



7 June 2024

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 28 May 2024. Updating a similar request from August 2022 (refer 23OIA1166), you requested the following (numbered for ease of response):

1. *The total number of taxpayers filing IR3 tax returns including rental income;*
2. *The number reporting net positive income and the aggregate of that net rental income;*
3. *The number reporting net negative income and the aggregate of that net negative income*
4. *The total amount of interest expense claimed in each year;*
5. *The number of taxpayers reporting rental income from overseas properties and the number of such properties;*
6. *The number of taxpayers with between 1 and 3 rental properties with a breakdown of the number who reported net positive income and the number who reported net negative income;*
7. *The number of taxpayers with between 4 and 9 rental properties with a breakdown of the number who reported net positive income and the number who reported net negative income;*
8. *The number of taxpayers with more than 10 rental properties with a breakdown of the number who reported net positive income and the number who reported net negative income.*

Questions 1-4 - Net rental income and interest expense claimed.

The methodology used to respond to this part of your request is unchanged from what was used in my reply to your earlier request (refer 23OIA1166). Information is derived from IR3 returns i.e. it excludes IR3NR returns filed by non-residents. We include 'other rents' only if the taxpayer is not classified in one of several commercial property industry codes. If a taxpayer reports both ringfenced residential rental income and other rental income, we ignore the 'other rental' income.

The classification of a ringfenced residential landlord as being a profit maker or loss maker is complicated slightly by the possibility of using (ringfenced) losses brought forward from a prior year. We look at reported residential rental incomes and expenses and label a taxpayer as being in net profit if their income that year exceeds their expense that year. Similarly, a taxpayer is

labelled as being in net loss if their expenses that year exceed their income that year. The use of brought forward losses is not considered for this calculation.

The value of interest expenses claimed is taken from the IR3 field "Interest Expense Claimed" (keypoint 23B on the 2023 IR3 return). In keeping with responses to questions 1-3 this is only reported for IR3 filers.

I have included updated figures for 2020-21 in the table for your information. Changes to this year reflect the impact of returns that were either filed, processed, or amended after August 2022.

Table One: IR3 residential rental income¹

Tax years	Net current year profit		Net current year loss		Net rental income	Interest expense claimed
	Number of individuals	\$m	Number of individuals	\$m	\$m	\$m
2020-21	179,400	1,847.7	67,100	-377.6	1,470.1	N/A
2021-22	205,200	2,378.2	40,600	-223.9	2,154.3	894.5
2022-23	198,700	2,457.3	38,800	-251.5	2,205.8	1,211.9

1. This may also include net profits from brightline sales.

The information in Table One does not include rental properties held through other entities such as companies or trusts.

Question 5 - Rental income from overseas properties

For the 2022-23 income year, individuals with overseas income are required to fill out the IR1261 Overseas Income Summary to provide more detailed information about their overseas income. According to this summary, 4,250 individuals have reported overseas rental income totalling \$156.4 million. Please note that neither the nature, nor the number of rental properties held are reported. Consequently, your request for information on the number of rental properties held overseas is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and we do not believe that it is held by another agency.

Questions 6-8 - Number of properties

Inland Revenue does not hold comprehensive information on how many rental properties are held by taxpayers; therefore, this part of questions 6-8 is refused under section 18(g) of the OIA as the requested information is not held by Inland Revenue, and we do not believe it is held by another agency.

We do however, hold partial information based on the IR3R calculation worksheets used by a subset of around 65,000 property owners who use this form as an input into their filing. Proportions calculated from this subgroup of taxpayers for the 2020-21, 2021-22, and 2022-23 tax year are provided in Table Two.

The IR3R calculation worksheet tends to be used by unincorporated taxpayers (individuals or trusts) who are likely to have smaller investment portfolios. The supplied proportions are not necessarily representative of the wider picture incorporating all residential rental taxpayers and all entity structures. Note that this analysis assumes that each IR3R relates to one property. There may be instances where taxpayers have filed one IR3R for multiple properties, which would bias the results presented below towards the '1-3 properties' bucket.

Table Two: Partial² information from IR3R worksheets on the distribution of number of residential properties held

Number of properties	IR3R net rental profit	IR3R net rental loss	Total number of IR3R
<i>2020-21 income year (n=66,240)</i>			
1 to 3 properties	71.42%	26.64%	98.06%
4 to 9 properties	1.47%	0.41%	1.88%
10 or more	0.04%	0.02%	0.06%
Total	72.93%	27.07%	100.00%
<i>2021-22 income year (n=65,930)</i>			
1 to 3 properties	81.41%	16.62%	98.03%
4 to 9 properties	1.67%	0.25%	1.92%
10 or more	0.05%	0.01%	0.05%
Total	83.13%	16.87%	100.00%
<i>2022-23 income year (n=64,320)</i>			
1 to 3 properties	80.89%	17.22%	98.12%
4 to 9 properties	1.62%	0.21%	1.83%
10 or more	0.05%	0.01%	0.05%
Total	82.56%	17.44%	100.00%

2. This information does not include other entities or other individual taxpayers who do not use the IR3R worksheet. Results are likely to over-represent smaller portfolios. Note that just over one percent of IR3R worksheets report net nil rental income. These are included in the net rental loss category in Table Two.

Right of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. 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 decision. 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

We intend to publish our response to your request on Inland Revenue's website (www.ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you for your request.

Yours sincerely



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