



Inland Revenue  
Te Tari Taake

# Habitual Non-Compliers

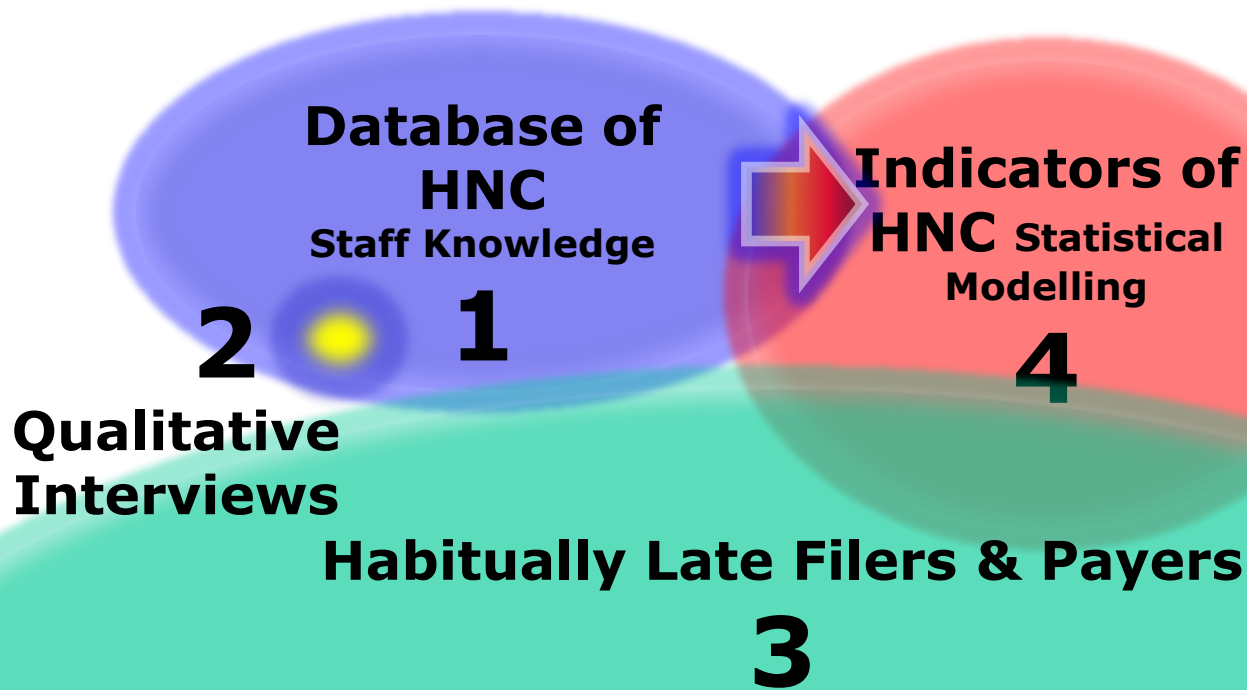
IRS-TPC Research Conference  
21 June 2012  
Washington D.C.

100% PURE NEW ZEALAND

# Introduction

## Habitual Non-Complier

is a person who has a history of non-compliance who serially and deliberately does not comply even after a compliance intervention



# Study 1 – HNC Database Methodology

**Habitual Non-Complier** Cancel Save All

IRD Number: \_\_\_\_\_ Name (of individual): \_\_\_\_\_

First known year of non-compliance: \_\_\_\_\_ Last known year of non-compliance: \_\_\_\_\_ Other IRD Staff: \_\_\_\_\_

Estimated historical value of lost revenue: \$0 - \$50k ▼ How widespread was the non-compliance: 1 entity ▼ Reputation Risk to IR (if IR does nothing): Unknown Reputation Risk ▼

