



28 July 2023

[Redacted]

Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 20 July 2023. You requested the following:

We would like to request detail regarding the number of small to medium enterprise (SME) taxpayers in New Zealand and their attributes for the most recent year data is currently available. In particular we request the following information:

The number of provisional taxpayers and total amount of provisional tax they pay annually delineated by both the range their annual provisional tax falls within and the range their turnover falls within. The example table below demonstrates how we are hoping the information may be able to be presented. We are hoping you could group the results according to the following break points:

Provisional taxpayers who pay \$20,000 pa or less, \$20,000 - \$50,000, \$50,000 - \$80,000, \$80,000 - \$120,000, \$120,000 - \$500,000, and \$500,000 or more; and

Provisional taxpayers with turnover \$1m or less, \$1m-\$50m, or greater than \$50m pa.

On 24 July, I contacted you to clarify your request. During this conversation I explained that turnover information is not provided by all provisional taxpayers. Turnover is a business concept, but provisional tax can be based on income sources which are not necessarily business-related. Examples I provided were partners of partnerships, shareholder employees, and taxpayers owning rental properties, with such provisional taxpayers unlikely to be reporting on business activity.

As a result of this conversation, we agreed that:

- *taxable income could be used as a proxy for turnover in situations where it is not available from either a matched IR10 accounts information form, or from GST data;*
- *data from the 2021-22 tax year should be used, acknowledging that this may still be slightly incomplete on the date extracted;*
- *data should be filtered to exclude any taxpayers with residual income tax below \$5,000 (as a result taxpayers in loss or with brought-forward losses will not be included).*

I am releasing, attached as **Appendix A**, data extracted from Inland Revenue systems on 25 July 2023. This data is based on 2021-22 income tax returns, and is largely, but not fully, complete. To simplify the request, the data is for companies, individuals, and trusts only. In the case of trusts, the variables used relate to tax on trustee income.

As mentioned during our conversation, cascades of information through entity structures can complicate the picture. For example, a partnership might report turnover, but it is the underlying partners who pay the tax. Similarly, a company might report business activity and turnover, but their shareholder employees might also be paying provisional tax. In such situations where a provisional taxpayer might not have readily matched turnover information, the taxpayer's taxable income has instead been used. This approach has been used for 220,457 provisional taxpayers included in **Appendix A**. In all such cases their imputed turnover was inferred to be below \$1 million.

For other taxpayers, turnover was taken from the IR10 accounts information form where available, or if that was not available it was instead taken from GST returns. GST returns provide GST-inclusive turnover so to make the two information sources comparable, the GST aspect was backed out.

Taxpayers are included in **Appendix A** if their 2021-22 residual income tax¹ exceeded \$5000, making them (potentially) liable for provisional tax in the 2022-23 year. The bands of provisional tax are based on the 2022-23 provisional tax declared on that return. This is often, but not always a 5% uplift on residual income tax; some taxpayers instead estimate a different amount for the following year which will be zero in some cases. The amount of provisional tax declared at this point is not necessarily the provisional tax eventually paid. The actual 2022-23 residual income tax will not be known until 2022-23 tax returns are filed. I have provided both the 2021-22 residual income tax, and the 2022-23 provisional tax intentions in **Appendix A**.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. I 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.

Thank you for your request.

Yours sincerely



Sandra Watson
Policy Lead, Forecasting and Analysis

¹ Residual income tax is annual tax liability less any tax credits for amounts withheld by other parties during the year. It is a measure of the tax payable directly by the taxpayer.

Appendix A

Provisional tax of companies, trusts, and natural persons based on 2021-22 return filing.							
GST exclusive Turnover, 2021-22	Annual provisional tax intentions for 2022-23*						
	\$0 to \$20,000	\$20,000 to \$50,000	\$50,000 to \$80,000	\$80,000 to \$120,000	\$120,000 to \$500,000	Over \$500,000	Total
	<i>Number of taxpayers with 2021-22 residual income tax > \$5000</i>						
Under \$1 million	231,670	88,508	21,868	7,861	7,256	729	357,892
\$1 million to \$50 million	6,028	7,876	6,079	5,185	12,838	3,165	41,171
Over \$50 million	17	14	9	18	91	965	1,114
Total	237,715	96,398	27,956	13,064	20,185	4,859	400,177
	<i>2021-22 aggregate residual income tax (\$million)</i>						
Under \$1 million	2,863	2,676	1,273	726	1,403	1,908	10,849
\$1 million to \$50 million	318	273	379	497	2,906	3,494	7,867
Over \$50 million	55	271	386	513	3,029	3,692	7,946
Total	3,236	3,220	2,038	1,736	7,338	9,094	26,662
	<i>2022-23 aggregate provisional tax on 2021-22 tax return (\$million)</i>						
Under \$1 million	2,254	2,776	1,325	758	1,464	1,970	10,547
\$1 million to \$50 million	55	271	386	513	3,029	3,692	7,946
Over \$50 million	0	1	1	2	27	7,467	7,498
Total	2,309	3,048	1,712	1,273	4,520	13,129	25,991

*Taxpayers in this table all had 2021-22 residual income tax exceeding \$5,000. The split is of their 2022-23 provisional tax intentions declared on their 2021-22 income tax return. This does not necessarily equate to amounts eventually paid for 2022-23, and 2022-23 tax returns are yet to be filed for many taxpayers.