird.govt.nz/covid-19/business-and-organisations/employing-staff/leave-subsidies/wage-subsidy-issues-for-self-employed](https://ird.govt.nz/covid-19/business-and-organisations/employing-staff/leave-subsidies/wage-subsidy-issues-for-self-employed).

Inland Revenue conducted various campaigns to follow up on the failure of self-employed persons and other individuals to report the subsidies or where we found employer subsidies hadn't been treated correctly for income tax and PAYE.

There was no specific reporting requirements for discrepancies ascertained for these subsidies.

## Item 2

As income tax is made up of a combination of income streams and may have included the subsidies, we are unable to provide the number of businesses that were flagged for claiming hardship while reporting a profit.

Businesses that received subsidies while maintaining high executive payouts or dividends was not an area that Inland Revenue applied resources to, given we did not determine eligibility to the subsidies. Our focus was on the correct tax reporting of subsidies that had been received.

Therefore, your request for how many businesses were flagged for claiming hardship while reporting profit and receiving subsidies while maintaining high executive payouts or dividends is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by or more closely connected with the functions of another agency.

## Item 3

When reviewing customers that appeared ineligible based on the data obtained after they had been paid the subsidies, the MOU didn't extend to allowing Inland Revenue to share information with MSD or the Ministry of Business, Innovation and Employment about potential frauds.

Where subsidies appeared to be overclaimed by a customer (employer and self-employed), Inland Revenue could recommend to the customer to repay all or part of the subsidy (but could not enforce it or share information with MSD as the MOU did not allow for this).

If there were situations where a customer identity appeared to have been stolen to apply for subsidies, we referred those customers back to MSD (dedicated 0800 number) to report the allegation, and MSD would investigate. Where disclosures were subsequently received from MSD under the Privacy Act 2020 advising an identity was stolen, the affected party's tax records were updated to remove the subsidy and transfer it to the fraudulent party (and assess their receipt as taxable income under section CB 32 of the Income Tax Act).

Your request for internal memos or policies related to COVID-related tax monitoring is refused under section 18(c)(i) of the OIA, as making the requested information available would be contrary to the provisions of section 18(3) of the Tax Administration Act 1994. The Commissioner of Inland Revenue is not required to disclose any item of revenue information if the release of the information would adversely affect the integrity of the tax system or prejudice the maintenance of the law.

### **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](mailto: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](http://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



Tracy Glasgow

**Technical Specialist (L3), Technical Specialist Network**