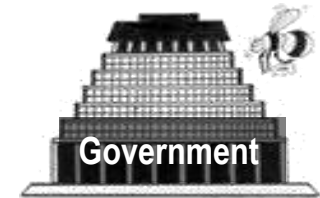
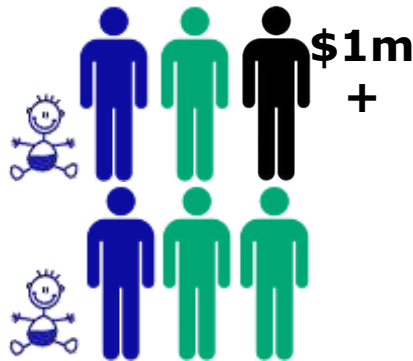
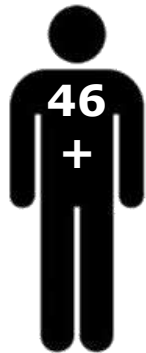
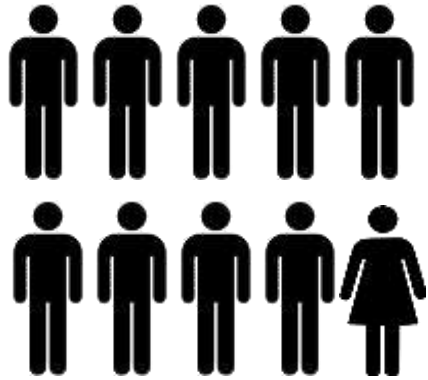
**Areas, Tax Types and channel of Non compliance (please tick all that apply)** Save All

<b>Areas of HNC activity</b>	<input type="checkbox"/> Reporting/Evasion	<input type="checkbox"/> ATP	<b>Tax Types of HNC activity</b>	<input type="checkbox"/> Income Tax	<input type="checkbox"/> Rebate Claim
<input type="checkbox"/> Filing	<input type="checkbox"/> Fraud	<input type="checkbox"/> Child Support	<input type="checkbox"/> GST	<input type="checkbox"/> PAYE	
<input type="checkbox"/> Paying/Debit	<input type="checkbox"/> Promoter/Enabler	<input type="checkbox"/> WFTC	<input type="checkbox"/> Other (Please specify below)		
<input type="checkbox"/> Other (Please specify below)		<input type="checkbox"/> Student Loan			



