

Inland Revenue Annual Report Te Tari Taake Pūrongo ā-Tau 2024–25





Our Annual Report for 2024–25

Statement of Responsibility by the Commissioner of Inland Revenue Te Tari Taake

I am responsible, as Chief Executive of Inland Revenue Te Tari Taake, for:

- the preparation of Inland Revenue's financial statements, and statements of expenses and capital expenditure and for the judgements expressed in them
- having in place a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by Inland Revenue is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report, and
- the accuracy of any end-of-year performance information prepared by Inland Revenue, whether or not that information is included in this Annual Report.

In my opinion:

- the Annual Report fairly reflects the operations, progress and organisational health and capability of Inland Revenue
- the financial statements fairly reflect the financial position of Inland Revenue as at 30 June 2025 and its operations for the year ended on that date, and
- the forecast financial statements fairly reflect the forecast financial position of Inland Revenue as at 30 June 2026 and its operations for the year ending on that date.



Peter Mersi

Chief Executive and Commissioner of Inland Revenue
Te Tari Taake
30 September 2025

Thank you for reading our 2024–25 annual report—we’ve changed how it’s structured

This year’s report outlines our performance under a new structure.

First, the Commissioner of Inland Revenue Te Tari Taake (IR) provides an introduction to our activities and achievements this year and where we’re headed. We also summarise our customers, products and key results for 2024–25.

The next section outlines progress on our strategic intentions, the medium-to-long-term difference we’re making for New Zealand.

We report on how we have implemented Government priorities.

You can then read an assessment of our operations for this year and efforts to be more effective and efficient in the services we deliver to customers.

Following that, we summarise our performance in meeting specific output service targets. We explain where we’ve exceeded a target by a significant degree or why we have not achieved it.

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Introduction from the Commissioner

Working within a challenging economic environment, Inland Revenue has made excellent progress during the last year, delivering our core business of collecting and distributing money and implementing the Government's Tax and Social Policy Work Programme.

Overall revenue has remained relatively flat, reflecting the broader economic conditions over the past year. Despite this challenging environment, I'm proud of the work the staff at Inland Revenue have done to improve compliance and deliver on the new initiatives as part of the 2024 and 2025 Budgets.

Our enterprise strategy drives our direction and is supported by working across our 3 broad strategic roles of being effective and efficient, taking active stewardship and making a broader contribution. This gives us a strong foundation for all of our work and underpins the results we're achieving.

Making tax easier and simpler

Following the completion of our business transformation in 2022, which focused on making tax and social policy entitlements simpler and more certain, we have been building on the strong technology foundations, new systems and processes and our people's capabilities to create an improved tax and social policy system.

Transformation enabled us to automate many processes and collect a significant portion of tax with minimal effort for our customers and us. This has resulted in almost halving the cost to collect \$100 of tax since 2015.

The overall cost to comply for small-to-medium-sized enterprises is still higher than we want and new work is underway to help reduce their compliance costs, enhance their compliance and improve our own efficiency.

Throughout the year, we delivered a wide range of Government priorities including implementing personal income tax changes and the FamilyBoost scheme, which helps eligible households pay for the cost of early childhood education. We were able to introduce these changes quickly as a result of the systems developed through transformation.

As stewards of the tax system, it's important we invest in long-term thinking. It's always good to see where this work contributes to the development of new policy, such as the recently introduced Investment Boost scheme, where businesses can accelerate depreciation deductions for new assets acquired from 22 May 2025. This policy was heavily informed by our long-term insight briefing released in 2022.

Greater focus on compliance

Investment in our compliance activities has led to a significant increase in our audit and enforcement activity. Through focusing interventions on high-risk sectors including property non-compliance, trusts, organised crime and the hidden economy, and making new uses of data and insights to better target interventions, we are seeing really positive results, as outlined in this report.

Meeting challenges and maximising opportunities

The year has not been without challenges. Overdue tax and entitlements debt is a significant issue that becomes more challenging during tough economic times. Nevertheless, addressing this is a priority for both the Government and Inland Revenue.

We have recognised that we need to do more and have introduced an organisation-wide approach to debt, ensuring where possible we work with people to become compliant sooner, so that debt does not become unmanageable. We're also being more proactive and data-driven to make sure our resources are focused on the areas of best returns.

We have renewed our focus on increasing repayments from overseas-based student loan borrowers, a group with historically low repayment rates. This focus has led to a much higher amount collected from these customers this year.

The Government's focus on reducing public sector costs meant that Inland Revenue, alongside other Public Service agencies, was required to deliver baseline savings and self-fund some policy initiatives, alongside managing cost pressures. We've delivered efficiencies and sustainable operating cost-savings and looked for more innovative ways to deliver our work and improve service delivery. We also developed our first performance plan, setting out how we will achieve a sustainable fiscal position for 2024–25 and beyond.

We recognise the importance of keeping pace as the world changes around us and things like technology and in particular, artificial intelligence (AI), evolve. I'm excited about the work we're doing to understand the opportunities these digital tools provide to be more effective and efficient, while ensuring its safe and responsible use and that New Zealanders trust we'll do the right thing.

Satisfaction and trust in our services

Trust in what we do is essential for the integrity of the tax system. I'm encouraged to see that in the past year trust has continued to grow. More than 80% of our customers know that when people do the wrong thing, we will follow up. This is a positive reflection of our increased enforcement activity and the investment we have made in our people being able to do their work in the best ways. Customer satisfaction and ease in using our services also continue to move in a positive direction and this view is shared by tax agents, whose trust in Inland Revenue rose to its highest level ever this year.

Working together across the system

Inland Revenue is part of a connected Public Service as well as part of a tax and social policy eco system, within which we have a key role. We work with stakeholders across New Zealand and internationally. We have continued to work with others where we can contribute to improved government services or outcomes for our customers. This includes partnering with agencies such as the Ministry of Education to deliver FamilyBoost, progressing information-sharing agreements and being part of the multi-agency effort to combat organised crime.

I'm proud of the hard work our people do every day and that we have a strong culture which supports people to act with integrity. This was reflected in the results of the March 2025 Te Taunaki Public Service Census and shows our commitment to maintaining the fairness of the whole system, while also acting in respectful and empathetic ways.

Not only does this annual report reflect the work, innovation and effort that our people have put in across the department to deliver great results, it signposts the work we will continue to do as we implement the Tax and Social Policy Work Programme, address integrity risks to improve compliance and work to further simplify and digitise services.

This is how we'll move closer to our aspiration of improving oranga for current and future generations, so that all New Zealanders can benefit from what we do.



Peter Mersi

Commissioner of Inland Revenue Te Tari Taake

He kupu whakataki nā te Kaikōmihana

Ahako te taiao ohaoha uaua e mahi nei mātou, he rawe tonu te koke whakamua a Te Tari Taake i te tau kua pahure, e kawe ana i tā mātou mahi matua o te kōhi me te tohatoha moni me te whakatinana i te Kaupapa Tāke me te Mahi Kaupapahere ā-Pāpori a te Kāwanatanga.

I te tirohanga whānui, kua noho pūmau tonu te moniwhiwhi, e whakaata ana i ngā āhuatanga ohaoha whānui i te tau kua pahure. Ahako tēnei taiao uaua, e whakahī ana ahau i ngā mahi a ngā kaimahi o Te Tari Taake hei whakapai ake i ngā mahi tautuku me te whakatutuki i ngā kaupapa hou hei wāhanga o ngā Mahere Pūtea o te 2024 me te 2025.

E kōkiri ana tā mātou rautaki hinonga i tā mātou ahunga, ā, e tautokona ana mā ngā mahi puta noa i ā mātou mahi ā-rautaki e toru o te whaihua me te whāomo, te kaitiakitanga hihiri me te whakawhānui i ngā tāpaetanga. Mā tēnei e pakari ai te tūāpapa o ā mātou mahi katoa, koinei hoki te pūtake o ngā hua e puta ana.

Te whakamāmā i te tāke

I muri i te otinga o tā mātou panonitanga pakihi i te 2022, i aro ai ki te whakamāmā me te whakaū i ngā whiwhinga ā-kaupapahere tāke me te pāpori, i te whakawhanake mātou i ngā tūāpapa hangarau pakari, ngā pūnaha me ngā tukanga hou, me ngā āheinga ā o mātou tāngata ki te hanga i tētahi pūnaha kaupapahere tāke me te pāpori pai ake.

Nā te panonitanga i taea ai e mātou te whakaaunoa i ngā tukanga maha me te kōhi i ngā tāke maha, otirā he māmā noa iho mā mātou me ngā kiritaki. Ko te hua o tēnei, i hauruatia te utu o te kōhi i te \$100 tāke mai i te 2015.

He nui ake tonu te utu katoa e tautuku ai ngā hinonga iti ki te waenga, i tēnā e hiahiatia ana e mātou, ā, kua tīmata ngā mahi ki te whakaiti i ā rātou utu tautuku, te whakapakari ake i tō rātou tautuku me te whakapai ake i tā mātou ake whāomotanga.

I te roanga o te tau, i tutuki i a mātou ngā momo whakaarotau maha a te Kāwanatanga, arā ko te whakatinana i ngā panonitanga tāke moniwhiwhi whaiaro me te kaupapa o FamilyBoost, e āwhina ana i ngā whānau māraurau ki te utu i ngā utu whare kōhungahunga. I wawe tā mātou whakatū i ēnei panonitanga nā runga i ngā hua o ngā pūnaha i whanaketia i te panonitanga.

Hei kaitiaki o te pūnaha tāke, he mea hira te haumi ki te whakaaro tauroa. He pai te kite i te āhua o te whai wāhi o tēnei mahi ki te whanaketanga o ngā kaupapahere hou, pērā i te kaupapa hou o Investment Boost, e āhei ai ngā pakihi ki te whakaterere i ngā tangohanga o te hekenga wāriu mō ngā rawa i whiwhi atu i te 22 o Mei 2025. I whai mōhio nui tēnei kaupapahere i te tuhinga whakamārama i tō mātou tirohanga tauroa i te 2022.

He nui ake te aro ki te tautuku

Nā te haumi ake ki ā mātou mahi tautuku i puta ai te pikinga nui i roto i ā mātou mahi tātari kaute me te uruhi. Mā te aro o ngā hāpaora ki ngā rāngai mōrea nui, arā ko ngā whenua kore-urahi, tarahiti, ngā rōpū taihara me te ōhanga huna, me ngā whakamahinga hou o te raraunga me ngā tirohanga kia pai ake ai te hāngai o ngā hāpaora, e kite ana mātou i ngā hua pai, e whakarāpopototia ana ki tēnei pūrongo.

Te whakatutuki i ngā wero me te whakawhānui ake i ngā arawātea

He nui ngā wero i tēnei tau. He take nui te tāke tōmuri me te nama whiwhinga, ka uaua ake i te wā e taumaha ana te ōhanga. Heoi anō, he whakaarotau te whakatau i tēnei mā te Kāwanatanga me Te Tari Taake.

Kua kite mātou me kaha ake ā mātou mahi, ā, kua whakarite i tētahi tikanga ā-whakahaere hei whakahaere nama, e whakarite ana, ina e taea ana, ka mahi tahi me te tangata kia ū ai ki ngā herenga, kia kore ai e taumaha te whakahaere i ngā nama. Kei te whai tōmua i ngā mahi, i runga i ngā raraunga, hei whakarite e aro ana ā mātou rauemi ki ngā wāhi whai hua nui.

Kua whakahou i tō mātou aro ki te whakapiki i ngā utu whakaea a ngā kaimino pūtea taurewa ākonga kei tāwāhi e noho ana, ruarua noa iho o tēnei hunga i whakaea i te nama. Nā tēnei aronga i piki ake ai te moni i kohia i ēnei kiritaki i tēnei tau.

Nā te aro o te Kāwanatanga ki te whakaiti i ngā whakapaunga a te rāngai tūmatanui, i herea Te Tari Taake me ētahi atu rāngai tūmatanui, ki te penapena pūtea tūāpapa me te utu i ētahi kaupapa ā-kaupapahere, me te whakahaere i te pikinga o ngā whakapaunga. Kua tutuki i a mātou ngā whāomotanga me te whakaiti whakapaunga whakahaere toitū, ā, i rapu hoki i ētahi tikanga auaha

hei whakatutuki i ā mātou mahi me te whakapai ake i te kawenga o ngā ratonga. I whakawhanaketia hoki tā mātou mahere tutukinga tuatahi, e whakatakoto ana i te āhua o tā mātou whakatutuki i te tūnga moni tūmatanui i te 2024–25, ā muri ake hoki.

E kite ana mātou i te hira o te ahunga whakamua i te ao hurihuri nei, arā, e huri haere ana ngā mea pērā i te hangarau, otirā te atamai hangahanga (AI). E hiamō ana i ā mātou mahi kia mārama ki ngā āheinga ka wātea mai i ēnei rauemi matihiko kia whaihua ake, kia whāomo ake hoki, me te whakarite he haumarū, he tika hoki te whakamahi, ā, ka whakapono mai ngā tāngata o Aotearoa he tika a mātou mahi.

Te māha me te pono ki ā mātou ratonga

He mea waiwai ki te pono o te pūnaha tāke te whakapono ki ā mātou mahi. E harikoa ana i taku kite i te tipu haere o te whakapono i te tau kua hipa. Nui ake i te 80% o ngā kiritaki e mōhio ana ina hapa te tangata, ka whaiwhai mātou i a ia. He whakaata pai tēnei o te pikinga o ngā mahi uruhi, me te tautoko i ā mātou tāngata kia pai rawa ai ā rātou mahi. E ahu whakamua tonu ana te māha o ngā kiritaki me te māmā o te whakamahi i ā mātou ratonga, ā, he pēnei hoki ngā whakaaro o ngā kaiwhakarite tāke, i piki tō rātou whakapono ki Te Tari Taake ki te taumata teitei i tēnei tau.

Te mahi tahi puta noa i te pūnaha

He wāhanga Te Tari Taake o tētahi Ratonga Tūmatanui tūhonohono, o te pūnaha hauropi kaupapahere tāke me te pāpori hoki, otirā he tūranga matua tā mātou o roto. Ka mahi tahi mātou me ngā kiripānga o Aotearoa, o tāwāhi hoki. Kua mahi tahi tonu me ētahi atu i ngā āhuatanga e taea ana te whakapai ake i ngā ratonga kāwanatanga, i ngā hua rānei mō ā mātou kiritaki. Kei roto i tēnei ko te mahi tahi me ētahi tari pērā i te Tāhuhu o te Mātauranga hei whakarato i te FamilyBoost, te koke i ngā whakaaetanga tuari-mōhiotio, me te whai wāhi ki te kaupapa a ngā tari maha ki te aukati i ngā rōpu taihara.

E whakahī ana ahau i te puku mahi o ā mātou tāngata i ia rā, me tā mātou ahurea pakari e tautoko ana i te tangata ki te mahi i runga i te pono. I whakaatahia tēnei ki ngā putanga o te Tatauraunga o Te Taunaki i te Māehe 2025, e whakaatu ana hoki i tō mātou manawanui kia pono te pūnaha whānui, kia mahi hoki i runga i te whai whakaaro me te aroha ki te tangata.

Ehara i te mea e whakaata ana anake tēnei Pūrongo ā-Tau i ngā mahi, te auahatanga me te whakapaunga kaha o ā mātou tāngata puta noa i te tari hei whakatutuki i ngā hua pai rawa, he tohu hoki o ngā mahi ka whāia tonutia e mātou i a mātou e whakatinana ana i te Kaupapa Mahi Kaupapahere Tāke me te Pāpori, e whakatau ana i ngā mōrea ki te pono hei whakapai ake i te tautuku, e mahi ana hoki ki te whakamāmā tonu me te whakamatihiko i ngā ratonga.

Mā konei e whakatata ai ki tō mātou wawata o te orange mō ngā whakatipuranga onāiane, o āpōpō hoki, kia whai hua ai ngā tāngata katoa o Aotearoa i ā mātou mahi.



Peter Mersi

Kaikōmihana o Te Tari Taake

The customers we serve



Individuals

It's important to our individual customers that we help people pay what they should on time and make it straightforward to pay any overdue debt.

3.6 million CUSTOMERS

received an automatically issued individual income tax assessment for the 2025 tax year (provisional result).

3.4 million KIWISAVER MEMBERS

were enrolled in the scheme at 30 June 2025. We transferred \$10.7 billion to scheme providers to invest in 2024–25.

622,000 STUDENT LOAN BORROWERS

made \$1.6 billion in repayments in 2024–25.

\$376 million IN DONATION TAX CREDITS

went to 323,000 customers in 2024–25.



Families

Families and whānau want certainty about the payments they receive from week to week and for us to take time to understand their situations and work through options for receiving entitlements or paying child support.

135,000 CHILDREN

were supported by the Child Support Scheme.

\$50.5 million IN FAMILYBOOST

payments went to 60,300 households in 2024–25.

\$490 million IN CHILD SUPPORT

was collected from more than 120,000 parents in 2024–25 and \$426 million was distributed to carers.

\$727 million IN PAID PARENTAL LEAVE

payments went to 56,000 new parents in 2024–25.

\$3.4 billion IN NET WORKING FOR FAMILIES ENTITLEMENTS

was dispersed by IR and the Ministry of Social Development to support working families in 2024–25.



Businesses

Providing certainty and clarity is critical so businesses can manage their tax obligations. We help them get their taxes right from the start, reduce the effort and uncertainties involved in paying tax and work with them on solutions if they get into debt.

207,000 EMPLOYERS

filed more than 7.2 million employer information returns in 2024–25.

437,000 COMPANY RETURNS

were filed in the 2024 tax year.¹

712,000 CUSTOMERS

were registered for GST at some point in 2024–25. They filed 3.19 million GST returns.

1.94 million INCOME TAX RETURNS

were filed in the 2024 tax year.¹

¹ Figures for the tax year ended March 2025 are not available for this report because some customers who use tax agents have until March 2026 to file their 2025 returns.

Our products and customers

	Individual Customers	Families	Micro and not-for-profit businesses	Small-to-medium-sized enterprises	Significant enterprises	Financial institutions and others
TAXES						
Individual income tax	●		●			
Employer income tax deductions			●	●	●	
Withholding taxes	●		●	●	●	●
Non-individual income tax			●	●	●	
GST			●	●	●	
Fringe benefit tax			●	●	●	
CREDITS						
Working For Families		●				
FamilyBoost		●				
Paid parental leave		●				
Independent earner tax credit	●					
Donation tax credit	●					
R&D tax credit			●	●	●	
PAYMENTS						
Child support		●	●	●	●	
KiwiSaver	●		●	●	●	●
Unclaimed monies	●					●
LOANS						
Student loans	●		●	●	●	
Small Business Cashflow Scheme			●	●		
OTHER						
Duties					●	
International/foreign tax					●	
● Revenue collected ● Credit paid to customer ● Payment facilitated ● Loan repayments ● Deduct from salaries or wages/use for information						

Key results

MAKING TAX SIMPLE

TOTAL TAX REVENUE 2025 \$116.6b 2024 \$115.4b 2023 \$104.5b 2022 \$100.6b 2021 \$93.8b	94.5%  of the tax paid (\$110.5b) by customers was on time and in full 2024: 94.0% 2023: 94.3%	99.3%  of income tax, GST and employment information returns were filed digitally 2024: 99.2% 2023: 99.0%
	85%  of customers who received an automatically calculated income tax assessment had nothing further to do (provisional result) 2024: 82% 2023: 83%	It cost IR 46 cents  to collect \$100 in tax 2024: 45 cents 2023: 43 cents 2015: 80 cents (pre business transformation)

CERTAIN AND SPEEDY PAYMENTS

68%  of Working for Families customers who got regular payments during the year were paid within 20% of what they should have received (provisional result) 2024: 63% 2023: 64% 2022: 64% 2021: 66%	99.1%  of KiwiSaver contributions were passed on to scheme providers within 3 working days 2024: 99.4% TARGET: 98%	76%  of child support customers paid on time and in full 2024: 73% 2023: 71% TARGET: 70%
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EVERYBODY PAYS THEIR FAIR SHARE

We collected \$4.3b  in overdue tax and entitlements debt 2024: \$4.03b 2023: \$2.9b	Through our compliance interventions, we identified \$1.45b  in revenue and recovered or disallowed expenditure 2024: \$975m 2023: \$973m	We collected \$243m  in student loan repayments from overseas-based borrowers 2024: \$173m 2023: \$156m
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These show our performance against measures that have specific targets—we met or did not meet a target.



These show our performance across trend-over-time indicators, which improved, were stable or saw minimal change or declined.

How our customers experienced the year

TRUST AND TAX MORALE

63% ↗

of customers have trust in us

2024: **61%** | 2023: **57%**

2022: **60%** | 2021: **64%**

60% ↗

of customers felt good about paying tax

2024: **60%** | 2023: **58%**

2022: **58%** | 2021: **63%**

66% ↗

of customers felt we help people who are
trying to get things right

2024: **65%** | 2023: **60%**

2022: **61%** | 2021: **64%**

83% ↗

of customers felt that if someone tries to
avoid paying the right amount, they will get
into trouble

2024: **80%** | 2023: **79%**

2022: **79%** | 2021: **81%**

SATISFACTION AND EASE

74% ↗

of customers were satisfied
with their last interaction

2024: **70%** | 2023: **69%**

2022: **70%** | 2021: **73%**

69% ↗

of customers found it easy
to deal with us

2024: **66%** | 2023: **65%**

2022: **65%** | 2021: **67%**

“Your call centre person recently helped me with queries regarding paid parental leave and Working for Families, and I was thoroughly impressed by her professionalism, patience and deep knowledge. She answered all my questions clearly, made complex information easy to understand and went above and beyond to ensure I felt supported.”

CUSTOMER VOICE

CONFIDENCE AND UNDERSTANDING

83% ↗

of customers felt confident
that they were doing the
right thing

2024: **83%** | 2023: **82%**

2022: **82%** | 2021: **83%**

79% ↗

of customers knew what
they needed to do next

2024: **77%** | 2023: **76%**

2022: **77%** | 2021: **79%**

“Your customer service officer went out of her way to walk me through my tax return error and was very clear in her communication. She showed me how to not make the same error in the future.”

CUSTOMER VOICE



These show our performance against measures that have specific targets—we met or did not meet a target.



These show our performance across trend-over-time indicators, which improved, were stable or saw minimal change or declined.



Inland Revenue
Te Tari Taake

How we try to make it as easy as possible to pay tax and receive payments and hard to get it wrong

The framework below illustrates how we have designed and enhanced systems and processes to automate and make it easier for customers. We work with those who have unintentionally found themselves in debt to repay it and become compliant taxpayers again. We take a range of actions to address the non-compliance of the few people who try to deliberately flout the rules.

This ability to target our interventions to the right customers means we should only be in the lives of those customers who are deserving of further inquiries and interventions.

The system is designed with compliance in mind

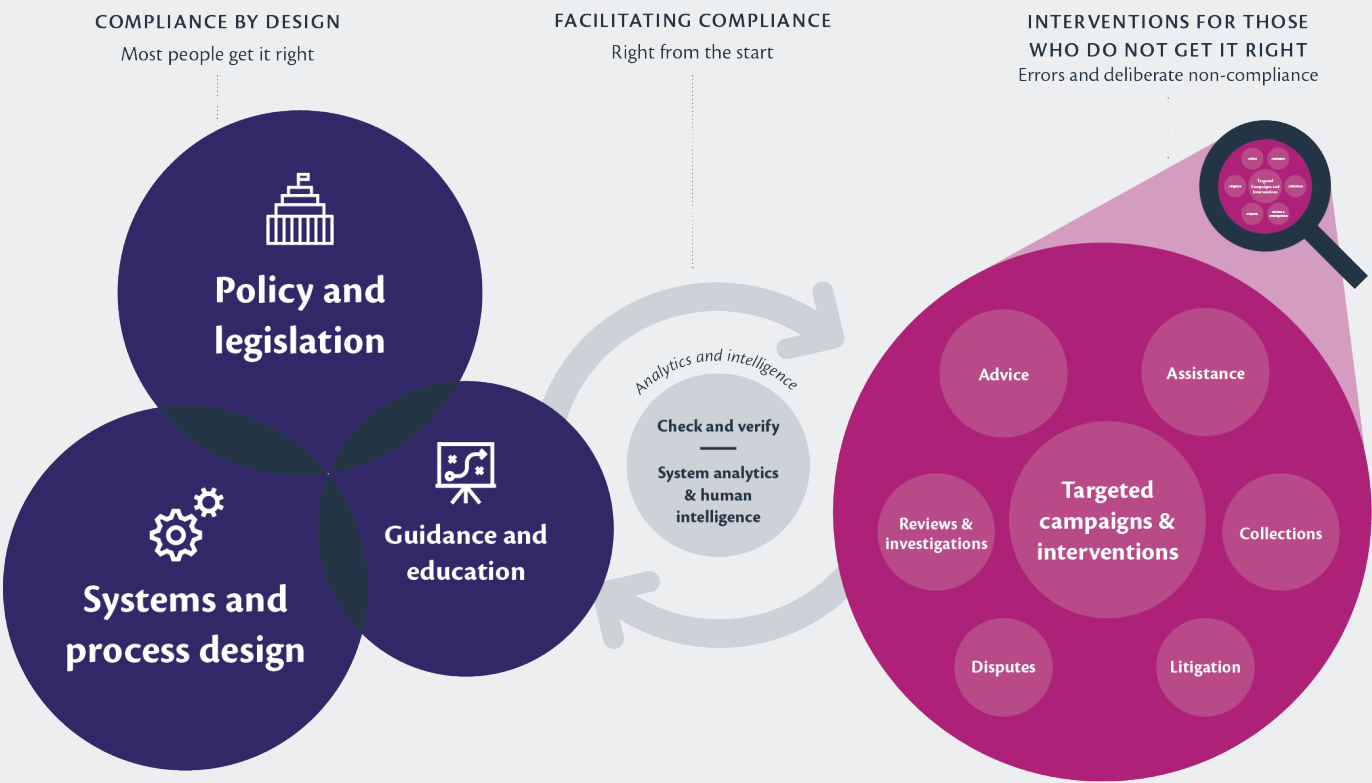
In the diagram below, the left side shows how tax policy, systems, processes and guidance are designed to help the vast majority of our customers get their obligations right from the start.

Analytical tools to help ensure people get things right

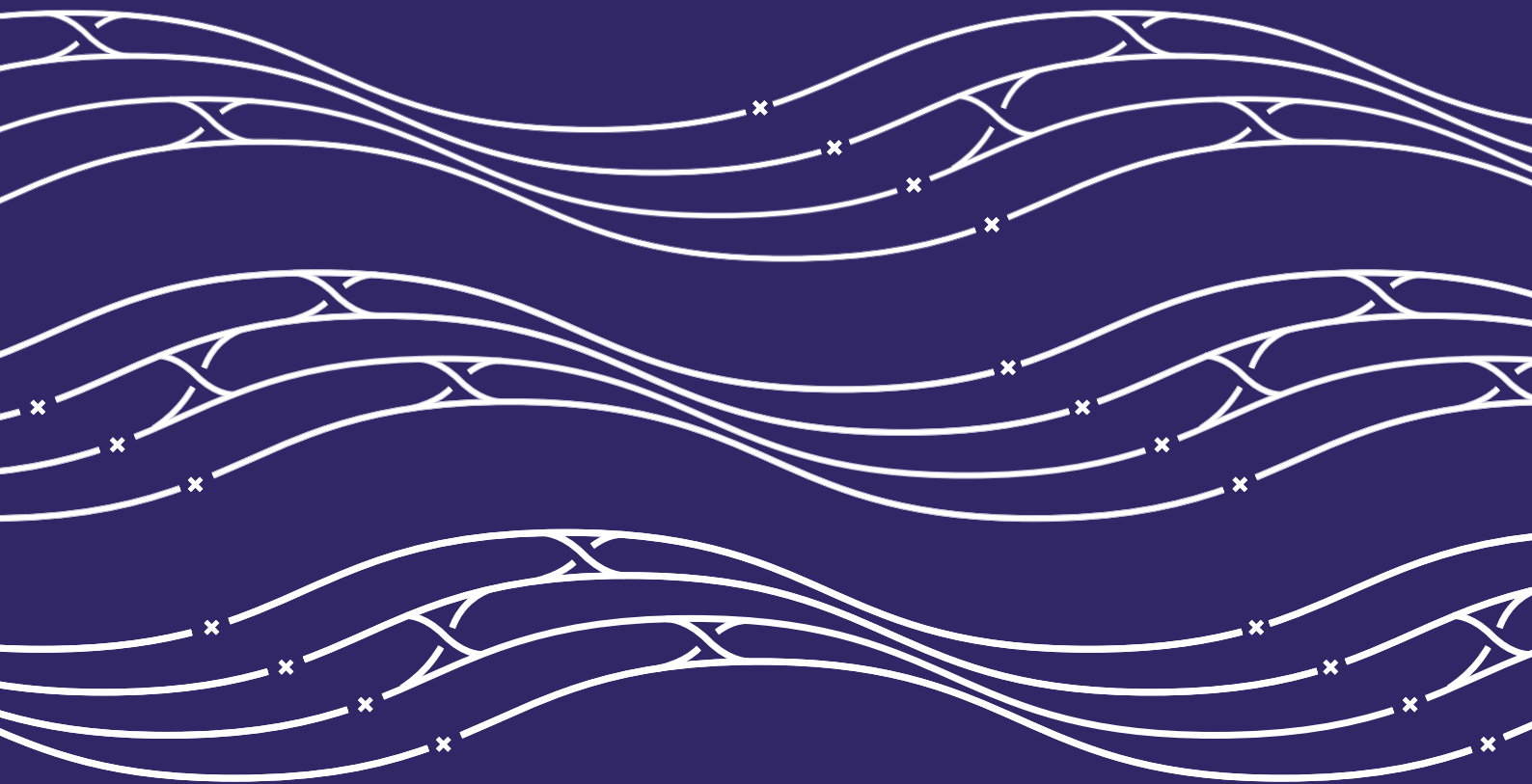
The centre shows that we use tools and intelligence capabilities to act in real time and identify and assist customers who need more help to comply with their obligations.

We step in when people get things wrong

The right side shows the approaches we can use with the few customers who need more help to get things right or more of our attention because they deliberately try to avoid their obligations.



Progressing our strategic intentions



Our strategy—what we're here to do

Our aspiration is to improve oranga for current and future generations

We make our biggest contribution through economic activities including collecting and distributing money

We'll know we're successfully moving towards achieving our aspiration when:

- Revenue is available to fund government programmes and services.
- People receive their entitlements.
- Oranga increases when we work with other organisations.
- The intergenerational oranga of the people of New Zealand is supported by our active stewardship.

These are the outcomes we want to achieve for everyone in New Zealand over time.

Our roles—how we deliver

Being effective and efficient

This means doing what we do in the best ways for the best results and is what most of our people focus on every day.

Active stewardship

This is about actively making sure what we're responsible for is fit for purpose today and tomorrow.

Making a broader contribution

We will work across the Public Service to deliver more for New Zealand.

A tax and social policy system delivering for New Zealanders today and future generations

IR administers the tax and social policy system. We are responsible for the system's integrity and the Commissioner of Inland Revenue is charged with its care and management. This includes:

- collecting the highest net revenue over time
- advising the Government on tax policy and the social policies that we administer
- administering social policy
- interpreting tax law
- making decisions about where our resources should be focused, and
- our performance.

Our strategy

In 2022, we completed a business transformation to make tax and social policy entitlements simpler and more certain.

We are now focused on how to leverage the new capabilities to continue to improve the tax and social policy system over time. This includes bringing a long-term perspective to the

choices that current and future Governments will face. This is outlined in our refreshed strategy on the opposite page.

IR's customer base is both growing and continually changing. Customers are on a journey with us throughout their lives—as students, employees, parents, business owners and retirees.

We will stay attuned to the services they need through good times and in downturns.

How we monitor performance

IR uses a performance measurement framework (below) to help monitor progress on our strategy. To achieve long-term outcomes, there are key areas where we need to make a difference, from improving the voluntary compliance of customers to delivering more value through collaborating with others, to proactively managing risks and opportunities that will impact on the tax system.

In this section

Read about the progress we're making on the 4 outcomes of our strategy.

Our performance measurement framework

Services we'll deliver for customers

To ensure customers find it easy to meet their tax and social policy obligations and receive the payments they are entitled to, we:

- help and inform them about their entitlements and obligations
- process entitlements and obligations
- undertake enforcement activities when necessary, and
- provide policy advice.



The difference we'll make

- Most customers do the right thing voluntarily and there are consequences for those who choose not to.
- It's easy for customers to do what they need to do.
- Customers are willing to comply and have the knowledge and understanding to do so.
- The work we do with others delivers value for customers and government.
- Proactively managing opportunities and risks ensures we meet current and future needs.



The outcomes we'll achieve

- Revenue is available to fund government programmes and services.
- People receive their entitlements.
- Oranga increases when we work with other organisations.
- The intergenerational oranga of the people of New Zealand is supported by our active stewardship.

Revenue is available to fund government programmes and services

The New Zealand Government requires a stable, predictable revenue system to fund its programmes and services.

IR collects approximately 85% of core Crown revenue and it's our responsibility to maximise that amount over time. In the short term, doing this well will help improve the Government's fiscal position faster and support growth. Into the long term, everything that IR does affects New Zealanders' confidence in the fairness of the tax system and willingness to pay tax voluntarily.

The Government's investment between 2015 and 2022 transformed IR and the tax system to ensure most New Zealanders get the right tax treatment at the right time, with minimal effort. We'll continue to invest in and leverage this system to achieve Government objectives now and into the future.

The cost to collect \$100 in tax is 46 cents, down from 80 cents in 2015. This is largely due to the considerable growth in tax revenue in recent years, but also because of efficiencies such as our automated systems and a large amount of tax that is collected at source, for example PAYE paid by employers and withholding tax sent by financial institutions.

Tax revenue has grown considerably since 2021 but flattened out this year. This increases our focus on maximising revenue. Every dollar not assessed or collected is money that cannot be invested by the Government.

Most of our people will continue to work every day on helping customers get it right from the start. We will work to:

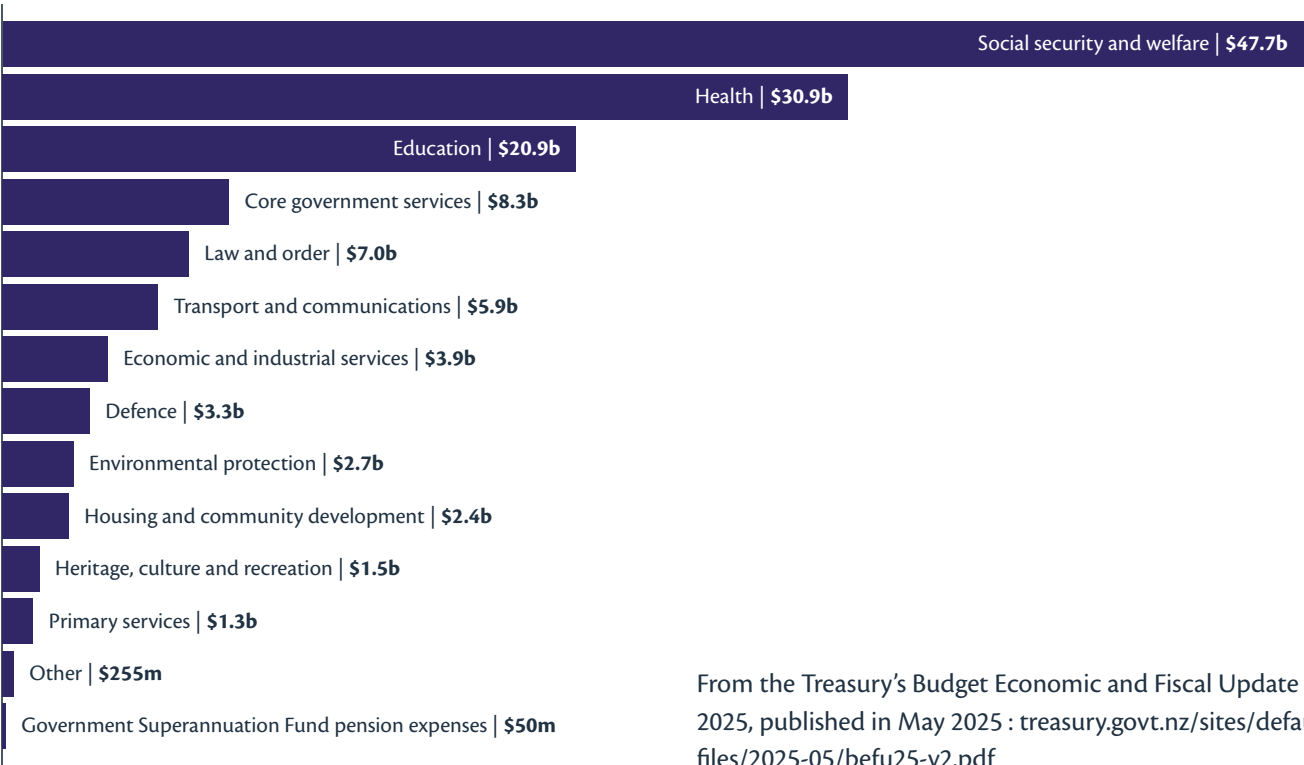
- collect 94% or more of tax with minimal effort and cost
- simplify tax compliance for small businesses
- provide all businesses with the guidance and support to manage their tax obligations
- minimise growth in overdue debt
- assess more revenue and protect the tax system through compliance and enforcement activities.

Simplifying tax for small businesses

Businesses, both small and large, are key to economic growth in New Zealand.

IR works proactively with businesses of all sizes, from micro to small-to-medium-sized enterprises (SMEs) through to significant enterprises including multinational enterprises.

In 2024–25, the Government expected to spend in these areas:



From the Treasury's Budget Economic and Fiscal Update 2025, published in May 2025 : treasury.govt.nz/sites/default/files/2025-05/befu25-v2.pdf

All companies play an important role in the tax system, in paying their own tax but also in the employer obligations they fulfil such as filing for their employees and passing on PAYE every pay day.

The overall cost of complying for micro and SMEs is higher than we want. These customers make up the majority of New Zealand firms. They face the highest compliance costs relative to the amount of tax they pay. It also costs us more to collect tax from them.

New work is underway to help reduce their compliance costs, enhance their compliance and improve our own efficiency.

To make significant improvements, IR needs to work with tax intermediaries and others in the wider digital ecosystem. The ecosystem is a dynamic and evolving network of interconnected stakeholders—including government, businesses, individuals, services and technologies—that continuously exchange data and deliver services.

We're focused on building strong relationships within the ecosystem and working together to make improvements such as those we're seeking for small businesses.

Certainty for large taxpayers

Companies turning over \$30 million (significant enterprises) and high-wealth individuals largely file and pay on time and carry out their obligations as employers—as such they are major contributors to our tax base.

We work closely with significant enterprises throughout the year. We provide assistance to help their systems work with ours, provide certainty around tax laws and ensure they comply with tax obligations, which can be complex.

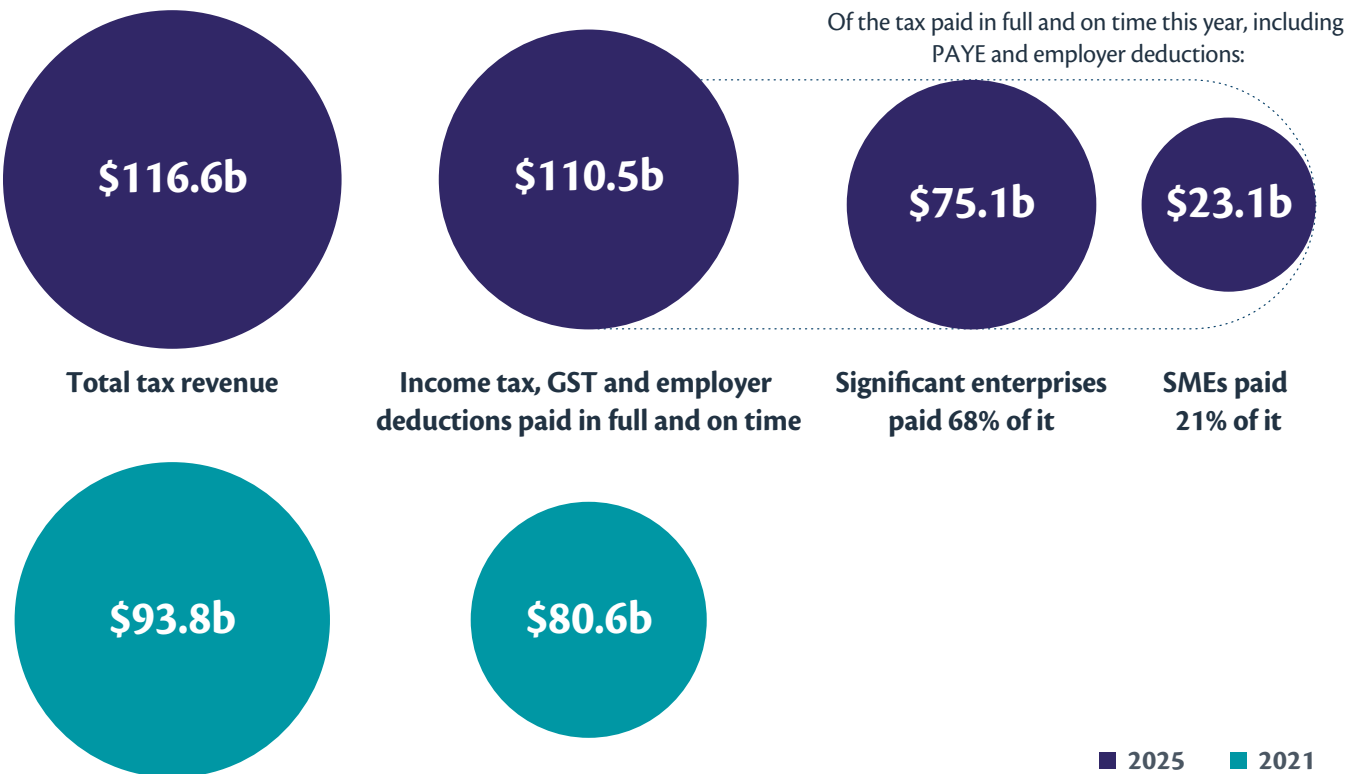
Our compliance managers continuously review the accounts of these customers and give ongoing advice. Annual risk reviews rate each enterprise by their behaviour and structure. Some of our customers are account managed and receive a tailored customer service and interventions to improve their experience and long-term compliance.

This approach works well as both IR and significant enterprises are assured that the right tax is being assessed and that it will be paid.

We will continue to work with customers in this group on important aspects such as their tax governance. We also want changes to the tax system that affect their (often bespoke) systems to be managed effectively.

IR will continue to play an active role as an OECD member to tackle global tax problems and carry out a specific compliance work programme for multinational enterprises. You can read more on this on pages 42 and 43.

Tax revenue paid in full and on time: 2025 compared with 2021



Minimising overdue debt

Overdue debt is a significant issue and priority for both the Government and IR.

As debt continues to grow and gets older, it becomes an increasing cost for the Government, which impacts its financial position. This means minimising overdue debt is a key component to maximising revenue.

Unpaid debt affects all New Zealanders. Take GST, for example. When consumers buy goods and services, the GST portion is intended to be passed directly to IR. If businesses fail to do this, they're effectively using public money—paid by consumers—to fund their operations, rather than contributing to essential government services such as health and education.

GST and employer-related debt, which is also tax and contributions that should have gone straight to IR, makes up 57% of all overdue tax and entitlements debt.

This year, IR collected \$4.3 billion in tax and entitlements debt, the highest amount since 2018. However, the overall overdue amount is \$9.3 billion, including penalties and interest. It is growing faster than both GDP and tax revenue.

Tackling debt in new ways

IR's approach to debt management uses a set of collection approaches that are comparable with other tax authorities overseas.

Over time, New Zealand's ratio of tax debt to tax revenue has been relatively low and compares favourably to similar

tax administrations. It sits at 7.7%. However, due to the growth in tax debt, the ratio is worsening.

