Options for relief from tax debt

May 2026

Tirohanga Whānui | Overview

The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on the options for relief from tax debt. While we support the kaupapa to update the standard practice statement (SPS 18/04), we believe that flexibility is needed to account for the specific and often changing circumstances of people with individual income tax debt. We note that individual income tax debt has more than doubled over the past 5 years to $2.3 billion in June 2025 (Inland Revenue Department, 2025) and with the increase in living costs reported by households across Aotearoa, the ability for many to settle these debts has reduced.

Taunakitanga | Recommendations

Our main points are:

Item One: It is unclear who would be considered at risk of serious financial hardship.

The updated SPS states that the decision to consider an indebted taxpayer as being at risk for serious hardship is up to the discretion of the Commissioner, with those at risk of serious hardship able to have debt wiped or payments delayed:

“In addition, the Commissioner may not recover outstanding amounts to the extent that it would place a natural person in serious hardship” (Inland Revenue Department, 2026a).

While we support the extent to which an individual’s situation is assessed, including consideration of other outstanding debts, there is a lack of clarity regarding what is considered risk of serious hardship. For those whose applications to the Commissioner are declined, this lack of clarity provides barriers to request reassessment or whether an application should have been accepted.

Recommendation One: A clearer definition of serious financial hardship is needed.

Item Two: The options to set up instalment agreements present barriers for individuals with limited digital literacy.

The SPS notes that instalment agreements are to be set up through MyIR secure online services. This provides a barrier for those who lack access to devices or the internet or have limited digital literacy (Inland Revenue Department, 2025). Limited or lack of digital literacy can prevent people establishing and managing online debt with international research indicating that only around 34% adults met the minimum target digital financial literacy score across OECD countries (OECD, 2025). While there is no recent measure of financial literacy in Aotearoa, findings from Citizens Advice Bureau (CAB) research in 2020 indicate that New Zealand faces similar barriers (CAB, 2020).

Additionally, while we understand a need for secure services, we note that the move to a two-step verification for these services further extends the risk of digital exclusion (Inland Revenue Department, 2026b).

Recommendation Two: More options are needed to establish support for tax debt beyond the existing requests to the Commissioner through myIR.

Item Three: Flexibility is needed for instalments agreements to be adjusted to reflect changes in personal circumstances.

The SPS notes than instalment arrangements are to be set at a minimum of $20/week, $40/fortnight or $80/month (Inland Revenue Department, 2026a). While we recognise that low repayments extend the duration of the instalment period, flexibility is needed in adjusting the repayment amount over the course of the repayment period in response to changes in an individual's financial situation. Research indicates that people often set repayments higher than they should in an attempt to become debt-free sooner (Rick, 2013) increasing risk of financial hardship.

Recommendation Three: Flexibility is needed in instalment arrangements to ensure these can be adapted to changing financial situations.

Item Four: Delaying payment of outstanding debt results in greater debt with no certainty that this will be payable at a later date.

The proposal suggests an option whereby the Commissioner may choose not to take immediate action in relation to debt and wait for a time when the customer will have funds to repay this. While we appreciate the approach to not burden individuals with further debt that may worsen their financial situation further, we strongly believe that this adds further financial stress in the long term. Outstanding debts can have significant detrimental impact on an individual's mental health (Rooney et al, 2026). Additionally poor mental health is a risk factor for accumulating debt (Mental Health Foundation (UK), 2026), risking further worsening of an individual's financial situation. While the debt continues to be unpaid, penalties and interest continue to accrue (Inland Revenue Department, 2026a).

Delaying such payments as proposed while providing immediate relief may extend an individual's experience of financial hardship, resulting in additional financial pressure at a later date.

Recommendation Four: We recommend that in instances where repayment instalments for tax debt cannot be started due to the risk of placing customers in serious hardship, debt should be wiped.

Ngā Tohutoro | References

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Ko wai tātou | Who we are

NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches.

Through this membership, NZCCSS represents over 100 organisations providing a range of social support services across Aotearoa. Our mission is to call forth a just and compassionate society for Aotearoa, through our commitment to our faith and Te Tiriti o Waitangi.

Further details on NZCCSS can be found on our website - www.nzccss.org.nz.

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