# Study 1 – HNC Database Results

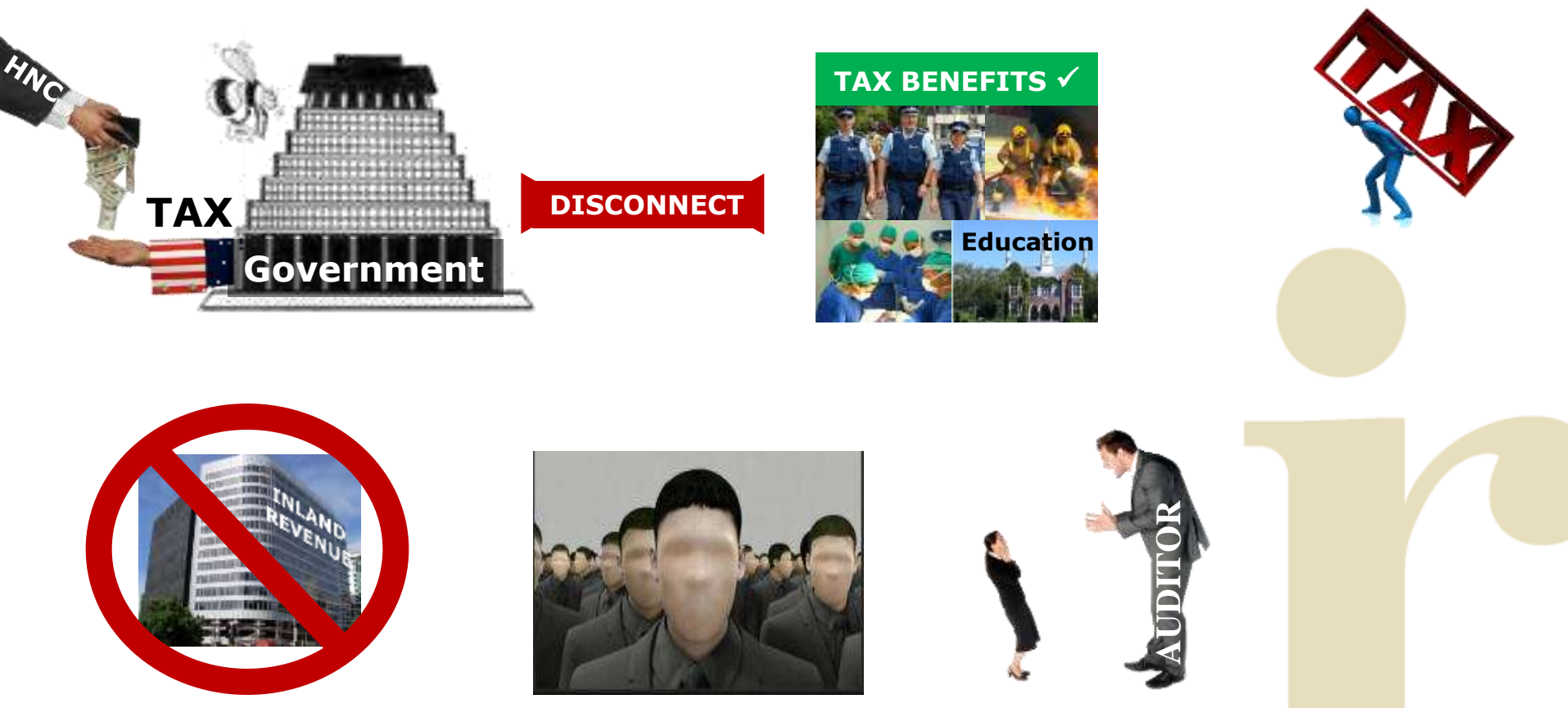
**n = 640 (720)**





# Study 2 – Voice of the HNC

**n = 18 (27)**



# Four Behavioural Profiles

*“No concern being caught. Same as speeding, chances of being caught are low. Only way to get caught is if you are dobbed in.”*



*“I didn’t play by their rules. I messed them around – played the game better than they did... I couldn’t believe what I got away with!”*

*“I don’t know what to do about it. You put your head in the sand. It’s out of control.”*

*“No one wants to break the law, but you want to come up close to it.”*

# Study 3: HNC Filers & Payers

	Business with sales tax/employees	Business Income Tax only	Non-Bus. Individuals	Business Individuals
Fewer tax returns	✓	✓	✓	✓
Less likely linked to an agent	✓	✓	✓	✓
In debt	✓	✓*	✓	✓
Higher debt	✓	✗	✓	✓
More likely to have a shortfall penalty	✓	✓*	✗	✓
Younger business	✓	✓*	N/A	N/A
Age under 55	N/A	N/A	✓	✓
Sales < \$250,000	✓	N/A	N/A	✗
Less likely to employ	✓	N/A	N/A	✓
More likely to be Male	N/A	N/A	✓	✓

