

Briefing note

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Private Secretary, Minister of Revenue – Nikki Chamberlain
Revenue Advisor, Parliamentary Under-Secretary to the Minister of
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cc: Naomi Ferguson, Commissioner
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Governance & Ministerial Services

From: s 9(2)(a) [redacted]

Subject: **Length of historical collection for HWI Research Project**

Purpose

1. The purpose of this note is to inform the Minister of the direction Inland Revenue is taking on the length of historic information collected from high wealth individuals (HWI).

Summary

2. Inland Revenue intends that this information is collected for a six-year period, specifically, income years 2016 to 2021 inclusive.
3. In terms of broad research interest, a long dataset would be desired for the wealth project. However, there are a number of issues that make data collection from a large number of years impractical and would significantly increase the risks associated with the project:

a. s 9(2)(h) [redacted]

- b. Going back further periods also significantly increases the size and complexity of the project, particularly in regard to obtaining data on a defined population.

4. A listed company workstream is underway which attempts to consider specific taxpayers whose net worth is largely based on their controlling interest in listed companies. This will provide a longer time horizon for considering effective tax rates from economic income.

s 9(2)(h)

5. The purpose of this wealth project is to understand the tax related contribution of HWI family groups from their economic income, measured by an effective tax rate (ETR). We are intending to provide the Minister with a report on the ETRs of the high wealth group in June 2023.
6. A longer time series of economic income and tax paid, would provide deeper information, however there are significant constraints that limit how practical it is for Inland Revenue to collect this information in the time available.

s 9(2)(h)

Further practical constraints with longer information collection

11. The longer the period of information collection, the more complex the internal collation and analysis will be. This increases the risk that the project cannot be delivered in 2023.
12. Customers are also unlikely to hold information longer than the minimum required retention period of income year 2016. As a result, the information response rate is likely to be poor for years earlier than this period.

Conclusion

13. s 9(2)(h) Inland Revenue is intending to collect information for a period of 6 years (TY16-21 inclusive). As this information is being collected in 2022, undertaking the historical collection for 7 years prior to 2022 leaves a maximum of 6 years of collection. For the 2021 year to be included, the collection would need to take place no earlier than April 2022.

Additional workstream for calculating ETRs

14. As the information collection exercise will be limited to 6 years, an additional approach is being taken which utilises internal and public data to generate ETRs from a smaller sample of high wealth individual's economic income for a longer horizon where this is practical.
15. This workstream will be similar in nature to past work completed by Inland Revenue in 2015-16 who investigated (largely qualitatively) what exposure there is to taxation as wealth accumulates. The 2019 Tax Working Group recommended within their final report that this type of analysis is regularly repeated.
16. This workstream aims to estimate the economic income and effective tax paid from a subset of the HWI population who hold a substantial amount of their wealth in publicly listed companies. Only administrative data and external data (i.e. publicly available data or data previously sourced from third parties) will be used for this longer horizon workstream. This will consider at least 20 years of historic data.
17. Furthermore, Treasury is intending to extend the work it is doing on wealth distribution through use of the capitalisation method back to 2001.

Consultation

18. Treasury and Statistics New Zealand were informed about this briefing note.

s 9(2)(a)

Policy Advisor

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