



Memo

ECE Debt Update

To: Release External

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Title: ECE Sector debt overview

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1. Total Debt Overview (2014-2025 progress)

Based on official information released by IRD, between 2014 and 2025, the ECE sector's total debt value has shown significant growth, both in total value and in the average debt per entity.

The table below provides a summary:

Year	Entities with Debt	Total Debt Value (\$m)	Mean Debt per Entity (\$)	Median Debt (\$)	Upper Quartile Debt (\$)
2014/15	456	7	14,175	718	7,755
2015/16	409	7	15,810	1,331	11,219
2016/17	326	4	12,076	591	4,841
2017/18	395	8	20,847	1,682	10,356
2018/19	495	8	15,649	2,444	11,534
2019/20	531	11	20,721	1,239	12,452
2020/21	321	14	44,833	8,330	28,427
2021/22	312	16	52,250	8,784	34,875
2022/23	346	21	59,538	12,164	40,432
2023/24	484	26	53,029	9,432	37,368
2024/25	410	27	66,226	9,549	48,235

2. Overall Trends (2015/15 – 2024-25 progress)

- **ECE organisations with debt:**
Numbers fluctuated between 312 (lowest) and 531 (highest), showing no consistent trend but an overall decline from 456 (2014/15) to 410 (2024-25 progress).
- **Total debt value:**
Debt value rose sharply from \$7 million in 2014/15 to \$27 million in 2024-25, an increase of nearly 300%.

- **Mean debt value:**

This increased steadily from \$14,175 (2014/15) to \$66,226 (2024-25 progress) an increase of 367%, indicating higher average debt per organisation. The final figures are expected to be higher. Taxpayers with tax agents are not required to file their returns until 31 March 2026.

- **Median debt:**

This also increased significantly, i.e. from \$718 in 2014/15 to \$9,549 in 2024-25 (an increase of 1,230%).

3. Debt Type Comparison

Category	2014/15 (\$)	2023/24 (\$)	2024/25 (\$)	% Change 2014/15 to 2024/25
Income Tax	266,394	1,165,000	734,000	+176%
Employer	2,230,613	8,412,000	9,347,000	+319%
GST	3,950,733	15,871,000	16,791,000	+325%
Other	16,246	218,000	279,000	+1,617%

- GST and Employer debts together consistently make up over 90% of total debt from 2017 onwards. GST is the largest and fastest growing debt category.
- Non-payment of PAYE (Employer tax) is a worrying financial sign for ECE entities. Under the Tax Administration Act 1994, failure to deduct PAYE is recoverable by the Crown as employers (and PAYE intermediaries) are deemed to hold the tax in trust to the Crown.
- Penalties for criminal offences apply to all taxes and a conviction for tax crime can mean a fine or in serious cases the director (or trustee) of the ECE entity could be subject to imprisonment.

4. Key Notes

- Total ECE sector debt has risen from \$7 million (2014/15) to \$27 million (2024/25), nearly 300%.
- Debt concentration has intensified, with fewer entities holding larger debts.
- GST and Employer debts drive most of the increase, with increases above 300% for both. The results indicate serious financial pressures on the ECE entities and failure to meet tax obligations also raise major legal (liability) risks for directors and board members of those entities.
- Increasing debt levels are consistent with other information ECC receives from ECE entities suggesting that financial sustainability is becoming increasingly challenging.