# Study 4: Indicators of HNC

## Statistical Modelling

### 1. Core Group

Study 1 HNC  
Staff Knowledge



SHORTFALL

PE

SHORTFALL  
PENALTIES

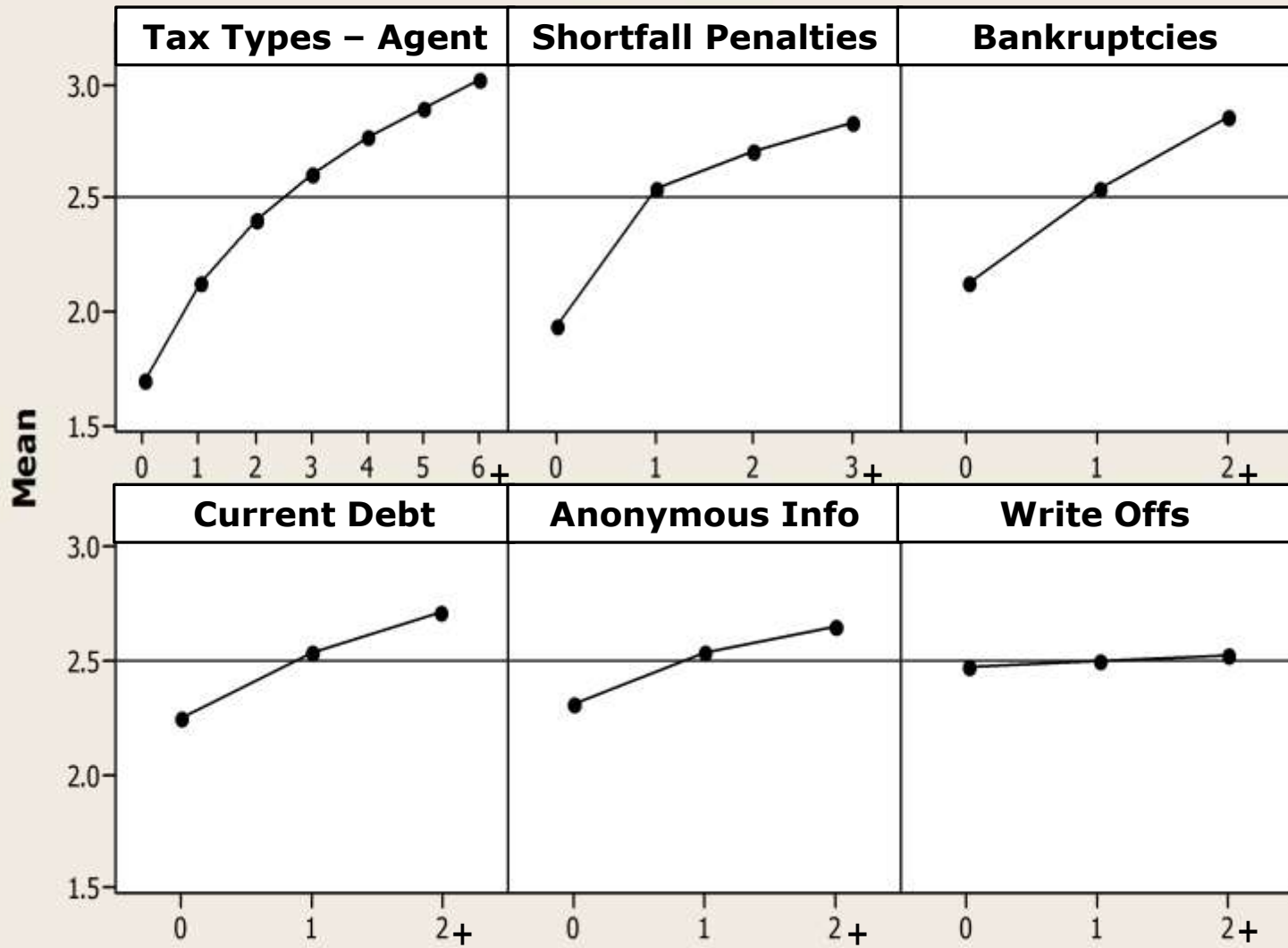
### 2. $\approx$ Outcome Variable - index

- Total number of audits
- Gender (male = 1)
- Age strata
- Prosecutions
- Audit discrepancy total
- Shortfall penalties value
- Link to liquidated company
- Client status not active
- Debt write off total
- Current days in debt
- Current total debt
- Voluntary administration
- Beneficiary
- Loss returns
- Loss amount
- Donations
- Number of agents
- Address changes