We recognise that continuing to do the same things won't significantly reduce debt and write-offs. We're taking an organisation-wide approach and, based on what our data tells us, ensuring resources are focused on areas that will get the best returns.

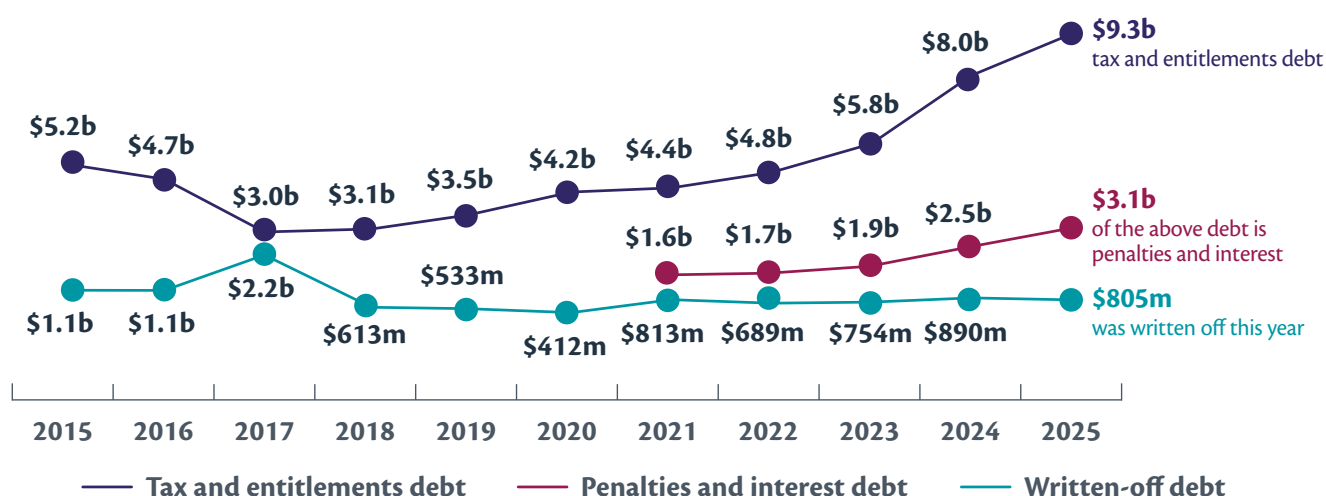
- Our preference is to keep working with people in debt to return them to being compliant taxpayers. We'll let customers know about the help available, treat people with respect and manage debt in a fair and transparent way.
- We won't retreat from making hard decisions to secure overdue payments.
- We'll make more use of our tools to support staff doing debt collection work.
- We'll keep evolving our analytics capabilities and develop new interventions to shift customer behaviour.

Taking on emerging and enduring risks proactively

The integrity of the tax system faces enduring and emerging risks from a relative few people or organisations who won't pay their fair share.

As well as causing the Government to lose revenue, wrongdoing unchecked has a corrosive effect on the morale and willingness of customers who do the right thing voluntarily.

Tax and entitlement debt, penalties and interest and write-offs from June 2015 to June 2025



Note: We are unable to provide penalties and interest debt relating to tax and entitlements for the years before 2021, as reporting before that date also included penalties and interest on student loans-related debt.

The tax system has seen rapid changes in technology and globalisation. Threats are rising from cyber-crime, artificial intelligence (AI) and social media that quickly spreads information on perceived tax evasion methods or system weaknesses. Overall trust in government is also declining. The changes also mean there are opportunities to use these technologies, including AI, to counter bad actors.

Going into 2025–26, IR's compliance work programme will focus on more proactive and data-driven risk management. Our constant focus on understanding customers' circumstances, motivations and behaviours continues. We'll look to spot shifts in perceptions and emerging local and global risks before they escalate.

Our systems and processes are designed to stop a lot of non-compliance from happening. We are also leveraging smarter tools, including those built on new AI, to improve efficiency and deliver reliable outcomes.

Integrity of the tax system is also a component of the Government's Tax and Social Policy Work Programme, with work including implementing international tax initiatives such as the Crypto-asset Reporting Framework.

In Budget 2025, we were allocated an additional \$35 million in permanent annual funding for compliance and collection activities. We were also allocated \$26.5 million to continue activities that had been supported by time-limited funding due to end in June 2025.

This investment will enable us to expand our audit and enforcement capacity, improve data automation and increase the number of targeted interventions in high-risk areas such as property, trusts, organised crime and the hidden economy.

How we go about our compliance work is important. One of the ways we work at IR is to act with integrity, which is doing the right things, being open and accountable.

Results from the March 2025 Te Taunaki Public Service Census conducted show this resonates strongly with our people. 89% agreed that our organisational culture supports people to act with integrity, which is a strong basis for IR to maintain the fairness of the whole system.

Proactive, data-driven risk management in property compliance

Property remains the main investment choice for many New Zealanders, with around 80,000 residential properties sold each year, worth \$60 billion. Taxing provisions around property can be quite complex, which is why we maintain an active programme to improve compliance.

Property compliance is an area where we've improved outcomes year-on-year and reduced key risks that may result in property owners and developers not paying their fair share of tax.

This year, we implemented a new automated system for managing GST alerts. Previously, we tracked properties that had a potential GST liability manually. Alerts were triggered when properties changed hands, prompting us to review and assess GST obligations for individual properties. We could track around 9,000 properties at any time, each requiring significant staff input.

The new system draws on real-time property transfer data from Land Information New Zealand (LINZ)

and monitors approximately 377,000 properties with potential GST liabilities.

It has significantly reduced our time spent on routine monitoring, which leaves more time for more proactive compliance management

Further work is underway to automate messaging to customers at the point an alert is generated—this prompts them to meet their GST obligations.

IR's data intelligence platform enables us to anticipate the potential tax context of a range of property transactions and keep customers well informed of their obligations. As we continue to refine the accuracy of property transactional data and its context for each customer, more automation becomes possible.

We're constantly working with our partners at LINZ as well as commercial suppliers to improve the data available to us.

People receive their entitlements

People receiving the payments to which they are entitled is a key outcome for IR. It should be easy to claim an entitlement and receive timely payments.

Governments have introduced a variety of schemes over time to improve socio-economic issues such as the costs of raising children and need for greater private retirement savings.

For customers at vulnerable stages of their lives, the payments IR makes are especially critical. Child support payments contribute to raising 135,000 children living with separated parents. Targeted payments provide relief to families around week-to-week living costs.

IR ensures payments and refunds reach customers as quickly as possible from year to year. Our systems deliver payments and refunds efficiently, as you can read on pages 39 and 40.

We're also able to introduce new Government social policy initiatives rapidly. Temporary payments and loans schemes helped businesses through COVID-19, and the new FamilyBoost scheme has helped 60,300 households pay for early childhood education costs.

We'll continue to drive efficiencies and fast turn-around times through integrating services with, and greater sharing of information across, government agencies. AI tools will play an increasing role where they can do work that frees up our people to focus on more complex tasks.

Relative to other customer groups, more families contact us, mainly about the amounts they will receive and payment dates. We'll continue to improve our self-service channels while providing them with the assurance they need.

Where the schemes are not delivering the outcomes intended by Government, we'll provide advice and implement potential improvements.

A better Working for Families

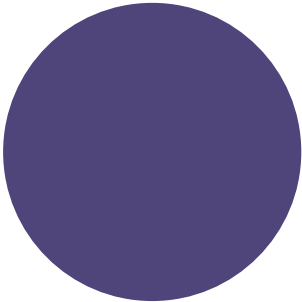
Working for Families provides targeted financial assistance to low- and middle-income families with dependent children. Just over 80% of the families that were assessed for the credits received weekly or fortnightly payments during 2024—their payments were based on an income estimate. This indicates they needed the money throughout the year to manage essential costs.

Currently, the policy settings mean families can easily be either underpaid or overpaid. The entitlement is finalised once the income tax assessments for the year are completed.

If underpaid, they'll receive a refund. If overpaid, they're left with a bill to pay.

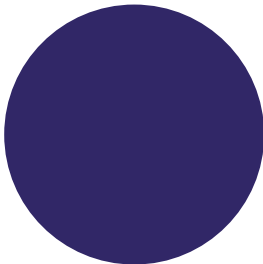
Debt is a particular problem for low-to-middle-income families, because it increases stress, and reduces the ability to meet day-to-day costs and take part in the things they want to do.

The social policies that we administer



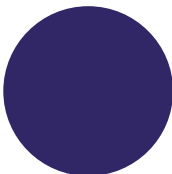
KiwiSaver
contributions passed on to
scheme providers this year

\$10.7b



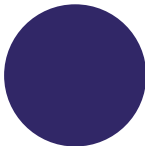
Working For Families
payments

\$3.4b



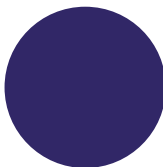
Paid Parental Leave
payments

\$727m



Familyboost
payments

\$50.5m



Child Support
payments

\$426m

The risk of being overpaid during the year can discourage people from taking up additional hours or moving into higher-paid work.

IR has undertaken a review of the scheme. We think an ideal future state is one where customers know what they're going to receive and don't get into debt.

As part of Budget 2025, the Government launched public consultation on proposed changes to Working for Families. A key proposal is to change the way that entitlements are calculated, from asking people to estimate their income for the year ahead, to instead using actual past income earned over a shorter period.

Other proposals include simplifying the definition of family scheme income and residence requirements.

Increasing the reach of payments

For the Government to fulfil its social policy objectives, payment schemes need to reach as many eligible customers as possible. Where they don't, it may be due to a lack of awareness that a payment exists or a perception that it's too hard to apply. Throughout the year, when we're educating customers about tax, we also endeavour to ensure customers understand the support available via entitlements.

We recognised that some families may still be missing out on the new FamilyBoost scheme, and an ongoing outreach effort, including digital campaigns and updates to guidance materials, is closing this gap. In July 2025, the Government also announced proposed changes that will expand eligibility and increase the amount families can claim.

Improving fairness through compliance

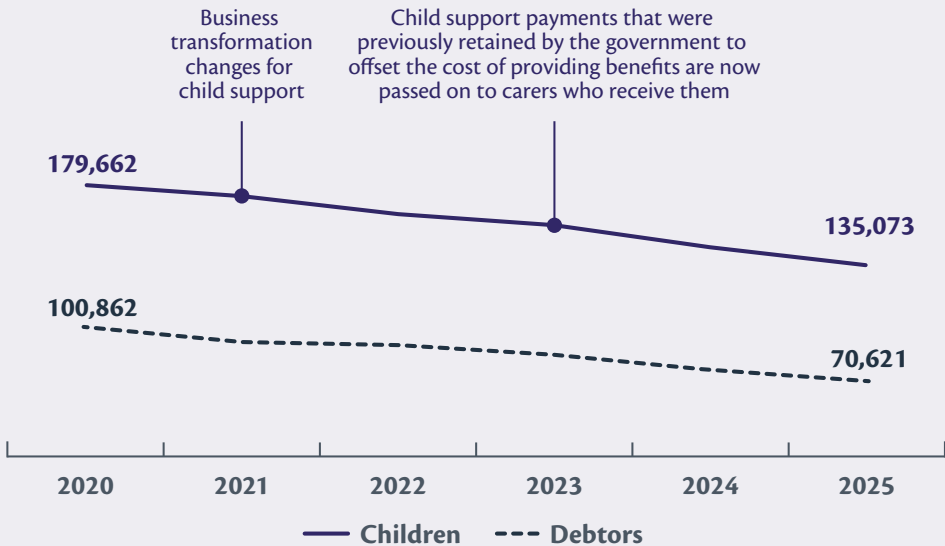
In administering child support, our people are often negotiating difficult relationships between parents who don't live together to ensure their children are financially supported.

Changes to the Child Support Scheme in 2021 implemented compulsory employer deductions from salaries and wages for newly liable parents. From 2023, parents on a 'sole parent' rate of their main benefit started receiving their payments, rather than them being retained by government to cover the cost of the scheme.

More parents who are liable for child support are making their payments, but we need to stay focused on those who are not.

Child support debt has decreased from \$1.37 billion in 2021 to \$913 million in 2025 due to the above factors but also our proactive compliance work to reduce aged debt. This includes \$658m owed to the Crown.

Changes to child support and a smaller customer base means we can provide more targeted services to encourage compliance. We're working with customers now whose circumstances can be more complex.



Making a broader contribution

IR is increasingly working with others where we can improve government services to New Zealanders. We're identifying where partnerships and information sharing can deliver value and better results.

The Public Service Commissioner has stated that government agencies need to focus immediately on social investment, use of data and AI and supporting economic growth.

A 2024 performance improvement review of IR by the Public Service Commission identified the opportunity for us to work more flexibly with agencies on better-quality, lower-cost and more integrated services for customers.

IR already manages and runs an effective and efficient tax and social policy system by working with many other stakeholders. This includes partnering with other government agencies and organisations to ensure New Zealanders get the services they are entitled to.

Implementation of FamilyBoost saw IR working closely with the Ministry of Education and engaging with early childhood education providers.

We're expected to do more and will where it aligns with our strengths and functions, we have a comparative advantage and there are clear benefits for New Zealand.

Value in sharing information

IR collects and shares a wide range of information with the aim of improving efficiency, decision-making and public services. We follow rules around what we can share and who we can share with to protect the integrity of the tax system and customer privacy.

IR has more than 60 agreements with over 20 government agencies. Establishing agreements can require time and effort, but once in place, they provide a strong foundation for delivering and improving services.

For example, we are progressing an agreement to share information with the Ministry of Business, Innovation and Employment to support reducing migrant exploitation.

We have also worked with the Department of Corrections to improve our visibility of customer movements in and out of prisons. This helps IR to send the right information to customers about our services and help manage their situations while incarcerated.

IR has joined the new Anti-Scam Alliance to reduce the harm to New Zealanders from finance scams. Government agencies, banks, telecommunications companies, digital

platforms sectors and consumer groups will share data to help shut down scams in real time.

Introduction of multi-factor authentication for myIR accounts is a key mitigation we are taking against this constant threat.

Use of our data in the Stats NZ integrated Data Infrastructure (IDI)

IR data is an important component of the Stats NZ-administered IDI. This year, it has been used in 255 projects carried out by 62 organisations, including other government agencies, tertiary institutions, not-for-profit organisations and consultancies.

Projects include:

- Supporting fair and efficient financial services for New Zealanders
- Migration dynamics and economic outcomes
- Analysing workforce demographics and trends in learning, career progression and workforce transitions
- Developing and mapping the local burden of disease in New Zealand
- Impacts of extreme weather events on the wellbeing of New Zealand residents.

Disrupting organised crime

The Minister of Revenue has asked IR to do more in the cross-government effort to combat organised crime. We're working with the New Zealand Customs Service and New Zealand Police, initially to better understand each agency's information and intelligence and improve timeliness in sharing information.

We have responded to 2,803 requests for information and proactively shared information in a further 15 instances this year.

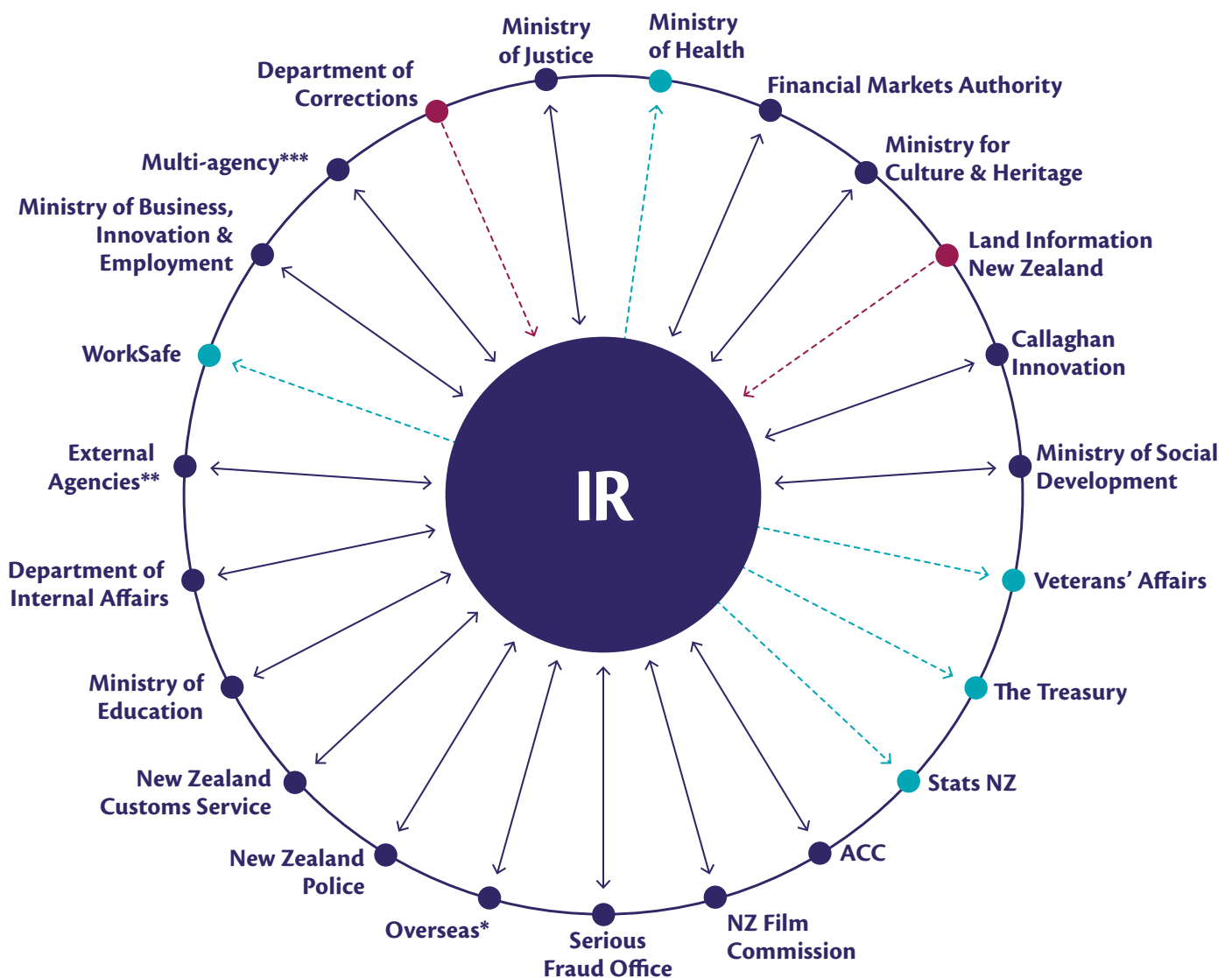
We're also reviewing legislative and operational changes to support this work, recognising the impacts of growing digitisation and impacts of transnational organised crime.

Service transformation

The Commissioner is the System Lead for Service Transformation, and IR will continue to play an active role in the drive for a more seamless, unified customer experience across government services:

- We're a member of the Digital Executive Board, which co-ordinates the Government's digital programme.
- We are working with the Government Chief Digital Office on a roadmap to accelerate the digitisation of government services.
- IR is also a member of the Treasury's Investment Panel, which provides advice and support in the preparation of Budget bids and investments that require decisions by Ministers.

Our current information-sharing partners



*Agreements IR has with overseas parties such as double tax agreements and automatic exchange of information

**Sharing or collecting from external parties when a memorandum of understanding is not involved

***Information sharing between 2 or more agencies

— Information between IR and external agencies

--- Information from IR to external agencies

--- Information to IR from external agencies

Active stewardship

Taking an active stewardship role over the tax and social policy system means we need to manage risks and opportunities such as the impact of an ageing population on tax revenue, and the force and pace of change brought by AI and other technologies.

We need to ensure legislation, products, systems, processes, assets and the capabilities of our people are fit for purpose now and in the future.

Our review of the Working for Families Tax Credit scheme, outlined on pages 20 and 21, is an example of how we've begun to do this under our refreshed strategy.

This product affects the wellbeing of over 330,000 families. There is the potential to address the emotional and financial stress families go through if they get into debt and can't repay it because of the way the scheme currently works.

Tax system in the long term

Long-term thinking is central to our policy work. As noted in our 2022–23 Annual Report, we published a long-term insights briefing on tax, foreign investment and productivity. It provided a platform for IR to advise on corporate tax settings, as you can read on page 36.

A second draft briefing went out for public consultation in June 2025 with an even wider focus. It explores the implications of rising fiscal pressures for the tax system and what changes could be made to enhance fiscal resilience. It looks at the underlying economic factors of different tax bases and the pros and cons of various design choices within the system.

A key reason why we chose the topic is the long-term fiscal pressure caused by an ageing population. By the late 2050s, a quarter of our population is expected to be over 65, resulting in a lower proportion of our population earning income (and therefore paying tax).

AI opportunities and challenges

IR understands making use of digital tools that are available to us is an important aspect of being efficient and effective, and AI is continuing to change everyone's jobs and how we live our lives.

In line with Government guidelines, IR advocates for the safe and responsible use of AI. We understand that it is important to have transparency on and accountability for its use and to build trust with the public on what we do with AI and how we use it.

We are taking a deliberate, balanced approach, considering the large potential AI provides as well as the risks it raises. We have introduced an enterprise risk, which considers the management of risks arising from our use of AI or third-party use of AI in the tax and social policy ecosystem.

We understand many New Zealanders are using publicly available reasoning engines to access government-related information. As AI becomes even more pervasive, this is bound to increase as New Zealanders look for opportunities to increase productivity and save on time and cost. We are working on ensuring our content and information is fit for purpose and can be consumed in a manner that leads to the least amount of difficulty and confusion to taxpayers.

Recognising the wide impact that AI can have on New Zealand and New Zealanders, IR is investigating how to ensure the Tax Administration Act 1994 remains fit for purpose for digital advancements such as AI. This work will assess both the risk position we take for interpretation of the legislation as well as the legislation itself. It will also consider its impacts on wider tax and social policy system legislation.

At the same time, integration of AI in our business processes already offers huge opportunities to boost productivity and decision-making. We have strong privacy and data controls in place and established the approach this year for managing and governing IR use while we explore its potential.

IR delivered a programme to increase our people's AI literacy, which has been completed by 2,000 of our staff. It's being adapted and rolled out to the wider public sector.

We have an ongoing programme of proof-of-concepts and pilots for use of AI in our operations. AI has also been integrated into some customer support and back-office functions, including the following:

- AI and optical character recognition technology has helped to process 70% of FamilyBoost claims.
- Our frontline teams are considering and rolling out AI in our customer support channels, including an AI-powered call summarisation solution to improve efficiency and service quality. This achieved a 17% efficiency in the time spent after a call ends and is being rolled out wider across our frontline services.
- AI is being piloted by our policy and legal teams, as part of our software testing and assurance process and in staff support functions to enable further efficiencies and effectiveness.

Strategies and assets to deliver

IR has developed a suite of business strategies to align planning, prioritisation and resource allocation with our strategic intentions. These strategies span areas such as our workforce, technology and security, Māori and Treaty of Waitangi approach and communications channels.

Strategic use of data is a priority for IR—we're currently reviewing how to bring together core data, analytics and insights functions more effectively.

Owning the right assets and managing them well is also critical to high-quality and cost-effective public services. IR has developed long-term plans for a range of assets.

For example, IR's START system enables the collection of most Crown revenue, distribution of social policy payments and policy decisions. Ongoing planned investment is essential.

As factors such as demographics, customer changes and increasing digital engagement continue to shape demand, START must remain resilient and adaptable to meet future needs.

The progress we want to see

Continued change in New Zealand's tax system and its administration is inevitable. It's essential that we remain focused on ensuring change does not compromise 2 underlying aspects of it:

- tax and social policy rules are as simple as possible
- the high level of integrity built into the system is not undermined.

In the short term, it's encouraging to see broad engagement in our public consultations on proposed policy changes and long-term-focused briefings.

Into the long term, we want our stewardship to create value at 3 levels:

- for IR as an organisation
- for the broader ecosystem, including digital providers, intermediaries and customers
- for New Zealand's economy and the ora of its people.

Legal certainty and the economic impact of tax rulings

Private, product, and public rulings issued by IR's Tax Counsel Office legally bind the Commissioner, though not the taxpayer, in the application of tax laws. These rulings provide legal certainty for taxpayers seeking clarity on how tax laws apply to specific situations.

This year marks the 30th anniversary of our introduction of rulings, as legislated in the Tax Administration Act 1994. Rulings have become a core component of New Zealand's tax system—enhancing its integrity and supporting our ability to positively influence the economy over the short and long term.

Since 1995, we have issued more than:

- 2,600 private rulings
- 540 product rulings
- 390 public rulings.

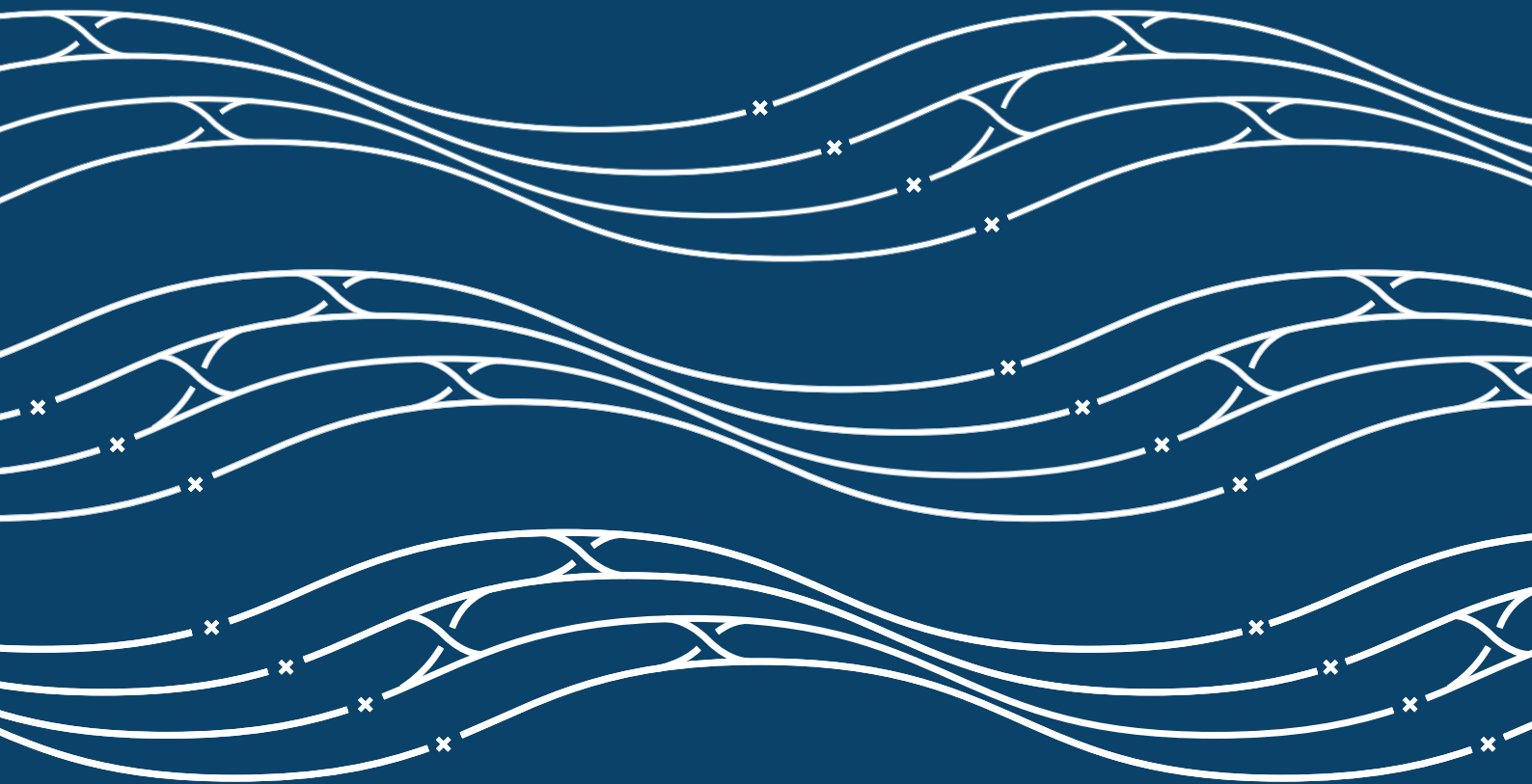
Each year, we rule on billions of dollars on the most contentious areas of tax risk. In the past year alone, rulings covered arrangements worth \$9.9 billion, with \$2.4 billion in associated tax at stake.

Rulings have helped shape key sectors of the economy, including:

- The creation of a multi-billion-dollar passive investment industry in the 1990s.
- Government initiatives in the early 2000s to support the screen production industry.
- All 8 public-private partnerships implemented by the Government since 2010.

We continue to evolve the rulings service to meet growing demand and service expectations. Improvements over time have enhanced our timeliness and increased accessibility. We have also extended benefits to more taxpayers through a short-process rulings system for small businesses and individuals and technical decision summaries that share information from private rulings more broadly.

Implementing the Government's priorities



In its revenue strategy, the Government made it a priority for us to develop its policy work programme. The Government also prioritised enhancing the effectiveness and efficiency of our core business.

The Government’s Revenue Strategy outlines that it will operate a stable, predictable revenue system with the current main tax bases—personal income tax, company tax and a broad-based goods and services tax (GST)—continuing to raise the bulk of Crown revenue.

Further, in the Government’s Going for Growth plan, released in February 2025, it noted ‘tax is a key area where the Government has heard concerns about complexity of rules and the incentives for businesses to invest and innovate. The Government will look at how tax settings can deliver better outcomes for New Zealanders, be less complex and support growth.’

In line with its Revenue Strategy, the Government asked IR and Treasury for advice on what to include in its Tax and Social Policy Work Programme.

The Government also asked us to focus on delivering our core business more effectively and efficiently. You can read about how we’ve done this in the next section, Assessment of our Operations.

In this section

Find out how we have:

- supported the Government with the development of the Tax and Social Policy Programme and progressed policy priorities through consultation and legislation
- implemented Government initiatives including FamilyBoost
- worked to achieve revenue and debt collection targets with the Budget 2024 investment in additional compliance activities
- achieved baseline savings alongside delivering all of the above
- provided policy advice for Budget 2025 initiatives and planned to implement them.

Tax and Social Policy Work Programme The programme was agreed and items on it progressed	FamilyBoost Implemented on time and paying out \$50.5 million in the first year	Investment in compliance Government’s additional Budget 2024 investment in compliance activities achieved 3 of 4 targets	Baseline savings Savings targets set by Government achieved
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Tax and Social Policy Work Programme

Launched in November 2024, the Government's Tax and Social Policy Work Programme's overarching priorities are simplifying tax and reducing compliance costs, addressing integrity risks and improving fiscal sustainability, in order to rebuild the economy.

These priorities form the basis of the work programme's 6 workstreams.

IR provided advice on priority issues, together with additional items to be considered for inclusion in the programme. The programme forms an agreement on the Government's tax and social policy work priorities for IR and the Treasury to advance in support of its targets and objectives.

As part of the programme, we also continue to work on other cross-agency policy activities that align with the Government's priorities. This work may have tax consequences and/or IR delivery implications.

The programme is periodically updated as items are completed and new ones included.

You can read more about the current programme, and past ones, on our tax policy website.

taxpolicy.ird.govt.nz/work-programme.

Workstreams in the Government Tax and Social Policy Work Programme

ECONOMIC GROWTH AND PRODUCTIVITY

Promotes building a stronger and resilient economy by minimising biases on economic decisions, reducing compliance costs and rewarding effort and individuals' investments in their own skills.

INTEGRITY OF THE TAX SYSTEM

Protects against tax avoidance and evasion to maintain a stable and predictable tax system.

MODERNISING THE TAX SYSTEM

Ensures the tax system is regularly maintained and updated in response to changing technology, businesses practices and other factors.

STRENGTHENING INTERNATIONAL CONNECTIONS

Fulfilling New Zealand's international obligations with other tax jurisdictions (and as an OECD member) and includes projects that respond to shifts in the global economy such as increased cross-border activity.

SOCIAL POLICY

Improving the delivery of income support payments administered through the tax system and increasing work incentives.

OTHER AGENCY WORK

Other agency work that aligns with Government priorities that may have tax consequences or IR delivery implications.

Progressing policy priorities

This year, IR has progressed a number of items on the Tax and Social Policy Work Programme and provided advice on the design and implementation of Budget initiatives and annual taxation bills.

Some items were included in annual legislation that enables tax changes and we have publicly consulted on others. Some items are being advanced under Budget 2025 such as the Foreign Investment Fund rules.

Where possible, we have used the Generic Tax Policy Process in our policy development. The process provides opportunities for the public and tax specialists to engage, particularly on major policy changes.

The Government has stated its commitment to using the process and public engagement on the design of tax policy. It acknowledged that public consultation plays an important role in creating and sustaining a durable, widely accepted tax system.

Consulting the public

IR consulted with New Zealanders on several policy priorities this year, a number of which focus on enabling economic growth and productivity. Consultation included:

- Reforms of the GST rules for joint ventures, with the aim of ensuring they are fit for purpose for joint venture arrangements and minimise compliance costs.
- Reviewing the fringe benefit tax regime, with a focus on simplifying rules and reducing compliance costs.
- Addressing an aspect of foreign investment fund rules, specifically whether imposing tax on unrealised income in the current rules could be deterring some people from settling in New Zealand.
- Looking at a taxation timing issue in the employee share schemes offered by start-up companies—these schemes are a useful way to incentivise and remunerate employees, with \$533 million in taxable benefits going to 15,730 people in the 2022 tax year.
- Understanding how the current settings on thin capitalisation might be discouraging foreign investors from investing in New Zealand infrastructure projects, and whether changes to settings could lead to more investment. Thin capitalisation rules form part of New Zealand's international tax rules. They place limits on how much debt a non-resident can put into their New Zealand investments.

A review of taxation of charities and the not-for-profit sector received 900 public submissions, which is the highest number we've received since a previous charity tax consultation in 2000. This indicates New Zealanders' interest in this subject and the importance of the Generic Tax Policy Process in enabling the public to engage on potential changes.

You can read more on pages 20 and 21 about a set of proposals to make the Working for Families Tax Credits scheme more accurate and prevent families from going into debt.

Changes brought in with this year's annual tax legislation

The Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2025 was introduced in August 2024 and received Royal assent on 29 March 2025.

The Act sets the annual rates of income tax for the 2024–25 tax year. It introduced other notable changes that legislated items on the Tax and Social Policy Work Programme and some Budget 2024 initiatives.

Crypto-asset Reporting Framework

In November 2024, New Zealand and 47 other jurisdictions signed the Crypto Asset Reporting Framework Multilateral Competent Authority Agreement. This year, rules were enacted to implement the framework.

The framework is a new international standard designed to ensure the automatic exchange of key information on crypto-asset transactions between tax authorities. It was developed by the OECD in response to the growth of the crypto-asset market. It aims to improve tax transparency and compliance in relation to the reporting of income for tax purposes from crypto-assets.

We estimate that over of 80% of these transactions undertaken by New Zealand tax residents occur via overseas channels. IR will be able to cross-check compliance of crypto-users through exchanging information with our tax treaty partners. The information exchange supplements our existing crypto-asset information and begins in September 2027.

Final-year Fees Free

A Budget 2024 initiative changed the tertiary First-year Fees Free Scheme to one where the final year is free. The Government's intent in doing so is to help incentivise learners to finish their studies.

Learners entering their final year of study from January 2025 are eligible, with payments being made once they have finished. IR has been preparing our systems to make payments from January 2026.

Streamlined tax relief response

Government has provided tax relief during past emergency events and recovery phases, depending on the nature of the event. These responses were initiated through a combination of Commissioner of Inland Revenue discretions, Orders in Council and primary legislative amendments.

A more streamlined, timely process is now in place to activate measures that previously would have required primary legislation. Ministers still have discretion over which measures to apply to any particular emergency.

Other changes in the Act included:

- Introducing 'scheme pays' for the taxation of transfers from recognised overseas pension schemes. This better enables transferees to meet their obligations.
- Authorising a 1-off information-sharing arrangement with the Ministry of Business, Innovation and Employment (MBIE). This is to encourage uptake of the New Zealand Business Number and improve MBIE's ability to support business confidence and certainty and create smoother business interactions.
- Allowing those under 16 to enrol in KiwiSaver, provided a guardian contracts directly with a provider.

Reviewing the trust disclosures

This year, IR published a review of changes to disclosures for domestic trusts that followed the introduction of a new top tax rate of 39% on personal income over \$180,000 in 2020.

The changes increased disclosure requirements, which were put in place to support the Commissioner's ability to assess compliance with the new rate and to understand and monitor the use of structures and entities by trusts.

Repeal of the trust disclosures changes was included in a Bill before the House in August 2025. The Commissioner is considering what information IR will continue to collect.

Strengthening international connections

IR advises the Government on international tax issues. We also negotiate double tax agreements with other countries. These agreements prevent people, such as non-resident taxpayers or New Zealanders living and earning income overseas, from being taxed in 2 countries on the same income.

New Zealand has a network of 41 agreements in force with its main trading and investment partners. This year, we continued to negotiate replacement agreements with Australia and the UK and new ones with European countries including Croatia, Slovenia, Poland and Portugal.

Remedial work programme

Remedial amendments play an important role in maintaining the tax system. Tax legislation needs to be regularly updated in response to changing technology, business practices, jurisprudence or other factors—this helps to ensure the system remains fit for purpose in a changing world.

Our remedial work programme for 2024–25 focused on priorities in this area. A public remedials log informs the public about remedial legislative issues that IR has considered and can be found at taxpolicy.ird.govt.nz/work-programme.

Implementing Budget 2024 initiatives

The Government invested funding in new initiatives for IR to implement in Budget 2024. We have progressed both policy and operational aspects of these initiatives. This has meant a lot of change delivery for IR and some stakeholders.

Implementation of changes are managed at specific times of the year to ensure coordinated, efficient changes to systems and business processes and minimise customer impacts. All our initiatives met implementation timeframes or are on track.

Introduction of FamilyBoost

Through Budget 2024, the Government introduced the new FamilyBoost scheme. It reimburses up to 25% of a household’s early childhood education fees to a maximum of \$150 per fortnight. As you can read on the next page, the scheme was delivered on time and made payments to 60,300 households in its first year.

Compliance investment

Compliance interventions, including those that enhance the fairness and integrity of the tax system, are an opportunity to increase revenue.

IR refocused resources this year to deliver more compliance activities, with an additional \$29 million Budget 2024 investment.

The additional funding was provided with the expectation of generating a return of 8:1 after the first year, primarily through a combination of increased tax revenue and decreased debt impairment and debt write-offs expenditure.

Page 34 outlines what we achieved.

Personal Income Tax changes

In July 2024, IR went live with the Personal Income Tax changes initiative, including changes to the Independent Earner Tax Credit, In-work Tax Credit and Minimum Family Tax Credit entitlements. These changes were well-received by customers and employers.

Interest deductibility on residential property

A significant Budget 2024 initiative was to reverse limitations on interest deductibility on residential properties. The limitations had been introduced by the previous Government in 2021. From 1 April 2025, customers were able to claim 100% of the interest they incurred (with exclusions applying, such as properties that are a main home).

Online gambling duty

A 12% duty on online gambling came into effect on 1 July 2024. The duty applies to online casino gambling provided by offshore operators to New Zealand residents. We assessed \$61.9 million in payable tax in this first year.

Budget 2024

MAJOR SPENDING DECISIONS		MAJOR FORECAST SAVINGS AND REVENUE DECISIONS
FamilyBoost Launched	Investment in compliance activities 3 of 4 targets met	Online casino gambling tax changes Implemented
BASELINE SAVINGS	SIGNIFICANT INITIATIVES	
Reduction in operating expenditure Achieved	Crypto-asset Reporting Framework Legislated	In-work Tax Credit rate increase Implemented
Reduction in systems maintenance and charge capacity Achieved	Personal Income Tax and Independent Earner Tax Credit threshold changes Implemented	Restoring interest deductibility for residential rental property Implemented

FamilyBoost: a major spending decision in Budget 2024

FamilyBoost is a cross-vote initiative with the Ministries of Education and Social Development. It is a payment to help eligible households pay for the cost of early childhood education (ECE). \$50.5 million was paid to 60,300 households this year.

More than 100 of our people contributed to the rapid introduction of the scheme. We built relationships with the ECE sector, worked out what was feasible for the system design, developed policy and legislation and recruited new people to support customers.

From March to December 2024, we ran online advertising and proactive media, radio, outdoor posters, and sent emails to ECE providers. Community teams worked closely with government and support organisations and industry bodies. As a result, there were 480,000 visits to our website by December 2024.

The scheme met its 3 delivery milestones: legislation enabling it was passed in May 2024, it opened for registrations as planned in September, and families and whānau were able to claim from October for invoices covering the previous 3 months.

IR forecast the number of families who were expected to receive FamilyBoost based on the limited information we were able to obtain at the time. While we expected some uncertainty around take-up, the numbers of families registering was lower than projected as was the overall amount claimed (people have up to 4 years to claim credits). Our ongoing outreach efforts aim to alert households still missing out.

After its introduction, we provided advice to the Government on adjustments to FamilyBoost policy settings. In early July 2025, the Minister of Finance announced adjustments to provide larger rebates to families and increase the number of families eligible to claim it.

We've also continued to work on ways to make our processes easier for customers to use. Initial surveying of customers noted some complaints were received as customers navigated the new eligibility rules and claims process. We also found customers were satisfied when they called us about the scheme.

IR received operating funding to administer FamilyBoost. We self-funded the capital build costs of \$1.2 million to launch it.

You can read more reporting on the scheme including take-up, claims received, amounts paid and other key indicators on our website: ird.govt.nz/about-us/tax-statistics/major-spending-decisions/budget-2024-familyboost.

KEY INDICATORS

78,300 REGISTRATIONS RECEIVED

77,500 REGISTRATIONS ACCEPTED

174,900 CLAIMS RECEIVED

70,900 HOUSEHOLDS CLAIMING

138,500 CLAIMS PAID

60,300 HOUSEHOLDS PAID

29,200 CLAIMS DECLINED

Key indicators

2024–25	Budget	Actual
\$million		
Administration	15.7	10.9
IR	13.9	10.7
Ministry of Education	0.2	0.1
Ministry of Social Development	1.6	0.1
FamilyBoost payments	131.0 ¹	50.5

¹ In March 2025, Ministers agreed to reduce the FamilyBoost budget for 2024–25 from \$170.4 million to \$131 million. This is a timing difference due to a change in accounting treatment.

Investment in compliance: a major spending decision in Budget 2024

Through its Budget 2024 investment, Government targeted an increase in tax revenue and debt collected from our undertaking more compliance activities. The investment enabled a substantial increase in activities such as audits, targeted engagement and enhancements to our intelligence tools and use of data.

We focused on achieving revenue, debt collection and loan repayment targets in 4 areas:

- revenue assessed through compliance interventions, where we exceeded our target by 40%
- revenue assessed from unfiled returns, where we missed the target by 20%
- cash collected from overdue debt activities, where we exceeded the target by 5%
- an uplift in the value of repayments collected from overseas-based student loan borrowers, where we exceeded the target by 28%.

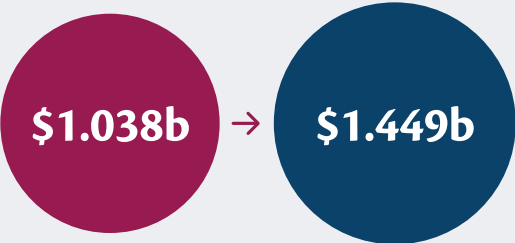
As you can read in the next section’s assessment of our operations for 2024–25, a 42% increase in audits contributed to us exceeding the first target.

Increased activity led to greater numbers of customer complaints on interactions, mainly on debt, repayment plans, penalty and interest remissions, unfiled returns, late-filing penalties and audits. We paid close attention to this in our customer surveys, which highlighted the need to ensure our people continue to be understanding of customers’ situations and clear about why and how a debt has occurred.

