



15 October 2024

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 September 2024. You requested the following (numbered for ease of response):

1. *Did IRD make proactive release of how many NZ Corporate Companies had contested/reassessed tax positions in 2010-2024?*
2. *How many resulted in a settlement in the period?*
3. *How many are pending settlement?*
4. *What is the breakdown by industry, amount and reason?*
5. *What penalty was imposed?*
6. *How many held Central and Local Government contracts during the period or are tendering for contracts, or are Suppliers?*
7. *Were any of these contracts rescinded?*

On 3 October 2024, you clarified your request as follows:

- *"NZ Corporate companies" defined as New Zealand based companies*
- *"Contested/reassessed" defined as audits, or disputes, or litigation*
- *"Settlements" defined as adjustments*
- *The specified period has been reduced to commencing from 2018*

### **Information being released**

I have interpreted your request to cover information about customers who are categorised as a company in the Significant Enterprises segment in Inland Revenue's START, our tax administration system. Significant Enterprises are corporate groups or businesses with a turnover greater than \$30 million, or with 50 or more employees. Companies consist of at least one director and one shareholder (which in some cases can be the same person).

Information is provided from the 2018/2019 financial year as of 30 June 2019 to 30 June 2024.

**Question 1: Proactive release**

There was no proactive release by Inland Revenue regarding the total number of New Zealand based companies with contested or reassessed tax positions for the 2018-2024 period. Proactive releases are published on issues of high public interest, but this information has not been proactively released.

**Question 2: Settlements since 2018**

Table 1 below details the number of audits, disputes and litigation actions where they were closed, and an adjustment was made for the financial years ending 30 June 2019 to 30 June 2024.

**Table 1 – Settlements per year for the period 2018 - 2024**

Financial Year	Audits	Dispute	Litigation
2019	250	*	*
2020	165	12	*
2021	186	*	*
2022	119	*	*
2023	152	*	*
2024	180	*	*

Where the total number of disputes or litigations is less than 10, the figures have been replaced with an Asterix (\*) as the release of these figures increases the risk of being able to identify an individual or entity, which is contrary to the confidentiality provisions set out in section 18 of the Tax Administration Act 1994 (TAA).

Sensitive revenue information can only be released in certain circumstances, as set out in section 18D to 18J and schedule 7 of the TAA. In this case, there are no grounds that permit me to release this information to you. As such, your request for this information is refused under section 18(c)(i) of the OIA, as releasing this information would be contrary to section 18(1) of the TAA.

**Question 3: Pending settlement**

There are currently 240 audit activities underway for companies categorised as Significant Enterprises.

**Question 4: Breakdown by industry, amount, and reason**

Regarding the part of your request for information relating to adjustment breakdown by industry and amount, the information requested is outlined in the table on the following page. Please note that customers whose accounts do not have an industry listed have been grouped into the 'Unknown' category.



**Table 2 - Adjustment breakdown by industry and amount for the period 2018 - 2024**

<b>Industry</b>	<b>Number of adjustments</b>	<b>Value of adjustments</b>
Financial and Insurance Services	162	\$688,401,487
Professional, Scientific and Technical Services	130	\$70,457,954
Manufacturing	128	\$237,986,218
Wholesale Trade	126	\$246,049,978
Unknown	83	\$103,088,178
Construction	60	\$44,549,797
Retail Trade	59	\$27,109,281
Transport, Postal and Warehousing	48	\$19,705,213
Other*	46	\$15,357,591
Agriculture, Forestry and Fishing	44	\$51,142,327
Information Media and Telecommunications	42	\$46,294,896
Administrative and Support Services	38	\$22,745,568
Accommodation and Food Services	32	\$13,792,705
Rental, Hiring and Real Estate Services	29	\$13,646,452
Health Care and Social Assistance	25	\$12,254,726

\* The "Other" category includes customers in the Education and Training, Arts and Recreation, Public Administration and Safety, Mining, and Electricity, Gas, Water and Waste Services industries. These industries have been grouped together into one category to avoid risking identification of entities less than 10 per industry, and to comply with Inland Revenue's confidentiality obligations under section 18 of the TAA.

Regarding your request for reasons for any adjustment, information regarding Inland Revenue's internal selection process for audits is refused under section 18(c)(i) of the OIA, as making the requested information available would be contrary to the provisions of section 18(3) of the Tax Administration Act 1994. The Commissioner of Inland Revenue is not required to disclose any item of revenue information if the release of the information would adversely affect the integrity of the tax system or would prejudice the maintenance of the law. However, I can advise the following information:

Audits are selected using a range of factors and criteria designed to identify risks that have the potential to distort customers correct tax position, obstructing Inland Revenue's ability to protect the integrity of the tax system, increase voluntary compliance and reduce revenue loss. The criteria to commence an audit can include specific rules, historical income and reporting behaviours, international trends, as well as a range of risk-based analytics.

### **Question 5: Penalties imposed**

I interpreted this part of your request as asking for the types of penalties Inland Revenue can impose where a tax shortfall has been identified and the required standard of behaviour has been breached. We can impose a range of shortfall penalties (SFP), amongst others, which may include the following categories: not taking reasonable care, unacceptable tax position, gross carelessness, abuse of tax position, evasion or similar act or promoter.

### **Questions 6 and 7: Number of Central and Local Government contracts held or rescinded**

Inland Revenue does not collect or track information regarding whether companies subject to tax audits, disputes or litigations also hold or tender for Central and Local Government contracts. Consequently, this part of your request is refused under section 18(g) of the OIA, as the information requested is not held by Inland Revenue and I have no reason to believe it is held by or more closely connected with the functions of another agency.

### **Right of review**

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. 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).

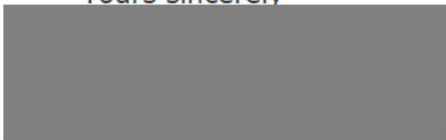
If you choose to have an internal review, you can still ask the Ombudsman for a review.

### **Publishing of OIA response**

We intend to publish our response to your request on Inland Revenue's website ([ird.govt.nz](http://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



Tony Morris

**Customer Segment Leader, Significant Enterprises Customer Segment**