15 June 2023

[redacted]

Dear [redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 May 2023. Your full request is attached in the Appendix.

The OIA enables people to request official information from Ministers and agencies, including Inland Revenue. However, the OIA only applies to information that is already held by Inland Revenue. There is no obligation for Inland Revenue to create information in order to respond to a request.

Some of the information you are seeking in this case is not held by Inland Revenue and would need to be created. Parts of your request also require Inland Revenue to conduct research and therefore, create information. These parts of your request are refused under section 18(g) of the OIA, as the information is not held and we do not believe it is held by another agency.

Question 1 – Capital gains tax modelling

Inland Revenue does not report on the estimated value of capital gains. This part of your request is therefore refused under section 18(g) of the OIA, as the information is not held by Inland Revenue.

Reports within the scope of question 1c are available on the Tax Working Group's website:

- https://taxworkinggroup.govt.nz/resources/twg-bg-3933713-extending-the-taxation-of-capital-income.html
- https://taxworkinggroup.govt.nz/resources/twg-bg-3998517-potential-high-level-effects-of-proposals-to-extend-the-taxation-of-capital-income.html

This part of your request is therefore refused under section 18(d) of the OIA, as the information is publicly available.

Question 2 – Goods and services tax modelling

Inland Revenue does not report on the expected outcomes associated with removing (or currently having) GST on fresh food, education and healthcare. This part of your request is therefore refused under section 18(g) of the OIA, as the information you have requested is not held by Inland Revenue.

You can do your own fiscal estimates based on the food proportion of consumption or household expenditure on Statistics NZ's website: www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019. Please note Statistics NZ calculates average household expenditure every three years, therefore the most recent figures are from 2019.

Question 3 – Superannuation modelling

Inland Revenue does not report on the expenditure incurred from the absence of means-testing the New Zealand Superannuation. I consulted with the Ministry of Social Development on this part of your request who advised they do not hold the information you have requested. Your request for this information is therefore refused under section

18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by another agency.

3b: Tax revenue raised on KiwiSaver earnings

KiwiSaver schemes pay tax on the annual earnings of the depositors, either through portfolio investment entity (PIE) taxation or company taxation of superannuation schemes. Gains and losses of PIEs are generally taxed at investor rates. There may also be credits from other tax types such as withholding taxes on interest or dividends affecting the tax additionally payable by the PIE on behalf of investors. The New Zealand tax paid to Inland Revenue by KiwiSaver schemes over the last six tax years (years ending 31 March) is outlined in the table below. Returns (and tax on those returns) have been variable throughout this period, with the 2019 and 2022 years both having significant declines in investment performance compared to other years. Tax refunds can occur in situations of a net loss for the PIE, or where tax credits exceed residual tax liability.

Year ending 31 March	Total ($m)
2017	223.3
2018	274.0
2019	306.7
2020	59.0
2021	686.3
2022	-5.6

3b: Tax revenue raised on taxing deposits into KiwiSaver

Deposits into KiwiSaver are made by the savers themselves, their employers, and the annual government contribution for savers who qualify.

In the case of employer contributions to KiwiSaver, employer superannuation contributions tax (ESCT) has been levied since 2011-12. Inland Revenue has information on total ESCT, however this is not isolated to employers contributing to KiwiSaver. Any employer can be contributing to both KiwiSaver and non-KiwiSaver schemes for their employees. In the 12 months ending 31 March 2023, total ESCT collections receipts (cash measure) were $1.7 billion. Aggregate ESCT was around $600 million per year before KiwiSaver contributions became liable to this tax.

Monthly ESCT results are published by the Treasury and a long time series can be found on their website (see monthly history spreadsheet):

https://www.treasury.govt.nz/publications/tax-outturn-data/tax-outturn-data-march-2023

Total KiwiSaver employer contributions, net of ESCT, are published annually by the Financial Markets Authority. In the financial year ending June 2022, after tax employer contributions to KiwiSaver totalled $2.7 billion. A link to the latest report can be found on the Financial Markets Authority website:

https://www.fma.govt.nz/assets/Reports/KiwiSaver-Annual-Report-2022.pdf

Contributions by employees or other savers are not currently deductible against personal taxable income. Inland Revenue does not hold information on how much personal income tax would reduce if these contributions were to instead become deductible, but you can produce your own estimates.

