

## REVENUE ALERT

# Failure to pay PAYE deductions to Inland Revenue

Issued: 16 March 2026

RA 26/01

An employer must pay PAYE and other amounts deducted from an employee's salary or wages to Inland Revenue by the due date.

Making deductions and failing to pay them to Inland Revenue is a serious offence carrying a maximum sentence of up to 5 years in prison.

The Commissioner will consider, where appropriate, the possibility of prosecution action where this behaviour is identified. The purpose of this Revenue Alert is to highlight the criminal penalties that may apply.

*All references are to the Tax Administration Act 1994.*

## About Revenue Alerts

Revenue Alerts are issued by the Commissioner and provide information about a significant and/or emerging tax issue that is of concern to Inland Revenue. At the time an alert is issued, risk assessments will already be underway to determine the level of risk and to consider appropriate responses.

A Revenue Alert will identify:

- the issue (which may be a scheme, arrangement, or particular transaction) which the Commissioner believes may be contrary to the law or is inconsistent with policy;
  - the common features of the issue;
  - our current view; and
  - our current approach.
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An alert should not be interpreted as being Inland Revenue's final position. Rather, an alert outlines the Commissioner's current view on how the law should be applied. For any alert we issue, it is likely that some investigatory work has already been carried out.

If people have entered into an arrangement similar to the one described or are thinking about it, they should talk to their tax advisor and/or to Inland Revenue for advice about tax implications.

## Background

1. An employer must pay PAYE deducted from an employee's salary or wages (and any other related employer deductions, such as for KiwiSaver or student loans) to Inland Revenue by the applicable due date.<sup>1</sup>
2. For more information about employer responsibilities see the [IR335](#) – Employer's guide.

## Current view

3. An employer who deducts PAYE and related amounts from salary or wages and, knowingly, applies the deductions for a purpose other than in payment to Inland Revenue commits a criminal offence.<sup>2</sup>
4. Any person who aids, abets, incites, or conspires with another person to commit this offence also commits a criminal offence.<sup>3</sup> This means, for example, that the director of a company who decides that the company will not pay the deductions to Inland Revenue may be prosecuted for the company's failure to pay.
5. A person convicted of either the principal offence (paragraph 3) or aiding and abetting (paragraph 4) is liable to:<sup>4</sup>
  - imprisonment for a term not exceeding 5 years;

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<sup>1</sup> Similarly, a payer that withholds tax from schedular payments made to a contractor must pay these amounts to Inland Revenue by the applicable due date. A payer that fails to do this may also be convicted of a criminal offence and liable for the criminal penalties set out in this Revenue Alert.

<sup>2</sup> Section 143A(1)(d). However, a person may not be convicted of this offence if they have paid the deductions to Inland Revenue and their failure to pay them within the prescribed time was due to illness, accident, or other cause beyond their control: s 143A(4).

<sup>3</sup> Section 148(1).

<sup>4</sup> Sections 143A(8) and 148(2).

- a fine not exceeding \$50,000; or
  - both.
6. There are also civil penalties that can apply when an employer makes deductions and does not pay the deductions to Inland Revenue. [Part 5 – Penalties](#) of IR355 includes information about the civil penalties that can also apply.
  7. This Revenue Alert is focused on situations when employers deduct PAYE and related amounts from salary or wages and **fail to pay** the deductions to Inland Revenue. However, employers should also be aware that there are criminal and civil penalties that can apply if they **fail to deduct** PAYE or related amounts from salary or wages when required to do so. These penalties are also discussed in Part 5 of IR355.

## Current status

8. The Commissioner considers that deducting PAYE and related amounts from salary or wages and failing to pay the deductions to Inland Revenue poses a significant risk to the integrity of the tax system.
9. The Commissioner will consider, where appropriate, the possibility of prosecution action where this behaviour is identified. Where convicted, a person may be subject to the criminal penalties set out at paragraph 5 of this Revenue Alert.
10. If you consider the concerns outlined in this Revenue Alert may apply to your situation, we recommend you discuss this matter with your tax advisor or Inland Revenue and consider making a voluntary disclosure where applicable.

Authorised by

**Daniel Hicks,**  
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## Legislative References

Sections 143A and 148 of the Tax Administration Act 1994.

## Contact by email

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