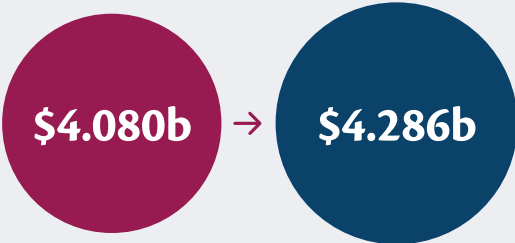
IR spent all of the \$29 million administration cost allocated to this initiative in Budget 2024. Read about the results from our compliance spending from page 44.

Our website has additional reporting: ird.govt.nz/about-us/tax-statistics/major-spending-decisions/budget-2024-investment-in-compliance-activities.

Revenue assessed through compliance interventions

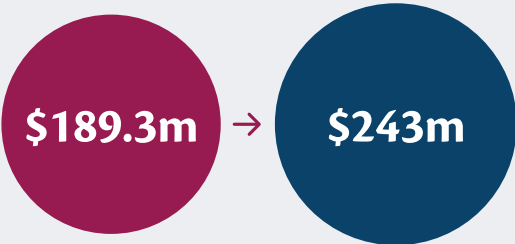


Cash collected from overdue debt activities*

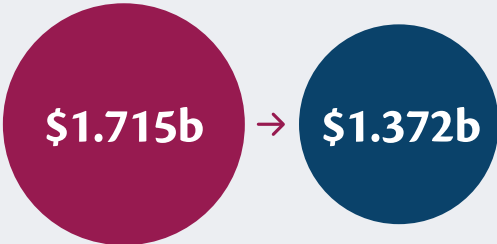


* excludes child support, student loans and Small Business Cashflow loans.

Overseas-based borrower student loan repayments



Revenue assessed through late-filed returns



● This year’s minimum target

● This year’s result

Additional revenue and savings and financial sustainability

IR has implemented initiatives that will provide the Government with additional revenue and achieve the baseline savings that it set.

Additional revenue

In a number of areas, we have worked to deliver additional and new revenue for the Government to spend, invest and reduce Crown debt.

The Budget 2024 investment in compliance is forecast to have a net positive impact to the Crown's operating balance of \$658 million over 4 years. The net new positive impact on the operating allowance was \$586 million.

The new Crypto-asset Reporting Framework has a net positive impact of \$40 million across the same period.

IR has also begun administering a new 12% duty on online casino gambling.

Savings and financial sustainability

To support the Government's fiscal strategy, we're focused on fiscal stewardship and sustainability. We have delivered baseline savings, self-funded many policy initiatives and managed inflationary cost pressures.

We developed our first performance plan, setting out how we will achieve a sustainable fiscal position for 2024–25 through to 2028–29. We'll continue to look for efficiency gains across all areas and consider carefully where we invest in capability and capacity.

Reduction in operating expenditure

IR's baseline includes a permanent reduction of \$29.6 million (5%) in 2024–25 because of the Budget 2024 Initial Baseline Exercise. We achieved these savings mainly across operating expenditure in areas such as travel, training, accommodation, overtime, contractors and consultants.

An expected reduction in expenditure on systems maintenance and change capacity at IR has been managed to ensure we can deliver the Government's work programme. This has no impact on achieving baseline savings because we've made additional operating savings.

We have self-funded remuneration cost pressures and inflationary cost pressures, primarily from savings in accommodation leases and information technology costs.

Reduced contractor and consultant spend

IR achieved a reduction of \$4.7 million (15%) in spending on contractors and consultants in 2024–25, which represents 5% of total departmental workforce expenditure in that year.

The \$22.5 million of expenditure this year compares with expenditure of \$41.7 million in 2022–2023 and \$27.1 million in 2023–2024, which represent 10% and 6% of total departmental workforce expenditure in these years respectively.

Budget 2025 policy and planning

IR had a key role in supporting Ministers to develop and deliver the Budget 2025 Growth Budget. We provided policy and other advice and submitted bids for initiatives ahead of the Budget.

Government provided new funding through Budget 2025 to IR to keep investing in compliance. We are self-funding the implementation and delivery costs for a number of Budget 2025 initiatives that we'll deliver for New Zealand.

Investment Boost

Budget 2025 introduced Investment Boost, a scheme where businesses can accelerate depreciation deductions for new assets acquired from 22 May 2025. It's designed to encourage business investment and grow the economy.

The scheme arose partly out of Ministers commissioning advice on tax options to support economic growth and productivity. IR produced a long-term insights briefing in 2022 that analysed options for reducing the cost of capital. We concluded that a broad partial expensing scheme would represent one of the most cost-effective tax policy options to increase capital investment. Investment Boost is the result.

Other major Budget 2025 initiatives

IR has planning underway to deliver other Budget 2025 initiatives including:

- Changes to Working for Families, which include raising the abatement threshold and the abatement rate (the income level at which the entitlement starts to reduce due to the amount customers earn) and extending income testing to the first year of Best Start.
- KiwiSaver changes that have extended eligibility to 16 and 17-year-olds to receive employer and Government contributions, increased default employer and employee contribution rates, removed the Government contribution for people earning over \$180,000 a year and reduced the amount contributed by Government.

Continued compliance investment

Government continued to invest in additional compliance activities in Budget 2025, with \$35 million more each year for compliance.

IR also received permanent funding of \$26.5 million per year to replace time-limited funding that had been due to finish in June 2025. This will enable us to continue to focus on compliance work such as resolving debt and audits in areas such as income suppression, property and the hidden economy.

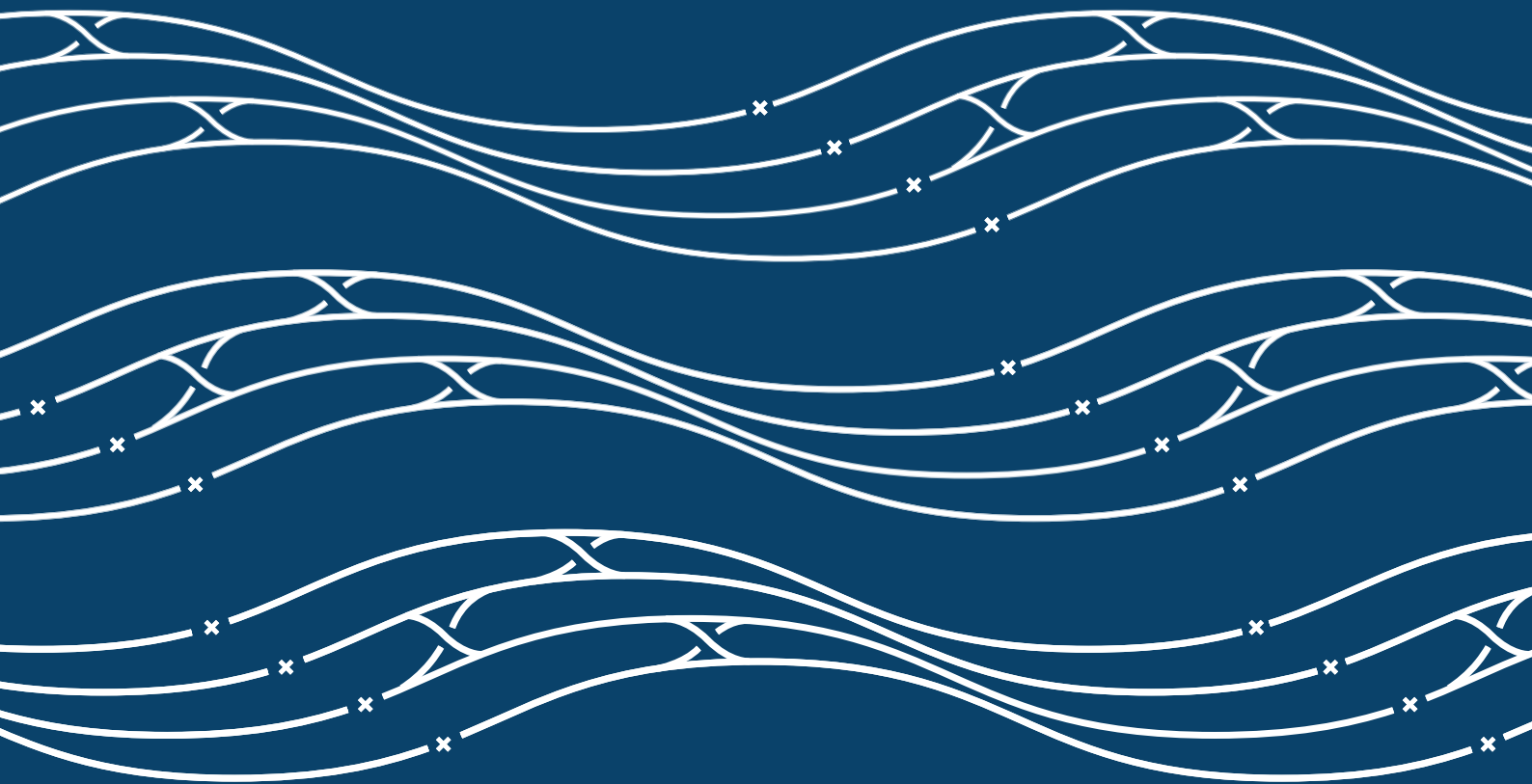
More information on initiatives

You can find more information about Budget 2024 and 2025 initiatives on our website: ird.govt.nz.

Budget 2025

MAJOR SPENDING DECISIONS		
• Investment Boost—partial expensing regime	• Compliance activities—continuation of funding	• Compliance activities—increased investment
MAJOR FORECAST SAVINGS AND REVENUE DECISIONS	SIGNIFICANT INITIATIVES	
	• Employee share schemes—tax deferral regime • Working for Families—abatement changes • Working for Families—Best Start Tax Credit changes	• Student loans—indefinite freeze of the repayment threshold • Thin capitalisation—infrastructure projects • Discharging the Digital Services Tax Bill (funded outside Budget allowances)

Assessment of our operations



Ensuring revenue to fund government services and making payments to families

This year, IR has increased the focus on ensuring high levels of compliance from customers with their tax obligations to maximise revenue and minimise debt.

At the core of our operations has been our compliance approach: the work we've done to make it easy for customers to get tax and entitlements right, hard to get it wrong and costly for those who try to avoid their obligations.

In this section

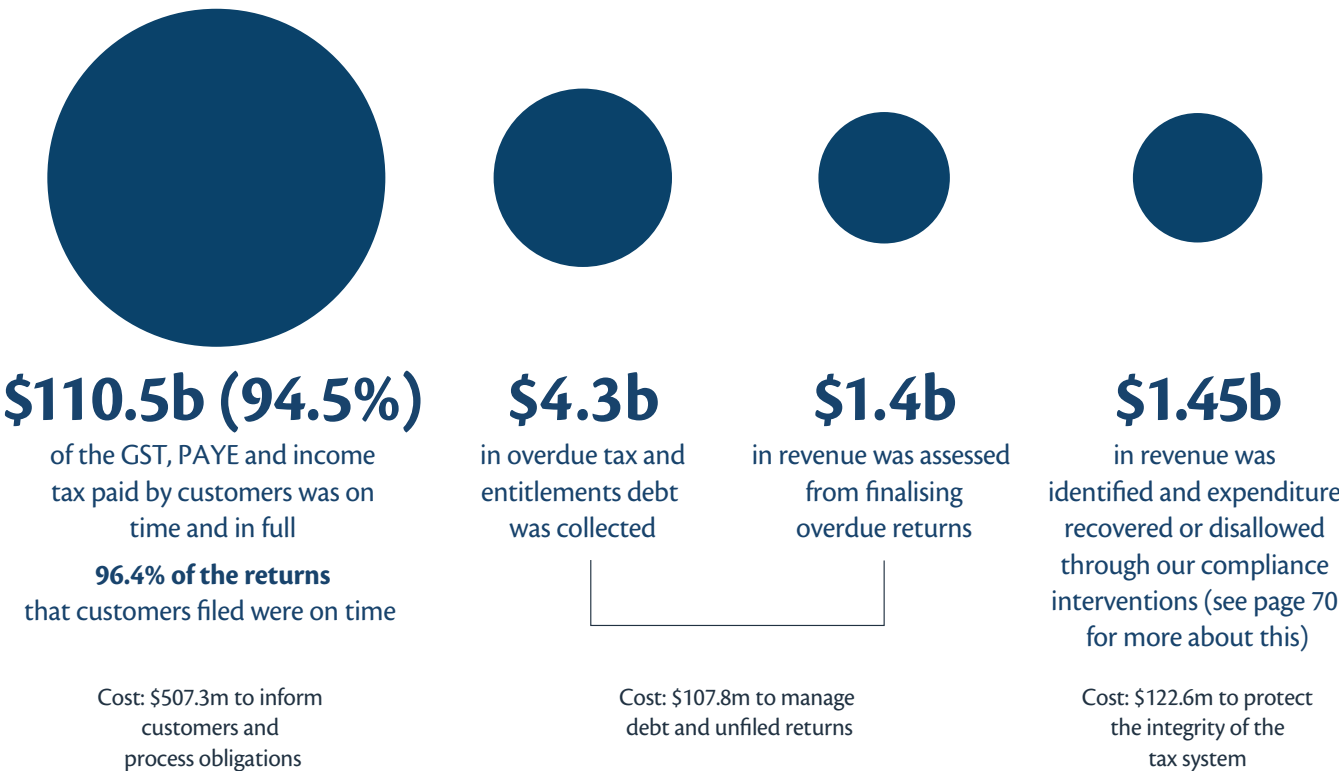
Read about the range of approaches we used to administer tax and payments and to be more effective and efficient in doing it.

You can read more about other aspects of our operations elsewhere in this report:

- The section on Progressing our Strategic Intentions has a medium to longer-term view of how we're performing and where we're headed.
- The previous section on Implementing the Government's Priorities covers the policy and Budget initiatives we progressed.

We met 26 out of our 31 service performance measure targets. You can read more about these in the next section.

Where tax came from



Tax and payments this year

Following a 10% increase between 2022–23 and 2023–24, tax revenue grew this year by a smaller percentage (1%) to \$116.6 billion.

There was a decline in dividend withholding tax as a previous surge in dividend payments in advance of the 39 percent trustee tax rate taking effect in 2024 was not repeated this year. Most other tax types grew modestly.

IR collected \$116.9 billion in tax receipts, which is 6% higher than in 2023–24. Receipts refers to the cash that was actually paid to IR to meet this year's tax obligations or those from prior or future years.

Making tax easy

Approximately three-quarters of the tax we collected this year was at source, meaning the PAYE, GST and tax on interest and dividends passed on to us by employers and financial institutions. It's cheaper to collect tax this way, more accurate and imposes a minimal compliance effort on individual customers.

In the major tax event for the year, IR sent out 3.57 million automatically calculated individual income tax assessments by 30 June 2025. This is where we finalise end-of-year income tax for customers. 85% of customers receiving an automatic assessment had nothing further to do.

IR has continued to work proactively with businesses of all sizes to help with their tax—from micro to small-to-medium-sized enterprises through to significant enterprises.

Our gateway services already play a big role in simplifying compliance for businesses with real-time accessibility, secure transactions and integration with most accounting platforms. Gateway services handled around 73% of all transactions this year, allowing customers to file returns, make amendments and send queries directly through their software, eliminating the need to use IR's systems separately.

As you can read later in this section, we're also continuing to proactively engage with business customers with overdue GST payments and employer-related obligations as these have primarily driven an overall increase in tax debt.

Efficient payments

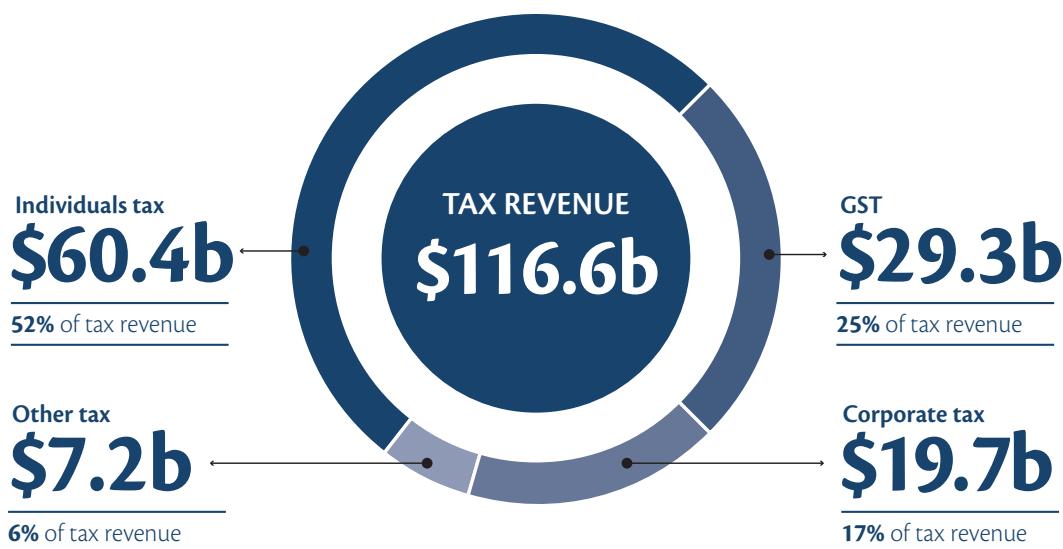
In addition to collecting tax, we've distributed payments to families, GST and income tax refunds and KiwiSaver contributions.

IR administers Working for Families Tax Credits, paid parental leave payments, child support and FamilyBoost—\$4.6 billion in tax credits and entitlements went to families across these products.

It's essential that we distribute the right amounts and get payments to customers as quickly as possible. We achieved all performance targets for timeliness in making payments. We acknowledge that ensuring accurate Working for Families payments is more complex and we've made proposals to improve the scheme, as outlined on page 21.

In the meantime, we improved online information on payments for families so it's easier to understand eligibility, residency requirements, claiming entitlements and how to avoid getting into debt.

Total tax revenue of \$116.6 billion was made up of 4 main tax types



IR met our timeliness targets for issuing GST and income tax refund disbursements. Automated processing meant customers who were due GST refunds got them within an average of 4 days.

We also process KiwiSaver contributions from employers, employees and the Government's annual contribution. \$10.7 billion was passed to KiwiSaver service providers within 3 working days. In recognition that this is a highly efficient area of our operations, we've lowered the target to 2 working days from next year.

Improving the customer experience

We have found a number of ways this year to get more cost-effective in our core operations to complete more work, drive down costs and give customers a better service.

The upgraded voice channel introduced in 2023 is improving our ability to manage and prioritise customer calls. It's also making new functions available such as enabling student loan borrowers to call us toll-free from more overseas locations.

We launched the myIR Navigation Assistant, a new tool that guides customers to online solutions for simple queries. It has supported 155,000 customers, with 80% of them completing their tasks independently.

IR sends around 35 million e-notifications a year to alert customers that there's information we need them to read in myIR. These are a key 'light touch' compliance tool. Research showed that while most customers read them, some didn't act, often due to unclear letter title lines. In response, we

improved the wording in 80% of the titles of letters sent by email. We'll evaluate whether these changes boost compliance through this high-volume channel.

An extension-of-time arrangement is another example of what our teams have done to help customers handle tax obligations, with less stress. We received around 15,000 requests this year. These arrangements allow customers to file tax returns later than normal, preventing late-filing penalties and supporting voluntary compliance.

In the past, customers could only be granted an extension if they contacted or visited us. Now customers can apply in myIR, saving time for them and us. This improvement was developed in less than 3 months; we're looking at further opportunities to digitise these requests.

Overall, our efforts have meant customers' satisfaction and perceptions of ease in dealing with IR have improved.

This includes the nearly 5,600 tax agents who support around 1.6 million clients and file close to 2 million tax returns each year. They are a vital part of New Zealand's tax system. We're committed to improving the services we provide to tax agents and regularly survey them to understand how we're doing and where we can do better.

94% of the tax agents surveyed in June 2025 were satisfied with their overall experience. We saw substantial improvements in their ratings of our service delivery and consistency of advice. Their trust in IR rose to its highest level ever at 90%.

Processing timeliness

99.99%

of paid parental leave payments were made on the first payday following the agreed date of entitlement, the same as in 2024.

99.8%

of Working for Families payments were made on the first regular payment date following an application, the same as in 2024.

91.7%

of FamilyBoost claims were processed within 10 working days.

97.7%

of GST refunds were issued within 4 weeks, up from 97.1% in 2024 (target: 95%).

92.0%

of income tax refunds were issued within 5 weeks, up from 86.6% in 2024 (target: 85%).

Customer contacts

78%

of correspondence was completed within 10 working days, up from 65% in 2024 (target: 70%).

75%

of calls were answered, up from 71% in 2024 (target: 60%).

Customer experience

74%

of customers were satisfied with their last interaction with us, up from 70% last year.

69%

of customers found it easy to deal with us, up from 66% last year.

90%

of customers surveyed about our technical guidance strongly endorsed its quality (see more on page 43).

Greater security of customer information

To strengthen our protection of taxpayer information, IR introduced 2-step verification for myIR accounts. This is part of our wider data and identity security efforts such as enhancing our voice validation process, which ensures the person we're speaking to is who they claim to be.

As of June 2025, over 1 million customers have registered for 2-step verification, ahead of it becoming mandatory in October 2025.

We began rolling out 2-step verification in January 2025, initially calling selected customers to help them set it up. These calls caused confusion for some customers, who were unsure whether they were a scam. In response, we sent web messages explaining the set-up process and advising customers we'd call 3 days later to support them.

Resolving customer issues throughout the year

IR is committed to continuously improving our services based on what our customers tell us. We actively listen through a range of channels, including a research panel of 18,000 customers, real-time monitoring of customer feedback and regular surveys about their experiences with us.

Resolving issues is a constant focus. Common concerns include difficulties using our communication channels or accessing our services and disputing debts. We aim to deliver excellent service, even when customers contact us about a dispute.

This year, we also set up the ability for customers to directly rate their experience using myIR, with an average rating of 4.5 out of 5 from 100,000 submissions.

We review the results regularly, which helps us to identify clear, actionable insights we can take forward.



Customer voices:

"Was my first time filing my tax return, and with the income summary provided by IRD it was really straight forward to work out and the pre-filled information was helpful. Thank you for making it stress free."

"This is my first time doing a tax credit receipt and it was really simple. Didn't know this was the process considering I've donated to multiple charities over 10 years now."

"Compared to years ago I can honestly say your system is so easy to navigate and very user friendly."

"Used the phone line from the UK to get advice and help and they were very helpful and talked me through all the steps to take to update my account. Thank you."

Surge in demand for unclaimed monies

Unclaimed monies are the funds held by banks, utilities or other organisations that haven't been accessed by their owners, and which are eventually transferred to IR. Customers can search for unclaimed monies online and submit a claim if they believe the funds belong to them.

Increased social media coverage drove a surge in claims from 2,700 in August 2023 to 45,000 by August 2024. We scaled up the small team that manages unclaimed monies temporarily—they have processed more than 80,000 claims over the past 2 years and paid out \$85 million.

Reaching different audiences

IR is responsible for making every effort to ensure people know about both tax obligations and entitlements. Between our communications channels and the work our people do in communities every day, we've helped people and businesses understand what to do from the start. We've also provided targeted education and enforcement where there's a risk that customers are off track.

Over 20 marketing campaigns ran this year to educate customers about new policies, ensure they know about entitlements and encourage the right behaviours.

Along with our campaign promoting the new FamilyBoost scheme, we:

- alerted 18,000 Small Business Cashflow Loan borrowers that final repayment dates for many loans were looming and unpaid loans would automatically default
- reminded overseas-based student loan borrowers of their obligations and encouraged them to stay on track
- helped fringe benefit tax customers to avoid common mistakes
- directed over 100,000 customers online to learn about the bright-line rule and residential property interest limitation rules.

IR's Tax Toolbox campaign continued to educate customers in the construction industry about taking their tax seriously. Advertising in an April to June 2025 campaign generated over 38,000 visits to our website, where we take customers through record keeping, claiming expenses, GST, employer obligations and fringe benefit tax.

Use of custom audience lists on social media

Social media platforms are an important channel for us to reach large numbers of people. IR had been using custom audience lists (lists of de-identified or hashed details

uploaded to social media platforms) for several years. They helped us target individual customers more accurately with information they need.

We received an unprecedented number of requests on why and how we were using these lists, and concerns about data integrity. We suspended their use and carried out a comprehensive review, which identified a privacy breach in relation to one list sent to a social media platform. While this was an isolated incident, the level of public concern was sufficient for us to cease using this approach. We will continue to use social media in ways that do not require custom lists.

Working constructively with businesses

IR has worked closely with larger corporate customers (or significant enterprises). We've provided real-time support, tax advice and a clearly outlined compliance approach.

Transparent on our compliance approach

IR has continued an active compliance programme for our group of significant enterprise customers. These include multinational enterprises (MNEs) based overseas and those headquartered in New Zealand.

Over the past 2 years, we've worked with a number of customers to reduce processing errors in their payroll and other systems that interact with ours, helping large transfers of employer information run more smoothly.

In line with increased compliance and audit activities, we've engaged with New Zealand's business sector on the compliance risks we're most focused on. We've made it clear that good tax governance is essential and we want larger corporates and high-wealth individuals to have effective tax control frameworks in place. In April 2025, we issued guidance on what that encompasses.

Tax governance should remain a priority for MNEs too, as we noted in an updated compliance focus document published in November 2024. The case study below has more.

We continued to encourage MNEs to reach advance pricing agreements with us. These agreements provide customers with certainty on tax for specific transfer pricing arrangements for an agreed period. In return, New Zealand gets a level of certainty that these businesses are paying the right tax for that period of time.

On 30 June 2025, 85 customers had active advance pricing agreements with IR, representing approximately \$390 million in assured tax each year.

Fostering certainty on tax laws

Our Tax Counsel Office fosters compliance through providing clarity and certainty on IR's position on tax law. This is so customers can enter commercial transactions and file returns with confidence.

We provided private rulings on areas where there are contentious tax risks—these legally bind the Commissioner and clarify how IR will treat arrangements in a particular situation.

Public advice and guidance issued this year included the following:

- We provided guidance to lessen customer uncertainties on aspects of employee share scheme rules. This includes how the rules interact with PAYE and fringe benefit tax.
- Following legislative clarification of land taxing rules and GST apportionment rules, IR updated 2 well-used tranches of public guidance on short-stay

accommodation and application of the bright-line test. This will make compliance with the current rules easier by removing uncertainty arising from previous law changes in this area.

- IR published a comprehensive interpretation statement on the tax treatment of partnerships (including limited partnerships). This guidance documents the Commissioner's view of tax law as it applies to partnerships and will be an enduring resource for advisers.

Overall, the technical guidance provided by the Tax Counsel Office continues to be rated highly by customers. A November 2024 survey found nearly 90% of respondents strongly endorsed the quality of analytical review and guidance we provided. Customers also appreciated IR's public consultation process and willingness to engage in open dialogue on tax technical issues.

Our compliance strategy for multinational enterprises

Multinational enterprises (MNEs) contribute a significant amount of New Zealand's corporate tax base. IR monitors approximately 800 companies, using a comprehensive strategy to ensure strong compliance outcomes.

As global business grows more complex, we've strengthened our international engagement and adopted best practices. Over the past 5 years, we have:

- embedded measures to counter base erosion and profit shifting (BEPS)
- expanded intelligence through enhanced domestic and international information-sharing
- played an active role in global tax initiatives
- met OECD peer review standards, reinforcing our international credibility.

An update of our compliance document for MNEs in November 2024 provides transparency about our compliance focus, including:

- our compliance framework and international tax strategy
- key compliance drivers and international standards
- progress on the OECD's Two Pillar Solution and global mobility project
- our risk assessment process and data sources.

We've also introduced tools to support compliance, including a revised tax governance checklist and risk barometer for boards, and updated risk indicators.

MNEs have engaged constructively with us, with a 100% response rate to annual questionnaires we've sent them over the past 5 years. Their input has shaped our campaigns and helped reduce their compliance costs.

\$4.3 billion in overdue tax debt collected

This year, we have used a range of ways to collect more debt and minimise the impacts of uncollectable debt on government, individuals and companies. \$4.3 billion in tax and entitlements debt was collected, \$252 million more than in 2023–24. Student loan repayments by overseas-based borrowers were \$70 million higher.

Debt management is part of our wider compliance approach and requirement to maximise revenue, collect more debt before it gets too old and minimise write-offs. Aged debt is harder and more costly to collect.

While nearly 98% of customers paid their tax either on time or within 6 months, that did leave 527,000 customers with an overdue debt at 30 June 2025.

Recent growth in tax and entitlements debt is mainly due to the economic conditions of the past few years. Overdue GST and employer-related debt is particularly prevalent amongst smaller businesses.

Overall growth is also due to IR updating the definition of when tax debt becomes overdue to ‘straight after the due date’. Previously, it was treated as overdue when we began action to collect it.

The change in definition has resulted in higher reported debt balances. If the previous definition had been applied, the reported overdue tax and entitlements debt balance at 30 June 2025 would have been \$163 million lower. Other

previous changes in the definition of overdue tax are discussed on page 23 of our 2023–24 Annual Report.

Overdue debt across all our products amounted to \$13.1 billion.

Intensified focus on debt recovery

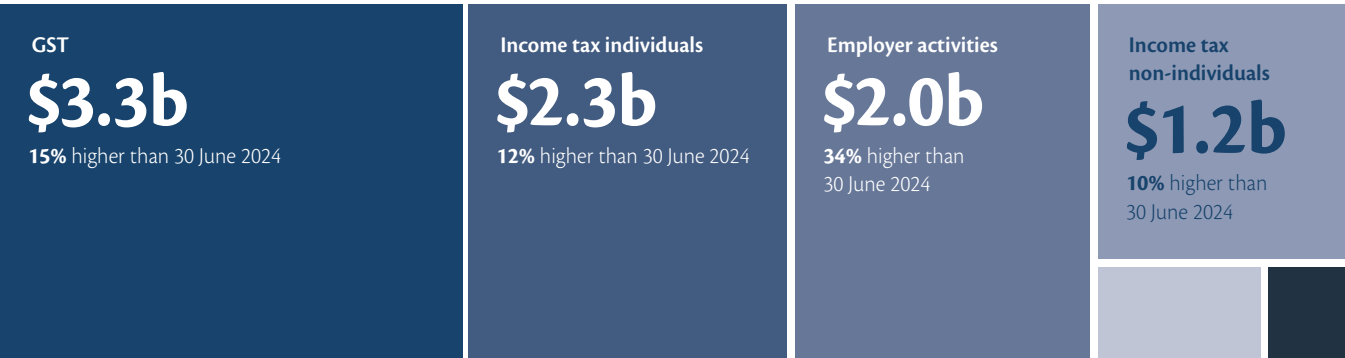
As a part of the Government’s Budget 2024 investment in compliance activities, funding and resources were invested to increase the amount of overdue tax collected and repayments made by overseas-based student loan borrowers.

We have been running proactive debt collection campaigns across customer groups through direct phone contact, SMS messaging and tailored support.

Our efforts are informed by factors such as understanding customers’ property holdings and advising customers of the potential to issue section 157 notices on bank accounts. Section 157 notices require third parties such as banks and employers to make payments to us from any funds available to a customer who is in default. We’ve issued 19% more notices this year.

Building our people’s expertise in debt collection has been an ongoing focus for IR. It requires a range of skills, with staff needing to be empathetic but persistent in negotiating solutions. It can include investigating customers with significant histories of non-compliance.

Tax and entitlements debt as at 30 June 2025



Tax credits and entitlements*

\$0.3b

6% higher than 30 June 2024

*The 2024 comparison reflects alignment with 2025 changes to debt group categories.

Other tax debt

\$0.2b

2% lower than 30 June 2024

In June 2025, we launched a new decision-support tool for staff. It is reducing manual effort, enabling more consistent prioritisation of cases and helping our people to respond faster and offer tailored repayment options based on the customer's situation.

Debt under active management

Across all of our debt products, IR has encouraged customers to set up repayment plans that give them manageable, sustainable ways to get back on track.

As at 30 June 2025, 22% of collectable tax debt value was under an active plan (meaning customers have missed no instalments).

In June 2025, we piloted a new intervention in myIR, offering customers pre-approved repayment plans automatically. Early results indicate good uptake.

We continued to do what we can to help solvent companies keep trading this year, but also recognise that the economy, especially other businesses, need us to wind up companies that aren't viable.

While these customers represent a very small proportion of taxpayers, their impact on tax debt and public perceptions of the tax system is significant. The vast majority of debt will not be recovered from companies in liquidation.

We referred 650 cases to the Court for liquidation orders, a 49% increase on last year. This has heightened awareness that IR will act. It's been a driver for some directors to put themselves into liquidation.

IR can also initiate bankruptcy proceedings: 209 customers were referred for bankruptcy this year and 124 customers were made bankrupt by IR. Not all proceedings end in bankruptcy for a number of reasons, most commonly because people contact us to make a payment or set up a repayment plan.

The role of write-offs

Debt can be written off under some circumstances. It's one tool IR uses within the overall aim of maximising revenue over time. For example, the main reasons for writing off debt this year were liquidations, cases where customers simply couldn't pay and were in serious hardship or cases where it wasn't a good use of our resources to keep pursuing a debt.

IR wrote off \$804.7 million of debt this year, compared to \$889.9 million in 2023–24 (this amount included COVID-19 remissions, which finished in April 2024).

Overseas-based student loan borrowers

IR has renewed the focus on increasing repayments from student loan borrowers who are based overseas. 31% of this group complied with repayment obligations this year. This is 2% percentage points higher than last year, but still a situation we're working to improve.

Overseas-based borrowers owe most of the overall student loan debt, and most of that is owed by people who left New Zealand years ago and have not engaged with us in decades.

We have increased efforts to locate and engage overseas-based customers by investing in additional staff. This included proactively reminding passport applicants of their overseas obligations and offering repayment plans to reduce late-payment interest.

Other strategies included taking legal action over the few most challenging cases, contacting customers with significant debts and using advertising including social media to reach borrowers.

Finding borrowers overseas who haven't kept their contact details up to date has been a longstanding issue. We've grown our partnerships with debt collection agencies in the UK and Australia and worked with the Australian Tax Office to locate borrowers there.

Working with the New Zealand Customs Service has also made a difference as it alerts us when a borrower in debt arrives in the country.

The main types of tax and entitlements debt we collected:

GST

\$1.73b

Non-individuals income tax

\$832m

Individuals income tax

\$804m

Employers

\$725m

Small Business Cashflow loans due

Five years after the introduction of the Small Business Cashflow Scheme (SBCS), loans began to mature in May 2025.

More than 129,000 businesses were issued loans totalling \$2.4 billion. While a total of \$1.6 billion in loans has been repaid, around 27,000 businesses were in default or had missed their repayments as at 30 June 2025.

We continue to support customers who have missed or defaulted payments to help them get back on track. For example, approximately \$10 million in SBCS and other tax debt has been recovered in a recent campaign targeting those customers.

Non-tax debt overdue

at 30 June 2025

STUDENT LOANS

\$2.51b

6% higher than 30 June 2024.

CHILD SUPPORT

\$913.3m*

9% lower than 30 June 2024.

*This includes \$658m owed to the Crown.

SMALL BUSINESS CASHFLOW LOANS

\$383.6m

183% higher than 30 June 2024.

All overdue debt, tax debt included

at 30 June 2025

\$13.1b

14% higher than 30 June 2024.

Compliance with non-tax obligations

83%

of all student loan borrowers were meeting their obligations, slightly higher than last year (target: 85%).

84%

of New Zealand liable parent child support debt cases were resolved within 12 months, slightly higher than last year (target: 80%).

76%

of child support customers were paying in full and on time, up from 73% last year (target: 70%).

66%

of all child support debtors had an active repayment plan in place.

Ensuring fairness for all taxpayers

IR has increased targeted activities to reduce the revenue loss that comes from deliberate non-compliance with tax obligations. We've worked to make it hard and costly for the few people who choose to do the wrong thing.

Visible compliance is important to the integrity of the whole tax system. IR has done more enforcement this year by:

- applying the full range of enforcement interventions to high-risk sectors
- addressing the areas of greatest risk to compliance and the integrity of the tax system
- completing 1,800 more audits than in 2023–24
- making new uses of data to target our efforts.

Between audits, customers making voluntary disclosures and automated system interventions that prevent fraud and other wrongdoing, we assessed discrepancies worth \$1.45 billion.

As page 32 notes, the Government invested additional funding in Budget 2024 on top of our baseline spend for compliance activities.

Targeting high-risk areas

New Zealand's tax system faces both longstanding and emerging risks in a number of areas. We've applied different strategies to different sectors and groups of customers based on the risks they pose, and we worked to minimise their impacts on revenue.

People operating outside the tax system

IR's hidden economy programme targets people and businesses operating outside the tax system.

It can be difficult to identify customers and the amount of tax that has gone unpaid as a result.

We continually investigate, process anonymous information, analyse data, send targeted communications and take action

against customers who don't file accurate returns, don't file at all or who under-declare and suppress income sources.

We work across a range of sectors where undeclared tax has been a longstanding issue such as horticulture and construction. Personal services and crypto-assets are newer focus areas.

This year, our series of 'Getting it right' campaigns continued. It uses advertising, media and targeted unannounced visits to lift compliance across high-risk sectors.

For example, we contacted vape store operators this year, made unannounced consent visits and provided targeted guidance on managing filing and payment obligations.

Liquor and vape store campaigns resulted in 250,000 sessions on our website, \$3.4 million in debt going under repayment plans within 2 months of a visit and 39 audit referrals.

We've also trialled using customer behavioural insights more in our wider community compliance work.

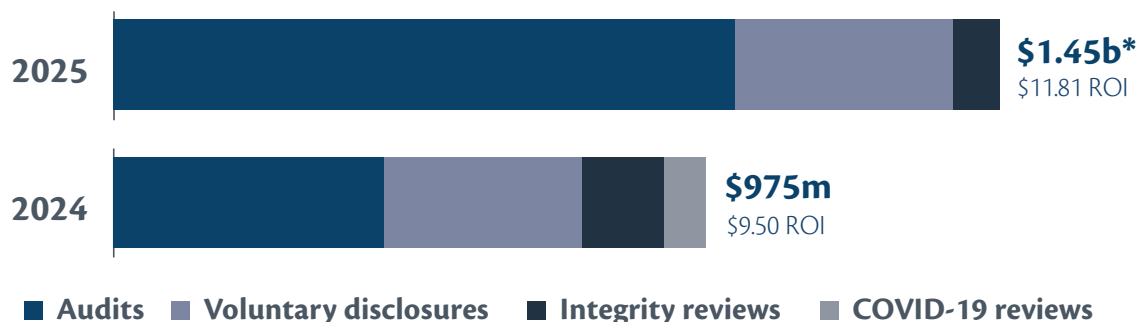
Community teams are using insights to help businesses meet employment obligations, improve record keeping and income reporting and pay overdue debt.

One business owner in the personal services sector that we visited commented, "It was good for us to hear that we are on the right track and your suggestions were very helpful. So thanks for bringing a positive and educational approach...."

Property non-compliance

This year, IR uncovered more than \$228.5 million in undeclared income tax and GST from the property sector, 44% more than in 2023–24. We've focused on areas where there is the highest risk of revenue loss because of customer errors or deliberate wrongdoing.

The return on investment (ROI) from compliance interventions was \$11.81 for every dollar spent, compared to \$9.50 in 2024, (our target is \$10)



* See page 70 for more about this.

For example, non-compliance by property developers includes them claiming GST refunds at the start of projects as they incur costs but then failing to file and pay GST once properties sell. We have targeted 5,230 such cases since July 2023, closed 584 audits and assessed \$80.7 million in discrepancies.

We've also worked to improve the compliance of residential rental investors with unreported rental income and customers whose property sales incur bright-line rule obligations.

Year-on-year we have developed and enhanced property tools that:

- make it easier for customers to work out a potential obligation online
- enable the sending of automatic notifications when our systems see a transaction with potential unpaid tax
- expand the pool of potential customers who might owe tax. You can read about the role data matching is playing here on page 19.

Failure to file or pay

IR is responding to a specific group of employers who fail to file returns and pay PAYE. Where appropriate, we've taken civil and criminal interventions:

- investigation and prosecution
- liquidation and bankruptcy
- disallowing PAYE tax credits claimed by shareholders when their company did not pay the PAYE (this creates income tax debt for the shareholder)
- facilitating prohibition of directors where serious offences have occurred or automatic prohibitions following a court conviction.

We've also continued to monitor and take action on phoenix companies. This includes court proceedings for directors who are personally liable for the debts of their phoenix companies. (A phoenix company may exist when a director forms a new company with a similar name after liquidation of their previous company).

Taxing crypto-assets

Crypto-assets are treated as personal property for our tax rules. They exist on the internet and can be transacted anywhere in the world.

The tax risks posed by crypto-assets relate to customers not returning the income that arises from disposing of them, as well as untaxed income being diverted into crypto-assets.

Compliance activities this year

17,940

field visits.

7,641

audits opened, 49% higher than last year.

6,147

audits closed, 42% higher than last year.

28,530

voluntary disclosures by customers, 1% higher than last year.

17

arrest warrants issued, 42% higher than last year.

80

warrants to access premises, 63% higher than last year.*

50

prosecutions initiated, 32% higher than last year.

30

prosecutions completed, 1 less than last year.

88,367

\$157 deduction notices for overdue debt were issued, 19% higher than last year.

77,420

active deductions for child support, 5% lower than last year.

*A customer may have multiple warrants for multiple premises.

We're growing our capabilities, and aligning processes and systems, to operate in an economy where crypto-assets play an increasingly significant role.

Analysis of data from New Zealand crypto exchanges matched to our customer information found approximately 188,000 New Zealand customers. They have undertaken transactions worth a total value of \$7.2 billion.

We pinpointed the top 1.5% of traders—those responsible for 79% of that total—and contacted them directly to address why their crypto income hadn't been included in their tax returns.

Overall, our activities in this area identified \$9.8 million in tax owed. \$7.3 million of this amount came from voluntary disclosures by customers.

As at 30 June 2025, more than 150 customers were under review, with total tax at risk in the tens of millions.

Recognising that a number of crypto-users are still unaware of their obligations, we're planning a wider campaign for smaller traders.

As noted on page 30, we'll begin exchanging information with overseas tax authorities on crypto-asset income soon and use this data to widen the scope of our work.

Preventing sales suppression tools from getting established in New Zealand

The use of digital technologies to facilitate tax evasion remains a significant concern. This year marked a milestone with the first successful prosecution in New Zealand for the possession of an electronic sales suppression tool.

Our compliance efforts in this area continue to evolve, with a strong and sustained focus on combating digitally enabled tax evasion. We are actively collaborating with our international tax treaty partners to address this global issue.

Organised crime

As outlined on page 22, the Minister of Revenue has requested that we strengthen our efforts to support the disruption of organised crime.

Alongside our work to improve information-sharing with other agencies such as New Zealand Police, our enforcement activities this year identified the following:

- \$33.5 million in undeclared tax from 93 audits
- 1,183 customers making payments towards \$4.2 million in debt across tax and social policy products.

Criminal charges were laid this year against 6 entities for multiple counts of tax evasion.

Increased audits

A 42% increase in completed audits this year is largely behind the overall increase in revenue we assessed from enforcement. Audits assessed additional tax of \$1 billion.

Audit activity continues to grow with approximately 4,800 cases on hand at 30 June 2025, 27% more than in June 2024.

Our priorities include auditing organised crime, hidden economy and property related activities. However, we're continuing to scrutinise our whole customer base and how different customers are interpreting and applying legislation to their tax affairs.

The flow-on into prosecutions

One flow-on effect from our increased compliance activities is a steady increase in prosecutions initiated for tax evasion, knowledge and Crimes Act 1961 offences.

Building momentum in this area, and completing each prosecution, takes time. We completed 1 less prosecution than in 2023–24. However, we initiated more prosecutions.

- There were 50 active cases before the courts at 30 June 2025.
- We issued 17 warrants to arrest this year.

