



17 May 2023

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 18 April 2023. You requested the following (numbered for ease of response):

*We would like to know the following:*

- 1. How many prosecutions were commenced in relation to 'tax evasion charges' notified in IRD's work on the "Hidden Economy" for each year from 2008 to 2017?*
- 2. How many investigations were commenced in relation to infringements notified in IRD's work on the "Hidden Economy" for each year from 2008 to 2017?*
- 3. How much additional tax revenue, if any, was obtained from hidden economy investigations from IRD from 2008 until 2017 (broken down by year)?*
- 4. How many hours in total, if any, have IRD assigned staff spent on Hidden Economy investigations from the month from November 2011 until January 2014?*
- 5. How much returns on investment, if any, were IRD receiving from their hidden economy investigations every month from the 2019-20 financial year until the 2022-23 financial year?*

**Question 1** *How many prosecutions were commenced in relation to 'tax evasion charges' notified in IRD's work on the "Hidden Economy" for each year from 2008 to 2017?*

For the period requested, Inland Revenue did not report on the number of prosecution cases 'commenced', and the reporting system used during this period was retired during Business Transformation, so we are unable to source historic information. Your request for the number of prosecutions commenced in relation to tax evasion charges notified in Inland Revenue's work on the hidden economy is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by another agency.

The number of prosecutions commenced in relation to 'tax evasion charges' cannot specifically be identified as being solely attributed to Inland Revenue's work on the hidden economy.

We can provide the total number of prosecution cases on hand, and the number of prosecution cases closed for each of the financial years for the period from 1 July 2008 to 30 June 2017. This is included in the table below.

Year Ended	Cases on Hand	Cases Closed
<b>30 June 2009</b>	134	92
<b>30 June 2010</b>	143	121
<b>30 June 2011</b>	121	67
<b>30 June 2012</b>	103	80
<b>30 June 2013</b>	112	92
<b>30 June 2014</b>	89	74

Year Ended	Cases on Hand	Cases Closed
30 June 2015	82	61
30 June 2016	116	79
30 June 2017	115	118

**Question 2** *How many investigations were commenced in relation to infringements notified in IRD’s work on the “Hidden Economy” for each year from 2008 to 2017?*

Due to Inland Revenue's Business Transformation and the move to new systems and processes, we can only provide the number of investigations commenced in relation to infringements in IRD’s work on the hidden economy for the period from 7 February 2017 to 30 June 2017. For this period 489 investigations were commenced.

Your request for the number of investigations commenced for the period prior to 7 February 2017, is refused under section 18(e) of the OIA, as the information requested does not exist.

**Question 3** *How much additional tax revenue, if any, was obtained from hidden economy investigations from IRD from 2008 until 2017 (broken down by year)?*

Inland Revenue is not able to quantify the additional tax revenue obtained (collected) from hidden economy investigations.

When Inland Revenue completes an audit, a notice of assessment is issued with the amount of tax to pay and the date it is due. If customers make a payment on time, no collection activity is required. If payment is not made on time, Inland Revenue will take appropriate action in line with our general collection process. Reporting of on-time payments or debt recovery is not able to specifically attribute payments related to audit activities, including those in relation to hidden economy investigations.

Your request for additional tax revenue obtained from hidden economy investigations from 2008-2017 is therefore refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by another agency.

We have provided below, publicly available information on the value of additional tax revenue assessed from all hidden economy investigations, and for the period 1 July 2011 to 30 June 2017 the value of additional tax revenue assessed funded through budget initiatives. Where we have not provided the value of additional tax revenue assessed for all hidden economy investigations, Inland Revenue no longer holds this information.

Year Ended	Total Hidden Economy <sup>1</sup> additional tax revenue assessed	Hidden Economy additional tax revenue assessed from budget initiative funding
30 June 2009	\$127m	
30 June 2010	\$174m	
30 June 2011	\$208.6m	
30 June 2012		\$48m
30 June 2013		\$45m
30 June 2014		\$49.8m
30 June 2015	\$146m	\$45m
30 June 2016	\$166.0m	\$59.4m
30 June 2017	\$159m	\$37m

<sup>1</sup> Additional tax revenue attributed to Hidden Economy includes Fraud.

**Question 4** *How many hours in total, if any, have IRD assigned staff spent on Hidden Economy investigations from the month from November 2011 until January 2014?*

The data relating to the number of hours spent on hidden economy investigations for the period requested is no longer held by Inland Revenue. This part of your request is therefore refused under section 18(g) of the OIA, as the information requested is not held by Inland Revenue and we do not believe it is held by another agency.

**Question 5** *How much returns on investment, if any, were IRD receiving from their hidden economy investigations every month from the 2019-20 financial year until the 2022-23 financial year?*

In Budget 2015, Inland Revenue received further funding between 2015-2020 to scale-up and give additional support for investigative activities in the hidden economy. The expectation in receiving this funding was to monitor and report the return on investment (ROI) of the initiative.

Inland Revenue discontinued reporting the return on investment specific to hidden economy at the conclusion of the investment period. It is now included more broadly in the return on investment performance measure within its Services for Customers appropriation.

The return on investment for the programme was reported as a year-to-date-position as the year progressed. The following table provides the progressive year-to-date return on investment recorded against the additional funding for each month within the 2019-20 financial year, which was the final year of reporting.

The overall return on investment achieved for the additional funding received in Budget 2015 for hidden economy was \$5.38 over the five-year period.

2019-20	ROI
Jul	\$4.82
Aug	\$3.64
Sep	\$3.74
Oct	\$4.46
Nov	\$4.55
Dec	\$4.62
Jan	\$4.41
Feb	\$4.46
Mar	\$4.30
Apr	\$4.16
May	\$3.88
Jun	\$3.66

Your request for the ROI from hidden economy investigations for the 2020-21, 2021-22 and the 2022-23 financial years is refused under section 18(g) of the OIA as this information is not held by Inland Revenue and we do not believe it is held by another agency.

### **Right of Review**

If you disagree with my decisions on your OIA request, you can ask an Inland Revenue review officer to review my decisions. To ask for an internal review, please email the Commissioner of Inland Revenue at: [CommissionersCorrespondence@ird.govt.nz](mailto:CommissionersCorrespondence@ird.govt.nz).

Alternatively, 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](mailto:info@ombudsman.parliament.nz).

If you choose to have an internal review, you can still ask the Ombudsman for a review.

**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.

Yours sincerely



Al Warren  
**Acting Segment Lead, Micro Business**