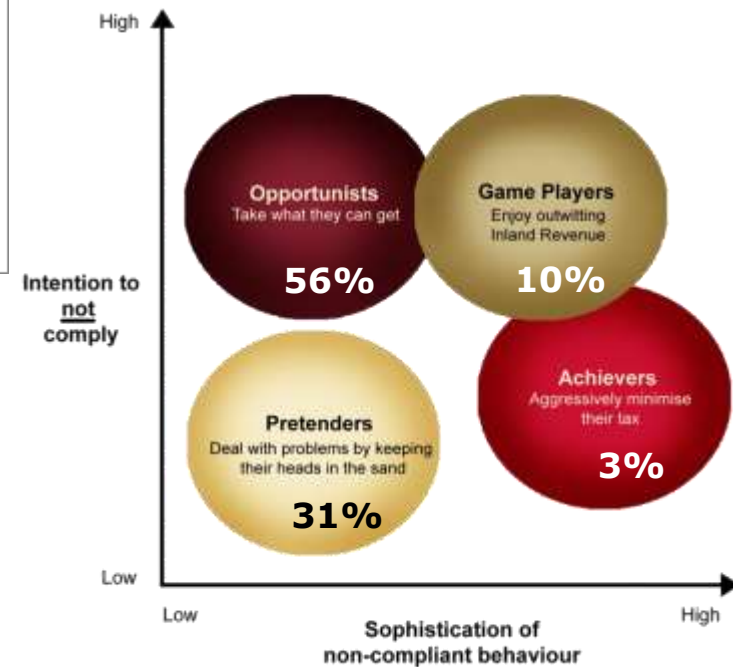
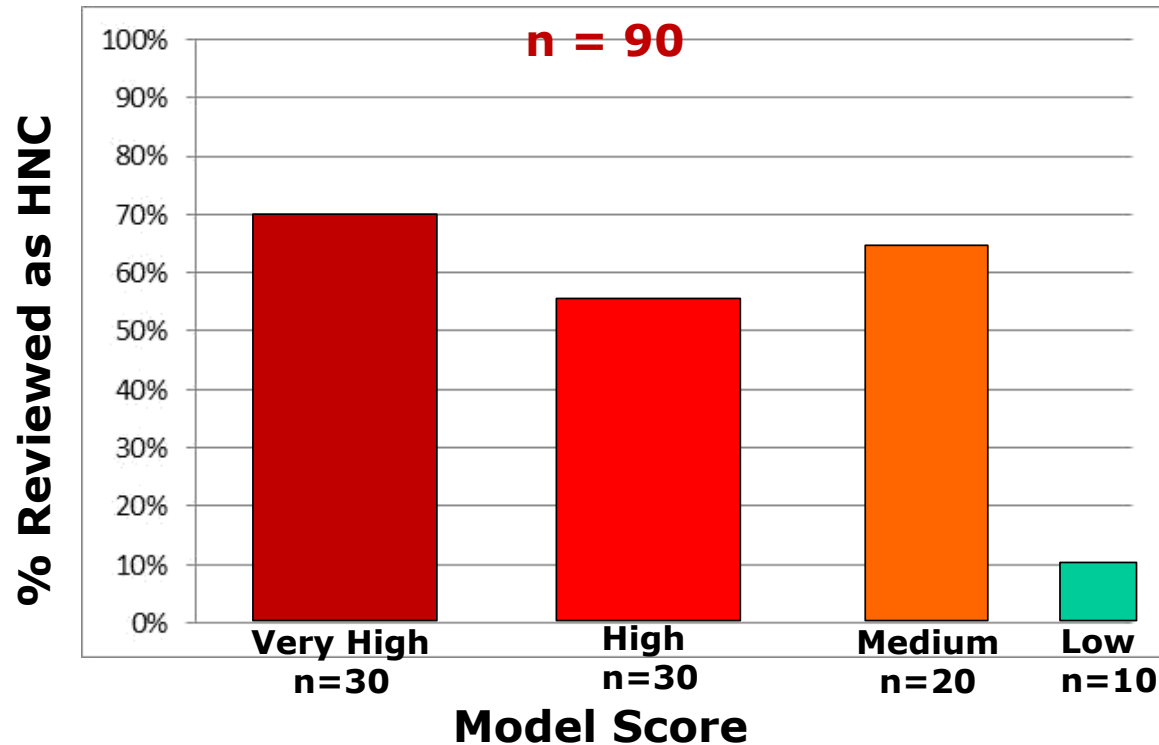
### 3. Key Indicators