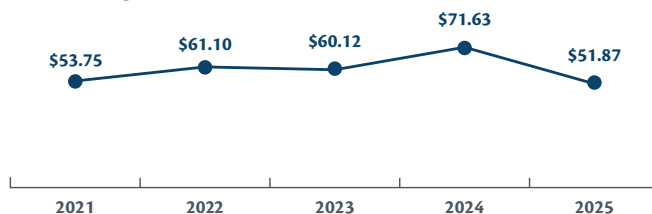
Maintaining filing compliance

More than 12 million tax returns were filed on time in 2024–25 (96.4% of them). We continue our efforts to support customers to file on time and maximise revenue assessed from finalising late-filed returns through the Budget 2024 investment in compliance activities.

While we delivered \$1.4 billion in assessed revenue from late-filed returns, we did not meet the \$1.7 billion target, which was based on a particularly high result in 2023–24.

The return on investment from our unfiler return activity continues to be over \$50 for every dollar spent, against a target of \$45.

Revenue assessed from every dollar spent finalising overdue returns



Using data to sharpen enforcement

IR has continued to leverage data and analytics to better target enforcement.

This year, we launched our first campaign using data from payment services providers. Monthly summaries from the largest providers helped us identify businesses under-reporting sales in GST returns, resulting in \$12.6 million in additional assessed tax.

We've also made it clear that switching to cash won't help people avoid our scrutiny. We continue to uncover businesses spending or banking undeclared cash. In horticulture, we identified \$46 million in undeclared tax this year.

Property datasets are enhancing our compliance efforts, giving us a clearer view of ownership across individuals, trusts, companies, and partnerships. It's also helping us recover debt in other areas—customers are paying faster when they know we're aware of their holdings.

We're now starting to do this with customers who have crypto-assets sufficient to pay debt.

Enforcement next year

The Government's investment in enforcement activities will continue next year. We'll focus on collecting more debt and assessing additional revenue, while promoting tax compliance and strengthening public trust:

- Trust in IR rose from 61% to 63% this year.
- The percentage of customers who agreed that, if someone tries to avoid paying the right amount, they will get in trouble with us increased from 80% to 83% this year.

The impact of tip-offs on compliance

A tried-and-true source that helps us ensure compliance and a sense of fairness within the tax system is anonymous information reported by the public.

We receive around 7,000 reports a year from people passing on information, commonly about cash. This includes businesses not returning cash sales or using it to pay staff and suppliers.

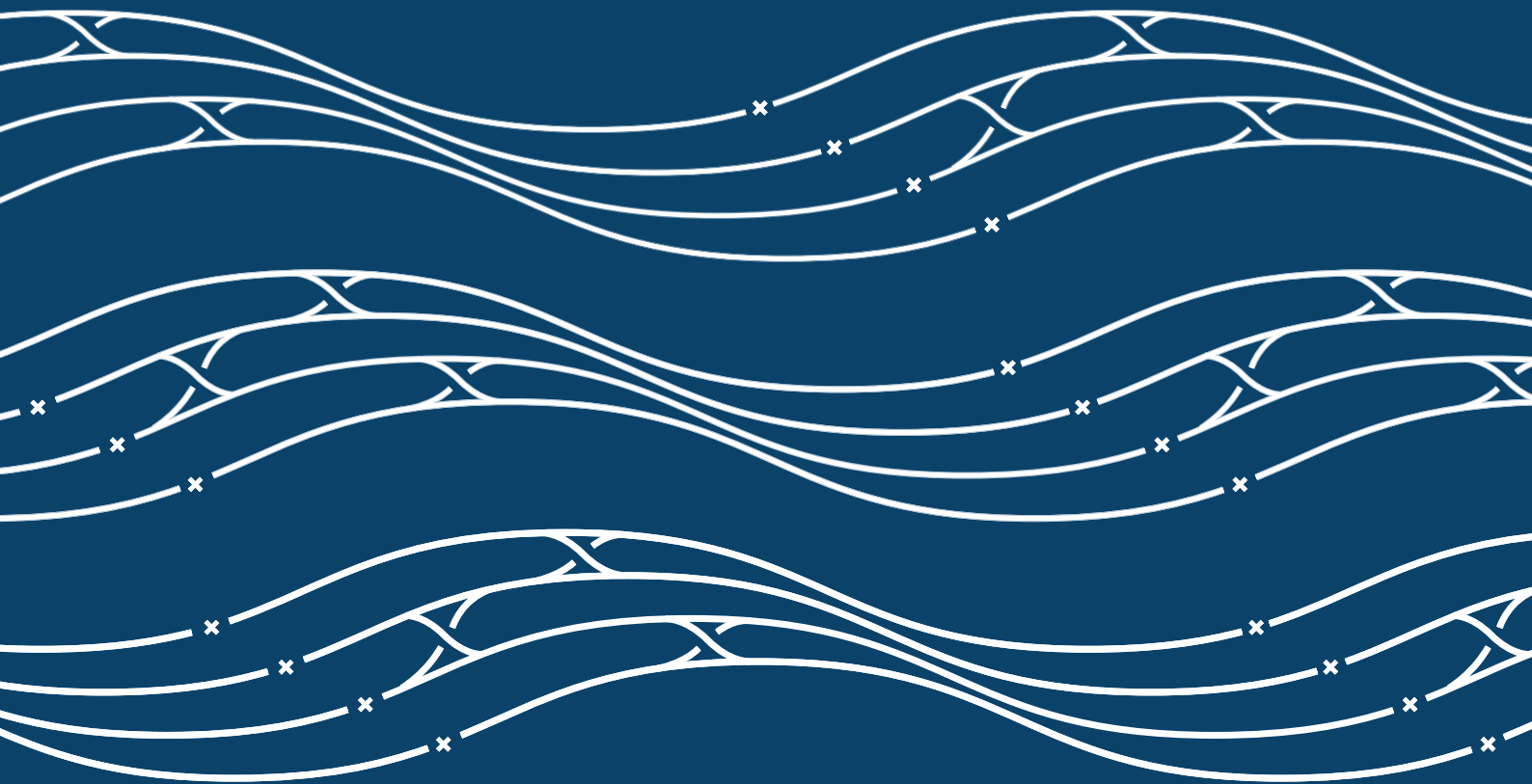
Tip-offs consistently highlight the frustration in communities with businesses and people who are not doing the right thing. We appreciate the courage it takes to submit a report.

Every tip-off is read and categorised to identify patterns and trends, system-level vulnerabilities and specific individuals or entities. One analysis helped us identify 300 businesses for our community teams to visit in December 2024 and January 2025.

An unannounced visit can be an effective alternative to a formal audit. These visits allow us to validate information, begin constructive conversations with customers about their obligations and positively influence behaviours. They can also prompt voluntary disclosures from customers who realise they owe tax.

IR acting on tip-offs helps reassure those who are paying their fair share that we support them and fairness for all.

Year-end performance information on Vote Revenue appropriations



Output measures for Vote Revenue

The Vote Revenue departmental appropriations provide funding for Inland Revenue (IR) to:

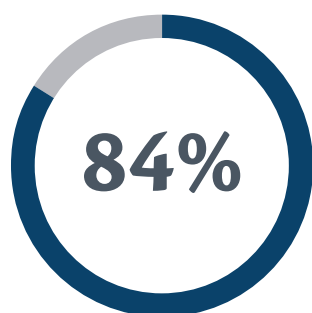
1. deliver services for customers that include:
 - services to Ministers and to assist and inform customers to get it right from the start
 - services to process obligations and entitlements
 - services to manage debt and unfiled returns
 - services to protect the integrity of the tax system and functions that the Commissioner administers
 - policy advice.
2. deliver services to other agencies.

In this section

In this section, you can read about how we have delivered our services through the output measures and targets as set out in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025. We report on financial and non-financial performance for these appropriations. Full details are at the Treasury website:

treasury.govt.nz/publications/estimates/vote-revenue-finance-and-government-administration-sector-estimates-appropriations-2024-25.

Summary of performance



This year, we achieved 26 out of 31 (84%) of our output performance measures. This is an improvement on 2023–24 when we achieved 22 out of 29 (76%).

Our focus on improving our responsiveness to customers and an uplift in compliance activity is reflected in improved results from last year for 16 of our measures.

Links to our outcomes

Our performance measurement framework on page 15 describes how we track the progress we're making towards our outcomes as set out in our Statement of Intent 2024–2028. The framework shows the relationship between our departmental multi-category Vote Revenue appropriation and our outcomes. The appropriation contributes to 1 or more of our outcomes.

Information to help

In this section, we have provided further explanation of any results where we have not achieved the target or have exceeded it by 15% or more.

The key we use to show our performance against each measure target



We met or exceeded the target



We did not meet the target

None of the target and forecast figures on pages 54 to 67 are subject to audit.

Services for customers

The overarching purpose of this appropriation is to deliver services for customers effectively and efficiently, enabling them to meet their obligations and receive their entitlements easily.

Budgeted to spend	Spent	Achieved
\$757.4m	\$751.0m	26 of 31 measures

Services for Customers is a multi-category appropriation with 5 categories.

Measures achieved for 2024–25:

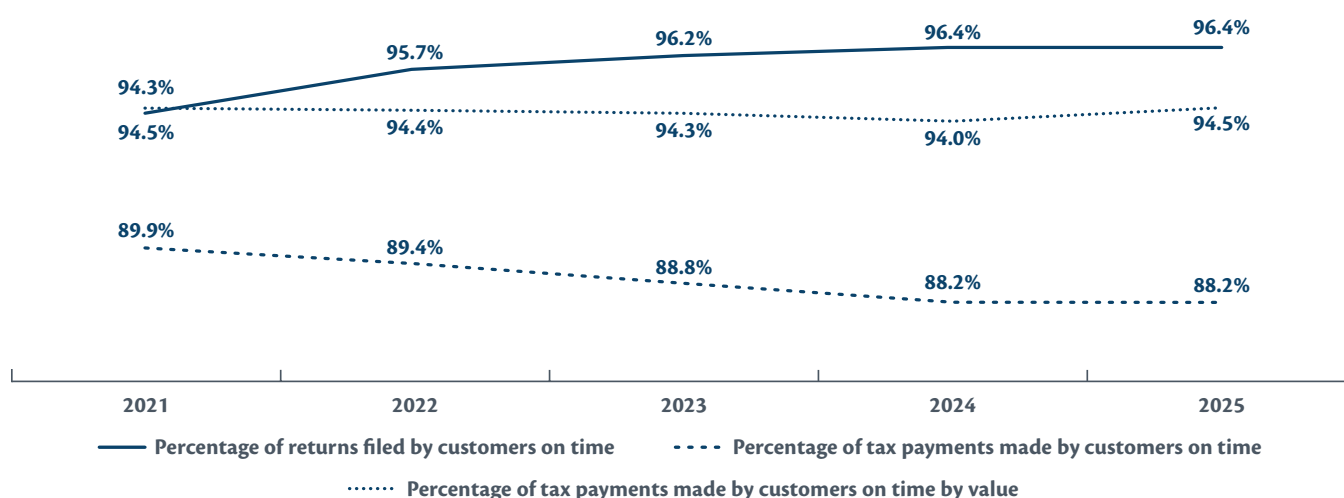
Services for Customers – 2 of 3				
⇒ 2024: 1 of 2				
Services to Ministers and to assist and inform customers to get it right from the start	Services to process obligations and entitlements	Services to manage debt and unfiled returns	Services to protect the integrity of the tax system and functions the Commissioner administers	Policy advice
6 of 6	7 of 8	7 of 9	2 of 3	2 of 2
⬆ 2024: 4 of 5	⇒ 2024: 7 of 8	⇒ 2024: 6 of 8	⬆ 2024: 1 of 3	⇒ 2024: 2 of 2

How we performed

We balanced resources across our work programme, with a focus on compliance and supporting customers to get it right from the start. We prioritised activities based on factors such as addressing areas of compliance risk and key customer issues.

Most customers want to do the right thing. This is reflected in the high proportion of customers who file returns on time at 96.4% and pay on time at 94.5% by value.

Chart: on-time filing and paying trends



Performance measure results

This year, we achieved 2 out of 3 of the overarching performance measures in the Services for Customers multi-category appropriation.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
96.4%	Percentage of returns filed by customers on time	95%	 96.4%	Improve on previous year see page 72

This measure looks at the number of income tax, GST and employer information returns received within 7 days of the return due date compared with the total number of returns received. See page 72 for information on methodology changes for 2025–26.

88.2%	Percentage of tax payments made by customers on time	90%	 88.2%	84% see page 72
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This measure looks at the total number of payments for income tax, GST and employer activities made by customers that were in full and within 7 days of the due date compared to the total number of payments due. See page 72 for information on methodology changes for 2025–26.

Not achieved—While the volume of on-time payments did not meet the target, the revenue value paid on time was 94.5%. Economic conditions continue to impact customers' ability to pay in full and on time. We are prioritising working with customers to ensure timely tax payments, especially for GST and employer assessments.

New measure	Percentage of tax payments made by customers on time by value	94%	 94.5%	92% see page 72
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This measure looks at the value of payments for income tax, GST and employer activities made by customers that were in full and within 7 days of the due date compared to the total value of payments due. See page 72 for information on methodology changes for 2025–26.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
726,345	Revenue from the Crown	751,329	751,329	748,425	780,078
4,718	Other revenue	4,850	6,088	6,101	6,088
731,063	Total revenue	756,179	757,417	754,526	786,166
706,538	Total expenses	751,023	757,417	754,526	786,166
24,525	Net surplus/(deficit)	5,156	–	–	–

Services to Ministers and to assist and inform customers to get it right from the start

This category is limited to the provision of services to help Ministers fulfil their responsibilities (other than policy decision making) to Parliament and the New Zealand public, to provide information and assistance to customers about their obligations and entitlements, and to engage, advise and support other international tax agencies.

Budgeted to spend	Spent	Achieved
\$321.8m	\$320.0m	6 of 6 measures

How we performed

IR continued to focus on supporting customers with their tax and social policy needs, providing certainty and clarity and prioritising the resolution of queries for customers who are likely to have the greatest need. Our voice and correspondence channels are managed together to deliver the best customer outcomes. Although FamilyBoost was introduced during the year, customer demand volumes remained the same as last year, with 3.68 million interactions.

In 2024–25, we:

received 2.0 million calls	received 1.5 million correspondence items	received 181,000 front-of-house visits	provided 194 private and short process rulings and public rulings/ guidance items
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Performance measure results

This year, we achieved 6 out of 6 targets, an improvement on 2023–24 when we achieved 4 out of 5 targets.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
72%	Percentage of customers who agree they found it easy to get the information they needed	70%	 74%	70%
Performance is measured using a sample of the customer population from our Customer Experience and Perceptions Survey. The survey asks customers to rate their experiences on a 7-point scale. Results represent customers who gave a score of 5 or more. More information on the survey is provided on page 69.				
4 minutes 18 seconds	Average speed to answer telephone calls	4 minutes 30 seconds or less	 3 mins 0 secs	4 minutes 30 seconds or less

This is a standard call centre metric. Of the calls that are answered, it measures the average time between when calls enter a queue and when they are answered by one of our customer service specialists. It does not include calls abandoned by the customer or those not progressed into a queue through call management. There has been an increase in resourcing for voice work, which contributed to the improved result.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
New measure	Percentage of calls answered	60%	 74.5%	60%

This is a standard call centre metric. For all calls that are attempted, it measures the percentage of customer call attempts that connect with one of our customer service specialists. Connection to a specialist may be through a customer waiting on the phone in the voice queue, or through a voicemail or callback. Calls that are abandoned by the customer or not progressed into a queue through call management, together with answered calls, are considered as being attempted.

Strong performance results for 2024–25 reflect our increased focus and resource prioritisation to support customer enquiries. This allowed us to answer more calls (1.5 million in 2025 compared with 1.4 million in 2023–24).

65.1%	Percentage of correspondence completed within 10 working days	70%	 77.9%	70%
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This measure looks at how many correspondence items (paper or electronic) are completed within 10 working days of being received compared with the total number of items completed.

100%	Percentage of rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards	100%	 100%	100%
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This quality-focused measure is based on a review of a random sample of reports for each report type (rulings reports, adjudication reports and public items) by a senior staff member who was not involved in the item.

See pages 25 and 43 for information on our private rulings service, providing certainty for customers on specific tax positions and giving our interpretation on how the law applies in specific circumstances.

97.5%	Percentage of public items, adjudication cases, taxpayer rulings and short process rulings completed within agreed timeframes.	90%	 96.9%	90%
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The timeliness measure looks at how many of the items below met the timeframes specified compared with the total number of items:

- public items (including relevant public consultation) completed within 18 months of allocation
- adjudication cases completed within 10 weeks of receipt
- taxpayer ruling applications with a draft ruling completed within 10 weeks of receipt
- non-qualifying ruling applications with a draft ruling completed within 6 months of receipt
- submissions by the applicant on any draft ruling responded to within 1 month of receipt
- short-process rulings with a draft ruling completed within 6 weeks of receipt.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
335,634	Revenue from the Crown	320,725	320,725	314,597	319,050
839	Other revenue	1,003	1,045	1,045	1,045
336,473	Total revenue	321,728	321,770	315,642	320,095
326,456	Total expenses	319,966	321,770	315,642	320,095
10,017	Net surplus/(deficit)	1,762	–	–	–

Services to process obligations and entitlements

This category is limited to the registration, assessment and processing of tax obligations and other entitlements, including associated review and Crown accounting activities, and the collection and sharing of related information with other agencies.

Budgeted to spend	Spent	Achieved
\$188.4m	\$187.3m	7 of 8 measures

How we performed

Processing performance measures focus on timeliness and efficiency for the key services and activities that affect customers. Our systems and more automated processes have made IR more efficient in the processing of customers' returns, registrations, payments and refunds.

In 2024–25, we:

processed 12.6 million returns (income tax, GST and employer information)	issued 1.3 million refunds (income tax and GST)	transferred \$10.7 billion to KiwiSaver scheme providers	processed 691,000 registrations
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Performance measure results

This year, we achieved 7 out of 8 targets, the same as in 2023–24.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
86.8%	Percentage of social policy and tax registrations processed within 5 working days	85%	 89.9%	85%
This timeliness measure looks at the time taken to complete social policy and tax registrations from the date the registration was received. Registrations included are: - Working for Families Tax Credits, Paid Parental Leave, KiwiSaver and FamilyBoost - Registrations for all other tax account types and IRD number applications.				
86.6%	Percentage of income tax refund disbursements resulting from a return issued within 5 weeks ¹	85%	 92.0%	85%
97.1%	Percentage of GST refund disbursements issued within 4 weeks	95%	 97.7%	95%

Section 46 of the Goods and Services Tax Act 1985 stipulates that refunds are to be issued within 15 working days unless selected for screening or investigation. The 4-week timeframe allows additional time to include those refund claims selected for screening or investigation in our performance.

2023–24		2024–25		2024–25	2025–26
Actual		Target		Actual	Target
99.0%	Percentage of income tax returns finalised within 3 weeks	95%	✓	99.8%	95%
99.92%	Percentage of GST returns finalised within 3 weeks	98%	✓	99.95%	98%
99.4%	Percentage of KiwiSaver contributions passed to scheme providers within 3 days	98%	✓	99.1%	98%
\$2.16	Average cost of processing income tax returns, GST returns and employment information	\$1.75 or less	—	\$1.87	Measure retired see page 72
Not achieved—With most processing now being systems-based, system costs including depreciation are the key driver of this measure. The measure is being retired from 2025–26.					
83.9%	Percentage of child support assessments issued within 2 weeks	80%	✓	88.0%	80%

All targets are unaudited.

¹ From the financial year 2024–25, disbursements less than \$1 are excluded from this measure. This removes small credits of less than \$1, which are only released once a total disbursement threshold of \$1 or more is reached.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024 \$000		2025 \$000	2025 \$000	2025 \$000	2026 \$000
Revenue					
183,821	Revenue from the Crown	184,815	184,815	150,271	180,981
3,493	Other revenue	3,466	3,621	3,634	3,621
187,314	Total revenue	188,281	188,436	153,905	184,602
180,385	Total expenses	187,317	188,436	153,905	184,602
6,929	Net surplus/(deficit)	964	–	–	–

Services to manage debt and unfiled returns

This category is limited to activities to prevent returns and debt becoming overdue, and to collect unfiled returns and overdue payments, whether for the Crown, other agencies or external parties.

Budgeted to spend	Spent	Achieved
\$107.3m	\$107.8m	7 of 9 measures

How we performed

This year, we continued our focus on compliance and enforcement work, getting overdue returns filed and recovering more tax and overseas-based student loan borrower debt.

In 2024–25, we:

collected \$4.3 billion cash from debt activities	assessed \$1.4 billion of tax revenue from overdue returns being filed
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Debt

This year, overdue tax debt increased to \$9.3 billion (excluding overdue debt related to student loans, child support and Small Business Cashflow Scheme loans). The increase is a result of the economic environment and changes to reporting and definitions of overdue debt. See pages 18 and 44 to 46 for more details on debt.

We provide options for customers to pay off what they owe in instalments while they get back on track, minimising the costs they incur by paying late. There were 207,000 instalment arrangements set up in 2024–25, up from 198,000 in 2023–24.

Unfiled returns

At 30 June 2025, there were 1.575 million overdue returns, up slightly on 30 June 2024 (1.539 million). Overdue returns with material value have been less frequent than in prior years. We balanced our effort on returns of value, while focusing on increasing value from our other compliance activities.

Performance measure results

This year, we achieved 7 out of 9 targets, similar to 2023–24 where we achieved 6 out of 8 targets.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
\$71.63	Value of assessed revenue for every unfiled return dollar spent	\$45.00	✓ \$51.87	Measure retired see page 72

This measure demonstrates the cost-effectiveness of our work to recover revenue from returns filed late. The return is considered late if it is not filed within 7 days of the due date (over 5 days late for employer information returns). The measure is retired from 2025–26. The total value of revenue assessed from late-filed returns will continue to be reported as an impact indicator and for reporting on the results of the Budget 2024 investment in compliance.

While over the target, the 2024–25 result reflects the impact of increased costs through the Budget 2024 investment and a decrease in overdue returns with material value. We balanced compliance efforts across a range of compliance activities, including audits.

\$67.69	Cash collected for every debt dollar spent	\$40.00	✓ \$53.08	\$40.00
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This measures the average cost of how much cash we received for overdue debt compared to the amount spent on debt collection activities.

We continue to see strong cash collection results because there is more debt to be collected, since overall tax debt continues to grow. Payments increased by 6% from 2023–24 and costs increased by 35% with the increased investment in compliance activities in Budget 2024.

72.5%	Percentage of child support assessments paid on time	70%	✓ 75.8%	70%
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This is the percentage of liable parent child support obligations that were paid in full and by the due date. Obligations are considered paid in full if the balance of assessments and credits is less than \$1 by the due date.

82.9%	Percentage of student loan customers that meet their obligations	85%	✗ 83.2%	N/A see page 72
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This measure looks at the number of customers with overdue student loan repayments compared with the total student loan borrower population. Separate measures and targets for New Zealand-based borrowers and overseas-based borrowers will be introduced from 2025–26.

Not achieved—Repayment levels for New Zealand-based borrowers remain high at 94.8%, up slightly on 94.6% for 2023–24. Repayments from overseas-based borrowers increased 2 percentage points, from 29.3% in 2023–24 to 31.3% for 2024–25; this reflects our increased focus and investment through Budget 2024 in this priority area.

42.3%	Percentage of unfiled returns that are finalised within 6 months	60%	✗ 43.3%	Measure retired see page 72
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This measure looks at the percentage of returns not received by the due date that are then received within 6 months of becoming past due. It includes all tax returns except employer information returns. The measure is retired from 2025–26 and will be replaced with the measure 'percentage of returns filed within 6 months of the due date'.

Not achieved—An improvement in results from 2023–24 reflects the increased focus on compliance activities this year. We continued to prioritise finalising returns of higher value, assessing \$1.4 billion in revenue from late-filed returns. We also continued to reduce unnecessary return filing through activities such as moving some IR3 filers to the individual income tax assessment automated process.

32.2%	Percentage of collectable debt value over 2 years old	40% or less	✓ 39.95%	40% or less
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Collectable debt excludes balances where collection action has been suspended or is currently unlikely to be recovered. This is primarily due to objections, disputes, legal proceedings, insolvency procedures or in the event of the customer's death.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
58.3%	Percentage of new customer debt resolved within 6 months	50%	✓ 63.3%	Measure retired see page 72

The measure looks at when customers first go into debt through to when they are no longer in debt. If this is within 6 months, the measure is met.

The increase in results from 2023–24 reflects a reporting improvement for 2024–25 that consolidates results for customers with more than one debt product. The 2023–24 result is based on customer debt by product. The 2023–24 result using the updated methodology would have been 63.1%.

The measure is being retired from 2025–26, replaced by 2 new measures 'percentage of payments made within 6 months of the due date (target: 95%)' and 'percentage of payments made within 6 months of the due date by value (target: 98%)'. These new measures focus on the efforts of our people and systems to help customers pay on time or get back on track when they miss payment deadlines.

New measure	Percentage of tax debt value under an active repayment plan	Improving value over baseline	✓ 14.4%	Improving value over baseline See page 72
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This measure looks at the value of all tax debt under a repayment plan with no missed payments compared with total tax debt owed. The baseline result at 30 June 2024 was 13.7%. The measure for 2025–26 will be based on collectable tax debt rather than total tax debt. See page 72 for more about this change.

83.7%	Percentage of New Zealand liable parent child support debt cases resolved within 12 months	80%	✓ 84.3%	80%
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This measure looks at the percentage of new child support customers in New Zealand whose debt is repaid within 12 months.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
84,522	Revenue from the Crown	106,073	106,073	104,405	114,827
187	Other revenue	184	1,272	1,272	1,272
84,739	Total revenue	106,257	107,345	105,677	116,099
83,886	Total expenses	107,788	107,345	105,677	116,099
853	Net surplus/(deficit)	(1,531)	–	–	–

Services to protect the integrity of the tax system and functions the Commissioner administers

This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.

Budgeted to spend	Spent	Achieved
\$126.0m	\$122.6m	2 of 3 measures

How we performed

This year we continued our focus on compliance work as you can read on pages 18 to 19, 34 and 47 to 50.

In 2024–25, we:

opened 7,600 audits (5,100 in 2023–24)	closed 6,100 audits (4,300 in 2023–24)	assessed \$1,026 million in additional tax from audits (\$460 million in 2023–24)
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Performance measure results

This year, we achieved 2 out of 3 targets, an improvement on 2023–24 when we achieved 1 out of 3.

2023–24		2024–25	2024–25	2025–26
Actual		Target	Actual	Target
69.3%	Percentage of customers whose compliance behaviour improves after receiving an audit intervention	85%	 62.3%	Evaluative assessment see page 72

This measure is derived from a sample-based review to gauge the impact of audit activity on customer compliance behaviour across a range of compliance aspects such as return filing and payment behaviour, and whether the customer has addressed the previous audit discrepancy area.

Not achieved—Results were lower across all compliance aspects than in 2023–24, with a significant decrease for debt and payment compliance. This may reflect the ongoing impact of economic conditions on customers.

\$9.50	The identified value of compliance activities over associated costs	\$10.00	 \$11.81	\$10.00
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This measure looks at the value of revenue and recovered or disallowed expenditure from a range of compliance interventions (closed audits, real-time integrity reviews and voluntary disclosures) over the costs associated with compliance interventions. See page 70 for more about this.

Our improved performance reflects an increased focus and capacity with the additional investment in compliance in Budget 2024. This has resulted in more audits being opened and closed and the resolution of older and more complex cases.

88.2%	Percentage of litigation judgments found in favour of the Commissioner	75%	 85.2%	75%
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The measure captures the proportion of litigation judgments where the decision has been found in favour of the Commissioner on all issues in the dispute.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
108,553	Revenue from the Crown	125,805	125,805	165,241	151,224
199	Other revenue	197	149	149	149
108,752	Total revenue	126,002	125,954	165,390	151,373
102,665	Total expenses	122,604	125,954	165,390	151,373
6,087	Net surplus/(deficit)	3,398	–	–	–

Policy advice

This category is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters, including international engagement and advice.

Budgeted to spend	Spent	Achieved
\$13.9m	\$13.3m	2 of 2 measures

How we performed

Read about our policy achievements on pages 29 to 36 including information on the Tax and Social Policy Work Programme, annual tax changes and our contribution to Budgets 2024 and 2025.

The quality of the policy advice papers for Ministers this year was assessed by an independent panel. They found all of the advice provided met or exceeded a score of 3.5 out of 5, an improvement on 2023–24.

Performance measure results

This year, we achieved both performance measure targets, the same as 2023–24.

2023–24		2024–25	2024-25	2025–26
Actual		Target	Actual	Target
3.8	Average score of papers assessed using the Policy Quality Framework	3.5 or more out of 5	 4.0	3.5 or more out of 5

The assessment uses a common set of standards that specify what good quality advice looks like from the Policy Quality Framework provided by the Department of the Prime Minister and Cabinet (DPMC). A panel of external and internal reviewers performed the assessment from a sample of papers across the following characteristics:

- Context – explains why the decision maker is getting this and where it fits
- Analysis – is clear, logical and informed by evidence
- Advice – engages the decision maker and tells the full story
- Action – identifies who is doing what next.

4.6	The Minister's satisfaction with the policy advice services received	4 or more out of 5	 4.0	4 or more out of 5
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The survey uses a common set of statements set out in the Policy Quality Framework provided by DPMC. The survey was completed by the Minister of Revenue in July 2025.

All targets are unaudited.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
13,785	Revenue from the Crown	13,911	13,911	13,911	13,996
–	Other revenue	–	1	1	1
13,785	Total revenue	13,911	13,912	13,912	13,997
13,146	Total expenses	13,348	13,912	13,912	13,997
639	Net surplus/(deficit)	563	–	–	–

Services to Other Agencies

This appropriation is limited to the provision of services by Inland Revenue to other agencies where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.

What we do

This appropriation is intended to account for accommodation recoveries from other government agencies and archiving services to the Department of Internal Affairs.

Performance measure results

There are no performance measures for 2024–25 following the disestablishment of the New Zealand Productivity Commission on 29 February 2024.

From 2025–26, an exemption for end-of-year performance reporting was granted under s15D(2)(b)(ii) of the Public Finance Act 1989 as additional performance information is unlikely to be informative in light of the nature of the services.

What it cost

Output statement

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Revenue					
1,293	Other revenue	1,244	1,464	1,764	1,464
1,293	Total revenue	1,244	1,464	1,764	1,464
Total expenses					
1,293	Total expenses	1,244	1,464	1,764	1,464
Net surplus/(deficit)		–	–	–	–

Disclosure of judgements

Reporting entity

Inland Revenue (IR) is a New Zealand government department as defined by section 5 of the Public Service Act 2020. The relevant legislation governing our operations includes the Public Finance Act 1989, Public Service Act 2020 and Public Accountability Act 1998. IR's ultimate parent is the New Zealand Crown.

We are the steward of New Zealand's tax system and the social policy system for the products we administer. This means we consider whether the products and the system as a whole, are effective and efficient, work as intended, achieve the intended outcomes and are fit for purpose. We do not operate to make a financial return, and we are a Public Benefit Entity (PBE) for performance reporting purposes.

Performance results cover all our activities as set out in the 2024–25 Estimates of Appropriations for Vote Revenue. These are provided in the section 'Year-end Performance Information on Vote Revenue Appropriations'. Results are also provided for other indicators from across our performance measurement framework (PMF) as outlined in our Statement of Intent 2024–2028. These are provided in the sections on 'Progressing our Strategic Intentions', 'Implementing the Government's Priorities' and 'Assessment of our Operations'. Results relate to the year ended 30 June 2025 unless otherwise stated. Performance results were authorised for issue by the Commissioner and Chief Executive of Inland Revenue on 30 September 2025.

Additional information, including on organisational health and capability, is not audited but provides additional context to our performance.

We use performance information from our PMF to provide our organisation's Enterprise Priorities and Performance Committee and other stakeholders with a regular update on performance areas at risk and to inform decision-making, planning and prioritisation.

Statement of compliance

Performance measure results and information have been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period, and they comply with PBE financial reporting standards.

We have made judgements on the application of reporting standards and estimates and assumptions concerning the

future, discussed below. The estimates and assumptions may differ from the subsequent actual results.

Critical reporting judgements, estimates and assumptions

We use the performance measurement framework on page 15 to help us achieve outcomes for New Zealand, contribute to Government priorities, improve outcomes for customers and deliver high-quality services. The measures included this year help assess our progress and results.

We review our performance measures each year. Performance measures are selected through consultation with subject matter experts with consideration of measures that best demonstrate performance against key functions and activities, availability of data and relevance to the result and outcome we are trying to achieve. Proposed changes are approved by our organisation's Strategic and Investment Board—proposed changes to output measures, including targets are then approved by the Minister of Revenue. With the exception of policy advice measures, and some externally mandated indicators of organisational health and capability, we have discretion to select our measures and targets.

For comparability and consistency, we maintain a core set of performance measures throughout the PMF. This allows us to compare performance from prior years and to maintain visibility of critical performance areas over time.

IR sets annual targets for output and asset performance measures based on historical performance, with consideration of factors that may impact future performance and opportunities for improvement. Outcome and impact measures, which are focused on improvements over the medium to long term, are monitored for trend-over-time results.

The judgements that have the most significant impact on selection and measurement are disclosed below. There were no pervasive constraints on information that influenced our service performance information.

Output measures

Our output measures show how well we delivered our services. Our performance against our output measures and standards is set out on pages 53 to 67. They reflect the information included in The Estimates of Appropriations for Vote Revenue. The 2024–25 results are audited.

We have included comparisons against the results for 2023–24 where possible and included 2025–26 performance standards. This information is unaudited. We provide additional information to explain any significant changes in performance or where our standards have not been met.

Note: reporting for the Science, Innovation and Technology: R&D Tax Incentive (M84) (A10) appropriation through an evaluation will be provided by the Ministry of Business, Innovation and Employment.

Judgements

Given the size, diversity and complexity of our functions and services, we have grouped our material judgements into 4 areas: customer experience, service delivery, compliance and organisational health and capability.

Customer experience

Customer surveys are an important tool to help IR understand experiences and perceptions. Surveying our customers is critical to supporting accountability reporting and identifying areas for improvement.

Survey performance measures provide information on the impact of our services on customers. We use them to understand whether services met customer expectations, contributing towards our broader outcomes. The PMF contains 9 customer survey-based measures from our Customer Experience and Perceptions (CXP) survey.

The CXP survey is an ongoing monitor that helps us measure trust, tax morale and customer experience over time. This continuous, online survey includes weekly random samples of the general public and those who have recently interacted with us.

Actual performance is measured from respondents' ratings on a 7-point scale. Results represent those respondents who gave a score of 5 or more. In 2024–25, we received 2,510 responses from the general public, with an average survey response rate of 4.0%. We received a total of 4,088 responses from customers who had a recent interaction with IR, with an average survey response rate of 3.0%. The overall margin of error for the survey is +/-1.95%. The survey was run on behalf of IR by Verian.

Service delivery

We review service delivery measures each year to ensure key products or services are represented in our measures, and that they are balanced, meaningful to customers

and reflect the operating environment. Measures focus on the quality, timeliness and cost of services. The targets set for them are a commitment to what we will deliver with the funding provided.

Quality

We monitor the quality of our rulings reports, adjudication reports and public items produced to ensure they meet the standards required. We evaluate these items through a review of a random sample of 25% of each report type. Reviews consider whether the contents of reports and items meet the applicable purpose, logic, alternatives, consultation and practicality standards. For instance, that templates include overt consideration of alternative arguments raised and consideration of consultation comments. Reviews are completed by senior staff who were not involved in processing the adjudication, ruling or public item.

Timeliness

Timeliness in responding to customers is an important part of our role to make it easy for customers to meet their tax obligations and receive their entitlements. Measures cover key activities such as customer registrations, processing returns and payments, answering customer queries, managing debt and unfiled returns and providing rulings and advice.

Cost

The cost-based measures in our PMF demonstrate the cost-effectiveness of our activities. We allocate costs to business services, appropriations and products. Cost allocations include 2 components:

- Direct allocations, where activities contribute directly to an appropriation or category and can be mapped directly to one or more business service. Direct costs are allocated based on judgements by business group representatives. We review direct allocation rates during the year to ensure that the existing allocations for an individual cost centre accurately reflect how cost centres expend effort.
- Indirect allocations, where cost centres do not contribute directly to an appropriation or category and cannot be linked directly to a business service. The allocation rule for these is based on the weighting of 'direct allocations' for the direct cost centres that the indirect cost centre is aligned to.

Compliance

Debt

Our overdue debt reporting has been based around when our debt collection activities commence. From 2025, we have changed our definition of 'overdue' to include all debt that is not paid by the day after the due date. This includes provisional tax payments where a return has not been filed and the income tax due date has passed. See page 44 for more information.

We have aligned the methodology for the measures 'percentage of collectable debt value over 2 years old' and 'percentage of tax debt value under an active repayment plan' to the updated definition as they measure a subset of the overdue debt. The impact to both measures has not been material.

The methodologies for the measures 'percentage of new customer debt resolved within 6 months' and 'cash collected for every debt dollar spent' are based on when debt collection actions commence, reflecting the intent of the measure to monitor the effectiveness of our collection activities.

Other compliance

Results for the value from compliance activities included in the output measure 'identified value from compliance activities over associated costs' comes from 3 components: audits, integrity reviews and voluntary disclosures.

- An audit is an investigation of a customer's tax affairs based on initial risk analysis to determine the accuracy of the information provided. The reported value from the completed audit is the additional revenue assessed or disallowed expenditure following the corrections to the customers' account that otherwise would not have been accounted for.
- Integrity reviews are carried out at the time of filing returns and forms that have been flagged for potential inaccuracies. The reported value reflects the revenue that would have been lost if incorrect or fraudulent refunds and tax reductions had not been intercepted during the filing process.
- A voluntary disclosure is when a customer tells us what is wrong with their tax return before we find out in some other way. This can include a request to amend their return, declare omitted income or incorrectly claimed expenses. The value reported relates to the difference between the original assessment and the corrected assessment.

Organisational health and capability

Organisational health and capability indicators provide information on how IR is using its resources to deliver for customers and government and ensure performance is sustainable. A number of indicators are externally mandated such as targets under the Carbon Neutral Government Programme and timeliness in paying invoices. Reporting on our Diversity, Equity and Inclusion Roadmap, and Māori Representation Roadmap, includes our actions and reporting relating to the Gender, Māori, Pacific and Ethnic pay gaps. This is provided on our website.

Performance measure footnotes or additional information

IR includes footnotes or additional information for some performance measures. The criteria we apply to ensure disclosure of the most relevant and useful information are:

- the reason for not achieving a particular target
- the reason for achieving 15% above a target
- assessment criteria used such as the survey scale
- any change in measurement methodology from the previous year
- any correction to a previously reported result
- clarifying which products or services are included or not included in the result, or the date or timing to which the data relates
- an explanation of the measurement approach.

Changes to measures and targets

We review our performance measures and targets each year. We do this to make sure measures continue to be relevant, reflect the range of services we provide and changes in our operating environment and support the achievement of our outcomes.

We apply the standard PBE FRS 48 for Service Performance Reporting, with its principles-based requirements to ensure service performance information and reporting is appropriate and meaningful to users. Considerations include:

- maintaining consistency of reporting
- ensuring performance information is comparable, relevant, reliable, neutral, understandable and complete.

Changes to our output measures for 2024–25

The changes for 2024–25 strengthened our focus on key performance aspects. Key changes were 3 new measures that provide additional focus on effective and efficient revenue collection and greater transparency for how we manage customer contacts:

- Percentage of tax payments made on time by value (target 94%)
- Percentage of tax debt value under an active repayment plan (target 'improving value over baseline')
- Percentage of calls answered (target 70%).

Changes to our output measures for 2025–26

The changes for 2025–26 ensure the measures work together to deliver the results desired, provide greater transparency and incorporate updated tax debt definitions into the methodologies and targets where appropriate. Historical trends will be available for new or changed measures to ensure a longitudinal view of performance is available.

More detail on the key changes for 2025–26 is provided in the table on the following page.

New measures	Detail
- Percentage of tax payments made by customers within 6 months of the due date (target: 95%) - Percentage of tax payments made by customers within 6 months of the due date by value (target: 98%)	The new measures focus on the efforts of our people and systems to help customers get back on track when they miss payment deadlines.
Changes to methodologies and targets	Detail
- Percentage of tax payments made by customers on time (old target: 90%, new target: 84%) - Percentage of tax payments made by customers on time by value (old target: 94%, new target: 92%)	The methodologies are updated to reflect the change in definition of 'on time' from 'within 7 days of the due date' to 'by the due date'. Modernised systems and processes and high levels of digital interactions with customers mean this longer timeframe is no longer necessary.
Percentage of returns filed by customers on time (old target: 95%, new target: 'improve on the previous year')	The methodology for 'on time' is updated from 'within 7 days of the due date' to 'by the due date'. The methodology is also updated to be based on return expectations for GST and income tax returns. Employment information returns will also continue to be monitored outside of this measure.
Percentage of tax debt value under an active repayment plan.	The methodology and wording is updated to be collectable debt based, removing non-collectable debt, for which repayment plans are not relevant or appropriate (for example, debtors that are in liquidation or bankruptcy).
Retired measures	Detail
Average cost of processing income tax returns, GST returns and employment information	The main cost drivers for the measure are the predominately fixed costs to run and maintain our systems. IR will use other existing measures, and provide additional contextual information, to measure efficiency, such as the cost to collect \$100 of tax revenue.
Value of assessed revenue for every unfiled return dollar spent	Retired because it competes with our focus on improving on-time filing of returns. Budget 2024 reporting will still report on the value assessed from finalising late-filed returns.
Percentage of new customer debt resolved within 6 months	This measure assesses customers with new debt who have had it resolved within 6 months. The intent of the measure (dealing with debt early) is covered by the 2 new payment timeliness measures and existing measures of 'collectable debt over 2 years old' and 'collectable tax debt value under an active repayment plan'.
Retired and replaced measures	Detail
Percentage of customers whose compliance behaviour improves after an audit intervention	Replaced with an evaluation-based measure 'improved compliance following an audit intervention: target: evaluative assessment'. This will derive better information and insights, and over time, form the basis for measuring the impact of a broader range of interventions.
Percentage of unfiled returns finalised within 6 months	Replaced with the 'percentage of returns filed within 6 months of the due date' to better reflect our focus on improving return-filing timeliness by increasing the number of returns filed on time or within 6 months. The target is to 'improve on the previous year'.
Target change	Detail
Percentage of student loan customers who meet their obligations (old target: 85%)	Separate targets have been set for New Zealand-based borrowers (NZBs) and overseas-based borrowers (OBBs) to give better visibility of OBB compliance and our efforts to improve it. NZB target: 95%, OBB target: 31–35%.

Additional performance information

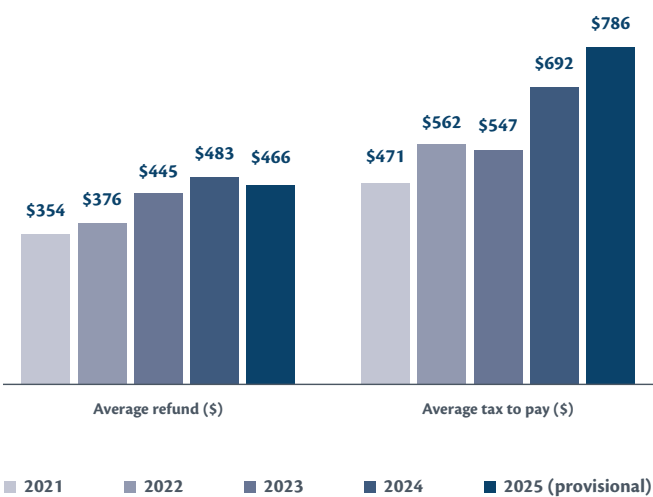
The following information provides performance results for measures in the Performance Measurement Framework, summarised on page 15, that are not already included in this report’s sections on ‘Progressing our Strategic Intentions’, ‘Implementing the Government’s Priorities’, ‘Assessment of our Operations’ or ‘Organisational Health and Capability’. We have provided commentary for results that saw a material change in 2025.

