Inland Revenue
Te Tari Taake

26OIA2443

16 July 2026

[redacted]

Dear [redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 June 2026. You requested information relating to Inland Revenue's administration and enforcement of crypto-asset taxation, including its impact on younger New Zealand taxpayers. Your full request is attached as **Appendix A**.

Crypto-to-crypto transactions ('Phantom gains')

As you are aware, for tax purposes, crypto-assets are treated as personal property. Income arising from selling, trading, or exchanging crypto-assets is taxable and is included with a person's other annual income, then taxed at their applicable income tax rate, when the property is acquired for disposal.

A commonly discussed issue in the taxation of crypto-assets is that taxable income may arise from crypto-asset transactions before a taxpayer has converted their holdings into New Zealand dollars. If the value of the taxpayer's remaining crypto-assets subsequently declines or becomes worthless, they may be left with a tax liability that does not reflect the later reduction in value. This outcome can occur due to the volatility and cyclical nature of crypto-asset markets

IR recognises that some customers may find themselves in a position where the current value of their crypto-asset holdings is less than the tax liability arising from earlier taxable transactions. However, New Zealand is no different to many other jurisdictions in its treatment of these types of transactions.

Taxpayers, whether they have been contacted by IR about compliance, or who have independently become aware that they may have difficulty meeting a tax liability arising from their crypto-asset activity, are encouraged to contact IR as early as possible. IR will work with customers to understand their circumstances and discuss available options.

IR has not undertaken any specific internal assessment of crypto-to-crypto income cases, and as a result there are no formal findings to report (question 3). However, as a general observation, in IR's experience, instances of this issue appear to be becoming less common as cryptocurrency investors become more aware of their tax obligations. Many customers investing in crypto-assets understand that exchanging one crypto-asset for another crypto-asset is a taxable disposal event and can give rise to taxable income, even where no New Zealand dollars have been received.

Tax debt & compliance processes

Like any other tax debt, a tax liability arising from cryptocurrency income is subject to IR's standard debt collection and enforcement processes. IR does not operate separate debt collection procedures for crypto-asset related tax debt and has not taken enforcement action against a customer's business, property, or other assets specifically in relation to crypto-asset tax debt. A number of webpages on IR's website, found under Managing my tax, discuss topics such as *Debt and insolvency*, *Penalties and interest, Tax crime,* and *Audits and tax governance* that relate to IR's standard debt collection and enforcement processes.

IR's approach is to work with customers to help them manage and resolve their tax obligations. Where a customer has a tax liability arising from cryptocurrency income, IR will generally seek to engage with the customer to understand their circumstances and discuss options for settling the debt. This may include the disposal of crypto-assets to satisfy the outstanding tax liability, entering into an instalment arrangement, or debt write-off where appropriate. The Commissioner may undertake prosecution action against those who refuse to comply with their obligations. This is usually an option of last resort.

IR's *CS 26/01 Inland Revenue Prosecution Guidelines* are publicly available on IR's Tax Technical website here: https://www.taxtechnical.ird.govt.nz/commissioner-s-statements/2026/cs-26-01. Additionally, IR's Standard Practice Statement *SPS 18/04 - Options for relief from tax debt* sets out the Commissioner's practice when considering the options for removing or deferring the obligation to pay tax, interest and/or penalties under the Tax Administration Act 1994, linked here: https://www.taxtechnical.ird.govt.nz/standard-practice-statements/returns-and-debt-collection/sps-1804-options-for-relief-from-tax-debt.

While not specific to crypto-asset debt, further information on overdue tax debt is published quarterly on our website which may be of interest: Managing overdue tax debt.

Letters sent

Data in relation to NZ crypto-asset exchanges became available to IR in 2021. Our programme of work follows access to this data. As you will see from the table below, our response to undeclared income reporting in relation to crypto-asset transactions is scaling up.

In the future Inland Revenue will have access to data in respect of crypto-asset transaction undertaken on exchanges outside New Zealand under the crypto-asset reporting framework (CARF). 74 countries have agreed to participate in CARF and New Zealand will start to get CARF data in late 2027. Once we start getting data from the CARF process we will be able to adapt our approach depending on what the data is telling us. A big part of this will be education focused, including industry engagement and complimented with compliance actions.

IR uses information it holds, alongside various tools and analytics, to identify people with significant crypto-assets and related transactions or transfers. This information is compared with customers' tax returns, and IR will follow up where any discrepancies are detected.

At the education level, IR issued 1,300 letters in April 2026 to customers who would normally have their income tax assessed automatically and who had undertaken material crypto-asset transactions. These letters were intended to raise awareness of crypto-asset tax obligations and encourage customers to review their position and make any necessary corrections to their tax affairs. Earlier in July 2026, another 51 educational 'nudge' letters were issued to customers relating to their crypto-asset compliance. These letters have been issued to a mix of customers that have not included crypto-asset income in their income tax returns filed or have not filed their required income tax returns.

