



12 September 2024



Thank you for your request made under the Official Information Act 1982 (OIA), received on 19 August 2024. You requested the following:

- "1. Over the calendar years of 2019, 2020, 2021, 2022 & 2023 How many NZ businesses were audited*
- 2. Of these audits, do have a breakdown as to the reasons/types of audits carried out per year i.e.*
 - a) how many were randomly selected.?*
 - b) how many were because of other activity.?*
 - c) were there other reasons for being selected for audit i.e. instructed by a Govt agency.?*
 - d) How many employed less than 10 staff, 11-50 and 50+.*
 - e) Using the above indices, what was the average time taken to carry out your audit.?*
 - f) How many faced fines as a result of the audit.?*
 - g) Those who received notice of a fine, how many disputed the fine and how many were unsuccessful.?"*

On 27 August 2024, you clarified your request to specify that a "fine" is a shortfall penalty.

Question 1

For the purposes of this response, I have used registered, New Zealand based employers with employees. Over the specified period, Inland Revenue completed 5,538 audits on registered employers.

Question 2a, 2b and 2c.

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 2d.

The table below represents the audit cases conducted on employers within the specified periods. For the purposes of this response, I have used registered, New Zealand based employers with employees.

Number of closed audits during specified calendar years.

Calendar Year	Employers with 10 or less employees	Employers with 11 to 49 employees	Employers with 50 or more employees
2019	510	283	276
2020	557	251	225
2021	380	163	227
2022	313	123	227
2023	381	199	258

Question 2e.

The table below includes the average time taken to complete audit activity, including risk review, audit, and any dispute that may occur.

Average time taken to complete the audit (months).

Calendar Year	Employers with 10 or less employees	Employers with 11 to 49 employees	Employers with 50 or more employees
2019	5	5	5
2020	8	9	7
2021	7	7	7
2022	9	7	10
2023	7	6	6

Question 2f.

The table below represents the number of audits conducted on employers where shortfall penalties were applied.

Number of closed audits where shortfall penalties were applied

Calendar Year	Employers with 10 or less employees	Employers with 11 to 49 employees	Employers with 50 or more employees
2019	50	14	14
2020	49	15	13
2021	29	*	*
2022	17	*	16
2023	17	*	*

* The information in the table above marked with an Asterix (*) is considered sensitive revenue information under section 18 of the Tax Administration Act 1994 (TAA) because it is reasonably capable of being used to identify an entity. Your request for this information is therefore refused under section 18(c)(i) of the OIA, as making the requested information available would be contrary to the provisions of a specified enactment, namely Inland Revenue's confidentiality obligation in section 18 of the Tax Administration Act 1994 (TAA). Disclosure of this information does not fall within any of the exceptions to the confidentiality obligation listed in sections 18D to 18J of the TAA.

Question 2g.

Information related to shortfall penalties disputed is considered sensitive revenue information under section 18 of the Tax Administration Act 1994 (TAA) because it is reasonably capable of being used to identify an entity. Your request for this information is therefore refused under section 18(c)(i) of the OIA, as making the requested information available would be contrary to the provisions of a specified enactment, namely Inland Revenue's confidentiality obligation in section 18 of the Tax Administration Act 1994 (TAA). Disclosure of this information does not fall within any of the exceptions to the confidentiality obligation listed in sections 18D to 18J of the TAA.

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.

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.

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) 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

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