Outcomes we’re aiming for

People receive their entitlements

Individual income tax assessment accuracy

In earlier years, automatic assessments were predominately for salary and wage customers. The desired outcome was their paying the right amount of tax during the year, resulting in an accurate i.e. low-value assessment. In recent years, customers with simple IR3 returns have been shifted to the automated process to simplify their income tax. A low-value assessment is a less relevant outcome for these customers.



For the 2025 tax year (as at 30 June 2025), 87% of customers had a credit assessment and 13% had a debit assessment.

GST refund accuracy

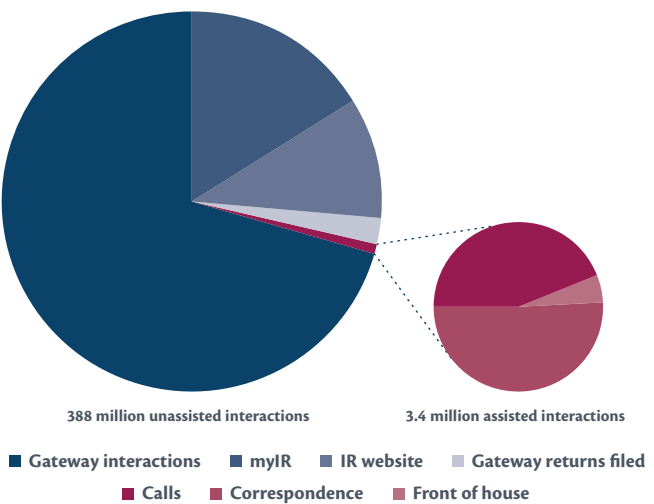
99.5% of GST refunds were not amended after the initial refund. The result has remained consistently high over the last 5 years.

Impacts we want to make

It’s easy for customers to do what they need to do

Customer interactions

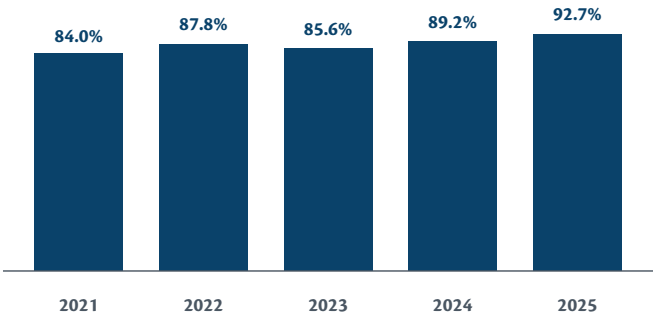
Digital services enable customers to do as much for themselves as possible in a way and at a time that suits them. Millions of straightforward transactions happen with no intervention by us, providing customers with certainty sooner.



There was a 7% increase in unassisted transactions from 2023–24, including a 4% increase in returns filed through gateway services. There was a small 1% decrease in assisted transactions from 2023–24.

Donation claim submissions sent digitally

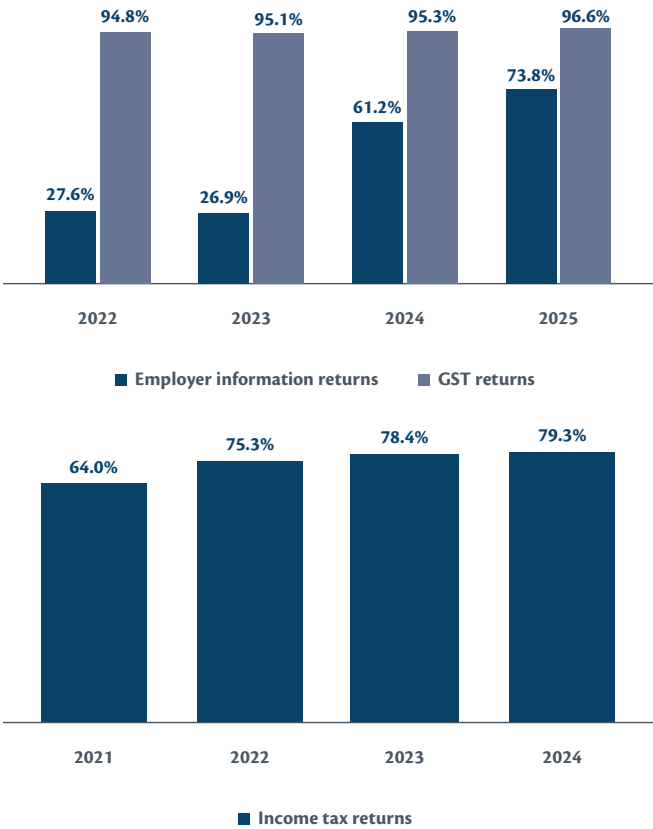
Customers can submit their donation receipts in myIR at any time during the year or they can send us paper records. At the end of the tax year, we pay out refunds for approved submissions.



This year's result is 3.5 percentage points higher than 2023–24 and 8.7 points higher than 2020–21, demonstrating the ongoing shift by customers to digital channels.

Returns processed straight-through

Tax returns processed without the need for further system actions or any staff intervention reduces effort for customers and us.

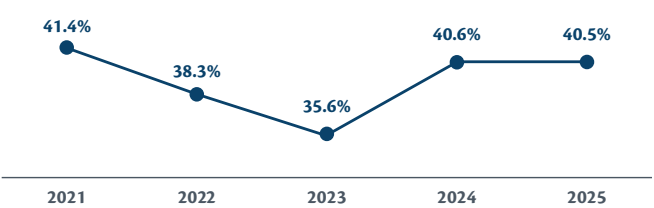


We continue to see high results for GST returns and improving results for employer information and income tax returns.

Note: In error, results reported in the 2024 Annual Report did not include some additional return versions. Results for 2023–24 and prior years have been restated to correct the results. The impact was predominately seen in employer information returns and non-individual income tax returns.

Self-service repayment plans

IR provides options for customers who get into debt, including paying off what they owe in instalments. Customers can also set up repayment plans before the due date. Customers can set up repayment plans themselves in myIR.

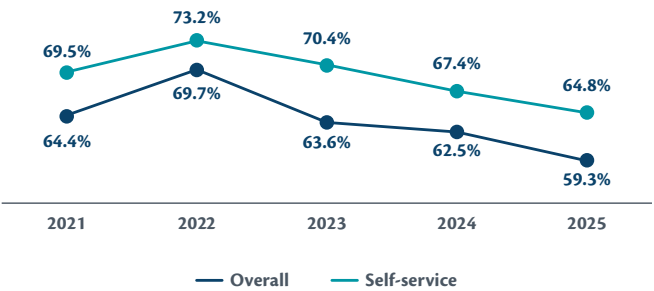


Results for 2024–25 remain steady. Plans set up by customers are more successful, see the following results.

Customers want to comply and have the knowledge and understanding to do so

Repayment plan success

We provide options for customers who get into debt, including paying off what they owe in instalments, minimising the costs they incur by paying late. Customers can set up repayment plans themselves, or we can set them up for them.



While 21,000 more customers set up repayment plans this year, fewer customers adhered to their plans reflecting economic conditions impacting customers. These plans covered \$5.0 billion in debt compared to \$4.3 billion last year. Of this, \$532 million has already been paid in full.

Most customers do the right thing voluntarily and there are consequences for those who choose not to

Estimated future value from our compliance interventions

Some interventions result in assurance that future revenue will be returned correctly through changes in customer behaviour and an increased understanding of their obligations. We've estimated the additional revenue assured at \$67 million for the next 3 years.

Collectable debt to total debt

The ratio of overdue collectable tax and entitlements debt to total overdue tax and entitlements debt for 2024–25 is 63.7%. Due to the changes in debt definitions, results for prior years are not comparable.

Our organisational health and capability



Our organisational health and capability

An important aspect of our stewardship of the tax and social policy system is ensuring Inland Revenue (IR) has the organisational capability to deliver what Government and New Zealanders need, now and in the future.

In this section you can read more about IR as an organisation and the work we are doing to maintain and improve capability.

Our leadership team

IR's executive leadership team sets our strategic direction and oversees our performance and organisational development.

Peter Mersi

Commissioner and Chief Executive of Inland Revenue and Service Transformation Lead for the Public Service

David Carrigan

Deputy Commissioner, Policy

David Shanks

Acting Deputy Commissioner, Enterprise and Integrity Services

Lisa Barrett

Deputy Commissioner, Customer and Compliance Services—Business

James Grayson

Deputy Commissioner, Customer and Compliance Services—Individuals

Michelle Redington

Chief Tax Counsel

Mary Craig

Deputy Commissioner, Enterprise and Integrity Services (on secondment as Acting Government Statistician and Chief Executive at Stats NZ from April 2025)

Further information on our leadership team and their roles can be found on ird.govt.nz. Our Statement of Intent 2024–2028, also on our website, has information on IR's governance.

In this section

- Our leadership team
- Our people and workforce development
- Management of health and safety
- Meeting the needs of Māori
- Our processes
- Asset management
- Our work to reduce carbon emissions.

Our people

IR's success is built on the capability, commitment and collaboration of our people, supported by the systems and processes we use. It's through our people that we deliver effective and efficient services to our customers.

Over the past year, we've continued to focus on enabling a productive, high-performing workforce—one that embraces innovation to improve how we work today, while building the skills IR needs for tomorrow.

Our approach to attracting, developing and retaining talent is grounded in a clear understanding of what our people value about working here. We actively listen throughout the year about their experiences via regular people experience surveys and engagement at key moments such as when we're hiring, and when people are joining or leaving IR.

Internal survey results show that 85% of our people are advocates for IR, citing the flexibility we offer, development opportunities and a supportive, inclusive culture as the top reasons.

Managing our workforce

IR's fixed and permanent workforce grew by 142 this year. This was planned growth from the funding we received through Budget 2024 to invest in additional compliance activities.

Unplanned turnover was 7.3% (compared to 7.2% in 2023–24), a result partly driven by the employment market, as well as our approach to development and retention.

A high-performing workforce

Aligned with our priority—and that of our Minister—to enhance the effectiveness and efficiency of our operations, we've maintained a strong focus on workforce performance. Key initiatives to improve it include:

- targeted recruitment to ensure customer-facing teams have the right capacity and capability to deliver Government priorities
- new learning programmes to equip our people with the skills, knowledge and support needed to carry out compliance work and deliver new services such as FamilyBoost
- ongoing leadership development, with a particular emphasis on strengthening decision-making in hiring and leading performance, as well as supporting adoption of change and enabling innovation.

Access to learning and development opportunities is critical to ensuring IR has the capability to deliver effective services. It is also something our people value highly.

Our learning approach supports diverse learning needs from day 1. It is supported by a real time approach to performance, which happens through regular coaching conversations between people and their leaders.

An updated induction programme for people and leaders has been in place for 2 years. Our surveys confirm it's providing a positive experience for people joining IR by helping them to understand how we work from the start. Staff responding to our 'Joining Experience' surveys gave an average rating of 4.5 out of 5 for overall satisfaction after their first 3 months here.

Building capability for the future

IR updated our workforce strategy this year to help ensure we can attract, develop and retain the capability we need to deliver now and in the future.

One aspect of the strategy involves helping IR people build their capability to use evolving technology effectively to deliver the right outcomes for our customers and organisation. This builds on the investment IR already made in technology through our completed business transformation.

IR-specific results in the 2025 Te Taunaki Public Service Census showed that most of our people (82%) agree that IR takes advantage of technology to deliver better services to the public. This compares to the Public Service-wide average of 42%.

IR has developed and delivered a suite of learning to enable safe, secure use of AI, with an emphasis on efficiency benefits. We have also focused on ensuring the use of data and technology is in areas with the greatest return, including identifying and addressing compliance risks.

Career development is highly valued by our people. Under the workforce strategy, we are targeting our approach to talent management and succession planning to critical capabilities for now and the future. This will support more proactive people planning, and retention of high-performing staff.

Reflecting the communities we serve

We recognise the need to ensure our people represent the communities of New Zealand. There is a high level of diversity in customer-facing roles at IR, but diversity is lower in leadership roles and roles that design policies and services.

IR is committed to equal opportunities, identifying and mitigating the impact of bias in decision making and eliminating discrimination in our policies and practices.

Our workforce strategy and efforts across diversity, equity and inclusion and Māori Crown relations are designed to ensure that everyone receives fair and equitable treatment.

We have a diversity, equity and inclusion-focused roadmap and action plan to help ensure our workplace is free from inequalities. You can read more about progress here in the Diversity, Equity and Inclusion report, available at ird.govt.nz. An updated plan will be available in November 2025.

Meeting the needs of Māori

As part of IR's ongoing aspiration to improving ora (wellbeing in its broadest sense) for all, we are strengthening our capability to serve all customers, including Māori.

Māori represent a large and growing part of the New Zealand economy. Our approach reflects this by focusing on the following key areas:

- IR's Kaitakawaenga Māori provide services to both Māori and non-Māori customers based on their needs. Their services can be tailored, and they have additional capability to meet the needs of some Māori customers, including delivering services in a more iwi, hapū and whānau-centric way.
- Incorporating Māori voices and worldviews into policy design by engaging with our Tax and Social Policy Māori Reference Group and directly with Māori and their collectives.

- Building Māori cultural capability across IR through Te Awatea, a learning programme based on Te Arawhiti's Māori Crown Relations capability framework.

Te Awatea supports progressive development—from building a foundational understanding in our people to becoming comfortable, confident and capable in working with Māori customers.

To date, Te Awatea has delivered learning at the foundation and comfortable levels. Work is underway to design and deliver the confident and capable levels, along with resources to help staff apply what they've learned in their roles.

IR is not currently responsible for Treaty of Waitangi settlement commitments and not required to report progress under He Korowai Whakamana framework.

IR workforce profile

Measure	2021	2022	2023	2024	2025
Headcount	4,210	3,923	4,130	4,486	4,637
Full-time equivalent	4,106	3,819	4,023	4,384	4,526
Average age	46.3	45.8	45.3	44.8	45.0
Full-time*	97%	96%	96%	97%	96%
Part-time*	3%	4%	4%	3%	4%
Permanent	94%	99%	97%	99%	99%
Fixed-term	6%	1%	3%	1%	1%
Contractors	106	75	94	46	47

*Data for 2021 through to 2023 has been restated due to a methodology change.

Measure	2021	2022	2023	2024	2025
Female staff overall	65%	66%	66%	66%	66%
Female all people leaders	56%	57%	58%	59%	60%
Female managers	48%	48%	48%	47%	51%
Male staff overall	35%	34%	33%	33%	34%
Male all people leaders	44%	43%	41%	41%	39%
Male managers	52%	52%	51%	54%	49%

Measure	2021	2022	2023	2024	2025
New hires	97	539	627	627	569
Exits	700	787	431	372	385
Unplanned turnover	8.2%	13.4%	9.6%	7.2%	7.3%
Total turnover (annual)	10.4%	18.7%	10.1%	7.2%	7.5%
Average length of service (years)	15.5	14.0	13.7	12.8	12.7

Health and safety

IR remains committed to a safe, physically and mentally healthy workplace, in line with our obligations under the Health and Safety at Work Act 2015.

This year, we continued to focus on identifying and managing psychosocial risks—these are the aspects of work that can negatively impact our people’s mental or physical health. With a large customer-facing workforce, many of our people are required to balance empathy and respect when working with customers while they stay focused on overcoming challenging situations such as when customers get into debt.

Initiatives we ran this year included engaging staff across our sites in structured discussions to assess work-related stressors.

We also strengthened leadership capability through a programme delivered in partnership with the Institute of Directors. The programme equips senior leaders to govern and manage critical health and safety risks, including mental and physical wellbeing.

These efforts support our priorities to prevent harm, promote wellbeing and provide timely support to our people.

Our processes

Official information

Making sure official information is available in a timely way promotes accountability and public trust. We are committed to meeting the principles and requirements of the Official Information Act 1982 (OIA) and to following the guidance provided by the Office of the Ombudsman.

During 2024–25, we responded to 426 requests for information under the OIA, with 99.5% of responses provided within legislated timeframes. All agencies are required to respond to an OIA request as soon as reasonably practicable, no later than 20 working days.

- ✓ On average, we responded to OIAs within 16 working days.

Working with our suppliers

The Government Procurement Rules help to support good market engagement and, therefore, better outcomes for agencies such as IR, suppliers and New Zealand taxpayers.

One requirement within the rules is paying domestic invoices promptly. IR has been eInvoice receive-enabled since 2020 (direct exchange of data between buyer and supplier accounting systems to make business smoother, faster and safer).

- ✓ 98.5% of all our domestic invoices (including eInvoices) were paid within 10 working days (target 90%).
- ✓ 96% of managed suppliers viewed IR as a customer of choice (target 80%).

Te Taunaki Public Service Census results

The 2nd Te Taunaki Public Service Census was run in March 2025. Three-quarters of IR staff responded to the survey, which included asking them about delivery of outcomes, enablers of productivity, teamwork, innovation, use of technology and Māori Crown capability.

92%

of IR people feel the work they do contributes to better outcomes for New Zealand

PUBLIC SERVICE
AVERAGE: 87%

94%

think it’s important that IR is careful in how it uses public money

PUBLIC SERVICE
AVERAGE: 90%

79%

say they have access to the learning and development they need to do their job well

PUBLIC SERVICE
AVERAGE: 63%

77%

think their team works on customer feedback to improve their work

PUBLIC SERVICE
AVERAGE: 67%

Our assets

Asset management

We are committed to being responsible stewards of our assets by ensuring they are fit-for-purpose, well-managed and sustainably funded.

Our asset management plans and practices follow a structured, multi-year approach that supports strategic planning and enables informed prioritisation and investment decisions.

Plans offer a comprehensive view of asset condition, service needs, risks and financial implications. We review them regularly to ensure they remain current and aligned with IR's strategic goals and help us to continue delivery of high-quality, cost-effective services.

Last year, we formalised our asset management practices and developed plans for service-critical assets. This work ensures IR is fully compliant with the Cabinet Circular CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities for 2024–25.

Workplaces

IR is based in 17 cities and towns and we work from 20 offices. We largely completed the optimisation of our property portfolio this year. Since June 2020, we have reduced the total area we lease by 33% and yearly rental costs by 32%.

Landlord works and IR fitout works at our new site in Takapuna, and existing sites in Whāngarei, Christchurch and Invercargill have now been completed. These sites will enable space to be used more efficiently and be more cost-effective.

We continue to look for opportunities to optimise our property portfolio, with work under way to relocate to new sites in Nelson and Dunedin. We are negotiating to consolidate our Hamilton presence into 1 expanded site and we are exploring options for long-term accommodation in Manukau.

We completed security upgrades on the front-of-house areas at a number of sites. These upgrades ensure our sites are compliant with government requirements and that IR's security standards meet the needs of our people and customers.

We monitor 5 indicators on the performance of our property portfolio and vehicle fleet against organisational goals and government guidelines. This year, we met 3 out of 5 targets.

Workplace performance indicators

Key



We met the target



We did not meet the target

— 95%

% of legislative compliance requirements met by their due date against a target of 100%



2024: 90%

✓ 100%

% of non-legislative compliance requirements met by their due date against a target of 100%



2024: 100%

✓ 100%

% of front-of-house facilities which meet security standards against a target of 100%



2024: 100%

✓ 11.2m²

Average available space per person in our metro sites against a target of <12 square metres

NEW MEASURE

— 35.8%

% utilisation of bookable vehicles against a target of 45%



2024: 21%

IR buildings need to comply with fire safety regulations and the Building Act 2004. While all sites have approved evacuation procedures, we missed 1 target related to legislative compliance due to a delay in obtaining a building warrant of fitness at a single location. We're working with the landlord to resolve this.

Vehicle fleet utilisation rose from 21% in 2023–24 to 36%. It is still below target, largely due to efficiencies in our community teams that have seen them increase activities but carry out more of them virtually rather than in person. We will continue to reduce the fleet size.

Technology

This year, policy-driven changes to our core START system included the introduction of new products such as FamilyBoost in July 2024, the online casino gambling tax and enablement of the personal income tax adjustments described on page 32.

IR also enhanced our systems with improved collection analytics for automated debt collection and customer self-service instalment options in April 2025. You can read about additional enhancements to myIR services for customers on pages 40 and 41.

Following the upgrade of our contact centre technology to a cloud-based solution in November 2023, we've begun evaluating and implementing new capabilities and innovations. We're currently testing improvements to call routing and ensuring our people have the right information at hand when speaking with customers.

AI capabilities are being further assessed; as noted on page 24, this includes trialling call summarisation in our contact centres where it helps our people efficiently capture key details from customer interactions.

How we performed

We monitor and report on the following aspects of key assets to show how systems are performing:

- availability (access to systems)
- utilisation (how efficiently systems are used)
- condition (how up-to-date systems are)
- functionality (how fit for purpose systems are).

We met all of our targets.

Technology performance indicators

✓ **99.99%**

% of serviceable hours that systems were available to users against a target of >99.5%

- myIR / Gateway – 99.95%
- Contact Centre – 100%
- WWW – 99.97%
- Workplace (Microsoft 365) – 100%
- START – 100%
- Ātea – 100%

➡ 2024: overall result 99.9%

✓ **4.5**

Average score for assessment of functionality of services against a target of >4.0

➡ 2024: 4.4

✓ **6.2**

Supplier performance against a target of >6

⬆ 2024: 4.85 out of 5 (target >4.0)

✓ **99.6%**

Average of various asset condition indicators against a target of >95%

- myIR / Gateway – 99.5%
- Contact Centre – 99.5%
- WWW – 99.6%
- Workplace (Microsoft 365) – 99.3%
- START – 99.7%
- Ātea – 100%

➡ 2024: overall result 99.6%

✓ **98.5%**

Utilisation of infrastructure against a target of >95%

- myIR / Gateway – 99.0%
- Contact Centre – 100%
- WWW – 100%
- Workplace (Microsoft 365) – 96.7%
- START – 95.2%
- Ātea – 100%

⬆ 2024: 96.3% overall result (target >90%)

Our carbon emissions

IR is part of the Carbon Neutral Government Programme (CNGP) set up to accelerate the reduction of emissions within the public sector.

Measuring emissions

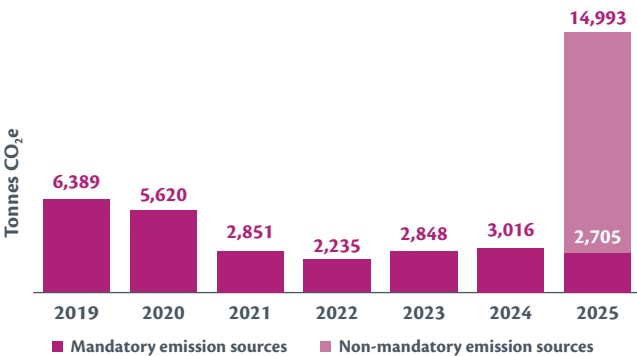
IR emissions for 2024–25 for mandatory emission sources as defined by the CNGP were 2,705 tonnes of carbon dioxide equivalent (tCO₂e).

Our result is a 10.3% decrease from 2023–24 and a 57.7% reduction against our 2018–19 base year (our target for 2025 was a 43% reduction).

This year we began measuring additional emission sources that we expected would be material to our overall profile. These are not mandatory for CNGP purposes. The additional emissions related to staff commuting, data centre or cloud storage and other purchased goods and services. Our 2024–25 result for these non-mandatory emission sources was 14,993 tCO₂e, 88% of which came from other purchased goods and services.

In total, IR's measured Greenhouse Gas emissions inventory is 17,699 tCO₂e.

The graph below shows annual emissions by year.

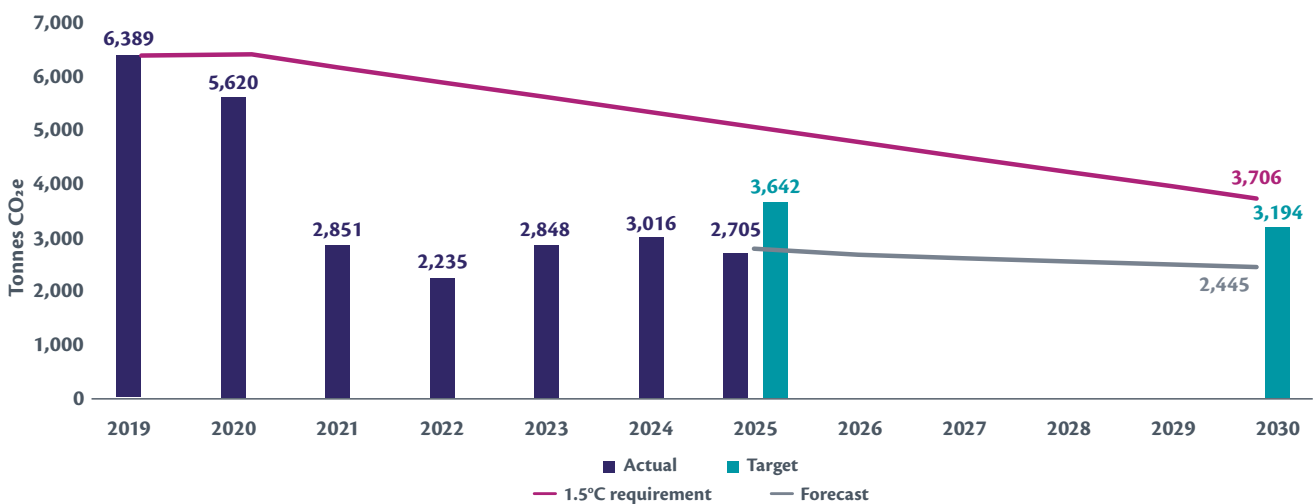


Reduction targets

We set reduction targets in 2022, covering the mandatory emission sources as defined by the CNGP. As shown in the graph below, we are targeting a reduction of 50% by 2030 against our base year of 2018–19.

Current modelling indicates we will better our 2030 target.

Our emissions projections (mandatory sources) and reduction targets



The main sources of our emissions

Emissions source	Tonnes of carbon dioxide equivalent (tCO ₂ e) in 2024–25	Reduction against our base year	Proportion of our emissions (previous year)	Year-on-year change (previous year)	Insights
Overall	2,705	57.7% reduction from our base year	N/A	Down 10.3% (up 5.9%)	IR's emissions profile is much larger when emissions from non-mandatory sources are considered.
Business travel	1,260 (mostly air travel)	65% reduction from our base year	47% (52%)	Down 20% (up 22%)	Business travel includes air and car travel and accommodation. Domestic travel made up 53% of all business travel emissions (64% of air travel emissions). International travel made up 30% of all business travel emissions (35% of air travel emissions). Domestic accommodation made up 11% of our business travel emissions.
Freight	756 (mostly mail-related)	42% reduction from our base year	28% (29%)	Down 12% (down 12%)	Domestic mail made up 56% of freight-related emissions (95% of our mail is sent domestically). International mail made up 43% (5% of our mail is sent internationally). 89% is sent to Australia, 5% to the UK, 3% to USA and 1% to Singapore.
Energy	403	53% reduction from our base year	15% (11%)	Up 20% (up 20%)	IR energy consumption was 6% lower this year. However, the Ministry for the Environment issued an updated energy emissions factor for agencies to calculate emissions that was higher. As a result, our overall energy-related emissions increased. Our relocation to more modern buildings in Auckland, Nelson and Dunedin is expected to bring further reductions in energy consumption in 2025–26.
Working from home	188	92,785% increase from our base year (0)	7% (5%)	Up 34% (up 11%)	The increase in emissions from 2023–24 reflects the impact of seismic upgrades that required staff to work from home at times and fitouts for some of our sites. We would expect to see an inverse correlation in emissions relating to working from home and staff commuting, which we are now measuring.
Fuel	23 (mostly vehicle fleet-related)	94% reduction from our base year	1% (2%)	Down 50% (down 36%)	49 of the 51 vehicles in our fleet are electric vehicles (EVs). The remaining 2 petrol vehicles will be replaced with EVs when available.

Our plan

IR's emissions reduction initiatives have largely focused on areas where there was an existing government requirement, including transitioning to a fully electric vehicle fleet, enhancing the energy efficiency of the sites we occupy and minimising office waste.

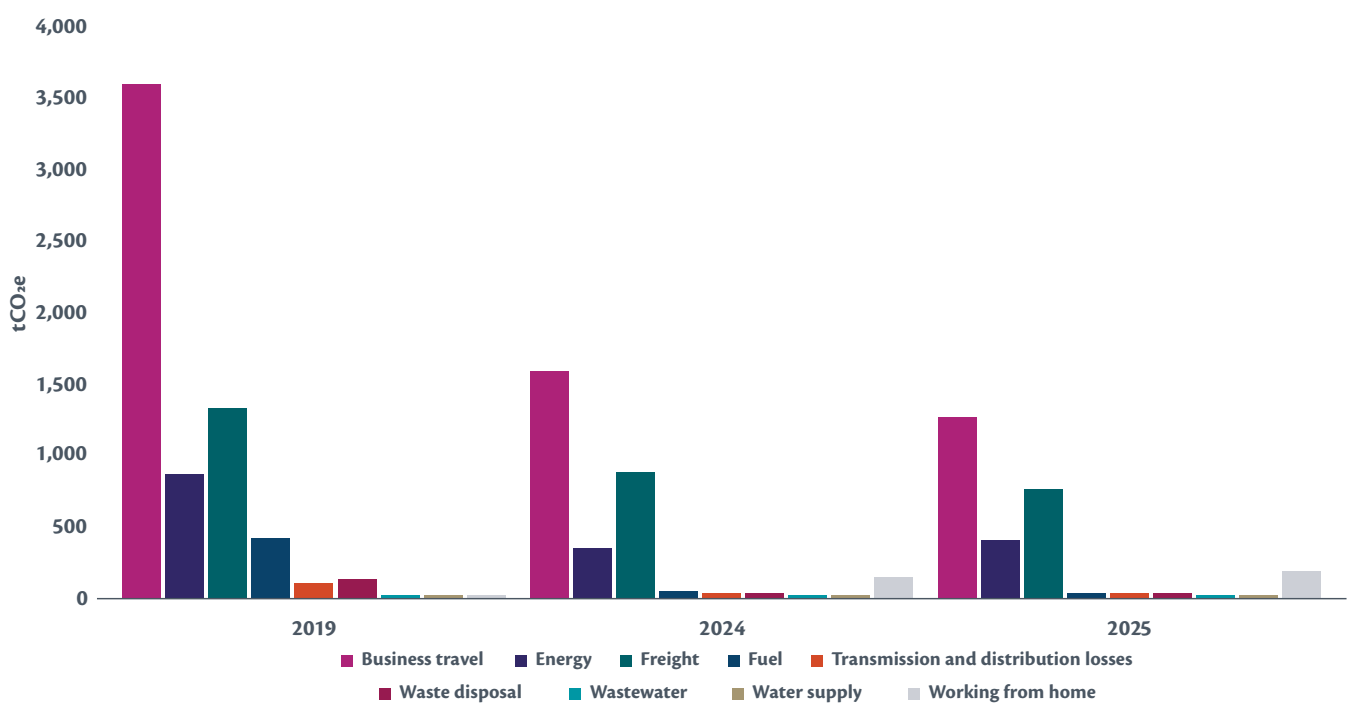
We have also increased the visibility of our emissions profile, in particular travel-related emissions.

All these initiatives have contributed to the reduction of emissions from mandatory sources.

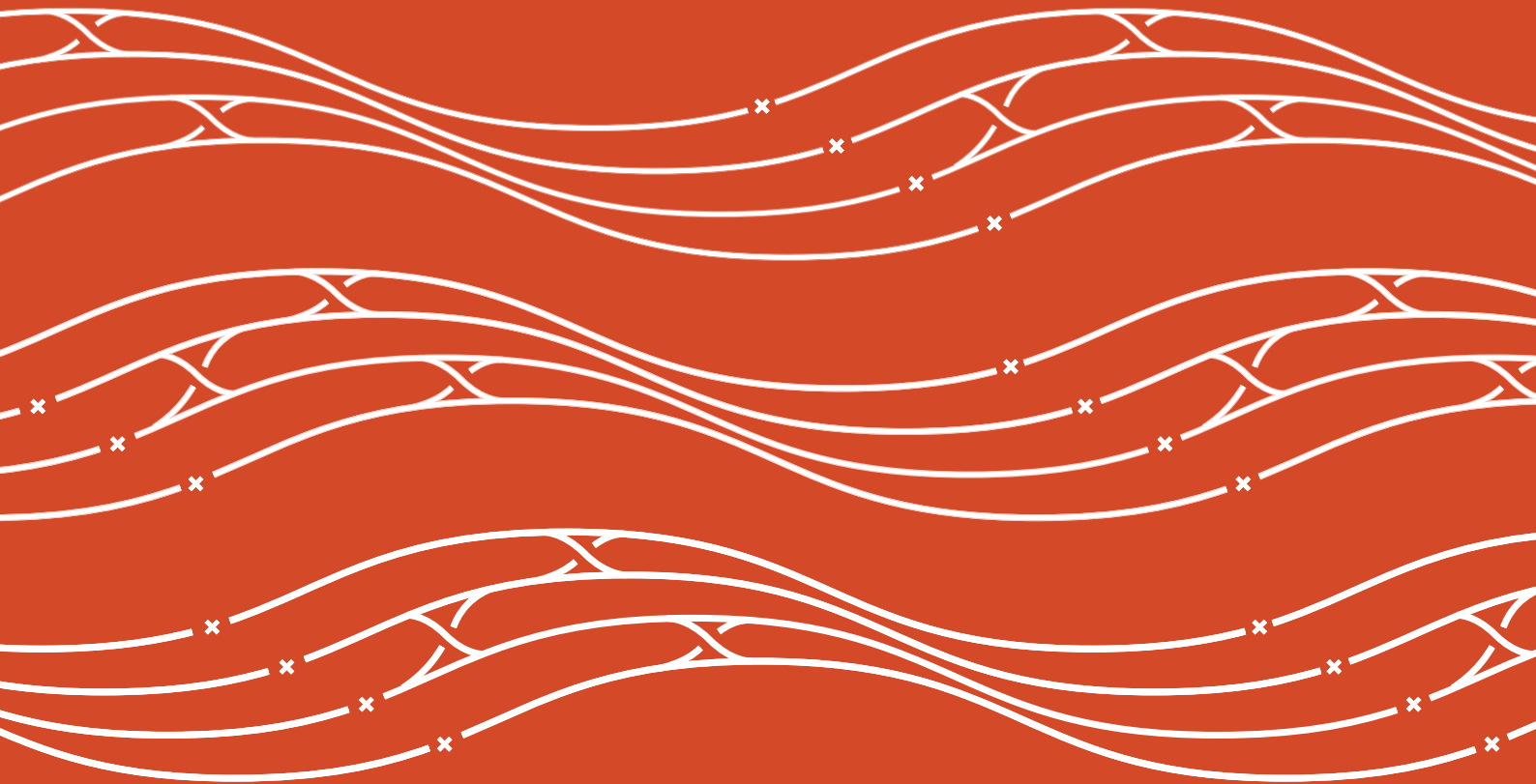
As our emissions source inventory has now largely stabilised, we are not planning any new reduction initiatives for 2025–26.

The graph below shows a breakdown of emissions for mandatory sources from our 2018–19 base year.

Our carbon emissions in target scope (tCO₂e)



Appropriation statements



Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Inland Revenue (IR) for the year ended 30 June 2025.

Statement of Departmental Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2025

Actual		Actual ¹	Unaudited revised budget ⁵	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Vote: Revenue					
<i>Output expenses</i>					
<i>Services for Customers—MCA</i>					
326,456	Services to Ministers and to assist and inform customers to get it right from the start	319,966	321,770	315,642	320,095
180,385	Services to process obligations and entitlements	187,317	188,436	153,905	184,602
83,886	Services to manage debt and unfilled returns	107,788	107,345	105,677	116,099
102,665	Services to protect the integrity of the tax system and functions the Commissioner administers	122,604	125,954	165,390	151,373
13,146	Policy advice	13,348	13,912	13,912	13,997
706,538	Total departmental output expenses	751,023	757,417	754,526	786,166
1,293	Services to Other Agencies RDA ²	1,244	1,464	1,764	1,464
707,831	Total output expenses	752,267	758,881	756,290	787,630
<i>Other expenses</i>					
15,667	Residual activities following the transformation programme's substantive closure ³	–	–	–	–
15,667	Total other expenses	–	–	–	–
723,498	Total expenses	752,267	758,881	756,290	787,630
<i>Capital Expenditure PLA⁴</i>					
19,159	Property, plant and equipment	20,083	22,000	22,900	14,000
13,196	Intangible assets	8,574	10,000	37,100	33,700
32,355	Total capital expenditure PLA	28,657	32,000	60,000	47,700

¹ Excludes remeasurement of \$480,000 (2023–24: \$1.509 million). The remeasurement in 2024–25 consists of macroeconomic changes in the actuarial valuations of retiring and long-service leave.

² Revenue-dependent appropriation (RDA). The amount of an RDA is limited to the amount of revenue earned.

³ A portion of the 2021–22 Transformation appropriation funding was returned to the Crown and \$35 million transferred to financial years 2022–23 and 2023–24 to the Residual Activities Following the Transformation Programme's Substantive Closure appropriation. This appropriation ceased on 30 June 2024.

⁴ PLA refers to appropriations established under a permanent legislative authority.

⁵ The revised budget figures for 2024–25 are those included in The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

The budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing the departmental financial statements.

Explanations of significant variances against budget are detailed in the relevant notes of the departmental financial statements.

All of the 2024–25 performance information for each appropriation administered by IR has been reported in the section on Year-end Performance Information on Vote Revenue Appropriations.

Statement of Departmental Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2025

In the 2024–25 financial year, there were no departmental instances of:

- expenses and capital expenditure incurred in excess of appropriations (2023–24: nil)
- expenses and capital expenditure incurred without appropriation, or other authority, or outside the scope or period of appropriation (2023–24: nil).

Statement of Departmental Capital Injections and Capital Withdrawals

For the year ended 30 June 2025

Actual	Actual	Unaudited revised budget	Unaudited forecast
2024	2025	2025	2026
\$000	\$000	\$000	\$000
Vote: Revenue			
– Capital injections	1,900	1,900	7,700
(5,500) Capital withdrawals	(1,750)	(1,750)	–
(5,500) Net capital injections and withdrawals	150	150	7,700

IR has not received any capital injections during the year without, or in excess of, authority (2023–24: nil).

Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations

For the year ended 30 June 2025

Actual		Actual	Unaudited revised budget ¹	Unaudited budget	Unaudited forecast
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
Vote: Revenue					
<i>Benefits or related expenses</i>					
336,108	Best Start Tax Credit PLA	345,990	348,000	339,000	326,000
413,390	Child Support Payments PLA ²	425,867	434,000	453,000	442,000
–	FamilyBoost Tax Credit PLA ³	50,607	131,000	174,000	171,000
2,296,578	Family Tax Credit PLA	2,434,255	2,435,000	2,316,000	2,374,000
436,964	In-Work Tax Credit PLA	550,040	554,000	582,000	588,000
2,841	KiwiSaver: Interest	3,481	4,200	2,500	4,000
1,011,371	KiwiSaver: Tax Credit, Contribution and Residual Entitlement	1,016,801	1,109,000	1,101,000	541,000
11,467	Minimum Family Tax Credit PLA	10,691	10,300	12,000	7,900
647,296	Paid Parental Leave Payments	708,905	756,000	685,000	745,000
5,156,015	Total benefits or related expenses	5,546,637	5,781,500	5,664,500	5,198,900
<i>Non-departmental borrowing expenses</i>					
4,185	Environmental Restoration Account Interest PLA	4,120	4,200	4,300	4,200
8,602	Income Equalisation Interest PLA	6,628	8,000	7,000	7,000
12,787	Total non-departmental borrowing expenses	10,748	12,200	11,300	11,200
<i>Non-departmental other expenses</i>					
–	Cost of Living payment	–	10	–	–
–	COVID-19 Resurgence Support Payment	–	40	–	–
90	COVID-19 Support Payment ⁴	26	80	–	–
–	Final-year Fees Free Payments ⁵	–	–	–	55,000
2,375,843	Impairment of Debt and Debt Write-Offs ⁶	1,872,426	2,293,900	1,676,000	1,520,000
–	Impairment of Debt and Debt Write-Offs Relating to Child Support	10,094	65,000	–	–
–	Impairment of Debt Relating to Student Loans	59,500	62,000	–	–
37,693	Impairment of debt relating to the SBCS ⁷	–	40,000	–	–
544,076	Initial Fair Value Write-Down Relating to Student Loans	585,247	590,000	633,000	636,000
9,423,573	KiwiSaver: Employee and Employer Contributions PLA ²	9,691,244	9,870,000	10,220,000	10,670,000
316,958	Science, Innovation and Technology: R&D Tax Incentive	532,428	592,968	556,168	650,742
12,698,233	Total non-departmental other expenses	12,750,965	13,513,998	13,085,168	13,531,742
<i>Non-departmental capital expenditure</i>					
65	Small Business Cashflow Scheme COVID-19	–	–	–	–
65	Total non-departmental capital expenditure	–	–	–	–
17,867,100	Total non-departmental appropriations	18,308,350	19,307,698	18,760,968	18,741,842

¹ The revised budget figures for 2024–25 are those included in The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

² These appropriations are pass-through transactions and are not recorded in the Schedule of Non-departmental Expenses.

³ The FamilyBoost appropriation was introduced as part of Budget 2024 and commenced 1 July 2024.

⁴ The expenditure for the COVID-19 Support Payment appropriation mainly occurred in 2021–22. Current year actual expenditure reflects additional final claims incurred in 2024–25.

⁵ In Budget 2024, the Government announced a move from First-year Fees Free to Final-year Fees Free payments. Payments will commence in January 2026.

⁶ Impairment of Debt and Debt Write-Offs relates to general tax, Working for Families Tax Credits, FamilyBoost, KiwiSaver and COVID-19 debt (excluding the Small Business Cashflow Scheme).

⁷ Refers to the Small Business Cashflow Scheme COVID-19.

PLA refers to appropriations established under a permanent legislative authority.

All of the non-departmental appropriations administered by the department (with the exception of the Research and Development Tax Incentive) are exempt from the requirements to report end-of-year performance information under section 1D of the Public Finance Act 1989.

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing the non-departmental financial schedules. The forecast figures for 2025–26 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the year ended 30 June 2025.

