



27 July 2022

[Redacted address block]

Dear [Redacted name]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 29 June 2022. In relation to the farming sector, you requested:

*... the contribution taxation of the sector makes to government revenues.  
For example, how much the sector pays in GST and in income and profit taxes.*

### **Coverage and approach**

Most taxpayers are yet to file income tax returns for the 2021-22 tax year. This data will not be complete until mid-2023. I have therefore provided tax information from the 2020-21 tax year (Table 2 refers).

The GST information provided in Table 2 covers net Inland Revenue GST only and does not include GST collected on imports by the New Zealand Customs Service. Please also note that exports are zero-rated for GST.

PAYE information provided in Table 2 is paid by employers on behalf of employees. The amounts provided in Table 2 include ACC earner premium, also collected on behalf of employees. PAYE is a withholding tax, and amounts withheld are not necessarily final for an employee. The information supplied in Table 2 does not include any square-up activity for employees, as the latter also includes their other earnings which are out of scope for this request.

Income tax on net profits is quite tricky to describe by industry as the nature of the income and tax payable can change as it flows through entities. For example, a partnership might be identifiable as being in the farming sector, but the tax is paid at the partner (not partnership) level, and the partners themselves may not have been asked to disclose their sector. The approach taken for the income tax information provided in Table 2 is to compile the information at the level of the business entity in their annual income tax return, and use estimates based on average tax rates where there are flow throughs to shareholders or underlying owners. Entities included here are companies, partnerships, trusts, Māori authorities, look through companies, and self-employed people.

For companies and Māori authorities, the income tax on net profits figure in Table 2 is residual income tax as declared on an IR4 or IR8 tax return. For trusts, the figure is calculated as trading profits (ignoring trading losses) allocated to beneficiaries or trustees, multiplied by average beneficiary or trustee rates. For partnerships and look-through companies, the income tax figure is calculated as the income after expenses multiplied by average tax rates for individuals who received partnership or look-through company income. This average is calculated as if these income streams were the last dollar earned. For individuals, self-employment income and/or shareholder salaries were taxed as if these income streams were the last dollar earned for the person.

## Industry classification

Classification of a taxpayer into industries has been done using the industry classification (ANZSIC) data held by Inland Revenue. This data does not necessarily reflect the current industry for the taxpayer as it is not regularly updated. For example, an individual may have a "dairy farmer" industry classification but be retired or no longer working in that field. Coverage of industry codes is also incomplete. For context, Table 2 also lists amounts where an industry code is held but is attributable to other non-farming industries and amounts where an industry code is not available.

The level 3 ANZSIC codes for agriculture have been interpreted as farming for the purposes of responding to your request. These codes are:

**Table 1:** Level 3 ANZSIC Industry Codes for Agriculture

ANZSIC Level 3	Description
A011	Nursery and floriculture production
A012	Mushroom and vegetable growing
A013	Fruit and tree nut growing
A014	Grain, sheep and beef cattle farming
A015	Other crop growing
A016	Dairy cattle farming
A017	Poultry farming
A018	Deer breeding, farming
A019	Other livestock farming

Table 2 below shows tax information for the year ended 31 March 2021 and includes net Inland Revenue GST (excluding customs GST), PAYE (including earner premium) paid on behalf of employees, and income tax on net profits as described on the preceding page. These taxes total just over \$3.5 billion for the agricultural sector for the 2020-21 tax year.

**Table 2:** GST, PAYE and Income Tax for the Farming Industry, year ended 31 March 2021

Industry	Net Inland Revenue GST (\$m) <sup>1</sup>	PAYE on behalf of employees (\$m)	Income Tax on Net Profits (\$m)
Total Agriculture	1,348	725	1,449
Other Industries	21,651	33,036	22,040
Unknown industry	694	3,480	330
<b>Total</b>	<b>23,693</b>	<b>37,241</b>	<b>23,819</b>

Thank you for your request. I trust that the information provided is of assistance to you.

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Yours sincerely



Sandra Watson  
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<sup>1</sup> Not including GST collected by NZ Customs