



27 February 2025

Dear [REDACTED]

Thank you for your request of 24 January 2025, transferred to Inland Revenue from the Minister of Revenue on 30 January 2025. Your request is attached as **Appendix A**.

We have considered your request under the Official Information Act 1982 (OIA).

Losses through company liquidations and bankruptcies

Inland Revenue has interpreted your request for "losses suffered by IR" to be debts that have been written off due to bankruptcy or liquidation only.

"Company liquidations and bankruptcies" have been interpreted as such, rather than company liquidations and company bankruptcies.

The data in the table below is based on the date the write-off occurred, rather than the period it was for. The bankruptcy data covers multiple customer types such as individuals, companies, trusts and partnerships etc.

Bankruptcy and Liquidation write-off totals for 2022 and 2023 Financial years¹

Write off Type	2021/22 (\$m)	2022/23 (\$m)	Total
Bankruptcy	\$60.4m	\$32.9m	\$93.3m
Liquidation	\$120.0m	\$125.2m	\$245.2m

Employee PAYE liability

Providing an employer has deducted PAYE (including other payments such as KiwiSaver, child support and student loans) and recorded this information to Inland Revenue, this will be credited towards their overall tax obligations. Employees will not be liable if the employer is not able to pay.

Publishing of OIA response

¹ Including penalties and interest

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Teresa Dillon
Domain Lead, Performance and Reporting

Appendix A – Original request

Dear Minister Watts

Re: Non Payment of IRD Debts In Company Liquidations

I have had a longstanding concern in the way that IRD always appears in the lists of creditors of companies placed in liquidation.

This is highlighted by the current flood of property and development company failures and in particular the Du Val where the founders and directors had a clearly excessive expensive lavish lifestyle.

I note via the NZ Herald today another developer, Ngaiwi Development, with an apartment development in Orakei has gone into liquidation owing \$2.3 million to IRD, the latest in a long stream of failures with no doubt many more to come.

I have been involved in major businesses for many years and are aware these are not true company costs but funds essentially held in a trust situation to be passed to IRD.

GST is charged on sales and collected from customers offset by GST paid by their suppliers. PAYE etc. are deductions made from employees salaries and wages

including student loan repayments etc. to repay current personal debt or to meet their income tax obligations.

In essence, the non payment is theft.

Companies have a fiduciary relationship to their employees specifically with PAYE deductions, to their customers who have paid the GST on their purchases and consequently the IRD.

It is anticipated that in the early phase of the development where GST paid is greater than GST charged by suppliers would have been claimed back from GST paid to suppliers and contractors.

Delaying payment of creditors is something of a standard practice in the construction world. In a tight business situation with contractor/supplier pressure for payment IRD is the soft option and it is pleasing to note the current IRD approach to closer monitoring of outstanding debts due.

It is also a standard practice to have specific companies established to carry out a development which is then rapidly wound up following completion to avoid any subsequent claims arising from issues with the buildings involved. I personally have been caught in this situation.

There is also an element of deliberate fraud in some cases. In Auckland much construction carried out by non long established builders, many from overseas, and immigrant worker exploitation can be an issue.

The Government must recognise this fiduciary relationship and core obligation and legislate to mitigate the shonky practices, and:

1. *Make directors and key shareholders of companies personally liable for any GST or PAYE payable to IRD.*
2. *Impose a two year voluntary winding up ban of construction related companies in particular.*
3. *The concept of an appropriate compulsory contingency insurance policy should be explored.*

I am a Grey Power senior officer and advocate, and while is not specifically relevant to the IRD issue, the senior community is particularly vulnerable to adverse outcomes in the building sector in the event of uncompleted projects and post construction issues.

The shadow of the early leakier homes disasters are still with us, and resonate in the current situation.

I would appreciate it if your office could advise me of the losses suffered by IRD through company liquidations/bankruptcies for the 2022 and 2023 years to have some perception of the scale of the problem.

Could they also advise me if employees are credited with PAYE etc lost in liquidations, or are required to make good the loss.

Thanks you for your attention.

Regards

[Redacted signature block]