

26 July 2019

Mx Ti Lamusse
fyi-request-10013-fff43e17@requests.fyi.org.nz

Dear Mx Ti Lamusse

We have recently been contacted by the Office of the Ombudsman about your complaint under the Official Information Act 1982 (the OIA) about Inland Revenue's decision of 7 May 2019 to refuse to release certain information.

In your request you requested:

Please provide me with the current total estimated (and actual, if possible) amount of tax outstanding due to tax evasion.

This part of your request was refused under section 18(f) of the OIA as the information requested cannot be made available without substantial collation. The Ombudsman has suggested that we provide you with further information explaining this decision.

We have reviewed the information recorded in our system to see if there is a way to easily identify debt cases that arose due to evasion. However, this information is not recorded and breaking down our debt cases based on how the debt arose (e.g. evasion) would require a case by case analysis of taxpayer files.

Information from the collection records forms the basis of tax debt amounts reported in Inland Revenue's annual report. Inland Revenue's 2018 Annual Report records debt values by tax type as at 30 June 2018. The amounts reported are as follows:

TABLE 3: TAX DEBT AS AT 30 JUNE (\$ MILLION)

	2014	2015	2016	2017	2018	Change since 2017
Working for Families Tax Credits	406.6	334.8	224.6	193.4	140.1	-27.6%
GST	1,775.5	1,527.5	1,387.0	825.6	814.9	-1.3%
Income Tax	2,519.6	2,653.0	2,568.5	1,556.2	1,651.3	6.1%
KiwiSaver	33.3	29.4	24.9	26.5	42.4	60.0%
Other tax	121.8	115.9	69.7	79.9	79.8	-0.1%
PAYE	613.9	492.4	428.9	309.7	374.9	21.0%
Total debt	5,470.7	5,153.0	4,703.6	2,991.3	3,103.4	3.7%

TABLE 4: CHILD SUPPORT DEBT AS AT 30 JUNE (\$ BILLION)

	2014	2015	2016	2017	2018
Total debt value	3,047	3,276	3,311	2,736	2,259
Penalties only	2,372	2,605	2,661	2,119	1,662

Generally, amounts unpaid by the due date trigger automatic actions within Inland Revenue's system, which requires our compliance staff to contact customers about the amounts owed and to make arrangements for payment. Depending on the nature of the debt, Inland Revenue may also use a manual referral process. As noted in our OIA response of 7 May 2019, Inland Revenue prioritises debt related to evasion. However, ensuring follow up action is taken on this type of debt is primarily through a manual referral process that is carried out by investigators who identified the evasion through our investigation process and have imposed the evasion shortfall penalties.

Information on how Inland Revenue manages debt can also be found in our 2018 Annual Report. The 2018 Annual Report is available on our website through this link: www.classic.ird.govt.nz/resources/0/7/0774560a-7b44-4c03-8a76-cebe59f042c3/annual-report-2018.pdf

Inland Revenue also reports amounts identified through our investigation activity. In the 2018 Annual Report, Inland Revenue reported that we identified total tax differences of \$1.08 billion through our investigations when customers did not get things right for the year ending 30 June 2018.

Total tax differences from evasion cases are not specifically reported. However, we have reported that our investigations into the hidden economy found tax position differences of \$145.2 million for the year ended 30 June 2018. More information about how Inland Revenue addresses non-compliant activities can also be found in Inland Revenue's 2018 Annual Report.

Inland Revenue defines the hidden economy as "monetary and non-monetary transactions intentionally not declared or accurately reported." This definition includes under reporting income or artificially inflating expenses. It is important to note that while operating in the hidden economy has financial consequences, the primary reason for participation may not always be tax evasion.

I trust my comments explains why we have not been able to provide you with the requested information.

Yours sincerely



Tony Donoghue
Manager, Commissioner's correspondence