Employee contributions to KiwiSaver are published annually by the Financial Markets Authority in the report linked above. For example, in the year to June 2022 there was $5.1 billion contributed by members at the specified contribution rate, and a further $2.5 billion of lump sum (not necessarily from employees) and voluntary contributions in excess of the specified rate – see Appendix 1 in the link above. An average tax rate could be applied to this to get an estimate of the fiscal impact of up-front deductibility of KiwiSaver contributions each year. To find an average personal tax rate, income and wage/salary distributions are published annually by Inland Revenue:

https://www.ird.govt.nz/about-us/tax-statistics/revenue-refunds/wage-salary-distributions

https://www.ird.govt.nz/about-us/tax-statistics/revenue-refunds/income-distribution

Question 4 – Student loan modelling

The total amount of student loan living costs provided to students for the last five years is published online. This information can be found on the Education Counts website (*SLS 21/22 Data Tables,* table F7):

https://www.educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports/student-loan-scheme-annual-report-2022

Your request for this information is therefore refused under section 18(d) of the OIA, as the information is publicly available.

Inland Revenue does not break down the cost of administering student loans by borrower type or whether the borrower is in default. Your request for this information is therefore refused under section 18(g) of the OIA as the information is not held by Inland Revenue, and we do not believe it is held by another agency. The total cost of administering student loans is reported in the Student Loan Annual report (page 31 of the 2021/22 Student Loan Annual Report). Previous years are reported in the student loan scheme 2021/22 data tables which are published online. This information can be found on the Education Counts website:

https://www.educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports/student-loan-scheme-annual-report-2022

Inland Revenue reports quarterly on payments received from student loan borrowers based in New Zealand and overseas. This information is available on our website: https://www.ird.govt.nz/about-us/tax-statistics/student-loan-scheme.

Inland Revenue does not hold any information on the following:

- Revenue derived by collecting from overseas-based student loan borrowers in default;
- The number of people moving overseas with student loans each year for the last 7 years, alongside their respective mean and median balances; or
- The total amount student loan borrowers pay in GST on course fees.

Your request for this information is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe it is held by another agency.

However, the total number of overseas-based borrowers and the average and median loan balance for the past seven years is outlined in the table below.

Year ending 30 June	Overseas-based borrowers	Average loan balance	Median loan balance
2016	110,739	$29,343	$21,021
2017	110,494	$29,950	$21,472
2018	108,355	$30,668	$21,924
2019	108,840	$31,541	$22,448
2020	108,274	$32,543	$23,366
2021	104,461	$32,791	$22,223
2022	102,719	$34,339	$23,407

Question 5 – Tax reform

There are no documents further to the reports provided in response to question 1(c) of your request.

Right of review

If you disagree with my decisions on your OIA request, you can ask an Inland Revenue review officer to review my decisions. To ask for an internal review, please email the Commissioner of Inland Revenue at: CommissionersCorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decisions. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

If you choose to have an internal review, you can still ask the Ombudsman for a review.

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. 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.

Thank you for your request.

Yours sincerely

Sandra Watson
Policy Lead (Forecasting and Analysis), Policy & Regulatory Stewardship

Appendix

Full OIA request:

1: CAPITAL GAINS TAX MODELLING
a: Estimated value of all capital gains derived by New Zealand Tax residents every year for the last five New Zealand financial years.
b: Estimated portion of capital gains currently captured under the New Zealand system (including but not limited to: capital gains captured under the FIF regime, the current bright line tests, and event traditionally considered capital in nature but which are considered to be of a revenue nature within the context of New Zealand's taxation regime).
c: Any relevant economic reports the IRD has available regarding how a lack of a CGT impacts productivity (e.g "how does a lack of a Capital Gains Tax distort investments and reduce productivity in New Zealand?").

2: Goods & Services Tax Modelling
a: Revenue the IRD would reasonably expect to be foregone, should GST exemptions on fresh food, education, and healthcare be implemented to bring us in line with OECD conventions for sales tax standards.
b: modelled healthcare outcomes associated with removing (or currently having) GST on healthcare and fresh food
c: modelled education outcomes associated with removing (or currently having) GST on education

3: Superannuation Modelling
a: additional expenditure incurred in the lack of means testing the New Zealand Superannuation, outside of the OECD convention for pension payments.
b: Tax revenue raised on Kiwisaver earnings as well as on income earned and then deposited into kiwisaver as part of employee remuneration, outside the OECD convention for superannuation schemes.

4: Student Loan Modelling
a. Total New Zealand Student Loan living cost loan amounts given out for the last five financial years.
b. Costs incurred in recovering overseas student borrowers in default
c: revenue derived by collecting from overseas student borrowers in default.
d: The estimated current total student loan debt that is wholly just debt incurred from having a GST on education (including associated prorated interest and other fees).
e: The number of people moving overseas with student loans each year for the last 7 years, alongside their respective mean and median balances.

5: Tax Reform
a: Any and all internal documentation on where New Zealand is considered by the IRD to either be deficient, or at risk of being deficient from OECD taxation conventions and their discussed impact on the New Zealand economy (that wasn't already provided under 1c).