Statement of Non-departmental Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2025

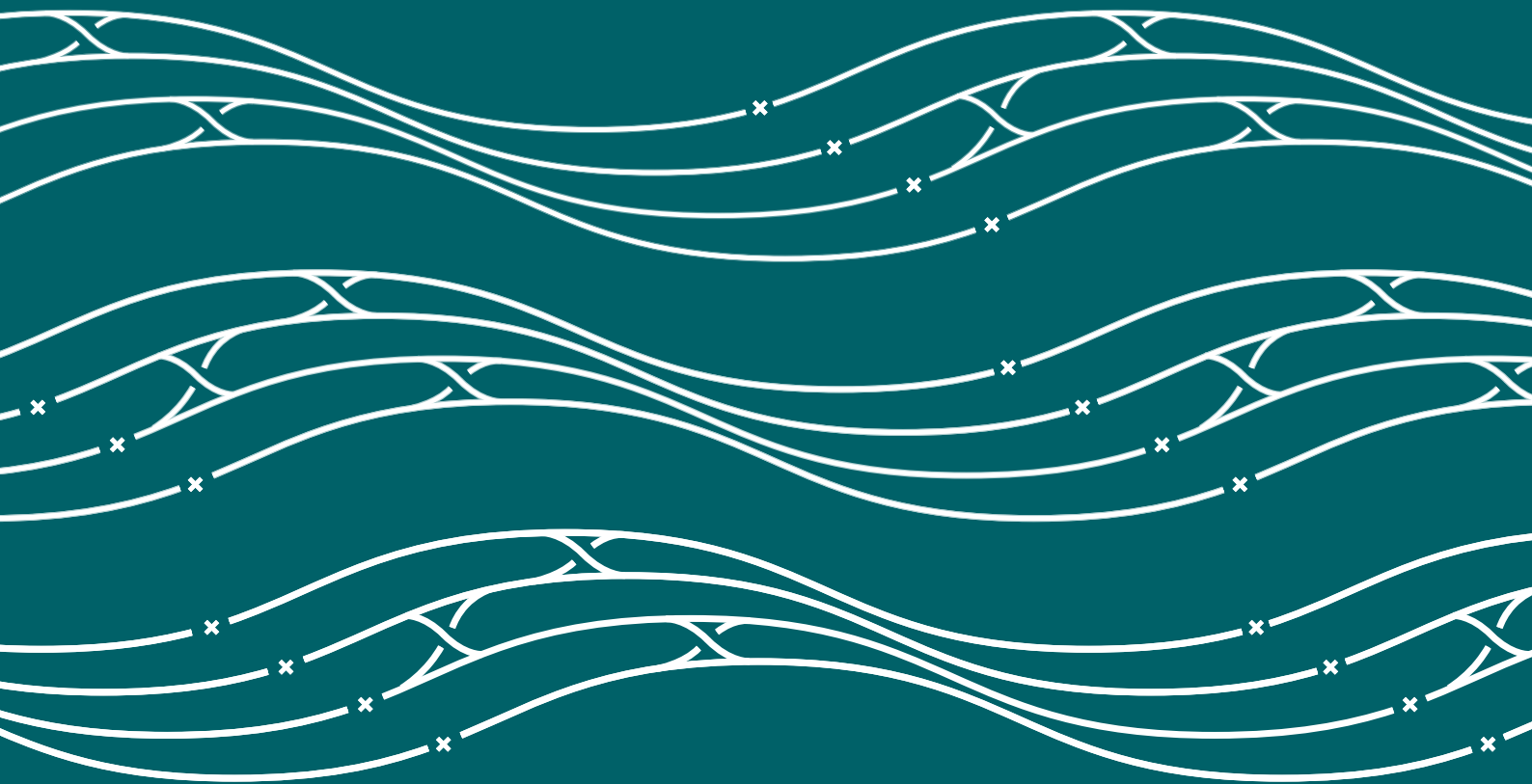
In the 2024–25 financial year, there were no non-departmental instances of:

- expenses incurred in excess of appropriations (2023–24: 1)
- expenses incurred without appropriation, or other authority, or outside the scope or period of appropriation (2023–24: 2).

There was no capital expenditure in 2024–25 as new lending for the Small Business Cashflow Scheme ceased in December 2023.

Financial statements

Departmental



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Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2025

Actual		Notes	Actual	Unaudited budget	Unaudited forecast
2024			2025	2025	2026
\$000			\$000	\$000	\$000
Revenue					
743,257	Revenue from the Crown	2	751,329	748,425	780,078
6,259	Other revenue	2	6,414	7,865	7,552
749,516	Total revenue		757,743	756,290	787,630
Expenses					
434,097	Personnel	3	461,762	436,607	500,024
220,430	Operating	4	219,749	235,193	215,023
48,235	Amortisation, depreciation and impairment	9, 10	48,854	62,300	50,000
22,245	Capital charge	6	22,382	22,190	22,583
725,007	Total expenses		752,747	756,290	787,630
24,509	Net surplus and total comprehensive revenue and expense		4,996	–	–

The accompanying accounting policies and notes form part of these financial statements.

Explanations of major variances against budget are detailed in the relevant notes.

Statement of Financial Position

As at 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Current assets				
83,661	Cash and cash equivalents	49,240	45,065	45,065
201,936	Debtor Crown	243,437	180,723	238,651
12,711	Debtors and prepayments	11,382	13,825	14,050
298,308	Total current assets	304,059	239,613	297,766
Non-current assets				
395	Prepayments	427	50	50
48,192	Property, plant and equipment	55,136	78,804	59,155
251,997	Intangible assets	224,111	251,456	220,083
300,584	Total non-current assets	279,674	330,310	279,288
598,892	Total assets	583,733	569,923	577,054
Current liabilities				
35,621	Creditors and other payables	32,751	48,656	40,000
24,534	Surplus payable to the Crown	4,944	–	–
56,349	Employee entitlements	62,757	52,070	59,726
2,029	Derivative financial instruments	2,229	–	–
118,533	Total current liabilities	102,681	100,726	99,726
Non-current liabilities				
484	Creditors and other payables	929	–	–
25,190	Employee entitlements	25,270	24,100	25,000
706	Provision for other liabilities	924	500	706
10,207	Derivative financial instruments	9,955	–	–
36,587	Total non-current liabilities	37,078	24,600	25,706
155,120	Total liabilities	139,759	125,326	125,432
443,772	Net assets	443,974	444,597	451,622
Equity				
443,772	Taxpayers' funds	443,974	444,597	451,622
443,772	Total equity	443,974	444,597	451,622

The accompanying accounting policies and notes form part of these financial statements.

Explanations of major variances against budget are detailed in the relevant notes.

Statement of Changes in Equity

For the year ended 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
449,297	Opening balance at 1 July	443,772	443,797	443,922
24,509	Total comprehensive revenue and expense	4,996	–	–
(24,534)	Repayment of surplus to the Crown	(4,944)	–	–
–	Capital injections	1,900	800	7,700
(5,500)	Capital withdrawals	(1,750)	–	–
443,772	Closing balance at 30 June	443,974	444,597	451,622

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2025

Actual		Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Cash flows from operating activities				
784,391	Receipts from the Crown	709,828	754,638	736,864
5,037	Receipts from other revenue	7,113	8,187	7,096
(435,365)	Payments to employees	(455,275)	(468,355)	(518,637)
(216,863)	Payments to suppliers	(220,758)	(215,302)	(170,454)
(22,245)	Payments for capital charge	(22,382)	(22,190)	(22,583)
(2,813)	Goods and services tax (net)	(722)	2,215	374
112,142	Net cash flows from operating activities	17,804	59,193	32,660
Cash flows from investing activities				
792	Receipts from sale of property, plant and equipment	429	–	–
(21,955)	Purchases of property, plant and equipment	(20,255)	(22,900)	(14,000)
(13,864)	Purchases of intangible assets	(8,015)	(37,100)	(33,700)
(35,027)	Net cash flows from investing activities	(27,841)	(60,000)	(47,700)
Cash flows from financing activities				
–	Capital injections	1,900	800	7,700
(41,219)	Repayment of surplus to the Crown	(24,534)	–	–
(5,500)	Capital withdrawals	(1,750)	–	–
(46,719)	Net cash flows from financing activities	(24,384)	800	7,700
30,396	Net increase/(decrease) in cash and cash equivalents	(34,421)	(7)	(7,340)
53,265	Cash and cash equivalents at the beginning of the year	83,661	45,072	52,405
83,661	Cash and cash equivalents at the end of the year	49,240	45,065	45,065

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2025

Actual	Actual
2024	2025
\$000	\$000
24,509 Net surplus	4,996
Add/(less) non-cash items	
48,236 Amortisation, depreciation and impairment	48,854
25 Movement in fair value of derivative financial instruments	(52)
48,261 Total non-cash items	48,802
Add items classified as investing or financing activities	
186 Net loss/(gain) on disposal of property, plant and equipment and intangible assets	317
186 Total items classified as investing or financing activities	317
Add/(less) working capital movements	
41,134 (Increase)/decrease in debtor Crown	(41,501)
(119) (Increase)/decrease in debtors and prepayments	1,298
(508) Increase/(decrease) in creditors and other payables	(2,813)
(1,269) Increase/(decrease) in employee entitlements	6,487
(52) Increase/(decrease) in provision for other liabilities	218
39,186 Net movements in working capital items	(36,311)
112,142 Net cash flows from operating activities	17,804

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 30 June 2025

Actual	Actual
2024	2025
\$000	\$000
Movement in liability arising from financing activities:	
(16,684) Increase/(decrease) in surplus payable to the Crown liability	(19,590)
(16,684) Total movement in liability arising from financing activities	(19,590)
Non-cash item	
(24,534) Surplus payable to the Crown	(4,944)
(24,534) Total non-cash item	(4,944)
Add/(less) owner's injections and withdrawals	
– Capital injections	1,900
(5,500) Capital withdrawals	(1,750)
(5,500) Net owner's injections and withdrawals	150
(46,719) Net cash flows from financing activities	(24,384)

The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2025

Actual	Actual
2024	2025
\$000	\$000
Capital commitments	
710 Intangible assets	486
710 Total capital commitments	486
Operating lease commitments as lessee	
<i>The future aggregate minimum lease payments to be paid under non-cancellable operating leases:</i>	
23,855 Not later than 1 year	25,014
60,809 Later than 1 year and not later than 5 years	61,493
23,699 Later than 5 years	30,362
108,363 Total non-cancellable operating commitments	116,869
109,073 Total commitments	117,355

The accompanying accounting policies and notes form part of these financial statements.

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that has not been paid for or recognised as a liability at balance date.

Cancellable capital commitments that have early exit or penalty costs explicit in the agreement are reported at the lower of the remaining contractual commitment or the value of those exit or penalty costs (i.e. the minimum future payments).

Non-cancellable operating lease commitments

Inland Revenue Te Tari Taake (IR) leases property, plant and equipment in the normal course of business. The majority of these commitments are long-term non-cancellable accommodation leases for IR's premises at locations throughout New Zealand. The annual lease payments are reviewed regularly, and the amounts disclosed as future commitments are based on current rental rates.

IR sub-leases some of its premises. The total minimum future sub-lease payments expected to be received under non-cancellable sub-leases at balance date is \$4.341 million (2023–24: \$2.139 million).

IR's non-cancellable operating leases have varying terms and renewal rights. There are no restrictions placed on IR by any of its leasing arrangements.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2025

Actual	Actual
2024	2025
\$000	\$000
Contingent liabilities	
155 Employee grievances	90
237 Legal proceedings and disputes—taxpayer	238
392 Total contingent liabilities	328
Contingent assets	
999 Legal proceedings and disputes—taxpayer	1,002
999 Total contingent assets	1,002

The accompanying accounting policies and notes form part of these financial statements.

Contingent liabilities

Employee grievances

These contingent liabilities represent amounts that may be claimed by employees as a result of alleged grievances against IR.

Legal proceedings and disputes—taxpayer

These contingent liabilities relate to potential claims against IR for court costs only, associated with tax disputes and other tax-related legal proceedings being taken through the courts. The actual revenue (tax) under dispute is recognised as a non-departmental contingent liability (refer to the Schedule of Non-departmental Contingent Assets and Contingent Liabilities on page 135). The expected value of the contingent liabilities is calculated using an outcome probability model that considers both the total potential court costs payable and the probability of that outcome.

Contingent assets

Legal proceedings and disputes—taxpayer

These contingent assets relate to potential amounts recoverable by IR for court costs only, associated with tax disputes and other tax-related legal proceedings being taken through the courts. The actual revenue (tax) under dispute is recognised as a non-departmental contingency asset (refer to the Schedule of Non-departmental Contingent Assets and Contingent Liabilities on page 135). The expected value of the contingent assets is calculated using an outcome probability model that considers both the total potential court costs recoverable and the probability of that outcome.

Statement of Trust Monies

For the year ended 30 June 2025

Actual	Actual
2024	2025
\$000	\$000
Construction contracts—retention money	
– Opening balance at 1 July	–
– Contributions	303
– Distributions	(183)
– Closing balance at 30 June	120

The accompanying accounting policies and notes form part of these financial statements.

The retention money trust account was established in 2024–25 to hold all retention funds in accordance with the Construction Act 2002, as amended by the Construction Contracts (Retention Money) Amendment Act 2023, and Part 7 of the Public Finance Act 1989.

IR withholds the amount of money allowed and agreed in the commercial construction contract as a security for the achievement of the performance (for example, remedying construction defects) of the contracted firm. Subcontractors may request access to records under Section 18FC of the Construction Act 2002.

Notes to the financial statements

For the year ended 30 June 2025

These financial statements are for the year ended 30 June 2025 and include unaudited forecast financial statements for the year ending 30 June 2026.

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Who we are

Note 1. Statement of accounting policies

Reporting entity

Inland Revenue Te Tari Taake (IR) is a government department as defined by section 2 of the Public Finance Act 1989, and is domiciled and operates in New Zealand. The relevant legislation governing IR's operations includes the Public Finance Act 1989, the Public Service Act 2020 and the Tax Administration Act 1994.

IR is a wholly owned entity of the Crown whose primary objective is to provide services to the public rather than to make a financial return.

Accordingly, IR has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

Reporting period

The reporting period for these financial statements is for the year ended 30 June 2025. The unaudited forecast financial statements are for the year ending 30 June 2026.

The Commissioner of Inland Revenue, as Chief Executive, authorised these financial statements for issue on 30 September 2025.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP) and the Treasury Instructions.

IR has applied the Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) in preparing the 30 June 2025 financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies set out below and in the notes to the financial statements have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on a historical cost basis unless otherwise stated. The accrual basis of accounting has been used.

Functional and presentation currency

These financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000). The functional currency of IR is New Zealand dollars.

Changes in Accounting Standards

The amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services require IR to additionally disclose information about fees incurred for services received from its audit and review firms' other type of services.

Estimations and judgements

In preparing these financial statements, judgements, estimates and assumptions have been made concerning the future.

These judgements, estimates and their associated assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience, including expectations of future events that are believed to be reasonable under the circumstances, and other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The main estimates and judgements that are relevant to IR's financial statements are disclosed in Note 9 (Property, plant and equipment), Note 10 (Intangible assets), Note 11 (Debtors and prepayments), Note 13 (Employee entitlements) and Note 14 (Other liabilities).

Significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note, and that materially affect the measurement of financial results, the financial position, appropriation statement and/or output category statements within the section on Year-end Performance Information on Vote Revenue Appropriations, are outlined below.

Goods and services tax

All amounts in the financial statements, appropriation statements and output statements are exclusive of goods and services tax (GST), except for debtor Crown, net debtors and accounts payable, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST owing or due at balance date, being the difference between output GST and input GST, is included in creditors and other payables in the Statement of Financial Position. The net GST paid or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as Public Service agencies. No charge for income tax has been provided for.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit and funds held in bank accounts. All cash held in bank accounts is held in on-demand accounts and no interest is payable to IR. IR is only permitted to spend its cash and cash equivalents within the amount, scope and period of its Vote Revenue appropriations.

Foreign currency transactions

IR's activities expose it to the risks of changes in foreign exchange rates. Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the financial results. IR holds a departmental foreign currency bank account for bank fees incurred in Australian dollars.

Comparatives

When the presentation or classification of items in the financial statements change, comparative figures for prior periods are re-stated to ensure consistency with the current period unless it is impractical to do so. The presentation of some information has changed from the previous period, with prior period balances re-classified to be comparable with current year figures.

Cost allocations

IR allocates costs directly to an appropriation where a line of sight exists between an appropriation and a cost centre or a project. IR uses indirect allocation where a cost centre, a project or an initiative cannot be attributed directly to an appropriation. Indirect allocation rates are derived from the weighting of apportioned direct costs from relevant cost drivers to appropriations.

Budget and forecast figures

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted in preparing these financial statements. The budget and forecast figures are not subject to audit. The budget figures for 2024–25 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025.

The forecast figures for 2025–26 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026.

The forecast financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE Financial Reporting Standard 42 Prospective Financial Statements.

Forecast policies

The forecasts have been compiled on the basis of existing government policies and ministerial expectations at the time the statements were finalised. The Commissioner, in his role as Chief Executive of Inland Revenue, is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures. The Commissioner approved the forecast financial statements for issue on 24 April 2025. Although IR regularly updates its forecasts, it will not publish updated forecast financial

statements for the year ending 30 June 2026. The main assumptions are as follows:

- IR's core activities will remain substantially the same as for the previous year.
- Operating costs are based on historical information and IR's best estimates of future costs to be incurred for the delivery of its services.
- Estimated year-end information for 2024–25 was used as the opening position for the 2025–26 forecasts.

Any changes to budgets during 2025–26 will be incorporated into The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026.

Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these forecast financial statements and the actual reported results include:

- changes due to initiatives approved by Cabinet
- technical adjustments to the budget, including transfers between financial years
- macroeconomic impacts on estimations, judgements and assumptions
- the timing of expenditure relating to significant programmes and projects.

Where our income came from

Note 2. Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue is recognised as follows.

Revenue from the Crown

Revenue from Crown transactions are considered to be non-exchange transactions.

Revenue from the Crown is measured based on IR's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

IR can incur expenses only within the scope, period and value limits of its Vote Revenue appropriations. The fair value of revenue from the Crown is considered equivalent to the funding entitlement.

Revenue from the Crown was higher than budget by \$2.904 million. The variance is due to net baseline increases and decreases during the financial year as set out in the 2024–25 Supplementary Estimates.

Other revenue

Other revenue transactions as outlined below are considered to be exchange transactions.

Revenue from recoveries

Revenue from recoveries is recognised as revenue when earned.

Sale of services

The sale of services is recognised in the accounting period in which the services are provided.

Rental revenue from accommodation sub-leases

Rental revenue from sub-leased accommodation is recognised as revenue on a straight-line basis over the term of the sub-lease.

Actual	Actual	Unaudited budget
2024	2025	2025
\$000	\$000	\$000
3,460 Accident Compensation Corporation earner levy collection fee	3,400	3,400
903 Rental revenue from accommodation sub-leases	928	1,250
800 Revenue from rulings	965	1,088
373 Court costs recovered	368	1,600
– Unrealised foreign exchange gain	284	–
119 Foreign trust administration fees	124	–
113 Services and information provided to other agencies	87	113
491 Other	258	414
6,259 Total other revenue	6,414	7,865

Costs incurred in achieving our outcomes

Note 3. Personnel

Salaries and wages

Salaries and wages expenditure is recognised as an expense as employees provide services.

Superannuation schemes

Employer obligations for contributions to the Inland Revenue Superannuation Scheme, State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes. These obligations are expensed in the period they are paid.

Actual	Actual	Unaudited budget
2024	2025	2025
\$000	\$000	\$000
409,131 Salaries and wages	434,268	412,501
12,102 Employer contributions to defined contribution schemes	12,975	12,452
4,656 Retiring, long-service, annual and sick leave	4,993	3,251
2,868 Training and development	2,042	1,600
803 ACC levies	721	676
4,537 Other personnel expenses	6,763	6,127
434,097 Total personnel	461,762	436,607

Explanation of major variances against budget

Personnel costs were \$25.155 million higher than budget. The variance is primarily due to an increase in salaries and wages as a result of new initiatives for Vote Revenue in Budget 2024.

Note 4. Operating

Operating expenses are recognised as an expense in the period to which they relate.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to the ownership of an asset. Accommodation lease rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Lease incentives received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the term of the lease as a reduction in the rental expense.

Actual		Actual	Unaudited budget
2024		2025	2025
\$000		\$000	\$000
122,367	Technology and telecommunications	124,552	123,472
28,141	Accommodation leases	27,363	27,641
28,464	Contractors and consultants	23,422	33,441
5,602	Contingent workers—customer-facing	11,460	9,677
9,849	Office expenses	9,951	10,693
7,607	Outsourced contracts	6,724	7,643
3,343	Legal expenses	4,612	3,756
4,658	Travel and transport	3,878	4,351
3,752	Communications and publicity	3,735	4,551
1,456	Audit fees for the audit of the financial report ¹	1,236	1,716
1,520	Bank fees	1,169	1,600
433	Net loss on disposal of assets	353	–
156	Debt expected credit losses and write-offs	265	–
118	Disbursements for the audit of the financial statements	89	155
1,579	Net realised and unrealised foreign exchange losses	–	–
1,385	Other operating expenses	940	6,497
220,430	Total operating	219,749	235,193

Explanation of major variances against budget

Operating expenses were \$15.444 million lower than budget. This is mainly due to reductions in operating expenditure that IR committed to in Budget 2024, including efficiencies and reductions in accommodation leases, contractors and consultants, outsourced contracts and travel expenditure.

¹ Fees incurred for services provided by our audit firm: The departmental financial statements, non-departmental financial schedules and the service performance information for the year ended 30 June 2025 (the “financial report”) are audited by Audit New Zealand on behalf of the Auditor-General.

Note 5. Contractors and consultants

IR uses contractors and consultants to provide additional capacity to cover short-term activities or where specialist skills or independent external advice are needed.

A contractor is a person who is not considered an employee, providing extra capacity in a role that exists within IR, or acting as an additional resource for a time-limited piece of work.

A consultant is a person or supplier who is not considered a contractor or employee, engaged to perform a piece of work with a clearly defined scope and to provide expertise, in a particular field, not readily available within IR.

IR has elected to disclose contractors and consultants information separately in accordance with the Public Service Commission Te Kawa Mataaho (PSC) guidance:

Actual	Actual
2024	2025
\$000	\$000
17,748 Contractors	17,525
9,437 Consultants	4,928
27,185 Total contractors and consultants—operating	22,453
12,220 Contractors and consultants—capital	7,725
39,405 Total contractors and consultants	30,178

The small difference between the amounts in the table above and the contractors and consultants expense in Note 4 is because the financial statement definitions vary slightly to PSC definitions. For example, fees paid to other government agencies are excluded for PSC purposes.

The ratio of contractors and consultants operating expenditure to workforce operating spend was 4.9% in 2024–25 (6.2% in 2023–24).

Note 6. Capital charge

IR pays a capital charge to the Crown on taxpayers' funds as at 31 December and 30 June each year. This is recognised as an expense in the period to which the charge relates.

The capital charge rate for the year ended 30 June 2025 was 5.0% (2023–24: 5.0%).

Actual	Actual
2024	2025
\$000	\$000
22,245 Capital charge	22,382

Return to New Zealand taxpayers

Note 7. Taxpayers' funds

Taxpayers' funds are the Crown's net investment in IR.

Taxpayers' funds are divided and categorised into a number of components:

- total comprehensive revenue and expense
- repayment of surplus to the Crown
- capital injections
- capital withdrawals.

Capital management

IR's capital is reflected in its taxpayers' funds and is represented by net assets.

IR manages its revenue, expenses, assets liabilities and general financial dealings prudently and conservatively. IR's taxpayers' funds are largely managed as a by-product of managing revenue, expenses, assets liabilities and compliance with the Government Budget processes, the Treasury Instructions and the Public Finance Act 1989.

The objective of managing IR's taxpayers' funds is to ensure that IR effectively achieves its agreed outcomes and remains a going concern.

Note 8. Surplus payable to the Crown

The surplus is required to be paid to the Crown by 31 October each year.

Actual	Actual
2024	2025
\$000	\$000
24,509 Net surplus/(deficit)	4,996
25 Plus unrealised (gain)/loss in forward foreign exchange contracts	(52)
24,534 Total surplus payable to the Crown	4,944

Assets used to deliver our services

Note 9. Property, plant and equipment

IR has operational assets that include information technology (IT) equipment, furniture, office equipment, motor vehicles and leasehold improvements. The capitalisation thresholds are:

IT equipment	Over \$2,000
Furniture	Over \$2,000
Office equipment	Over \$2,000
Motor vehicles	No threshold
Leasehold improvements	No threshold

Certain items of IT equipment, furniture and office equipment, which are low value and high quantity such as chairs and IT monitors, are pooled together. All pooled assets are capitalised.

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost is the value of consideration given to acquire or create the asset, and includes any directly attributable costs of bringing the asset to working condition for its intended use.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits or service potential associated with the item will flow to IR beyond 1 year, and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Subsequent costs

Subsequent costs are capitalised when it is probable that the future economic benefits or service potential associated with the item will flow to IR beyond 1 year and the cost of the item can be measured reliably. All repairs and maintenance are expensed.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than assets under construction. The rate of depreciation will reduce the value of the asset to the estimated residual value over the useful life of the asset. The useful lives of major classes of assets on initial measurement have been estimated as:

IT equipment	3 to 5 years
Furniture	3 to 10 years
Office equipment	5 to 10 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 10 years

Where appropriate, the useful life for an individual asset on initial measurement may be set outside of the above ranges.

All property, plant and equipment other than motor vehicles are assumed to have no residual value. Motor vehicles are assumed to have a 20% to 40% residual value.

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is shorter.

Assets under construction are recognised at cost less impairment and are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

The assets' residual values and useful lives are reviewed at least annually, and adjusted if appropriate, at each balance date.

Disposals

Gains and losses on asset disposals are determined by comparing proceeds with the carrying amount. These are recognised on a net basis in the net surplus or deficit.

	IT equipment	Furniture and office equipment	Motor vehicles	Leasehold improvements	Assets under construction	Total tangible assets
2025	\$000	\$000	\$000	\$000	\$000	\$000
Cost						
Opening balance as at 1 July 2024	16,926	12,179	4,016	66,843	5,145	105,109
Additions/capitalisation	4,361	4,050	215	15,361	(3,903)	20,084
Disposals	(1,512)	(545)	(1,111)	(5,894)	–	(9,062)
Closing balance as at 30 June 2025	19,775	15,684	3,120	76,310	1,242	116,131
Accumulated depreciation and impairment losses						
Opening balance as at 1 July 2024	7,982	4,611	1,065	43,259	–	56,917
Depreciation and impairment	5,347	1,473	752	4,822	–	12,394
Disposals	(1,461)	(521)	(615)	(5,719)	–	(8,316)
Closing balance as at 30 June 2025	11,868	5,563	1,202	42,362	–	60,995
Carrying amount as at 30 June 2025	7,907	10,121	1,918	33,948	1,242	55,136
2024						
Cost						
Opening balance as at 1 July 2023	16,509	12,865	3,440	59,826	13,866	106,506
Additions/capitalisation	6,350	5,178	2,593	13,759	(8,721)	19,159
Disposals	(5,933)	(5,864)	(2,017)	(6,742)	–	(20,556)
Closing balance as at 30 June 2024	16,926	12,179	4,016	66,843	5,145	105,109
Accumulated depreciation and impairment losses						
Opening balance as at 1 July 2023	8,911	9,296	1,820	45,685	–	65,712
Depreciation and impairment	4,741	1,125	717	4,205	–	10,788
Disposals	(5,670)	(5,810)	(1,472)	(6,631)	–	(19,583)
Closing balance as at 30 June 2024	7,982	4,611	1,065	43,259	–	56,917
Carrying amount as at 30 June 2024	8,944	7,568	2,951	23,584	5,145	48,192

Impairment

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are also reviewed annually for indicators of impairment at each balance date. Assets under construction are tested for impairment at each balance date.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined based on either the depreciated replacement cost or the restoration cost, depending on the nature of the impairment and the availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is considered to be impaired and is written down to the recoverable service amount. The impairment loss and any reversal of impairment loss are recognised in the net surplus or deficit.

Note 10. Intangible assets

IR has intangible assets in the form of internally generated software, business process design and software licences. All of IR's intangible assets have finite useful lives.

Internally generated intangible assets

There are 2 types of internally generated intangible assets: computer software configuration and business process design.

The cost of internally generated intangible assets comprises direct labour, materials purchased and an appropriate portion of relevant overheads. These costs are associated with the development of identifiable and unique software, and business processes controlled by IR, which will generate future economic benefits beyond 1 year.

Expenditure on development activities, where research findings are applied to a plan or design for new or substantially improved processes, is capitalised if the processes are technically and commercially feasible. Any other development costs are expensed.

Costs incurred on research of an internally generated intangible asset are expensed. Where the research phase cannot be distinguished from the development phase, the total cost is expensed. Costs associated with procurement change management and training delivery are expensed. Costs associated with maintaining internally generated computer software are expensed. Costs of configuring and customising commercial off-the-shelf software are capitalised. Costs of configuring and customising software-as-a-service arrangements are expensed.

Website development costs are recognised as an intangible asset if it can be demonstrated that the website will generate probable future economic benefits. Subsequent costs associated with the development and maintenance of IR's existing websites are expensed unless they meet the capitalisation requirement of PBE IPSAS 31 Intangible Assets. Staff training costs and change management costs are expensed.

Software licences

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and be able to use the specific software. Costs associated with supporting and maintaining computer software licences are expensed. The capitalisation thresholds for intangible assets are:

Internally generated intangible assets	Over \$20,000
Software licences	Over \$20,000

Additions

Intangible assets are initially recorded at cost and subsequently recorded at historical cost less amortisation and impairment losses.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for use and ceases when the asset no longer has a recognisable value. The amortisation charge is expensed. The useful lives of major classes of intangible assets on initial measurement have been estimated as:

Internally generated intangible assets	3 to 15 years
Software licences	3 to 15 years

Assets under construction are recognised at cost less impairment and are not amortised. The total cost of a capital project is transferred to the appropriate asset class on its completion and then amortised.

The assets' useful lives are reviewed and adjusted if appropriate at each balance date and where appropriate for an individual asset these can be outside of the above ranges on initial measurement.

The gain or loss arising from the disposal of an intangible asset forms part of the net surplus or deficit.

Impairment

Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets are also reviewed annually for indicators of impairment at each balance date. Assets under construction are tested for impairment at each balance date.

For further details, refer to the policy for impairment of property, plant and equipment in Note 9. The same approach applies to the impairment of intangible assets.

Estimating the useful lives of intangible assets

The useful lives of intangible assets are based on:

- management's view of the expected period over which IR and/or the Government will receive benefits
- historical experience with similar assets
- anticipation of future events that may impact their useful lives such as changes in technology, government policy, regulations or legislation.

	Internally generated intangible assets	Software licences	Assets under construction	Total intangible assets
	\$000	\$000	\$000	\$000
2025				
Cost				
Opening balance as at 1 July 2024	390,489	31,402	3,782	425,673
Additions/capitalisation	8,909	–	(335)	8,574
Disposals	–	(535)	–	(535)
Closing balance as at 30 June 2025	399,398	30,867	3,447	433,712
Accumulated amortisation and impairment losses				
Opening balance as at 1 July 2024	154,604	19,072	–	173,676
Amortisation and impairment	34,678	1,782	–	36,460
Disposals	–	(535)	–	(535)
Closing balance as at 30 June 2025	189,282	20,319	–	209,601
Carrying amount as at 30 June 2025	210,116	10,548	3,447	224,111
2024				
Cost				
Opening balance as at 1 July 2023	385,410	60,489	12,797	458,696
Additions/capitalisation	22,211	–	(9,015)	13,196
Disposals	(17,132)	(29,087)	–	(46,219)
Closing balance as at 30 June 2024	390,489	31,402	3,782	425,673
Accumulated amortisation and impairment losses				
Opening balance as at 1 July 2023	136,632	45,812	–	182,444
Amortisation and impairment	35,103	2,344	–	37,447
Disposals	(17,131)	(29,084)	–	(46,215)
Closing balance as at 30 June 2024	154,604	19,072	–	173,676
Carrying amount as at 30 June 2024	235,885	12,330	3,782	251,997

There is no restriction over the title of IR's intangible assets, nor are any intangible assets pledged as security for liabilities. IR's intangible assets are mainly related to the core revenue system and supporting infrastructure (START).

Of the \$224.111 million carrying value for intangibles, \$214.246 million relates to the development of START and supporting infrastructure assets. The estimated remaining life of the START assets is 7 years.

Note 11. Debtors and prepayments

Accounts receivable and other debtors transactions are considered to be exchange transactions. Debtor Crown transactions are considered to be non-exchange transactions.

Rental revenue from accommodation sub-leases

Debtors and receivables are recorded at their face value, less an allowance for credit losses. IR applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring credit losses, receivables have been assessed both on a collective basis where they possess shared credit risk characteristics, and on an individual basis where we had specific information about cost recoveries. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Actual		Actual	Unaudited budget
2024		2025	2025
\$000		\$000	\$000
Current assets—exchange transactions			
<i>Debtors</i>			
3,307	Accounts receivable	2,232	3,325
(1,512)	Less allowance for credit losses	(1,601)	(1,500)
459	Other debtors	572	–
2,254	Net debtors	1,203	1,825
10,457	Prepayments	10,179	12,000
12,711	Total current assets—exchange transactions	11,382	13,825
Non-current assets—exchange transactions			
395	Prepayments	427	50
395	Total non-current assets—exchange transactions	427	50
13,106	Total debtors and prepayments—exchange transactions	11,809	13,875

The expected credit loss rates for accounts receivable are based on the payment profile of receivables over the previous periods and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking economic factors that might affect the recoverability of receivables.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the expected credit loss allowance.

The allowance for credit losses at 30 June 2025 and 30 June 2024 was determined as follows:

	Expected credit loss rate	Gross carrying amount \$000	Lifetime expected credit loss \$000
2025			
Not past due	12.71%	354	45
Past due 1 to 30 days	28.16%	103	29
Past due 31 to 60 days	78.72%	47	37
Past due 61 to 90 days	82.86%	70	58
Past due > 90 days	86.37%	1,658	1,432
Total	71.73%	2,232	1,601
2024			
Not past due	2.30%	871	20
Past due 1 to 30 days	7.67%	404	31
Past due 31 to 60 days	6.43%	373	24
Past due 61 to 90 days	30.67%	75	23
Past due > 90 days	89.27%	1,584	1,414
Total	45.72%	3,307	1,512

Movements in the allowance for credits losses are as follows:

Actual	Actual
2024 \$000	2025 \$000
1,426 Opening balance as at 1 July	1,512
150 Additional provisions made during the year	251
(64) Receivables written off during the year	(162)
1,512 Closing balance as at 30 June	1,601

Sensitivity analysis

The following table shows the effect of changes in the lifetime expected credit loss assumption.

2024 \$000	2025 \$000
(66) Impact of a 2% increase on the lifetime expected credit loss assumption	(45)
66 Impact of a 2% decrease on the lifetime expected credit loss assumption	45

Liabilities incurred by Inland Revenue

Note 12. Creditors and other payables

Creditors and other payables due within 12 months are recognised at their nominal value unless the effect of discounting is material. Creditors and other payables due beyond 12 months are subsequently measured at amortised cost using the effective interest rate method, where applicable.

Actual		Actual	Unaudited budget
2024		2025	2025
\$000		\$000	\$000
Creditors and other payables—exchange transactions			
9,888	Accounts payable	10,314	10,000
17,431	Accrued expenses—other	14,858	26,000
521	Lease incentive	964	1,656
27,840	Total creditors and other payables—exchange transactions	26,136	37,656
Creditors and other payables—non-exchange transactions			
8,265	GST payable	7,544	11,000
8,265	Total creditors and other payables—non-exchange transactions	7,544	11,000
36,105	Total creditors and other payables	33,680	48,656

Creditors and other payables are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates to their fair value. The government's objective is to pay 95% of invoices to domestic suppliers within 10 business days. IR achieved 98.5% of domestic suppliers paid within 10 business days in 2024–25.

Explanation of major variances against budget

Creditors and other payables were \$14.976 million below budget due to earlier processing of large suppliers' invoices already being recognised and paid in 2025.

Note 13. Employee entitlements

Current entitlements

Employee entitlements, which IR expects to be settled within 12 months of balance date, are measured at nominal value based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave and time off in lieu earned up to but not yet taken at balance date, and retiring and long-service leave entitlements expected to be settled within 12 months.

IR recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that IR anticipates it will be used by staff to cover those future absences.

Non-current entitlements

Employee entitlements that are payable beyond 12 months, such as long-service leave and retiring leave, have been calculated on an actuarial basis.

Actual		Actual	Unaudited budget
2024		2025	2025
\$000		\$000	\$000
Current entitlements			
32,796	Annual leave	32,736	24,498
18,255	Accrued salaries and wages	23,864	22,000
2,020	Retiring leave	2,760	2,125
1,897	Sick leave	1,930	1,995
1,380	Long-service leave	1,460	1,452
1	Time off in lieu	7	–
56,349	Total current entitlements	62,757	52,070
Non-current entitlements			
18,900	Retiring leave	18,610	18,128
6,290	Long-service leave	6,660	5,972
25,190	Total non-current entitlements	25,270	24,100
81,539	Total employee entitlements	88,027	76,170

Explanation of major variances against budget

Provisions for total employee entitlements were \$11.857 million higher than budget. This is mainly due to a higher amount of annual leave accrued.

Termination benefits

Termination benefits are payable when an employee's employment contract is terminated before their normal retirement or when an employee accepts voluntary redundancy in exchange for these benefits. IR recognises the expense when it is demonstrably committed to either terminate the employment of current employees, according to a detailed formal plan without the possibility of withdrawal, or as a result of an accepted offer for voluntary redundancy.

Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Otherwise, they are reported as the present value of the estimated future cash outflows, where applicable.

There were no movements in provisions for termination benefits from 2023–24 to 2024–25. Movements in the provisions for termination benefits and other provisions from last financial year 2023–24 are as follows:

	Termination benefits	Other provisions	Total
	\$000	\$000	\$000
Opening balance as at 1 July 2023	367	2,114	2,481
Additional provisions made	–	2	2
Amounts used	(233)	(2,116)	(2,349)
Unused amounts reversed	(134)	–	(134)
Closing balance as at 30 June 2024	–	–	–

Measuring retiring and long-service leave liabilities

The actuarial calculations for long-service leave and retiring leave liabilities are based on:

- employee contractual entitlements
- years of service accrued to balance date and years remaining to entitlement
- the present value of the estimated future cash outflows using an applicable discount rate and salary inflation rate.

Sick leave, annual leave and vested long-service leave are classified as a current liability. Non-vested long-service leave and retiring leave liabilities expected to be settled within 12 months of balance date are also classified as a current liability. All other long-service leave and retiring leave is classified as a non-current liability.

The present value of retiring and long-service leave obligations depends on a number of factors that are determined on an actuarial basis by an independent actuary. Key assumptions used in calculating liabilities are the discount rate and salary inflation. Any changes in these assumptions will impact the carrying amount of the liabilities. The methodology used is consistent with PBE IPSAS 39 Employee Benefits and the liability has been valued using the projected unit credit method.

The discount rates used by the independent actuary for the retiring and long-service leave valuations are based on the Treasury's published forward rates at 30 June 2025. The forward rates are derived from New Zealand government bonds. The long-term salary inflation assumption is based on the Treasury's published rates at 30 June 2025 and agreed employee collective agreements outcomes. The long-term salary inflation assumption used was 2.8% (2024: 3%).

The net effect of assumptions for discount rates and salary inflation has resulted in an increase to the liability. The following section provides a sensitivity analysis of these assumptions.

Sensitivity analysis

The following table shows the effect of changes in forecast discount, salary inflation and withdrawal rates on liabilities for long-service and retiring leave. Each factor is considered separately as if all other factors remained constant.

	Actual \$000	Discount rate change \$000	Discount rate change \$000	Salary inflation change \$000	Salary inflation change \$000	Withdrawal rate change \$000	Withdrawal rate change \$000
2025		-1.0%	+1.0%	-1.0%	+1.0%	-1.0%	+1.0%
Long-service leave	6,660	366	(330)	(134)	377	412	(375)
Retiring leave	18,610	1,290	(1,170)	(4)	1,330	339	(323)
2024							
Long-service leave	6,290	352	(318)	(127)	365	398	(362)
Retiring leave	18,900	1,360	(1,230)	(6)	1,410	398	(377)

Note 14. Other liabilities

Provision for other liabilities

IR recognises a provision for future payments of uncertain amounts or timing where there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that a payment will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for net deficits from future operating activities.

Provisions are recorded at the best estimate of the expenditure required to settle the obligation. Provisions to be settled beyond 12 months are recorded at their present value and are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash flows, where applicable. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance expenses.

The lease make-good liability is a discounted estimate for IR's obligations as a lessee at the end of an accommodation lease to restore the leased premises to its original condition, subject to fair wear and tear. The lease-make good liability is reviewed at balance date.

Actual 2024 \$000	Actual 2025 \$000
Non-current liabilities	
706 Lease make-good	924
706 Total provision for other liabilities	924

Other disclosures

Note 15. Related party transactions and key management personnel

IR is a wholly owned entity of the Crown. Subject to the statutory role of the Commissioner under the Tax Administration Act 1994, the Government influences the role of IR as well as being its major source of revenue. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those where it is reasonable to expect that IR would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions. IR has no related party transactions that are required to be disclosed in 2024–25 (2023–24: nil).

Remuneration of key management personnel

The remuneration of key management personnel during the year was as follows:

2024	2025
Leadership team, including the Commissioner (Chief Executive)	
2,960 Remuneration (\$000)	3,095
7.1 Full-time equivalent staff	6.8

The key management personnel remuneration disclosure includes the Chief Executive (Commissioner), 5 Deputy Commissioners, the Chief Tax Counsel and those formally acting in those positions during the financial year. The Commissioner's remuneration is determined and paid by PSC and invoiced to IR. The number of Deputy Commissioner positions reduced from 5 to 4 during the year.

The Minister of Revenue is not deemed to be key management personnel. The Minister's remuneration and other benefits, as set by the Remuneration Authority, are received for more than the Minister's role as a member of key management personnel of IR and are not paid by IR.

Note 16. Financial instruments—categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2024 \$000	Actual 2025 \$000
Financial assets measured at amortised cost	
83,661 Cash and cash equivalents	49,240
201,936 Debtor Crown	243,437
2,254 Net debtors	1,203
287,851 Total financial assets measured at amortised cost	293,880
Financial liabilities measured at amortised cost	
27,319 Creditors and other payables	25,172
27,319 Total financial liabilities measured at amortised cost	25,172
Financial liabilities measured at fair value through surplus or deficit	
12,236 Derivative financial instrument liabilities	12,184
12,236 Total financial liabilities measured at fair value through surplus or deficit	12,184

Note 17. Derivative financial instruments

For certain foreign currency transactions, IR uses derivative financial instruments (foreign currency forward exchange contracts) to mitigate risks associated with foreign currency fluctuations. The foreign currency forward exchange contracts are entered into with New Zealand Debt Management within the Treasury.

The use of foreign currency forward exchange contracts is governed by IR's foreign exchange policy, which provides principles on the use of financial derivatives consistent with IR's enterprise risk management framework.

IR does not hold or issue derivative financial instruments for trading purposes and has not adopted hedge accounting.

Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into, and are subsequently restated at fair value at each balance date. They are reported as either assets or liabilities, depending on whether the derivative is in a net gain or net loss position respectively. Movements in the fair value of derivative financial instruments are recognised in the financial result.

Derivative financial instruments are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value is classified as non-current. The net fair value of derivative financial instruments is a liability of \$12.184 million as at 30 June 2025 (2024: a liability of \$12.236 million).

The notional principal amount of outstanding forward exchange contract derivatives as at 30 June 2025 was NZ\$122.018 million (2024: NZ\$152.706 million). The contracts consisted of the purchase of US\$62.331 million (2024: US\$75.885 million and AU\$0.199 million). The unrealised gain on the forward exchange contract derivatives was NZ\$0.052 million as at 30 June 2025 (2024: unrealised loss of NZ\$0.025 million). The majority of the forward exchange contracts relate to software maintenance and support.

Note 18. Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- 1. quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
- 2. valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are observable
- 3. valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

IR’s financial assets and liabilities at balance date are valued at fair value using observable inputs (level 2). There are no quoted market prices (level 1) for these instruments.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value.

Actual 2024 Valuation technique \$000 Level 2—observable inputs		Actual 2025 \$000
Financial liabilities		
(12,236)	Forward foreign exchange contracts (net)	(12,184)

Note 19. Financial instruments—financial instrument risks

IR's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. IR has policies to manage the risks associated with financial instruments, and seeks to minimise exposure from financial instruments. IR does not enter into any transactions that are speculative in nature.

Contractual maturity analysis of financial liabilities, excluding forward foreign exchange contracts

The following table analyses IR's financial liabilities that will be settled based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Market risk

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates is called currency risk.

IR purchases goods and services from overseas suppliers, and it is therefore exposed to currency risk arising from various currency exposures, primarily for United States and Australian dollars.

Under its foreign exchange policy, IR enters into foreign currency forward exchange contracts to manage foreign exchange exposures when single foreign exchange transactions exceed NZ\$100,000 or the transaction exposure for an individual currency exceeds NZ\$100,000. This policy has been approved by the Treasury and is in line with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Sensitivity analysis

Assuming that all other variables remained constant, the impact on the surplus of a 5% increase/decrease in the New Zealand dollar against various other currencies held by IR in its foreign currency account at 30 June 2025 would be a \$4.344 million decrease and a \$4.804 million increase respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate due to changes in market interest rates. IR has no interest-bearing financial instruments so it has no exposure to interest rate risk.