## Main effects



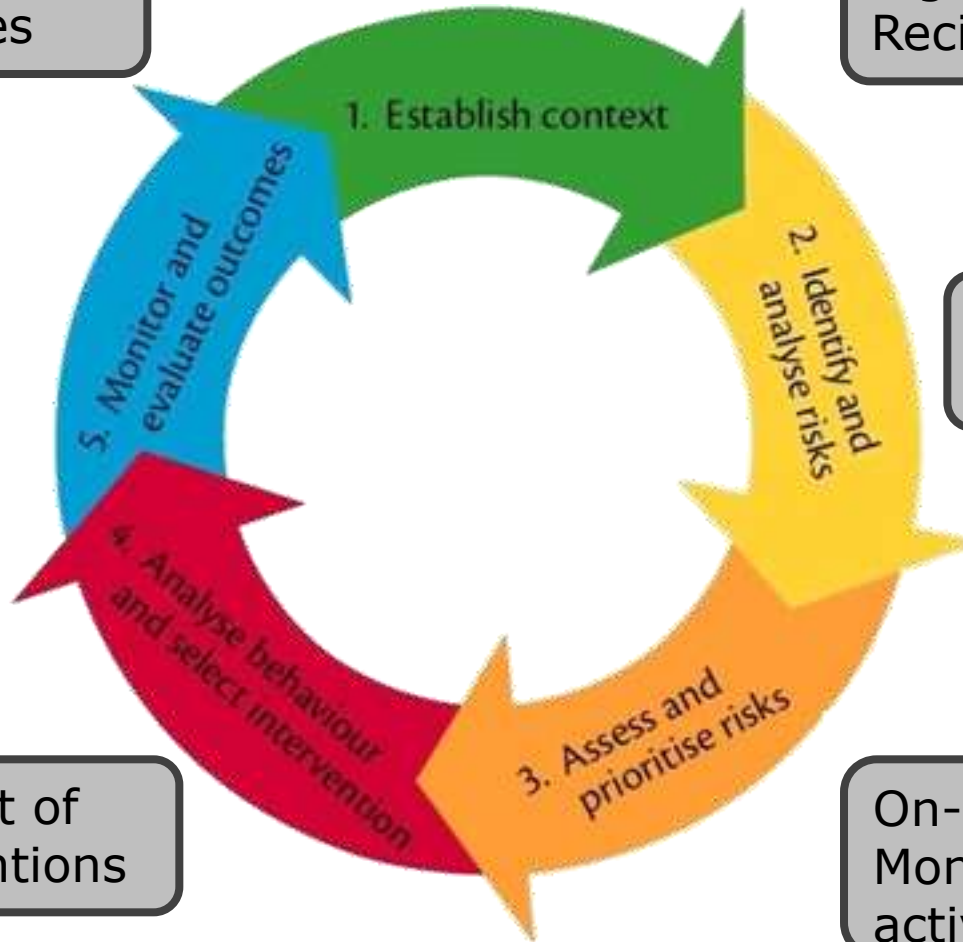
# Study 4: Model Testing



# Implications

Development of key measures

Significant issue  
Recidivism is prevalent



HNC are identifiable  
Benefits of a registry

Development of new interventions

On-going risk assessment  
Monitoring: passive and active