

9 December 2021

[Redacted]

Dear [Redacted]

Thank you for your request made to Inland Revenue (IR) under the Official Information Act 1982 (OIA), received on 11 October 2021. You requested the following information:

1. *What is the scope and intention of IRD's real estate sector campaign?*
2. *How many IRD staff are involved and what is the budget for the work?*
3. *Why was this project launched?*
4. *What evidence was there of under reporting of income and the overstating of expenses?*
5. *How much is this behaviour costing the economy/value of offending?*
6. *What action has IRD taken as part of this project?*
7. *Has IRD sent any warning letters/taken any legal action as a result of its inquiries?*
8. *Has IRD found real estate companies to be cooperative on this issue?*
9. *When is this work expected to be completed?*

IR's 'Right from the Start' approach to tax compliance

IR has moved our compliance focus to assist customers get it 'Right from the Start'. This provides opportunities to engage earlier if customers get it wrong, accidentally, or deliberately, and reduces the amount of post-return audit and investigation required.

With improvements in our data and analytical capabilities, returns that generate a refund are checked automatically by rules in our system, as are all amended returns.

Where we identify something may not be right, there are a range of intervention approaches that can be applied that include education and support services as well the use of audit where necessary.

Questions 1, 3 and 4

What is the scope and intention of IRD's real estate sector campaign?

Why was this project launched?

What evidence was there of under reporting of income and the overstating of expenses?

IR's real estate sector campaign is a national campaign focused toward real estate salespersons/agents, who receive commission income as a salesperson.

This campaign was commenced as information we have received indicated some real estate agents appeared to be:

- claiming private expenses against their business income and/or claiming expenses without supporting business records
- using net versus gross values when reporting GST
- not including wage subsidy payments received within their annual income tax return.

The intention of the campaign is to engage and support those operating within this sector and their tax agents, to ensure their income tax returns are correct or are corrected where needed.

Question 2

How many IRD staff are involved and what is the budget for the work?

This work is incorporated within IR's wider compliance programme which involves many of our customer facing staff and as such there is no specific budget for this initiative.

Question 5

How much is this behaviour costing the economy/value of offending?

I am refusing your request under section 18(e) of the OIA, as the data you have requested does not exist. Inland Revenue has not quantified the scale of potential expenses overclaimed for Real Estate agents.

Questions 6 and 7

What action has IRD taken as part of this project?

Has IRD sent any warning letters/taken any legal action as a result of its inquiries?

Inland Revenue has prioritised engaging with the real estate industry and tax agents, using communications and guidance material to encourage and assist customers to file tax returns correctly and self-correct where required.

Materials include an online seminar that contains information and advice on record keeping, expenses, GST and treatment of wage subsidy payments. We have also created a dedicated page on our website (<https://www.ird.govt.nz/pages/campaigns/real-estate-agents>).

IR has contacted a number of customers and in a limited number of circumstances will take audit action as needed.

Common errors we are finding include claims for gifts, personal clothing and grooming, meals and entertainment expenses, alongside issues such as calculation of home office and vehicle expenses, plus GST being understated. An additional important issue in this past year (and will also be an area of focus for 2022), has been non or under-reporting of wage subsidy payments received. Further information on how wage subsidy payments are reported can be found on our website <https://www.ird.govt.nz/updates/news-folder/wage-subsidy-and-leave-payments-tax-returns>.

Question 8

Has IRD found real estate companies to be cooperative on this issue?

The Real Estate Institute of New Zealand (REINZ) and the franchises have been engaging and supportive of our approach. They have responded very positively and are keen to encourage and support their members to follow the rules and meet their tax obligations.

Question 9

When is this work expected to be completed?

Engagement with this industry is ongoing and we will continue to monitor 2021 income tax returns as they are filed. We expect to continue to monitor filing and reporting for this customer population for the 2022 year.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you for your request. I trust that the information provided is of assistance to you.

Right of review

Under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

Yours sincerely



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