Credit risk

The risk that a third party will default on its obligations to IR, causing a loss to be incurred, is called credit risk. In the normal course of its business, credit risk from receivables is concentrated with the Crown and other government agencies but not with any individual agencies. The carrying amount of financial assets recognised in the Statement of Financial Position best represents IR's maximum exposure to credit risk at balance date.

IR does not require any collateral, security or other credit enhancements to support financial instruments with the financial institutions that it deals with because these entities have high credit ratings. Westpac is IR's main bank for departmental transactions and has an S&P Global Ratings credit rating of AA-. IR enters into foreign currency transactions with New Zealand Debt Management (S&P Global Ratings credit rating of AA+). For its other financial instruments, IR does not have significant concentrations of credit risk.

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is not material.

Liquidity risk

Liquidity risk is the risk that IR will encounter difficulty raising liquid funds to meet commitments as they fall due.

As all but an insignificant proportion of revenue and funds come from the New Zealand Government and cash is drawn down on a fortnightly basis, IR does not have significant liquidity risk. In meeting its liquidity requirements, IR closely monitors its forecast cash requirements with expected cash drawdowns from New Zealand Debt Management. IR maintains a target level of available cash to meet daily liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding forward foreign exchange contracts

The following table analyses IR's financial liabilities that will be settled based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000	Total contractual cash flows \$000	Up to 1 year \$000	1 to 5 years \$000	Over 5 years \$000
2025					
Creditors and other payables	25,172	25,172	25,172	–	–
Total	25,172	25,172	25,172	–	–
2024					
Creditors and other payables	27,319	27,319	27,319	–	–
Total	27,319	27,319	27,319	–	–

Contractual maturity analysis of forward foreign exchange contracts

The table below analyses IR's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

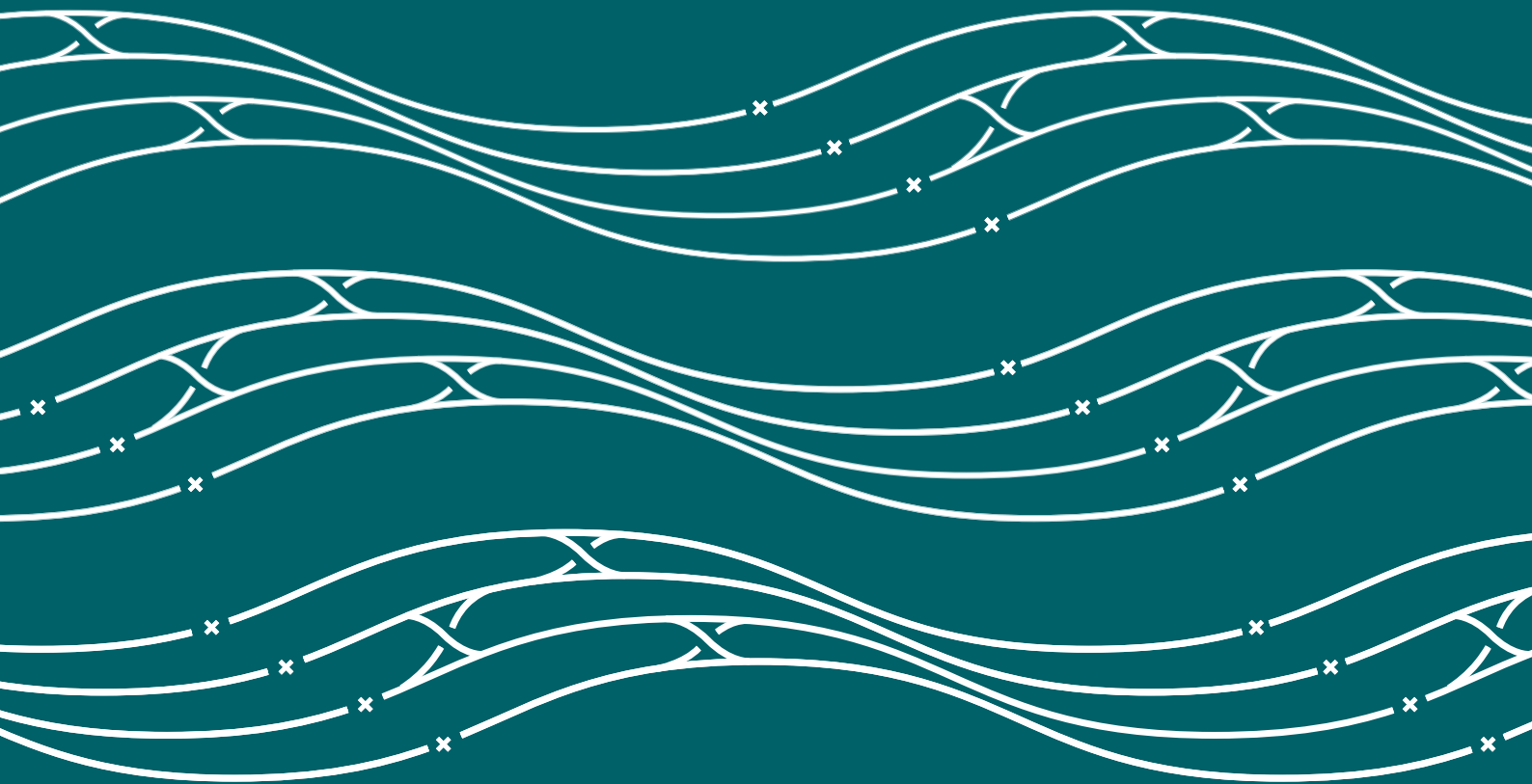
	Derivative financial instruments net carrying amount \$000	Total contractual cash flows \$000	Up to 1 year \$000	1 to 5 years \$000	Over 5 years \$000
2025					
Gross settled forward foreign exchange contracts (net liability)	(12,184)				
Outflow		122,018	31,412	90,606	–
Total	(12,184)	122,018	31,412	90,606	–
2024					
Gross settled forward foreign exchange contracts (net liability)	(12,236)				
Outflow		152,706	34,200	112,336	6,170
Total	(12,236)	152,706	34,200	112,336	6,170

Note 20. Events after balance date

There have been no significant events after balance date.

Financial schedules

Non-departmental



Why we include the non-departmental schedules

Inland Revenue (IR) collects and distributes money on behalf of the Crown and the following non-departmental schedules provide information on the financial extent of these activities. The Commissioner is accountable for the financial management of these activities.

2024–25 non-departmental tax revenue totalled \$116.6 billion and comprises tax returns and accruals. The majority of this amount is expected to be collected and will be used to fund government programmes. 2024–25 non-departmental expenses totalled \$7.6 billion, including Working for Families Tax Credits, KiwiSaver Tax Credits, interest and other expenses.

What non-departmental schedules are and are not

The non-departmental schedules are prepared in accordance with relevant accounting policies and the Treasury Instructions to disclose non-departmental activities.

The non-departmental schedules do not, and are not intended to, constitute a set of financial statements and, therefore, do not include elements that would normally be expected to be found in financial statements such as details of a surplus or deficit or a Statement of Financial Position.

For a full understanding of the Crown's financial position and the results of its operation and cash flows, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

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Schedule of Non-departmental Revenue

For the year ended 30 June 2025

Actual	Note	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000	2	\$000	\$000	\$000
Direct taxation				
Individuals				
50,881,388	Source deductions (PAYE)	51,025,488	52,086,000	53,732,000
9,866,290	Other persons	11,333,762	10,541,000	11,394,000
(2,655,493)	Refunds	(2,853,937)	(2,766,000)	(2,936,000)
837,873	Fringe benefit tax	908,869	837,000	909,000
58,930,058	Total individuals	60,414,182	60,698,000	63,099,000
Corporate tax				
18,737,597	Gross companies tax	19,968,152	19,513,000	19,268,000
(738,180)	Refunds	(964,157)	(718,000)	(1,049,000)
707,257	Non-resident withholding tax	733,172	695,000	723,000
18,706,674	Total corporate tax	19,737,167	19,490,000	18,942,000
Other direct income tax				
3,472,738	Resident withholding tax on interest income	3,566,936	3,198,000	3,209,000
2,521,013	Resident withholding tax on dividend income	940,240	1,000,000	1,168,000
1,982,113	Employer superannuation contribution tax	2,050,614	2,033,000	2,103,000
7,975,864	Total other direct income tax	6,557,790	6,231,000	6,480,000
85,612,596	Total direct taxation	86,709,139	86,419,000	88,521,000

Schedule of Non-departmental Revenue (continued)

For the year ended 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000	2	\$000	\$000	\$000
Indirect taxation				
Goods and services tax				
47,414,703	Gross goods and services tax	48,368,129	48,389,000	51,727,000
(18,167,981)	Refunds	(19,117,698)	(18,939,000)	(21,567,000)
29,246,722	Total goods and services tax	29,250,431	29,450,000	30,160,000
Other indirect taxation				
198,303	Approved issuer levy	231,160	166,000	187,000
349,953	Gaming duties	398,120	390,000	412,000
26	Other indirect taxation	239	2,000	1,000
548,282	Total other indirect taxation	629,519	558,000	600,000
29,795,004	Total indirect taxation	29,879,950	30,008,000	30,760,000
115,407,600	Total taxation	116,589,089	116,427,000	119,281,000
Other revenue				
24,550	Child support	21,555	16,000	14,000
94,613	Interest unwind—Small Business Cashflow Scheme	32,822	35,000	13,000
661,558	Interest unwind—student loans	518,433	603,000	438,000
221,694	Other revenue	178,551	158,000	172,000
1,002,415	Total other revenue	751,361	812,000	637,000
116,410,015	Total non-departmental revenue excluding gains	117,340,450	117,239,000	119,918,000

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Expenses

For the year ended 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Benefits or related expenses				
336,108	Best Start tax credit	345,990	339,000	326,000
(458)	Child tax credit	–	–	–
–	FamilyBoost tax credit	50,607	174,000	171,000
2,296,578	Family tax credit	2,434,255	2,316,000	2,374,000
436,964	In-work tax credit	550,040	582,000	588,000
2,841	KiwiSaver: Interest	3,481	2,500	4,000
1,011,371	KiwiSaver: Tax credit, contribution and residual entitlement	1,016,801	1,101,000	541,000
11,467	Minimum family tax credit	10,691	12,000	7,900
647,296	Paid parental leave payments	708,905	685,000	745,000
(241)	Parental tax credit	–	–	–
4,741,926	Total benefits or related expenses	5,120,770	5,211,500	4,756,900
Borrowing expenses				
4,185	Environmental restoration account interest	4,120	4,300	4,200
8,602	Income equalisation interest	6,628	7,000	7,000
12,787	Total borrowing expenses	10,748	11,300	11,200
Other expenses				
(23,587)	Cost of Living payments	(7)	–	–
(7,118)	COVID-19 Resurgence Support Payment	(928)	–	–
(4,804)	COVID-19 Support Payment	(533)	–	–
–	Final-year Fees Free payments	–	–	55,000
2,375,843	Impairment of debt and debt write-offs	3 1,872,426	1,676,000	1,520,000
(25)	Initial fair value write-down relating to the Small Business Cashflow Scheme COVID-19	5 –	–	–
544,076	Initial fair value write-down relating to student loans	6 585,247	633,000	636,000
(5,908)	Impairment of debt and debt write-offs relating to child support	4 10,094	–	–
2,878,477	Total other expenses	2,466,299	2,309,000	2,211,000
7,633,190	Total non-departmental expenses excluding losses	7,597,817	7,531,800	6,979,100

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Gains and Losses

For the year ended 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Gains and losses				
(38,393) Net gains/(losses) on Small Business Cashflow Scheme—fair value remeasurement	5	55,383	–	–
355,000 Net gains on student loans—fair value remeasurement	6	378,300	–	–
316,607 Total non-departmental net gains		433,683	–	–

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Assets

As at 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Current assets				
2,800,812 Cash and cash equivalents		4,257,592	3,766,000	1,481,000
22,045,776 Receivables	3	19,583,346	16,863,700	18,989,197
31,420 Receivables—child support	4	35,906	50,000	31,420
10 Receivables—other		39	–	11
325,000 Small Business Cashflow Scheme	5	143,000	114,700	87,000
1,572,000 Student loans	6	1,500,000	1,823,000	1,754,000
26,775,018 Total current assets		25,519,883	22,617,400	22,342,628
Non-current assets				
942,600 Receivables	3	1,825,500	679,500	942,600
164,824 Receivables—child support	4	126,272	143,467	98,824
139,582 Small Business Cashflow Scheme	5	75,701	56,453	1,000
8,024,393 Student loans	6	8,554,261	7,738,547	8,272,393
9,271,399 Total non-current assets		10,581,734	8,617,967	9,314,817
36,046,417 Total non-departmental assets		36,101,617	31,235,367	31,657,445

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Liabilities

As at 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Current liabilities				
22,292	Child support	18,281	19,625	22,292
6,627,320	Refundables and payables	7,006,109	6,092,935	7,341,708
63,200	Unclaimed monies	51,653	49,143	63,200
6,712,812	Total current liabilities	7,076,043	6,161,703	7,427,200
Non-current liabilities				
392,362	Reserve schemes	332,068	348,822	333,362
392,362	Total non-current liabilities	332,068	348,822	333,362
7,105,174	Total non-departmental liabilities	7,408,111	6,510,525	7,760,562

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Capital Receipts

For the year ended 30 June 2025

Actual	Notes	Actual	Unaudited budget	Unaudited forecast
2024		2025	2025	2026
\$000		\$000	\$000	\$000
Capital receipts				
131,545	Income equalisation reserve scheme receipts	49,910	110,000	90,000
378,181	Small Business Cashflow Scheme receipts	334,086	324,800	129,000
1,596,723	Student loans—receipts	1,562,697	1,729,000	1,631,000
2,106,449	Total non-departmental capital receipts	1,946,693	2,163,800	1,850,000

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Commitments

As at 30 June 2025

IR, on behalf of the Crown, has no non-cancellable capital or lease commitments (2024: nil).

Schedule of Non-departmental Contingent Assets and Contingent Liabilities

As at 30 June 2025

Unquantifiable contingent assets and contingent liabilities

IR, on behalf of the Crown, has no unquantifiable contingent assets and liabilities (2024: nil).

Quantifiable contingent assets and contingent liabilities

Actual 2024 \$000	Note 10	Actual 2025 \$000
Quantifiable contingent assets		
49,858	Disputes—non-assessed	19,319
49,858	Total quantifiable contingent assets	19,319
Quantifiable contingent liabilities		
70,889	Legal proceedings and disputes—assessed	296,824
511,347	Unclaimed monies	567,658
582,236	Total quantifiable contingent liabilities	864,482

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Schedule of Non-departmental Trust Monies

For the year ended 30 June 2025

IR operates 3 trust accounts as an agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their year end balances are not included in other financial schedules.

Actual 2024 \$000		Contributions 2025 \$000	Distributions 2025 \$000	Total 2025 \$000
Child support				
40,717	Child support trust account	12,209	(11,141)	41,785
40,717	Total child support	12,209	(11,141)	41,785
KiwiSaver				
351	KiwiSaver returned transactions trust account	85,981	(85,859)	473
337	KiwiSaver voluntary contribution trust account	593	(397)	533
688	Total KiwiSaver	86,574	(86,256)	1,006
41,405	Total trust monies	98,783	(97,397)	42,791

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

The child support trust account was established in accordance with section 139 of the Child Support Act 1991. The child support trust account holds all funds collected on behalf of receiving carers from liable parents who are either based in New Zealand or overseas.

The KiwiSaver trust accounts were established in accordance with section 72 of the KiwiSaver Act 2006. The KiwiSaver returned transactions trust account accepts returned payments from the scheme providers before they are passed on to scheme members or their employers. The KiwiSaver voluntary contribution trust account holds voluntary payments from members before funds are passed on to the scheme providers.

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How we have prepared these schedules

Note 1. Statement of Accounting Policies

Reporting entity

These non-departmental financial schedules present financial information on public funds managed by Inland Revenue (IR) on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025. For a full understanding of the Crown's financial position and the results of its operations and cash flows for the year, refer to the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

Reporting period

The reporting period for these non-departmental financial schedules is the year ended 30 June 2025. The unaudited forecast financial schedules are for the year ending 30 June 2026.

The Commissioner of Inland Revenue, as Chief Executive, authorised these financial schedules for issue on 30 September 2025.

Statement of compliance

The non-departmental financial schedules have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and the Treasury Instructions.

The Crown's primary objective is to provide services to the public rather than to make a financial return and therefore it has been designated as a Public Benefit Entity (PBE) for financial reporting purposes. Accordingly, IR has applied the Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) in preparing the 30 June 2025 financial schedules.

Basis of preparation

The non-departmental financial schedules have been prepared in accordance with the accounting policies included in the consolidated Financial Statements of the Government of New Zealand, Treasury Instructions and Treasury Circulars. Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with generally accepted accounting practice (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These financial schedules have been prepared on a historical cost basis, unless otherwise stated. The accrual basis of accounting has been used.

Functional and presentation currency

The non-departmental financial schedules are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000). The functional currency of IR is New Zealand dollars.

Accounting standards issued and not yet effective

There are no relevant new standards that have been issued but that are not yet effective.

Significant accounting estimations, judgements and assumptions

In preparing these financial schedules, significant estimates, judgements, and assumptions have been made concerning the future.

These estimates, judgements and their associated assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience, including expectations of future events that are believed to be reasonable under the circumstances, and other factors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to revenue, and the carrying amounts of receivables and payables within the next financial year, are referred to in the notes. The most significant areas of uncertainties are:

- Estimation of income tax revenue for other persons and companies—Note 2 outlines the significant uncertainties, assumptions and sensitivities in estimating income tax revenue for companies and other persons for the year ended 30 June 2025. The methodology used to estimate income tax revenue for companies and other persons is based on macroeconomic forecasts. There is implicit uncertainty in the assumptions used in the macroeconomic forecasts.

- Impairment of tax receivables—Note 3 outlines the uncertainties, assumptions and sensitivities in estimating the value of tax receivables and the associated impairment as at 30 June 2025. The impairment of tax receivables is calculated based on expected future repayments. The future repayments are uncertain because they are dependent on macroeconomic factors and the repayment behaviour of debtors.
- Student loans—Note 6 outlines the significant uncertainties, assumptions and sensitivities in estimating the fair value of the student loan portfolio as at 30 June 2025. The fair value is based on expected future income levels and debt repayments. The expected future income levels and debt repayments are uncertain because they are dependent on macroeconomic factors and the behaviour of borrowers.

Changes in estimations

This year, IR refined key estimation approaches used in preparing these financial schedules. The refinements include:

Income tax revenue

The income tax revenue estimation methodology has been refined to recognise the estimated impact of significant new Government tax policies and rate changes from the first day of the new policy/rate change (rather than when the first impacted income tax return is filed). This aligns the timing of recognition with the taxable event but requires judgement and estimations as to the impact of the policy/rate change on revenue. Further detail and impacts are disclosed in Note 2.

Receivables

Refinements have been made to the data and modelling inputs used by the external valuer to estimate the impairment of tax receivables and to the definition of overdue debt. In addition, we have changed the assumptions used in estimating the fair value of provisional tax which is past its instalment date but not past the income tax return due date. Further detail and impacts are disclosed in Note 3.

Accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note, and that materially affect the measurement of financial results, the Schedule of Non-departmental Assets, the Schedule of Non-departmental Liabilities, the Schedule of Non-departmental Capital Receipts, the Schedule of Non-departmental Gains and Losses and/or the Statement of Non-departmental Budgeted and Actual Expenditure Incurred Against Appropriations, are outlined below.

Expenses

Expenses are recognised in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents include cash in transit and funds held in bank accounts administered by IR. All cash is on demand and no interest is payable to IR.

Foreign currency transactions

IR does not have any material non-departmental foreign currency exposure. The risk of any material foreign currency exposure is borne by the customer when they enter into the transaction.

Fair value remeasurement

Fair value remeasurement is the change in the value of a loan portfolio over the year. Loans are initially measured at fair value. The changes to fair value between periods are recognised as a gain or loss in the Schedule of Non-departmental Gains and Losses. More information is provided in Note 5 for the Small Business Cashflow Scheme and Note 6 for student loans.

Comparatives

When the presentation or classification of items in the financial schedules change, comparative figures are re-stated to ensure consistency with the current period, unless it is impractical to do so.

Change in accounting policies

There have been no material changes in accounting policies since the date of the last audited financial schedules.

All accounting policies have been applied consistently throughout the year.

Budget and forecast figures

The budget, revised budget and forecast figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial schedules.

The budget, revised budget and forecast figures are not subject to audit.

The budget figures for 2024–25 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2025 or IR's forecast information submitted to the Treasury for the Budget Economic and Fiscal Update 2024.

The forecast figures for 2025–26 are those included in The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026 or IR's forecast information submitted to the Treasury for the Budget Economic and Fiscal Update 2025.

The forecast financial schedules have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE Financial Reporting Standard 42 Prospective Financial Statements.

Forecast policies

The forecasts have been compiled on the basis of existing government policies and Ministerial expectations at the time the schedules were finalised. The Commissioner, in his role as Chief Executive of Inland Revenue, is responsible for the forecast financial schedules including the appropriateness of assumptions underlying them and all other required disclosures. The Commissioner approved the forecast financial schedules on 24 April 2025. Although IR regularly updates forecasts, it will not publish updated forecast schedules for the year ending 30 June 2026.

The main assumptions are:

- Tax revenue: tax policy changes enacted and announced by the Government will take place as planned and will affect tax revenue and receipts as calculated and agreed between IR and the Treasury.
- Student loans: the fair value of student loans is based on a valuation model adapted to reflect current student loans policy. As such, the fair value over the forecast period is sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors such as wage inflation and discount rates. Any change in these assumptions would affect the fiscal forecast.
- Small Business Cashflow Scheme: the fair value of the scheme over the forecast period is sensitive to changes in borrower repayments and defaults, which are based on volatile factors that are subject to change.
- Estimated year-end information for 2024–25 is used as the opening position for the 2025–26 forecasts.

For other key fiscal forecast assumptions, refer to the Budget Economic and Fiscal Update 2025:

treasury.govt.nz/sites/default/files/2025-05/befu25-v2.pdf.¹

Any changes to forecasts during 2025–26 will be incorporated into The Supplementary Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2026.

Variations to forecast

The actual financial results for the forecast period covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these forecast financial schedules and the actual reported results include:

- changes due to initiatives or legislation approved by Cabinet
- macroeconomic changes impacting revenue, expenditure and debt levels
- the timing and number of customers' filing of returns and related payments
- the timing and number of customer refunds, disbursements and credit claims
- the outcome of disputes, including litigations
- changes to the Commissioner's interpretation and application of existing tax law through investigations, binding rulings and a variety of public statements.

The explanation of significant variances between the 2024–25 results and the related forecast are provided in the consolidated Financial Statements of the Government of New Zealand for the Year Ended 30 June 2025.

¹ This link leads to information not covered by the audit opinion on page 163.

How we have recognised revenue

Note 2. Revenue

Tax revenue

Tax revenue is a non-exchange transaction and is accounted for in accordance with PBE IPSAS 23 Revenue from Non-Exchange Transactions.

This means the payment of tax in itself does not entitle a customer to an equivalent value of services or benefits because there is no direct relationship between paying tax and receiving Crown services and benefits.

Tax revenue is recognised when a taxable event has occurred, the tax revenue can be reliably measured and it is probable that economic benefits will flow to the Crown.

Tax revenue is recognised at face value as the fair value is not materially different from the face value.

The New Zealand tax system is based on self-assessment where customers are expected to understand the tax laws and comply with them.

IR helps customers comply and addresses non-compliant activities. Most people pay their fair share of tax. For the minority who do not, IR intervenes and encourages them to do the right thing. However, such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. IR is unable to reliably estimate the amount of unreported tax.

Income tax

Income tax is recognised on an accrual basis in the period the taxable event occurs. It is deemed to accrue evenly over the period to which it relates.

Estimation of income tax revenue

Where income tax returns have not been filed for the relevant period, accrued income tax revenue receivable or refundable has been estimated based on tax payments and/or provisional assessments for that period, or the prior year residual income tax or provisional assessments and payments information.

An estimation of the impact on tax revenue of significant new tax policies or tax rate changes is recognised from the date the policy or rate change takes effect, based on forecast tax policy costings.

Tax revenue is recognised proportionally based on the balance date of the customer. The amount of income tax receivable or refundable is not known with certainty until income tax returns for the period have been filed. The filing of income tax returns can happen more than a year after the end of the tax year. For example, 2025 income tax returns may not be filed until March 2026 (or after) and 2026 income tax returns may not be filed until March 2027 (or after).

Growth assumptions

While the majority of customers make provisional tax payments during a year using a 5% uplift under legislation, the income tax revenue estimation process is based on a rebuttable presumption that the forecast of firms' net operating surplus, from the most recent Treasury forecast, is the best estimate of the expected uplift for unfiled returns unless rebutted for material impacts. The firms' net operating surplus is a component of Income Gross Domestic Product (GDP) and is designed to measure net profits of businesses. This measure is approximately equal to accounting profit before taxes, dividends and interest, but after depreciation.

The following assumptions have been used in these financial statements:

- An annual average growth in firms' net operating surplus for the tax year to 31 March 2025 of 0.65%.
- An annual average growth in firms' net operating surplus for the tax year to 31 March 2026 of 10.42%.

The March 2025 tax year growth assumption is the annual growth rate derived from the Stats NZ quarterly national accounts data (income, saving, assets and liabilities) released in July 2025.

The March 2026 tax year growth assumption is from the Treasury's most recent forecast of firms' net operating surplus growth in the Budget Economic and Fiscal Update 2025, which was finalised on 7 April 2025 and published on 22 May 2025. There is no more up-to-date publicly available information in respect of firms' net operating surplus for the 2026 tax year and, therefore, we have not rebutted the presumption to use the Treasury's forecast of firms' net operating surplus growth. For the 2026 income tax year, which ends on 31 March 2026, the period from 1 April 2025 to 30 June 2025 is included in these financial schedules.

The non-March balance dates use a pro-rata calculation of these rates.

Estimation judgements and assumptions

The measurement of income tax accruals requires significant estimates, judgements, and assumptions, and has a number of uncertainties. These include the following:

- Where customers have chosen to estimate their provisional tax, income tax revenue is recognised based on the most recent estimate provided to IR.
- Where customers subject to the provisional tax regime (calculated using the standard option) have not yet filed an income tax return:
 - for customers with March balance dates for the 2025 income tax year, revenue is estimated as 100.65% of the prior year residual income tax
 - for customers with March balance dates for the 2026 income tax year, revenue is estimated as 110.42% of the prior year residual income tax
 - for all other income tax years, provisional tax assessments are recognised as revenue based on the provisional tax method adopted by the customer. Provisional assessments are based on 105% of the prior year residual income tax.
- Where customers have made payments for more than the provisional tax assessment (for both the standard and estimation option), their credit balance is also accrued as revenue.
- Where customers have made payments to IR but have not submitted a provisional tax assessment for the period, an estimate is made based on the payments.
- For customers who had a receivable or refundable residual income tax in the prior year but are not subject to provisional tax, the estimation is based on the prior year residual income tax adjusted for the relevant tax year growth assumption.
- For customers who are subject to provisional tax and have not filed their income tax return for the previous period, an estimate is made of the tax revenue receivable and refundable at year end based on prior year provisional tax assessments and any prior year payments that were in excess of their provisional assessment.
- The tax revenue impact of significant new Government policies or tax rate changes is recognised from the effective date of the new policy or rate change based on forecast tax policy costings. The estimation is unwound over the period during which income tax returns impacted by the change are expected to be received. The estimation can be required for up to 2 years from the effective date of the new policy, until the first income tax returns impacted by the change are filed.

Significant new Government policies or tax rate changes

There are 5 significant new tax policy changes that materially impact revenue for 2024–25 and which have been included in the revenue estimation. These tax policies are:

- Investment Boost
- Denial of deductions for commercial and industrial building depreciation
- Restoring interest deductibility for residential rental property
- Increasing the trustee tax rate to 39%
- Personal income tax and Independent Earner Tax Credit threshold changes.

Revenue recognition for these tax policies is based on forecast tax policy costings, which are considered to be the best estimate of expected impact available. Recognising this revenue has resulted in an estimated net increase of \$278 million in income tax revenue.

Forecast costings contain certain assumptions and are sensitive to customer behaviour and changing macroeconomic conditions. This means the estimations may be higher or lower than actual revenue, and these differences may be material.

Of the significant policies listed above, the denial of deductions for commercial and industrial building depreciation, restoring interest deductibility for residential rental property and increasing the trustee tax rate policies were effective from 1 April 2024. These changes were not incorporated into the income tax revenue estimation as at 30 June 2024. Had they been included, the estimated impact would have been an increase in revenue of \$170 million.

The Investment Boost policy costing, which is used to estimate the revenue impact of this new policy, is based on some assumptions and judgements which have a higher degree of uncertainty. The modelled impacts use aggregate macroeconomic data as an input together with assumptions on coverage within the tax base, and forecasts of growth in investment. Variations in any of these factors can materially affect the actual revenue impact of this policy. Any variations will be recognised in future years as the related income tax returns are filed.

Changes in the estimation of income tax revenue

The estimation model has been refined during 2024–25 to explicitly incorporate the estimated impact of significant tax policy and tax rate changes where income tax returns reflecting those changes have not yet been filed. Under this revised approach, an estimation adjustment is recognised to estimate the impacts of the material tax policy or tax rate changes from the effective date of the new policy/change. Estimations are based on forecast policy costings provided the forecasts are assessed as sufficiently reliable and are unwound over the period during which income tax returns impacted by the change are expected to be received.

Significant assumptions and sensitivities

The significant assumptions and sensitivities behind the estimation of income tax revenue for companies and other persons are:

Actual 2024		Actual 2025
(1.65%)	Stats NZ average annual growth in net operating surplus—2024 income tax year	N/A
4.73%	Treasury's forecast firms' net operating surplus—2025 income tax year	N/A
N/A	Stats NZ average annual growth in net operating surplus—2025 income tax year	0.65%
N/A	Treasury's forecast firms' net operating surplus—2026 income tax year	10.42%
Sensitivities (\$000)		
232,000	Impact on revenue of a 1% increase in firms' net operating surplus	221,000
1,168,000	Impact on revenue of a 5% increase in firms' net operating surplus	1,113,000
2,351,000	Impact on revenue of a 10% increase in firms' net operating surplus	2,240,000
(231,000)	Impact on revenue of a 1% decrease in firms' net operating surplus	(221,000)
(1,152,000)	Impact on revenue of a 5% decrease in firms' net operating surplus	(1,098,000)
(2,289,000)	Impact on revenue of a 10% decrease in firms' net operating surplus	(2,182,000)

Income tax revenue has a high degree of estimation and is therefore uncertain. Application of key assumptions used in estimating income tax revenue may not necessarily reflect actual tax returns when they are filed. Any variance between the estimate and actual tax return is recognised as revenue when the tax return is filed. The estimation of income tax revenue is challenging because estimation is required so far ahead of the point when a customer is required to file relevant income tax returns. In addition, forecasts of firms' net operating surplus and the impact of new Government policies are inherently uncertain and volatile.

Goods and services tax (GST)

GST returns are assessed on a 1, 2, 3 or 6-monthly basis and are due the month after the end of the period. At year end, IR estimates the amount of GST outstanding as follows:

- For customers who file a return of GST for the June period, the actual amounts filed are used.
- For customers who have not filed a return, the estimate is based on customer payments for that return period or the most recently assessed GST return.

Source deductions (PAYE)

Employers are required to file an employment information form for each payday. Revenue is assessed based on these forms. June employment information forms filed by employers in July are accrued at year end.

Non-tax revenue

Child support

Child support revenue comprises amounts owed to the Crown and the penalties levied on child support debts owed to both custodial parents and the Crown by parents who pay child support. This revenue is recognised initially at fair value and subsequently tested for impairment at year end.

Interest unwind—Small Business Cashflow Scheme

Small Business Cashflow Scheme loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind.

The interest unwind has been calculated using a discount rate appropriate for low-rated commercial and unsecured retail lending.

Interest unwind—student loans

Student loans are initially discounted to fair value. This predominantly reflects the time value of money. As time moves on, student loans become closer to being repaid and are therefore worth more. This increase in value is recognised as interest unwind. The interest unwind has been calculated using the official cash rate plus a risk adjustment calculated by the consulting actuaries plus an expense allowance for IR to collect the loans.

Crown assets we are managing

Note 3. Receivables

Receivables include general taxes, Working for Families Tax Credits, COVID-19 debt (excluding the Small Business Cashflow Scheme), and any penalties and interest associated with these activities. These are non-contractual sovereign receivables. The interest and penalties charged on receivables are presented as revenue in the Schedule of Non-departmental Revenue. Receivables for child support, the Small Business Cashflow Scheme and student loans are reported separately in Notes 4, 5 and 6 respectively.

Receivables are initially recognised at face value as the fair value is not materially different from the face value. Receivables are subsequently tested for impairment at year end in accordance with PBE IPSAS 26 Impairment of Cash-Generating Assets.

Allowances for amounts that IR does not expect to recover are recognised when there is objective evidence that the asset is impaired.

Impairments are included in the Schedule of Non-departmental Expenses. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

Gross value of receivables

The gross value of receivables at 30 June 2025 is \$27.974 billion, a decrease of \$512 million (1.8%) from 2023–24. The gross value of receivables includes both overdue receivables (debt) and accrued amounts which are not yet due.

This year, IR reviewed and updated the definition of overdue tax and entitlements debt. Previously, debt was considered overdue when we began action to collect it, or it remained unpaid 25 days after the due date. Under the new definition, debt is considered overdue on the day after the due date.

The change in definition has resulted in higher reported overdue debt balances. If the previous definition had been applied at 30 June 2025, the reported overdue debt balance would have been \$163 million lower.

Whilst this approach aligns the definition more closely with the point at which payment obligations become outstanding, and provides a more timely view of overdue debt for reporting purposes, it also results in greater volatility in the overdue debt balance between years, depending on the timing of due dates and weekends. For example, if the GST due date of 28 June falls on a Saturday, the due date moves to Monday 30 June, meaning the debt is not considered overdue until 1 July and is therefore not included in overdue debt at 30 June.

Overdue debt now includes all assessed debt which has passed its due date, as well as unpaid provisional tax where the final tax payment due date has passed.

Overdue debt has increased in 2024–25 by \$1.315 billion (16.5%) to \$9.290 billion. Excluding the definitional change, the increase is \$1.152 billion (14.5%). This growth is less than in 2023–24, when overdue debt increased by \$1.287 billion (22.1%) excluding reclassification adjustments.

Growth in overdue debt for all tax types has continued. Ongoing domestic downturn and global economic uncertainty are continuing to cause significant strain on businesses. As a result, many businesses are not up to date with their tax payments, and we have seen an increase in customers setting up repayment plans to manage their tax debt.

Not due receivables have decreased by \$1.827 billion (8.9%). The 30 June 2024 not due receivable balance was unusually high, inflated by \$2.144 billion due to the timing of the Matariki public holiday. This moved the payment due date for GST (period ending 31 May 2024) and provisional tax from 28 June 2024 to 1 July 2024.

In addition, \$163 million of the 2024–25 movement reflects the reclassification of debt from not due to overdue as a result of the revised definition of overdue debt.

Recoverable amount of receivables

At the end of the year, receivables are valued by an independent external valuer using predictive models. We provide data to the valuer on receivable balances and repayments. The data is up to 30 June 2025.

To calculate the impairment of receivables, assumptions are applied to estimate future repayment behaviour, as well as economic factors such as discount rates. The key assumptions are explained below:

- The recoverable amount of receivables is calculated by forecasting the expected repayments using a weighted average of previous years' repayments, deducting an estimate of collection costs and then discounting using an appropriate rate. If the recoverable amount of the portfolio is less than the carrying amount, the carrying amount is reduced to the recoverable amount. Alternatively, if the recoverable amount is more, the carrying amount is increased.
- Tax pooling funds held in the Crown bank accounts have been netted off against receivables. These funds have been deposited by commercial intermediaries and allow customers to pool tax payments to reduce their exposure to use-of-money interest. Underpayments and overpayments are offset within the same pool.
- This year, the dataset provided to the valuer separately identifies provisional tax amounts. This has enabled the valuer to more accurately model and value the relationship between provisional tax and the final income tax liability that crystallises when the income tax return is filed. Previously, provisional tax amounts which were past their instalment due dates, but not yet past the final tax payment due date, were valued separately from overdue debt.

The valuer has noted that it is not possible to fully assess the implications of global economic uncertainty on the recoverable amount of the balances or the economy as a whole (both in terms of length and the degree of impact). The uncertain and volatile nature of future debt repayments means that there may be significant uncertainty in the estimated value of these receivables. The valuation reflects the increased levels of debt observed in the data up to 30 June 2025. Future repayments of debt will be dependent on the economic conditions our customers face and on the impact of our compliance activities and relief mechanisms such as repayment plans.

Write-offs for the year totalled \$805 million. This compares to \$890 million in the prior year, which included \$695 million of write-offs and \$195 million of COVID-19 remissions. COVID-19 remissions ceased in April 2024.

Overall, the impairment of debt and debt write-offs totalled \$1.872 billion for the year ended 30 June 2025 (2023–24: \$2.376 billion). The recoverable amount of receivables at 30 June 2025 is \$21.409 billion, a decrease of \$1.580 billion (6.9%) from 30 June 2024.

Actual 2024 \$000	Actual 2025 \$000
Receivables	
28,485,397 Gross receivables	27,973,584
(5,497,021) Impairment	(6,564,738)
22,988,376 Recoverable amount of receivables	21,408,846
Current and non-current apportionment	
22,045,776 Receivables—current	19,583,346
942,600 Receivables—non-current	1,825,500
22,988,376 Recoverable amount of receivables	21,408,846
Ageing profile of gross receivables	
20,510,982 Not due ¹	18,683,744
Overdue²	
1,886,308 Less than 6 months	1,663,895
873,641 6–12 months	870,438
1,668,453 1–2 years	2,001,322
3,546,013 Greater than 2 years	4,754,185
7,974,415 Total overdue	9,289,840
28,485,397 Total gross receivables	27,973,584
28% % Overdue	33%
Receivables—impairment	
4,011,065 Opening balance	5,497,021
2,375,843 Impairment losses recognised	1,872,426
(889,887) Amounts written off as uncollectable	(804,709)
5,497,021 Closing balance	6,564,738

¹ Not due receivables comprise estimations or assessments for tax where the tax has been earned, but is not yet due to be paid, and returns that have been filed before the due date. It also comprises social policy receivables not yet due to be paid.

² Receivables are classified as overdue when they are not received from customers by their due date. Due dates will vary, depending on the type of revenue owing (for example, income tax, GST or KiwiSaver) and the customer's balance date. Overdue debt includes debts collected under instalment, debts under dispute, default assessments, debts of customers who are bankrupt, in receivership or in liquidation, and overdue provisional tax instalments where the final tax payment date has passed. IR has debt management policies and procedures in place to actively manage the collection of overdue debt.

Overdue debt

Actual 2024 \$000	Actual 2025 \$000
Tax debt	
2,836,207 GST	3,259,817
3,144,080 Income tax	3,508,177
1,514,498 Employer activities	2,027,639
175,687 Other	171,355
7,670,472 Total tax debt	8,966,988
Tax credits and entitlements	
273,454 Working for Families Tax Credits	295,167
30,489 COVID-19 Resurgence Support Payment and COVID-19 Support Payment	27,685
303,943 Total tax credits and entitlements debt	322,852
7,974,415 Total overdue debt	9,289,840

The significant assumptions and sensitivities, underpinning the valuation of receivables, are shown below:

Actual 2024	Actual 2025
Assumptions	
10.91% Use-of-money interest rate	9.89%
5.50% Discount rate	4.00%
Sensitivities (\$000)	
(44,000) Impact on the recoverable amount of a 2% increase in the discount rate	(99,000)
47,000 Impact on the recoverable amount of a 2% decrease in the discount rate	107,000

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred.

Under the Tax Administration Act 1994, IR has broad powers to ensure that people meet their obligations. Part 10 of the Act sets out the powers of the Commissioner to recover unpaid tax.

The Crown does not hold any collateral or any other credit enhancements over receivables that are overdue.

Receivables are widely dispersed over a number of customers and, as a result, the Crown does not have any material individual concentrations of credit risk.

Note 4. Receivables—child support

Child support is money paid by parents who do not live with their child or who share care with someone else. The money is to help with the cost of raising a child.

Liable parents can manage their child support payments through IR by using a formula assessment or voluntary agreement, or they can be arranged through a private agreement with the other parent or non-parent carer.

Prior to 1 July 2023, for child support managed by IR, liable parent payments were passed to receiving carers to the extent that the receiving carer had not received a benefit from the Ministry of Social Development (MSD). From 1 July 2023, receiving carers receive the total liable parent payment unless the carer has received an Unsupported Child's Benefit from MSD; then that portion is withheld as the Crown entitlement. The withheld Crown entitlement is legally enforceable.

Receiving carer entitlements are not recognised as revenue, and any funds yet to be passed to the receiving carers are recorded in the child support trust account as presented in the Schedule of Non-departmental Trust Monies.

Penalties are imposed when there are defaults on child support payments.

Child support receivables include the Crown entitlement and penalties. The Crown entitlement and penalties are presented as revenue in the Schedule of Non-departmental Revenue. Receivables are initially recognised at fair value and are subsequently tested for impairment at year end in accordance with PBE IPSAS 26 Impairment of Cash-Generating Assets.

Allowances for amounts that IR does not expect to recover are recognised when there is objective evidence that the asset is impaired.

Impairments are included in the Schedule of Non-departmental Expenses. Impairment losses can be reversed where there is evidence that the impaired value of the asset has increased.

Child support valuation model, significant assumptions and uncertainties

At the end of the year, receivables are valued by an independent external valuer using predictive models. We provide data to the valuer on receivable balances and repayments up to 30 June 2025.

To calculate the impairment of receivables, assumptions are applied to future repayment behaviour, as well as economic factors such as discount rates. The recoverable amount of receivables is calculated by forecasting the expected repayments based on analysis of historical debt data and then discounting it using an appropriate rate. If the recoverable amount of the portfolio is less than the carrying amount, the carrying amount is reduced to the recoverable amount. Alternatively, if the recoverable amount is more, the carrying amount is increased.

As noted by the valuer, the uncertain and volatile nature of future repayments means that there is significant uncertainty in the estimate of value.

The recoverable amount of child support receivables at 30 June 2025 is \$162 million, a decrease of \$34 million from last year.

Actual 2024 \$000	Actual 2025 \$000
Receivables—child support	
755,072 Gross receivables	658,009
(558,828) Impairment	(495,831)
196,244 Recoverable amount of receivables	162,178
Current and non-current apportionment	
31,420 Receivables—current	35,906
164,824 Receivables—non-current	126,272
196,244 Recoverable amount of receivables	162,178
Ageing profile of gross receivables	
Overdue	
77,140 Less than 12 months	37,893
35,178 1–2 years	33,343
642,754 Greater than 2 years	586,773
755,072 Total overdue	658,009
755,072 Total gross receivables	658,009
100% % Overdue	100%
Receivables—impairment	
647,295 Opening balance	558,828
(5,908) Impairment losses/(gains) recognised	10,094
2,885 Initial fair value write-down	2,306
(85,444) Amounts written off as uncollectable	(75,397)
558,828 Closing balance	495,831

The estimated recoverable amount of this portfolio, and the significant assumptions and sensitivities underpinning the valuation of the recoverable amount of receivables, are shown below:

Actual 2024		Actual 2025
Recoverable amount (\$000)		
160,391	Recoverable amount of overdue receivables—Crown entitlement	152,263
35,853	Recoverable amount of overdue receivables—penalties	9,915
196,244	Total recoverable amount	162,178
Assumptions		
6.00%	Discount rate	5.00%
Sensitivities (\$000)		
(7,600)	Impact on the recoverable amount of a 1% increase in the discount rate	(6,600)
8,300	Impact on the recoverable amount of a 1% decrease in the discount rate	7,200

Credit risk

The Crown does not hold any collateral or any other credit enhancements over receivables for child support that are overdue.

