

15 November 2021

[REDACTED]
[REDACTED]

Dear [REDACTED]

Thank you for your request received on 15 October 2021 asking for information about the level of tax relief for COVID-impacted businesses. We have treated this as a request under the Official Information Act 1982 (the OIA).

Inland Revenue's approach to compliance

The Commissioner of Inland Revenue is tasked with protecting the integrity of the tax system and collecting the highest net revenue over time.

Our approach to compliance is multi-layered and based on our commitment to making it as easy as possible for customers to get it right from the start, and hard for them to get it wrong. We know most individuals and businesses want to do the right thing, and we want them to understand that if they get in touch with us when they are struggling, they will get the help they need. We also want the vast majority of New Zealanders who are making the effort to meet their tax obligations to know that we will identify the few who aren't and take action.

Uncertainty during the COVID-19 pandemic

Since the COVID-19 pandemic began in January/February 2020, many businesses have been struggling with the uncertainty caused by COVID-19. Inland Revenue's statutory powers allow for decisions to consider a long-term approach to revenue collection, to collect the maximum revenue over time.

Inland Revenue has relief options available for customers having trouble meeting their tax obligations. Some of these provisions were extended by the Government specifically for businesses affected by the COVID-19 pandemic. Relief options include extra time to pay through an instalment arrangement, extra time to file returns, and where appropriate, writing off tax, penalties or interest. Specific web pages to help customers understand what is available to them if impacted by COVID-19 events are available on our website.

Some compliance activities were paused while we were in Alert Levels 3 and 4. During this time, we continued to address compliance risks where there is a risk to the integrity of the tax systems. This included dealing with companies that trade whilst insolvent and with little prospect of returning to a viable state.

Responses to your specific questions are provided below.

- 1. How many companies applied to IRD for financial relief citing COVID-19 impacts in 2020, and**
- 2. How many companies have applied to IRD for financial relief citing COVID-19 impacts in 2021-to-date.**

For the purpose of answering your question, we have interpreted “financial relief” to relate to instalment arrangements, remission of late filing penalties, and/or penalty or interest write-off under the provisions in the Tax Administration Act 1994.

Our data does not show the reason for seeking relief in every instance and whether COVID was an underlying cause. However, the applications that specifically cited COVID-19 as the cause are as follows:

Year	Companies applied for more time to pay through an instalment arrangement	Companies were granted relief from penalties and interest payments
2020	1,371	40,371
2021 (up to 27 October)	13,209	45,983

The significant increase in instalment arrangements in 2021 in comparison with 2020, is a reflection of Income Tax due dates.

- 3. How many companies did IRD apply to the courts to liquidate in 2020 due to unpaid tax, and**
- 4. How many companies has IRD applied to the courts to liquidate in 2021-to-date due to unpaid tax.**

Supporting customers impacted by COVID-19 is a priority for Inland Revenue. During the lockdown periods in 2020, we focused on supporting customers, providing relief where appropriate and, therefore, deferred or delayed some audits, disputes and debt activities. This ultimately helps to maintain people’s voluntary compliance over time. We did progress fraud cases, court proceedings and voluntary disclosures that were important to maintaining the integrity of the tax system.

As New Zealand returned to Alert Level 2 in 2020, Inland Revenue recommenced these deferred and delayed debt activities.

In addition to the number of liquidation applications, I have also included the number of Liquidation Orders granted (companies liquidated), as many liquidation applications are resolved. Resolved includes where a debt is paid or settled in full or partially paid or written off.

Period	Liquidation Applications	Liquidation Orders
January 2020	23	0
February	27	27
March	31	23
April	0	0
May	0	11
June	1	17
July	0	13
August	3	6
September	8	2
October	10	5
November	41	4
December	33	12
January 2021	28	0
February	35	23
March	43	22
April	80	12
May	77	22
June	64	31
July	Not available yet	Not available yet
August	Not available yet	Not available yet
September	Not available yet	Not available yet

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.

Yours sincerely



Richard Philp
Customer Segment Leader – Micro and not for profit business