

Briefing note

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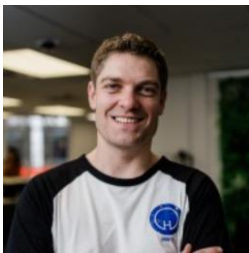
To Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Bary Hollow and Eleana Hill

Subject **Briefing for Minister of Revenue meeting with James Fuller from Hnry**

Purpose

- 1 The purpose of this briefing note is to give the Minister some background for his meeting with James Fuller the CEO of Hnry.



James Fuller

James Fuller is the CEO and co-founder of Hnry. He has a system background and previously held roles with Creative NZ, Twenty8four and Westpac. He has a BSc (Hons) from the University of Manchester.

Background on Hnry

- 2 Founded in 2017, Hnry is one of New Zealand’s largest tax agents. We understand it has over 80,000 clients. It provides a pay-as-you-go, all-in-one digital accounting service handling invoicing, expenses, payments, taxes, filings, and on-demand support.
- 3 The target market is contractors, freelancers, sole traders, and the self-employed. As businesses grow beyond that simplicity such as when they hold trading stock or employ staff they need more traditional accounting services and do not fit within the Hnry model.
- 4 Hnry charges clients based on a fee of 1%+GST of a clients self-employed income capped at a maximum charge of \$1,500+GST.
- 5 The focus of the Hnry business model is high turnover throughput of simple transactions. As a contractor is paid by a client, Hnry calculates the amount of tax payable on that income along with GST and arranges for the payments to be made from the clients “Hnry” bank account to Inland Revenue.
- 6 This attempts to get the tax liability of the contractor paid when they have money, so the contractor does not have to worry about funding their tax liabilities at a later date. The funds they have left in their account after the tax payments are made can be used by the contractor.

Engagement with Inland Revenue

- 7 As a large tax agent, Inland Revenue have various forms of engagement with Hnry across business lines including operational (CCS), external relations and the policy team.

Items for discussion

Mr Fuller has raised the following topics for discussion with you:

The current provisional tax regime and the application to sole traders

- 8 Taxpayers who have a residual tax liability (RIT)¹ of \$5,000 or more are liable to pay provisional tax. Provisional tax is generally paid in 3 instalments during the year. This is designed to spread the cashflow impact of paying tax during the year over the year and generally works well for those sole trader taxpayers who have steady income during the year.
- 9 Where provisional tax payments may cause issues for sole traders is where they have income that is variable or lumpy. In that case the rigidity of the three payments may mean that the person has payments due which do not align with the cashflow of the business.
- 10 For taxpayers who have an RIT of less than \$60,000 the safe harbour from use of money interest (UOMI) means those taxpayers will not suffer any UOMI until their terminal tax date (which will generally be the February following their March year-end). Taxpayers with an RIT of over \$60,000 will generally be subject to UOMI from the date of their final provisional tax date which is around five months after their balance date. This allows those taxpayers to square up any shortfall without suffering UOMI charges. Most taxpayers are able to closely approximate their RIT by that date notwithstanding they may not have filed their tax return.
- 11 There are a number of existing tools available to deal with situations where a taxpayer's tax payments do not align with their cashflow. Tax pooling is available to taxpayers to enable them to pay tax when they have cash at a cost that is less than the rate of UOMI. In addition, the accounting income method (AIM) provides taxpayers who use accounting software such as MYOB or Xero to pay their provisional tax as they earn their income which more closely aligns with their cashflow.
- 12 Hnry's product attempts to approximate the AIM method but does this at each payment date. Every time a client of Hnry receives a payment an amount is paid as income tax to Inland Revenue (along with the associated GST). This is essentially a PAYE approximation for the self-employed which, presumably, takes into account the taxpayer's previous history of deductions and income to determine what rate to deduct at.
- 13 Again, for taxpayers who have relatively static income throughout the year and assuming the calculation undertaken by Hnry is reasonably accurate the tax payments deducted should closely approximate and match the provisional tax payments required. However, where a taxpayer has lumpy income or where they receive unexpected income the payments made during the year may not match the provisional tax instalments required. This is more likely to be an issue for taxpayers who have RIT above \$60,000.
- 14 On 1 May 2026 we issued an officials' issues paper on the regulatory framework for intermediaries. As part of that document, we outlined a "paygo" framework which could

¹ Residual Income Tax (RIT) is the tax liability left after deduction of any tax credits such as PAYE or RWT but not provisional tax.

treat certain tax payments made by clients of a payment intermediary akin to Hnry as tax credits that would be deducted prior to the calculation of RIT. This would reduce the impact of provisional tax on these taxpayers by reducing their RIT (assuming the calculation by the intermediary was sufficiently accurate) and most likely removing them from the provisional tax regime.

- 15 We reported on the feedback on that consultation to you last week (IR2026/198 refers). As reported, while many submitters supported the idea in principle, there were significant concerns regarding whether it could be implemented effectively.

Impact of the current GST threshold

- 16 Hnry has previously argued that the GST registration threshold (currently turnover exceeding \$60,000 per annum) has not kept pace with inflation and can disproportionately affect sole traders and labour-intensive businesses with relatively low costs².

The GST registration threshold is intended to balance compliance costs against maintaining a broad GST base

- 17 In principle, a lower threshold supports a broader GST base, protects revenue and reduces incentives for businesses to organise their affairs around the registration threshold.
- 18 The registration threshold exists because GST compliance and administration costs are not zero. However, modern digital tools, electronic filing and accounting software have reduced many of the compliance costs that existed when GST was introduced.
- 19 Increasing the threshold would reduce compliance costs for some businesses, but it would also move more businesses outside the GST system, narrow the GST base and reduce GST revenue.
- 20 Any registration threshold creates a boundary between businesses that must register and those that do not. Raising the threshold would move that boundary to a higher turnover level.

More information

- 21 When GST was introduced in 1986, the registration threshold was set at \$24,000. If adjusted for inflation, the registration threshold would be approximately \$70,000 today.
- 22 Inland Revenue data shows that taxpayers with turnover between \$60,001 and \$70,000 accounted for approximately \$34 million of net GST in the March 2026 year.

Bary Hollow/Eleana Hill

Principal Policy Advisor/Policy Advisor

s9(2)(a)

² [What is the GST threshold and why does it matter?](#)