Receivables for child support are widely dispersed over a number of customers and, as a result, the Crown does not have any material individual concentrations of credit risk.

Note 5. Small Business Cashflow Scheme

The Small Business Cashflow Scheme was established in May 2020 to assist small-to-medium-sized businesses impacted by COVID-19. The scheme provided loans to businesses employing 50 or fewer full-time equivalent employees for a maximum loan term of 5 years. The loans are administered by IR.

Eligible businesses were able to borrow a \$20,000 base amount plus an additional \$1,800 per equivalent full-time employee, up to a maximum loan of \$110,000. To be eligible for the loans, borrowers needed to declare that they were a viable business and that they would use the money for core business operating costs. Applications for new lending for the scheme ended on 31 December 2023.

Loans are interest-free for the first 2 years and then an interest rate of 3% per annum applies. Repayments are not required for the first 2 years, but voluntary payments can still be made. After this period, regular principal and interest payments are required to be paid on outstanding balances. IR will default a loan if it has not been paid off at the end of the loan term of 5 years. Default interest (calculated based on the current use-of-money interest rate plus the standard interest rate of 3%) will be charged.

IR holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is responsible for collecting the loan.

Small Business Cashflow Scheme loans are designated at fair value through surplus or deficit under PBE IPSAS 41 Financial Instruments because it is uncertain when borrowers will make repayments.

The difference between the amount of the loan and the fair value on initial recognition is recognised as an expense.

The initial fair value is lower than the amount of the initial loan for a number of reasons, including that:

- repayments are not required for the first 2 years
- the time value of money will erode the value of future repayments because there is no interest charged in the first 2 years
- the interest rate of 3% charged is lower than the market interest rates for loans to small-to-medium-sized businesses
- borrowers may default on their obligations.

After loans are issued, an adjustment is made each month to unwind the interest. This adjusts the present value of the write-down over time. IR also receives repayments from borrowers.

At the end of the year, actuarial and predictive models are used to compare the carrying value to the fair value of the loan portfolio, and the difference is recognised in the surplus and deficit of the Financial Statements of the Government of New Zealand. The difference is also shown in the Schedule of Non-departmental Gains and Losses.

IR uses the following key terms to help define loan values:

Fair value:	The market value of loans if they could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Nominal value:	The total amount owed by borrowers at a point in time, including loan principal and interest.

Since the scheme began in May 2020 until its closure in December 2023, \$2.363 billion has been disbursed and \$1.623 billion has been repaid. The nominal and fair values of the loan balance as at 30 June 2025 are \$801.772 million and \$218.701 million respectively.

The nominal and fair values of loans are shown below.

Actual 2024 \$000	Note	Actual 2025 \$000
786,453	Opening fair value	464,582
65	Lending	–
25	Initial fair value write-down on lending	–
(378,181)	Repayments	(334,086)
94,613	Interest unwind	32,822
(38,393)	Fair value remeasurement	55,383
464,582	Closing fair value	218,701
Current and non-current apportionment		
325,000	Small Business Cashflow Scheme loans—current	143,000
139,582	Small Business Cashflow Scheme loans—non-current	75,701
464,582	Fair value Small Business Cashflow Scheme loans	218,701
1,478,351	Opening nominal value	1,119,818
65	Lending	–
(378,181)	Repayments	(334,086)
33,168	Interest	40,788
(13,585)	Write-offs	(24,748)
1,119,818	Closing nominal value	801,772

Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Schedule of Non-departmental Assets, fair values are determined according to the following hierarchy:

- quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

The Small Business Cashflow Scheme is valued at 30 June 2025 using significant non-observable inputs (level 3). There are no quoted market prices (level 1) and no observable inputs (level 2).

The next section provides details on the model, and the table on the next page outlines the significant assumptions and sensitivities for the level 3 valuation technique.

Small Business Cashflow Scheme valuation model, significant assumptions and uncertainties

At the end of the year, the Small Business Cashflow Scheme is valued by an independent external valuer using an actuarial and predictive model. We provide data to the valuer on borrowing and repayments and data on borrowers such as industry and region. The data is up to 30 June 2025. The key assumptions in determining the \$218.701 million fair value of the Small Business Cashflow Scheme as at 30 June 2025 are the timing of principal and interest repayments and the default rates. For this valuation, repayment rate assumptions relating to the repayments expected to be received after the maturity date have been introduced. The most critical assumption is the default rates which have been explicitly modelled for each industry sector.

The fair value is determined by forecasting the expected loan repayments and interest payments and applying estimated default rate and repayment rate assumptions. The expected repayments are then discounted and an allowance for expenses is deducted.

As noted by the valuer, there are significant uncertainties in estimating the fair value of the scheme. The key uncertainties include:

- the scheme is relatively new and there is limited data to determine the likely repayment or default experience
- there are limited reference points to determine discount rates for discounting the cash flows
- the businesses that have acquired loans may have also been impacted by the recent high levels of inflation and general macroeconomic uncertainty
- the uncertain and volatile nature of the future debt repayments.

The fair value remeasurement at 30 June 2025 is an increase of \$55.383 million (2023–24: \$38.393 million decrease). This is mainly due to the longer repayment period now projected for customers that extends beyond the loan's 5-year maturity date and updated default rates.

A breakdown of the fair value remeasurement—Small Business Cashflow Scheme loans reported in the Schedule of Non-departmental Gains and Losses is set out below:

Actual 2024 \$000	Actual 2025 \$000
(700) Discount rate adjustment	6,800
(37,693) Expected repayment adjustment	48,583
(38,393) Total fair value remeasurement—Small Business Cashflow Scheme	55,383

The significant assumptions and sensitivities behind the fair value are:

Actual 2024	Actual 2025
Assumptions	
3.00% Loan interest rate	3.00%
23.00%–32.00% Default rate	24.00%–33.00%
12.00% Discount rate	10.00%
Sensitivities (\$000)	
(126,800) Impact of a 5% increase in the default rate	(49,300)
121,100 Impact of a 5% decrease in the default rate	50,400

The loan portfolio is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans, causing the scheme to incur a loss. The risk of default has been assumed to be equivalent to a C-grade investment.

The scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the scheme does not have any material individual concentrations of credit risk.

IR will use a variety of activities that inform and assist customers to repay their loans and enforce compliance to reduce the risk of non-payment of obligations.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. There is a risk that, if interest rates rise, the value of the scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value.

Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate attached to the loans is set by the Government.

Note 6. Student loans

StudyLink (MSD) administers the initial capital lending and issues student loans, which are then transferred to IR. IR holds the total nominal debt, administers the initial fair value write-down expense and any subsequent fair value adjustments, and is also responsible for the collection of debt.

Student loans are designated at fair value through surplus or deficit under PBE IPSAS 41 Financial Instruments because borrowers only start repayments if they earn an income above a certain threshold.

The difference between the nominal value of the student loan and its fair value at initial recognition is recognised as an expense. The initial fair value is lower than the nominal value for a number of reasons, including that:

- some borrowers will never earn enough to repay their loans
- some overseas-based borrowers will default on their payment obligations
- the time value of money will erode the value of future repayments because there is no interest charged on New Zealand-based borrowers' balances.

After loans are issued, an adjustment is made each month to unwind the interest. This adjusts the present value of the write-down over time.

IR also receives repayments from borrowers.

At the end of the year, actuarial models are used to compare the nominal value to the fair value of the student loan portfolio, and the difference is recognised in the surplus and deficit of the Financial Statements of the Government of New Zealand. The difference is also disclosed in the Schedule of Non-departmental Gains and Losses. Details of the models are provided later in this note.

IR uses the following key terms to define student loan values:

Fair value: The market value of student loans if they could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Nominal value: The total amount owed by borrowers at a point in time, including loan principal, interest, fees and penalties.

The nominal and fair values of student loans are shown below.

Actual 2024 \$000	Note	Actual 2025 \$000
9,372,547		9,596,393
(1,596,723) ¹		(1,562,697)
1,348,087		1,709,079
(544,076)		(585,247)
355,000		378,300
661,558	2	518,433
9,596,393		10,054,261
Current and non-current apportionment		
1,572,000		1,500,000
8,024,393		8,554,261
9,596,393		10,054,261
Fair value student loans		
15,942,333		15,867,554
(1,596,723) ¹		(1,562,697)
1,348,087		1,709,079
129,744		147,744
61,757		86,083
20,628		20,019
(34,512)		(35,675)
(3,760) ²		(9,712)
15,867,554		16,222,395

Financial instruments—fair value hierarchy disclosures

For those instruments recognised at fair value in the Schedule of Non-departmental Assets, fair values are determined according to the following hierarchy:

- quoted market price (level 1)—financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2)—financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3)—financial instruments valued using models where 1 or more significant input is not observable.

Student loans as at 30 June 2025 are valued using significant non-observable inputs (level 3). There are no quoted market prices (level 1) and no observable inputs (level 2).

The next section provides details on the model, and the table on page 157, outlines the significant assumptions and sensitivities for the level 3 valuation technique.

¹ Repayments in 2023–24 has been restated to include an amount of \$240,000 which was classified as Other in 2023–24.

² During the year, small balance write-offs, fraud and remissions have been reclassified from Penalties to Other. The 2023–24 balances have been restated to reflect this reclassification.

Student loan valuation model

At the end of the year, the student loan portfolio is revalued to fair value by an independent external valuer using actuarial models. Stats NZ collates most of the data for the actuarial valuation model from IR, the Ministry of Education and MSD. The data is made up of borrowings, repayments, income, educational factors and socioeconomic factors. It is current up to 31 March 2024. In addition, supplementary data from IR and the New Zealand Customs Service about loan transactions and borrowers' cross-border movements for the period up to 31 March 2025, is also included.

The fair value movement, recognised in the Schedule of Non-departmental Gains and Losses, relates to changes in discount rates, data and modelling, macroeconomic assumptions, policy changes and a reassessment of actual and expected repayments of loans and changes in borrower status, income or numbers. The fair value movement at 30 June 2025 is an increase of \$378 million (2023–24: \$355 million increase). This increase incorporates the following changes to the fair value:

- The discount rate adjustments have increased the value of the scheme by \$469 million (2023–24: \$80 million increase). This is largely due to risk-free rate and risk adjustment changes. The discount rates used for determining the fair value are equal to the Treasury's prescribed risk-free rates for accounting valuations plus a risk adjustment. Since 30 June 2024, risk-free rates have generally decreased, resulting in a \$212 million increase in fair value. Differences in the discount rates applied to interest unwind and initial fair value write-down contributed a further \$72 million increase in fair value. The risk adjustment decreased from 1.26% to 0.79%, increasing the fair value by \$185 million.
- Data and modelling changes have decreased the value of the scheme by \$122 million (2023–24: \$308 million increase). This is due to:
 - updated sub-models for state transitions, domestic incomes and domestic repayments which have decreased the fair value by \$11 million, \$107 million and \$53 million respectively
 - updated overseas repayments sub-models which have increased the fair value by \$116 million
 - rolling forward the data by 1 year, which has decreased the fair value by \$83 million
 - other minor changes which have increased the fair value by \$16 million.
- Other expected repayment adjustments have increased the fair value of the scheme by \$31 million (2023–24: \$33 million increase). These include the following:
 - Updated macroeconomic assumptions have decreased the fair value by \$31 million (2023–24: \$59 million decrease). This can be broken down into 3 components:
 - a decrease of \$43 million due to updated salary inflation assumptions
 - an increase of \$6 million due to a small decrease to CPI assumptions (before the impact of the policy change to freeze the repayment threshold) resulting in higher domestic repayment obligations
 - an increase of \$6 million due to increased loan and late payment interest rates.
 - The experience variance has decreased the value by \$9 million (2023–24: \$7 million decrease), due to lower-than-expected repayments and lower-than-expected write-offs.
 - Updates to the expense assumption have decreased the value by \$6 million (2023–24: \$7 million increase).
 - A policy change announced in February 2025 fixed the repayment obligation threshold for domestic borrowers to \$24,128 indefinitely. This has increased the fair value by \$77 million.

A breakdown of the fair value remeasurement—student loans reported in the Schedule of Non-departmental Gains and Losses is set out below.

Actual 2024 \$000	Actual 2025 \$000
(94,000) Risk-free rates	284,500
174,000 Risk adjustment	184,600
80,000 Discount rate adjustment	469,100
308,000 Data and modelling changes	(121,600)
(7,000) Experience variance	(8,600)
7,000 Expense assumption	(6,500)
(59,000) Macroeconomic effects	(31,300)
26,000 Policy changes	77,200
275,000 Expected repayment adjustment	(90,800)
355,000 Total fair value remeasurement—student loans	378,300

The student loan valuation model reflects macroeconomic assumptions, current student loan policy and announced policy where relevant. The fair value is sensitive to changes in a number of underlying assumptions and judgements, including future income levels, repayment behaviour and macroeconomic factors such as inflation and discount rates. The valuation has a degree of inherent uncertainty and there is a risk of material adjustment to the fair value in future accounting periods. The key risks are:

- The proportion of overseas-based borrowers (OBBs) making a repayment is an important metric for the scheme as the value of the loans for these borrowers hinges on the level of their compliance. As part of Budget 2024, IR was allocated ongoing funding to administer initiatives aimed at further improving OBB compliance. The June 2025 valuation uses repayment data up to 31 March 2025. There is evidence of ongoing improvements in OBB compliance up to 30 June 2025. Consistent with the approach for previous years, the valuation reflects the expectation of improvements not yet shown in the data by retaining the adjustment to recognise the effect of future improvements in the models. However, the limited historical data for the period when these initiatives were in effect and uncertainty of continued improvement poses a risk.
- There is uncertainty in the domestic and global economy as economies around the world experience interest rate reductions. While the previous high interest rates were successful in reducing inflation, they have had an unfavourable effect on growth and unemployment. There has been no explicit provision to the valuation to account for this. However, the fair value includes a risk adjustment, part of which accounts for general uncertainty in the economic outlook. In addition, macroeconomic forecasts used in the valuation take into account the current economic outlook. There is a risk that the fair value of the scheme may decrease at future valuations if the economic outlook worsens.
- Employment outcomes for leaving study, as well as the ability for borrowers not in substantive employment to gain substantive employment, are key drivers of the scheme value. There is a risk that the selected assumptions may not accurately reflect the future outcomes for the borrowers. The selected assumptions used to predict employment outcomes for borrowers are based on the most recent 3 years of experience data. They also take labour market forecasts into consideration. If a significant unemployment event were to occur, this would have a major impact on the fair value of the scheme.

The significant assumptions and sensitivities behind the fair value are:

Actual 2024		Actual 2025
Assumptions		
9,596,393	Fair value (\$000)	10,054,261
6.48%	Discount rate including an allowance for expenses	5.67%
2.90%–6.60%	Interest rate applied to loans for overseas-based borrowers	4.80%–6.70%
2.00%–5.65%	Consumer Price Index	1.92%–5.65%
2.95%–4.96%	Future salary inflation	2.09%–3.00%
Sensitivities (\$000)		
83,000	Impact on fair value of a 1% increase in average wage earnings inflation over 5 years	85,000
(87,000)	Impact on fair value of a 1% decrease in average wage earnings inflation over 5 years	(88,000)
218,000	Impact on fair value of a 2.5% increase in the probability of overseas-based borrowers making repayments	267,000
(177,000)	Impact on fair value of a 2.5% decrease in the probability of overseas-based borrowers making repayments	(202,000)
(416,000)	Impact on fair value of a 1% increase in the discount rate	(466,000)
457,000	Impact on fair value of a 1% decrease in the discount rate	515,000
68,000	Impact on fair value of a 1% increase in the probability of borrowers going overseas	100,000
(45,000)	Impact on fair value of a 1% decrease in the probability of borrowers going overseas	(67,000)
59,000	Impact on fair value of a 1% increase in the probability of borrowers returning to New Zealand	85,000
(63,000)	Impact on fair value of a 1% decrease in the probability of borrowers returning to New Zealand	(95,000)
52,000	Impact on fair value of a 1% increase in the probability of borrowers moving from low earner to high earner	57,000
(55,000)	Impact on fair value of a 1% decrease in the probability of borrowers moving from low earner to high earner	(65,000)

The scheme is exposed to a variety of financial instrument risks, including credit risk and interest rate risk.

Credit risk

Credit risk is the risk that borrowers will default on their obligation to repay their loans or die before their loan is repaid, resulting in a loss to the scheme.

The Student Loan Scheme does not require borrowers to provide any collateral or security to support advances made. As the total sum advanced is widely dispersed over a large number of borrowers, the scheme does not have any material individual concentrations of credit risk.

The credit risk is reduced by the collection of compulsory repayments through the tax system. This is less effective with overseas-based borrowers. Many New Zealand-based borrowers earning above the income threshold have compulsory deductions from salary and wages to repay their loans. Overseas-based borrowers are required to make repayments twice a year based on their loan balance. IR uses a variety of communications and targeted campaigns to reduce the risk of non-payment of obligations.

Loans are written off in the event of death or bankruptcy.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

Changes in interest rates impact discount rates. There is a risk that, if interest rates rise, the value of the scheme will significantly decrease as the discount rates applied to the expected future repayments will be higher, decreasing their value. Changes in interest rates could also impact on the Government's return on loans advanced. The interest rate and the interest write-off provisions attached to student loans are set by the Government.

Final-year Fees Free Policy

In November 2023, the Government announced the introduction of the Final-year Fees Free policy, effective from 1 January 2025. Payments of Final-year Fees Free entitlements commence in January 2026. Some borrowers who did not access the First-year Fees Free entitlement may utilise the Final-year Fees Free support during the 2025 academic year. At this stage, whilst there has been an increase in the volume of new loans, the impact on the Student Loan Scheme fair value is expected to be immaterial and has not been separately modelled in the scheme valuation.

Performance of the scheme

A detailed explanation and insights into the performance of the scheme is available in the Student Loan Scheme Annual Report: educationcounts.govt.nz/publications/80898/2555.

Crown liabilities we are managing

Note 7. Refundables and payables

Refundables and payables are financial liabilities and are recognised at their nominal value as they are due within 12 months. The nominal value is considered to approximate their fair value.

Taxes refundable represent refunds due to customers.

KiwiSaver payable mainly represents the annual government contribution payments to be paid in July 2025. The balance also includes a small amount of contributions yet to be forwarded to scheme providers at balance date.

Actual 2024 \$000	Actual 2025 \$000
5,547,650 Taxes refundable	5,977,258
1,058,653 KiwiSaver payable	1,027,165
21,017 Paid parental leave payable	1,686
6,627,320 Total refundables and payables	7,006,109

Note 8. Unclaimed monies

Under the Unclaimed Money Act 1971, entities (for example, financial institutions and insurance companies) transfer money not claimed after a prescribed length of time (usually 5 years) to IR. The funds are repaid to the entitled owner on proof of identity.

Unclaimed monies that are received or held by IR become unclaimable when there is no identifying information, the amount is less than \$100 or the money is unclaimed after 25 years or more.

Note 9. Reserve schemes

Actual 2024 \$000	Actual 2025 \$000
253,060 Income equalisation reserve scheme	192,782
139,302 Environmental restoration account	139,286
392,362 Total reserve schemes	332,068

The income equalisation reserve scheme allows customers in the farming, fishing and forestry industries to make payments during the year by way of income equalisation deposits. Interest is paid at a rate of 3% per annum if a deposit is left in the scheme for a period of more than 12 months.

The environmental restoration account allows businesses to set aside money to cover costs for monitoring, avoiding, remedying or mitigating any detrimental environmental effects that may occur in later years. Interest is calculated at a rate of 3% per annum and is payable from the day after the deposit is made until the day before a refund is made. Refunds will be made when the environmental restoration costs are incurred.

Crown contingencies we are managing

Note 10. Contingencies

Contingent assets and liabilities are recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities.

Contingent assets

Disputes—non-assessed

Contingent assets arise as part of the tax dispute process, for example, when IR has advised a customer of a proposed adjustment to their tax assessment through a notice of proposed adjustment. At this point, IR has not issued an amended assessment and no revenue has been recognised so these adjustments are recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities as disputes—non-assessed. The customer has the right to dispute this adjustment and a disputes resolution process is entered into. IR records a contingent asset based on the cash likely to be received from the disputes process, based on experience and similar prior cases, net of losses carried forward.

Contingent assets can also arise where the customer has not filed an assessment, but IR believes they are liable for tax. In this situation, IR will issue an assessment. Where the customer chooses to dispute the IR-initiated assessment, the assessment is not recognised as revenue and a contingent asset is recorded in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities. The value of the asset is based on the cash likely to be received from the disputes process, based on experience and similar prior cases, net of losses carried forward.

Contingent liabilities

Legal proceedings and disputes—assessed

If a legal case is still not resolved at the end of the disputes process, IR will issue an amended assessment to the customer and recognise revenue and a contingent liability. The customer is then able to file proceedings with the Taxation Review Authority or the High Court disputing the assessment.

Unclaimed monies

Unclaimed monies are repaid to the entitled owner on proof of identity. Based on trends from prior years, the estimated likely amount of unclaimed monies that will be paid is recorded as a liability in the Schedule of Non-departmental Liabilities and the remainder is recorded as a contingent liability in the Schedule of Non-departmental Contingent Assets and Contingent Liabilities.

Other disclosures

Note 11. Collection of earner levy

IR collects earner levies on behalf of the Accident Compensation Corporation and passes the monies directly to them. The levies are not recognised as revenue or expenditure in the non-departmental schedules.

Actual	Actual
2024	2025
\$000	\$000
2,712,780 Earner levy	2,877,362
2,712,780 Total collection of earner levy	2,877,362

Note 12. Events after balance date

There have been no significant events after balance date.

Independent Auditor's Report Pūrongo Kaitātari Pūtea Tōkeke

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Additional information



Delegations outside the Public Service

In accordance with Schedule 6 of the Public Service Act 2020, we are required to report on situations where the Commissioner has delegated any of the Commissioner powers outside the Public Service.

Westpac

The Commissioner has delegated powers under the Treasury Delegations to Westpac's Corporate and Institutional Banking Unit to enable it to effectively manage the movement of payments received in Inland Revenue's (IR) Australian WBC Account (Payments) to IR's Westpac New Zealand Account.

This delegation allows Westpac to transfer the Payments out of IR's WBC Australia Account to IR's Westpac New Zealand AUD Account, apply the foreign exchange rate to the AUD amount and then transfer the NZD amount to IR's Westpac New Zealand Account.

This delegation has been operating as intended in line with the contractual arrangements with Westpac.

Callaghan Innovation

Callaghan Innovation and IR act in partnership to determine entitlement to the Research and Development Tax Incentive (RDTI).

To fully enable discussions with customers, agents and experts in relation to applications for the RDTI, the Commissioner has delegated powers to share information under section 18 of the Tax Administration Act 1994 to staff in Callaghan Innovation who consider RDTI applications.

This delegation is limited to information that relates to RDTI applications and has been working as intended.

Information sharing with the Department of Internal Affairs

Under information sharing regulations, IR must report annually, for this Approved Information Sharing Agreement (AISA), on actions taken during the financial year.

A copy of the approved AISA is available to view at: ird.govt.nz/about-us/information-sharing/information-sharing/dia

	Financial year ending 30 June 2024	Financial year ending 30 June 2025
Contact records received from DIA ¹	168,623	149,616
Contact records not matched to a corresponding IR record for: - overseas-based child support debtors - overseas-based child support non-debtors who do not appear to have up-to-date contact information, and - overseas-based student loan defaulters.	165,721	146,870
Contact records matched to corresponding IR records for: - overseas-based child support debtors - overseas-based child support non-debtors who do not appear to have up-to-date contact information - overseas-based student loan defaulters - overseas-based student loan non-debtors who do not appear to have up-to-date contact information.	290 66 1,751 795	271 46 1,443 986
Ongoing programme operating costs ²	\$1,728	\$1,728
Individuals successfully contacted ³ using contact records matched to: - overseas-based child support debtors - overseas-based child support non-debtors who do not appear to have up-to-date contact information - overseas-based student loan defaulters - overseas-based student loan non-debtors who do not appear to have up-to-date contact information.	21 (7.2%) * 100 (5.7%) 38 (4.8%)	7 (2.6%) * 282 (19.5%) 144 (14.6%)
Payments received from individuals as a result of successful contact with: - overseas-based child support debtors - overseas-based student loan defaulters.	* 29 payments (\$43,202) ⁴	0 payments (\$0) 549 payments (\$89,944)
Percentage of individuals who have addressed ⁵ their debt as a result of being successfully contacted by IR: - overseas-based child support debtors - overseas-based student loan defaulters.	* 0.8% (14 individuals)	0% 5.3% (77 individuals)

* Not released for confidentiality reasons.

1 Records reflect the volumes that have been processed within each financial year. Records processed after 30 June will be reflected in reporting for the following year.

2 Approximate annual incidental administrative charge.

3 Leads were not necessarily loaded for all those matched, and there was a slight methodology change for non-debtors.

4 IR's 2023–24 Annual Report stated that 23 payments totalling \$11,631 were received. We subsequently identified additional payments and have reported the revised figure here.

5 Individuals no longer have payments overdue or have made a payment arrangement with us.

Information sharing with New Zealand Police, the New Zealand Customs Service and the Serious Fraud Office

Our approved information-sharing agreement (AISA) with New Zealand Police, the New Zealand Customs Service and the Serious Fraud Office sets out key activities that we need to report on each year in our annual report.

Under sections 154(1)(b), 155 and 156 of the Privacy Act 2020, the Privacy Commissioner has specified the following reporting in respect of the AISA for: supply of information for the purpose of prevention, detection, investigation or providing evidence of serious crime.

A copy of the AISA is available to view at: ird.govt.nz/about-us/information-sharing/information-sharing/nz-police

Information shared between 1 July 2024 and 30 June 2025

Agency	Serious Fraud Office		New Zealand Customs Service		New Zealand Police	
Description	2023–24	2024–25	2023–24	2024–25	2023–24	2024–25
Number of requests for information made by the agency	39	16	16	6	632	360
Number of responses with information provided by IR to the agency	39	15	11	6	573	349
Number of occasions IR proactively provided information to the agency	2	3	0	0	10	9

Benefits

This is the number of times that information provided by IR has been used in a case, with a resolution of:

Agency	Serious Fraud Office		New Zealand Customs Service		New Zealand Police	
	2023–24	2024–25	2023–24	2024–25	2023–24	2024–25
No offence	0	0	0	0	108	84
Prosecution	1	4	1	0	139	99
Warning	0	0	0	0	0	2
Still under investigation	0	1	7	6	326	164
No response received (still in progress)	0	0	0	0	0	0
No of requests cancelled or did not meet criteria	0	0	5	0	59	11
Total	1	5	13	6	632	360

Notes

Of the New Zealand Customs Service cases still under investigation, 2 cases are likely to result in prosecution.

Warning, diversion and youth case action do not apply as the AISA focuses on serious offending and these possible resolutions are for lower-level offending that falls below the serious crime threshold.

The number of requests and responses has returned to similar levels to 2021 and 2022. However, the nature of the requests has also changed over that period as collectively agencies have evolved their approach focusing on more targeted and complex requests.

Costs

The estimated cost of the agreement for the year ended 30 June 2025 is approximately \$30,000.⁶

Amendments

The information-sharing agreement between IR and New Zealand Police was extended to include the Serious Fraud Office and the New Zealand Customs Service. A new AISA was negotiated between parties and signed in July 2020 and enacted in October 2020.

⁶ Excludes estimated costs for Intelligence, Legal Services and Team Lead roles.

Information sharing with the Ministry of Social Development

Under sections 154(1)(b), 155 and 156 of the Privacy Act 2020, the Privacy Commissioner has specified the following reporting in respect of the approved information-sharing agreement listed in schedule 2A of the Privacy Act between IR and the Ministry of Social Development (MSD) to facilitate the following public services:

1. The accurate and efficient assessment of eligibility for, and entitlement to, benefits and subsidies.
2. The accurate and efficient assessment and enforcement of tax obligations, including recovering any associated debt, and
3. The accurate and efficient assessment and enforcement of obligations relating to benefits and subsidies, including recovering any associated debt.

IR will collate the following information annually (for the period between 1 July and 30 June) and report the information in its annual report for that year:

Scale

Metric	Shares derived from:	2023–24	2024–25
Number of records disclosed (MSD to IR)	Commencement/cessation of benefits/students	21	7
	Child support administration	157,908	176,802
	Student loan programme	16,259,014	17,126,906
Number of records disclosed (IR to MSD)	Community Services Card	1,830,267	1,894,106
	Commencement/cessation of benefits/students	21	7
	Proactive information share—benefits and subsidies	832,131	816,931
	Child support administration	121,549	118,541
	Student loan programme	298,866	341,580

Benefits (Quantitative)

Metric	Shares derived from:	2023–24	2024–25
Number of services automatically transferred	Working for Families Tax Credit (WfFTC) administration	14,666	15,619
Number of services stopped (overpayments)	WfFTC double payment (number)	947	928
	WfFTC double payment (value)	\$696,906	\$756,337
Services offered or renewed (number)	Community Services Card	306,976	338,902
Service cancellations (number)	Proactive information share—benefits and subsidies	886	1,384
Adverse action notices (number sent)	Community Services Card	4,652	3,934
	Commencement/cessation of benefits/students	0	0
	Proactive information share—benefits and subsidies	46,076	68,931
Challenges (number received and number upheld)	Community Services Card (received)	0	0
	Community Services Card (upheld)	0	0
	Commencement/cessation of benefits/students (received)	0	0
	Commencement/cessation of benefits/students (upheld)	0	0
	Proactive information share—benefits and subsidies (received)	960	336
	Proactive information share—benefits and subsidies (upheld)	133	133
Overpayments established (number and value)	Commencement/cessation of benefits/students (number)	0	0
	Commencement/cessation of benefits/students (value)	\$0	\$0
	Proactive information share—benefits and subsidies (number)	12,749	17,809
	Proactive information share—benefits and subsidies (value)	\$50,453,814	\$55,876,545
Arrears created (number and value)	Commencement/cessation of benefits/students (number)	0	0
	Commencement/cessation of benefits/students (value)	\$0	\$0
	Proactive information share—benefits and subsidies (number)	30	77
	Proactive information share—benefits and subsidies (value)	\$3,438	\$12,072
Referrals for suspected fraud (number)	Proactive information share—benefits and subsidies	0	14
Prosecutions successful (number)	Proactive information share—benefits and subsidies	0	0

Qualitative benefits

In the 2024–25 year:

- The information sharing under this AISA has effectively helped MSD to assess eligibility for Community Services Cards, benefits and subsidies, and to identify overpayments. It is also the most effective way for IR and MSD to ensure customers receive their correct Working for Families Tax Credit entitlements.
- There have been no data breaches under the AISA.
- Data was continually shared throughout this reporting period. However, MSD has continued to reprioritise resources to manage the increased demand volumes across all data match and information shares. This has impacted both the Commencement/cessation of benefits/subsidies match and Proactive information share—benefits and subsidies recorded values within this reporting period.

Assurance

In the 2024–25 year:

- We can confirm MSD and IR have received no privacy complaints about the operation of the information sharing under the AISA. There has been no change to the Order in Council.

Information sharing with approved credit reporting agencies

In the year ended 30 June 2025, IR has not credit reported/formally notified or communicated information on any taxpayers with an approved credit reporting agency.

Note: the statement in the 2023–24 Annual Report omitted that, as well as IR credit reporting/formally notifying and communicating information on 3 taxpayers with approved credit reporting agency, we also served 17 notices/ letters of intent on customers.

Algorithm Charter for Aotearoa New Zealand

Algorithm Charter for Aotearoa New Zealand

IR adopted the Algorithm Charter (the charter) for Aotearoa New Zealand in July 2020. The charter includes 6 commitments intended to shape government agency behaviours in ways that minimise risk to people and maximise the benefits algorithms can provide.

IR has a governance programme over our data and information, which includes how we work with the charter commitments and assessing the risk when we use algorithms. Legislation provides us and our customers with specific rights regarding information.

AI governance

Our AI governance activities follow the Government Chief Digital Officer's guidance and the July 2024 Cabinet Paper 'Approach to work on Artificial Intelligence' that has adopted Organisation of Economic Co-operation and Development AI principles for New Zealand agencies.

We have legal, ethical and business responsibilities to ensure that the data and information we are a steward of is protected, maintained and developed for the benefit of more than just ourselves.

Glossary

Term	Definition
Adjudication review	Reviews conducted by the Tax Counsel Office as part of IR's dispute resolution process and independent of our investigation and audit function. An adjudication review is a fresh look at tax disputes in an impartial and independent manner.
Advance pricing agreements (APAs)	A co-operative approach to addressing transfer pricing compliance. APAs produce significant time and cost savings, and certainty of outcomes for both tax authorities and multinationals in comparison with adversarial audits. APAs encourage up-front taxpayer compliance and early resolution of potential disputes.
Appropriation	A parliamentary authorisation for the Government or an Office of Parliament to incur expenses or capital expenditure. Expenditure can only be incurred under an appropriation or other statutory authority.
Approved information sharing agreement (AISA)	A tool that allows government agencies to provide efficient and effective public services through collaborating and sharing information, without intruding on people's rights or exposing agencies to risk. Approved information sharing agreements are listed in Schedule 2 of the Privacy Act 2020. See: privacy.org.nz/privacy-for-agencies/information-sharing/
Ātea	The enterprise support service platform that supports the day-to-day running of IR.
Automatic Exchange of Information (AEOI)	Refers to the global standard for exchanging financial account information. Participating jurisdictions reciprocate with financial account information on New Zealand tax residents.
Base erosion and profit shifting (BEPS)	Refers to aggressive tax planning strategies used by multinationals to "shift" profits from high tax jurisdictions to low/no tax jurisdictions thus eroding the tax base of the high tax jurisdiction.
Bright-line rule	A rule that any profit on a residential property will be taxable if it is sold within a set period of time, the bright-line period, unless an exclusion or rollover relief applies.
Business transformation	IR's now completed programme to make tax and payments simpler, open and more certain for customers.
Carbon Neutral Government Programme	A programme set up to accelerate the reduction of emissions within the public sector.
Child support pass-on	From July 2023, when a liable parent makes a child support payment, it will be passed on to receiving carers on a sole parent rate of benefit, instead of being used to pay the cost of providing the benefit.
Compliance intervention	A step or action taken to assist with compliance. This could range from a simple customer contact through to an audit, statutory dispute or prosecution.
COVID-19 remissions	The Commissioner of Inland Revenue had the ability to remit use of money interest and/or penalties charged if the taxpayer's ability to pay tax on time was significantly adversely affected by the COVID-19 outbreak. This was enabled under section 183ABAB and section 183ABAC of the Tax Administration Act 1994.
Crown	All Ministers and all departments, the State as a whole.

Term	Definition
Crypto-assets	Also known as cryptocurrencies or virtual currencies, crypto-assets are treated as a form of property for tax purposes. What people make from selling, trading or exchanging crypto-assets is taxable.
Crypto-Asset Reporting Framework	Refers to the new global standard for exchanging information on crypto assets which aims to fight evasion of income from crypto assets. It involves crypto-asset service providers collecting details of crypto assets held by non-residents and passing that information to us so that we can pass it on to the relevant jurisdiction. Participating jurisdictions reciprocate with crypto-asset information on New Zealand tax residents.
Departmental	Means expenditure incurred by a department or an Office of Parliament.
Digital ecosystem	A constantly evolving network of interconnected stakeholders, including government, businesses, people, services, and technologies, that interact digitally to exchange data and services.
Digital Services Tax Bill	This Bill was intended to allow the Government to implement, at an appropriate time, a digital services tax to be administered by IR. In May 2025, the Government discharged the Digital Services Tax Bill from the legislative programme.
Employee Share Scheme Rules	Employee share schemes can help retain talent by offering shares or options. The structure and tax implications maybe complex as benefits are taxed based on specific timing events using the share's market value.
Estimates of Appropriations	Detailed documents in which the Government sets out its spending plans for the coming financial year. The Estimates are presented to Parliament, which then approves them through an Appropriation Bill. (Full name: Estimates of Annual Appropriations for the Government of New Zealand.)
FamilyBoost	A subsidised payment to help eligible households pay for the cost of early childhood education. Payments are made quarterly.
Final-year Fees Free Scheme	The final-year Fees Free policy. The policy enables eligible learners to claim fees for the final year of the first eligible qualification or programme they complete, rather than the first year (as previously possible).
Gateway Services	IR's Gateway Services are machine-to-machine APIs, web services and file transfers that support communication of tax and social policy information between IR, tax software, KiwiSaver schemes and other government departments as required. These highly secure services help ensure large-scale information transfer both automatically and on demand as need requires. Each software provider has, at their discretion, chosen which of the gateway services they will integrate with and offer to their customers. Tax intermediaries can use these gateway service offerings to file their clients' tax returns or use myIR.
Global mobility project	This project involves updating international guidance on the taxation issues arising from the greater mobility of employees, such as living in one jurisdiction but working out of another.
Government's Fiscal Strategy	The Government's plan for managing its finances, which include expenses, revenue and the portfolio of assets and liabilities on the Crown balance sheet.
Government's Going for Growth Plan	This plan sets out the approach the Government is taking to make New Zealand's economy grow faster, to increase living standards and opportunities for all New Zealanders. For more information visit goingforgrowth.govt.nz

Term	Definition
Government's Revenue Strategy	The Government's Fiscal Strategy Report 2025 reflects that the Government will operate a stable, predictable revenue system. The current main tax bases—personal income tax, company tax and a broad-based GS—will continue to raise the bulk of Crown revenue.
Individual Income Tax Assessment (IITA)	Automatically calculated and issued income tax assessments for individual customers when IR has all their income information (income from employment, investments such as bank deposits or savings interest or a benefit under an employment share scheme) for the tax year.
Integrity of the tax system	At all times, we need to make sure we are protecting the integrity of the tax system. This has a meaning under section 6(2) of the Tax Administration Act 1994 as follows: (2) Without limiting its meaning, the integrity of the tax system includes— - the public perception of that integrity; and - the rights of persons to have their liability determined fairly, impartially and according to law; and - the rights of persons to have their individual affairs kept confidential and treated with no greater or lesser favour than the tax affairs of other persons; and - the responsibilities of persons to comply with the law; and - the responsibilities of those administering the law to maintain the confidentiality of the affairs of persons; and - the responsibilities of those administering the law to do so fairly, impartially, and according to law.
International Tax Strategy	IR's International Tax Strategy outlines our compliance framework and approach in relation to all international customers (individuals and MNEs). There are two main strands to it: - the taxation of cross-border flows of income - international cooperation on both a bilateral and multilateral basis.
Interpretation Statement	A formal document issued by the Commissioner of Inland Revenue that sets out the Commissioner's view on how tax law applies to a particular arrangement, transaction, or issue. These statements are part of IR's broader effort to provide technical guidance and foster voluntary compliance by helping taxpayers understand their obligations under the law.
KiwiSaver Scheme Providers	Financial institutions that offer KiwiSaver schemes for members to invest in. They administer scheme enrolments, withdrawals, and allocate contributions according to each member's chosen risk profile.
Multi-category appropriation (MCA)	A single appropriation made up of multiple categories (which can be different types of expenditure, including output expenses, other expenses and non-departmental capital expenditure) that all contribute to the same overarching purpose. Multi-category appropriations allow greater flexibility.
Multi-factor authentication (MFA)	Also known as 2-factor authentication (2FA) or multi-step authentication, this is a security measure that requires users to provide 2 or more verification factors to gain access to an account or system. It adds an extra layer of security beyond just a password, making it much harder for unauthorised individuals to access accounts, even if they have stolen a password.
myIR Navigation Assistant	A guidance tool which has been added to myIR. It improves the customer experience at first point of contact and provides direct links to common self-service tasks, such as updating an address.
Non-departmental	Revenue received and expenditure incurred on behalf of the Crown.
Organisation for Economic Co-operation and Development (OECD)	Provides a forum in which the governments of 38 member countries can work together to share experiences and seek solutions to common problems. Promotes policies that will improve the economic and social wellbeing of people around the world. See: oecd.org

Term	Definition
OECD's Two Pillar solution	A proposal to reform international tax rules, addressing tax challenges arising from the digitalisation of the economy and mobile income. It involves two main pillars: Pillar One, which focuses on reallocating some profits of the largest multinational enterprises to market jurisdictions, and Pillar Two, which establishes a global minimum effective tax rate for multinational enterprises.
Online casino gambling	A gaming duty on online casino gambling. This applies from 1 July 2024 at the rate of 12%. It applies to online gambling provided by offshore operators to New Zealand residents
Operating allowance	Operating allowance or Budget operating allowance refers to the net new operating funding the Government intends to spend on new, discretionary policy initiatives in the Budget.
Operating balance	Also referred to as Crown operating balance, this refers to the Government's headline fiscal measure. It is the difference between total Crown revenue and expenses (excluding gains and losses), and excluding the revenue and expenses of ACC.
Oranga	The physical, mental and spiritual wellbeing of an individual and their interconnectedness with the natural world around them. IR makes our biggest contribution to oranga through economic activities including collecting and distributing money.
Order in Council	A legal instrument used by the New Zealand Government to implement decisions that need legal force. The Executive Council advises the Governor-General to make Orders in Council. Apart from Acts of Parliament, Orders in Council are the main method by which the government implements decisions that need legal force.
Public Finance Act	The purpose of the Public Finance Act is to consolidate and amend the law governing the use of public financial resources.
Research & Development Tax Incentive	A tax credit intended to incentivise businesses and individuals who perform research and development activities.
Rulings	Rulings are the Commissioner's formally binding interpretations of the tax law. There are 2 main types of rulings—public rulings and taxpayer rulings (which include private rulings, product rulings, short-process rulings and status rulings).
Small Business Cashflow Loan Scheme	A loan available to eligible organisations and small to medium-sized businesses, including sole traders and the self-employed, if they had been adversely affected by COVID-19.
START	An acronym for Simplified Tax and Revenue Technology—our taxation and revenue system.
Straight-through processing	Automated, end-to-end processing of transactions with minimal or no manual intervention.
Tax Administration Act 1994	A foundational statute that governs the administration of New Zealand's tax system. It sets out the roles and responsibilities of IR, the Commissioner of Inland Revenue and taxpayers.
Tax and Social Policy Work Programme	A published document that sets out the Government's policy focus for a relevant period. The work programme follows the strategic direction set out in the Government's revenue strategy.

Term	Definition
Te Arawhiti Māori Crown Relations Capability Framework	The Māori Crown relations (MCR) capability framework was developed to provide a more coordinated approach to capability building across the public service. Whāinga Amorangi plans developed by agencies are based on the competency areas set out in the MCR framework. The MCR framework is split into three parts: the two capability components and the survey.
Thin capitalisation rules	Thin capitalisation rules limit tax deductions for interest when foreign-owned companies use excessive amounts of debt.
Transnational, serious and organised crime	Transnational or domestic serious crime planned, coordinated and conducted by a group or network for the purpose of gaining profit, power or influence.
Voluntary compliance	The New Zealand tax system is based on voluntary compliance, which relies on taxpayers meeting their obligations under the tax laws, for example, filing tax returns and returning all income.
Voluntary disclosure	A disclosure that IR customers can make to tell us what is wrong with a tax return before we find out in some other way. Any individual, business, trust or employer can make a voluntary disclosure.
Working for Families Tax Credits	Payments for families with dependent children aged 18 and under. The payments are to help parents raise families. The entitlements are based on people's yearly family income and family circumstances. There is more about the 4 types of tax credits at ird.govt.nz/working-for-families/all-about-working-for-families

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ISSN 2230-6005 (Print)
ISSN 2230-6013 (Online)

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Presented to the House of Representatives pursuant to the Public Finance Act 1989 and the Tax Administration Act 1994.