Where information available indicates a customer may have material crypto-asset income that has not been correctly returned, IR undertakes targeted compliance risk reviews. Through this process 515 letters have been issued to specific customers in the 2024, 2025, and 2026 income tax years. These letters are issued to customers where IR has assessed there is a potential income tax shortfall and we request the customer to contact Inland Revenue or make a voluntary disclosure.

To help visualise the breakdowns, the figures for letters issued by year, and by type, are displayed in the following table:

Letters sent related to crypto-assets

Letter type	FY 2024	FY 2025	FY 2026	Grand total
IITA	0	0	1,300	1,300
Nudge	0	0	51	51
Compliance	167	127	221	515
Total	**167**	**127**	**1,572**	**1,866**

Note: *All information on letters were extracted from IR's systems as at 8 July 2026. IITA (Individual Income Tax Assessment) refers to customers who normally receive an IITA and who received an education letter.*

Voluntary Disclosures

Your request for information on voluntary disclosures (question 8) was interpreted as asking for the total number of crypto-related voluntary disclosures and the total crypto-asset income declared through voluntary disclosures.

From the education letters issued to customers, 60 customers then subsequently made voluntary disclosures, and 118 customers who received letters as a result of targeted compliance activity across all years subsequently made voluntary disclosures.

However, these figures should not be interpreted as representative of all voluntary disclosures that relate to crypto-assets. The figures provided only represent those taxpayers who were identified as receiving one of the letters previously mentioned, and who made disclosures where the reason provided for the voluntary disclosure clearly indicates that it was crypto-related.

The total number of voluntary disclosures, and any income declared and tax debt arising from any voluntary disclosure by taxpayers, including where it follows on from crypto-asset compliance or education activity, may relate to a range of tax obligations and cannot be attributed solely to crypto-asset transactions. Your request for this information is therefore refused under section 18(g) of the OIA as this information is not held by IR.

Recording & reporting of crypto-related debt

IR does not record or report outstanding tax debt according to the underlying source of income giving rise to the liability, and consequently we cannot determine the proportion of cryptocurrency-related tax debt owed by taxpayers under the age of 30. Tax debt is recorded at a customer level, and any debt held by taxpayers identified through crypto-asset compliance activity may arise from a range of tax obligations and should not be interpreted as debt attributable solely to cryptocurrency transactions.

We interpreted your request (for question 4) as relating to instalment arrangements arising specifically from crypto-asset debt. For the same reason as described above, even if any taxpayers with outstanding debt under an instalment arrangement were identified through crypto-asset compliance or education activity, we cannot definitively attribute the debt under arrangement as being solely crypto-related.

IR does not record financial hardship write-offs according to the underlying source of income or transaction that gave rise to the debt. Consequently, Inland Revenue cannot determine the total value of tax written off under financial hardship provisions in relation to cryptocurrency gains, nor the proportion of those cases involving taxpayers under the age of 30.

Accordingly, your requests for information on the proportion of crypto-related tax debt owed by taxpayers under 30 (question 2), the number of instalment arrangements related specifically to crypto-assets (question 4), and the value of crypto tax debt written off under hardship provisions (question 5) are refused under section 18(g) of the OIA, as the information you have asked for is not held by IR.

Right of review & publishing of OIA response

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.

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

Tony Morris
Customer Segment Leader - Significant Enterprises

Appendix A

1. *How many letters has Inland Revenue sent to taxpayers in relation to cryptocurrency or crypto-asset income, and in which years were these sent?*
2. *What proportion of cryptocurrency-related tax debts currently held by Inland Revenue are owed by taxpayers under the age of 30?*
3. *Has Inland Revenue conducted any internal assessment of cases where taxpayers owe income tax on cryptocurrency gains that subsequently declined in value or became worthless before being converted to New Zealand dollars - what is known as the phantom gains problem? If so, what were the findings?*
4. *How many taxpayers under the age of 30 who received a cryptocurrency-related tax assessment have entered into instalment arrangements with Inland Revenue?*
5. *What is the total value of tax written off under financial hardship provisions specifically in relation to cryptocurrency gains, and what proportion of those hardship cases involve taxpayers under the age of 30?*
6. *What is Inland Revenue's official process when a taxpayer under 30 receives a cryptocurrency tax assessment but cannot meet the liability because the underlying assets declined in value or no longer exist - and the gains were never converted to New Zealand dollars?*
7. *Can a cryptocurrency tax debt result in enforcement action against a taxpayer's business, property, or other assets? At what point does Inland Revenue initiate enforcement proceedings, and has this occurred for taxpayers under 30?*
8. *How many voluntary disclosures has Inland Revenue received in relation to cryptocurrency income, and what is the total value of income declared through those disclosures?*