25OIA2257

10 June 2025

[redacted]

Dear [redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 12 May 2025. You requested the following relating to the write-off of tax debt:

> *The 2024 annual report shows $2.38 billion of debt impairments and write-offs for the year to June, up from $1.47b the previous year and $662m the year before that.*
>
> *Could you provide the latest forecast of that figure for the 2025 year? Also, could you provide a comment on the reasons for the increase – for example, has leniency on tax debts in previous years led to a bump in write-offs?*
>
> *In relation to the components of the write-offs, I understand PAYE written off in the year to June 2024 was $208m. Could you please provide the latest forecast of that figure for the 2025 year, along with figures for each of the last five years?*

Information being released

Table 1 below details the actual expense for the impairment of debt and debt write-offs since 2019/20, together with the forecast for 2024/25.

Table 1: Impairment of Debt and Debt Write-Offs

Year	Impairment of Debt and Debt Write-Offs ($m)
2019/20 (Actual)	$1,357
2020/21 (Actual)	$882
2021/22 (Actual)	$662
2022/23 (Actual)	$1,468
2023/24 (Actual)	$2,376
2024/25 (Forecast)	$1,994

Note: Impairment of debt and debt write offs amount includes both write-offs and impairment (and COVID remissions to 2023/24)

The amount of the impairment of debt and debt write-off expense is dependent on both the size and quality of the debt book and the amount and age of write-offs and remissions.

With the onset of COVID-19, there was increased uncertainty around the economic impact of the pandemic and the valuation in 2019/20 assumed that repayments of debt would decrease. This increased the impairment rate and together with an increase in debt, increased the expense in 2019/20. In 2020/21, debt levels did not increase as significantly as in the previous year, which resulted in a lower impairment expense. The assumption around future repayments was increased in 2021/22 as a result of the expected adverse impact of COVID-19 on debt and repayments not being as severe as originally anticipated. This decreased the impairment expense.

Since the end of 2021/22, overdue debt has grown, primarily driven by broader economic conditions.

As the total debt book grows, so do associated penalties and interest, which also increase the overall debt levels and increase the likelihood of future impairments.

In 2023/24, a reclassification of receivables from not due to overdue increased the impairment expense by $591 million.

Excluding this reclassification, the underlying impairment expense for 2023/24 was $1.785 billion (or $0.3 billion above the previous year). The forecast impairment and write-off expense for 2024/25 is $0.2 billion above the underlying expense for 2023/24. This is due to projected year on year growth in overdue debt.

Table 2 below shows the amount of PAYE write-offs including COVID-19 remissions for the last five years and the amount of write-off for the 2024/25 year as at 31 May 2025. Debt write-offs are not forecast at the individual tax type.

Table 2: PAYE Write-Offs and COVID-19 remissions

Year	PAYE Write-Offs and COVID-19 remissions ($m)
2019/20 (Actual)	$68
2020/21 (Actual)	$138
2021/22 (Actual)	$136
2022/23 (Actual)	$142
2023/24 (Actual)	$209
2024/25 (YTD Actual as at 31/5/25)	$187

Note: Taxpayers who were significantly affected by COVID-19 and unable to pay their tax on time were eligible for Use-of-money interest remission (COVID-19 remissions).

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

[redacted]

Rachel Parker
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