



8 March 2023



Dear [REDACTED]

Thank you for your email of 8 February 2023 requesting an explanation for the discrepancy between the number of early childhood education centres (ECEs) listed on the Ministry of Education's (MOE) website and Table 1 of our OIA response of 7 February 2023.

Additionally, you requested the data supplied on 7 February 2023 be amended to include centres that have registered as a partnership, trust, or other unincorporated business, later clarified to exclude natural persons. You outlined your preference for data matching the full MOE directory to assist your objective to understand financial data for the early childhood education (ECE) sector and whether there was a declining or increasing trend. On 27 February 2023, you also provided an additional list of *All active licenced Early Learning Education & Care Services* provided by MOE in response to an OIA made to their agency.

Clarification of approach

The registers supplied do not include IRD numbers and could not easily be matched to Inland Revenue data without significant analytical effort. While the new register you supplied contains the New Zealand Business Number (NZBN), the NZBN is provided to Inland Revenue automatically for newly established companies. There is no requirement for existing companies or for other entities to provide their NZBN to Inland Revenue so matching using the NZBN would not be easily achieved.

As discussed by email, Business Industry Classification codes (BIC) remain the method by which Inland Revenue can supply the most relevant information.

Volumes

There are a number of factors that contribute to the difference between the information supplied in our previous reply and the numbers of entities registered as an ECE. For example, Charitable Trusts (or other organisations that hold charitable status) generally do not file income tax returns, meaning we are unable to provide data about them. Registered ECEs may report to Inland Revenue as a corporate group, meaning several entities trading under different names report to Inland Revenue collectively.

We also note, with an apology, that in our original reply we had inadvertently filtered out many of the company-nil returns from Table 1, when they should still have been included. This coding error has been corrected in this updated release below.

Information being released

As you are aware, we hold each entity's chosen Business Industry Classification (BIC) code for our business customers.

For incomes and tax, released below are summary statistics from IR4 - company tax returns, IR9 - club/society returns and IR6 - Trust returns where the customer has used any of the business industry codes Q871020 (child minding centre, excluding home-based), P801010 (kindergartens or accredited pre-primary school education) and P801020 (pre-schools providing accredited pre-primary education).

The information provided in Tables 1b and 2b in the Appendix is filtered by taxpayers using these codes, and who have filed any of these three types of income tax returns. We have not provided data for partnerships as their IR7 – partnership return does not contain a tax figure because the income tax liability is passed through to the individual partners. We have also excluded unincorporated individuals and partners of partnerships, as there are likely to be many additional variables such as salary/wage income that could distort individual tax liability. You have confirmed that individuals will not likely be the demographic that you are seeking. The amended volume of taxpayers identified through BIC codes as ECE providers is again noted to be low compared to the overall volume as provided in the spreadsheet you submitted on 27 February 2023.

We have applied the same assumptions as per the previous response. However, an additional simplifying assumption is that in respect of IR6 returns, the trust tax rate of 33% has been applied to calculate tax regardless of any attribution through to beneficiaries.

Table 1b includes nil returns, and Table 2b excludes them. Table 2b may be more useful for your stated intent if you want to focus only on those entities with non-zero tax obligations.

The income variable provided is taxable income. This is calculated after any brought forward losses have been claimed which may have reduced taxable income to nil. Any current-year net loss is also treated as nil taxable income in these tables.

The tax variable is residual income tax. This is tax payable by the entity directly and is net of any withholding tax credits from any income streams on which the tax has already been paid.

Debt

Aligning what we are providing for tax, we are releasing debt information for companies, trusts and clubs/societies that have used with BIC Codes Q871020 (child minding centre, excluding home-based), P801010 (kindergartens or accredited pre-primary school education), and P801020 (pre-schools providing accredited pre-primary school education)

To align with our standard debt reporting methodology, the debt information provided is the total value of debt as at the last day of each respective tax year, rather than the debt attributed to that tax year.

The debt information has been separated by tax product including Income Tax, Employer (PAYE), and GST. The remainder of smaller tax products have been grouped into the "Other" category.

The average, median and quartile information provided applies to the total debt value.

Information being refused

The original request asked for income ranges. Data related to income ranges (maximum amounts) is considered sensitive revenue information as it relates to specific taxpayers. I therefore decided to refuse this part of your request under section 18(c)(i) of the OIA as making the requested information available would be contrary to Inland Revenue's confidentiality obligation set out in section 18 of the Tax Administration Act 1994 (TAA). Disclosure of this information does not fall within any of the exceptions to the confidentiality obligation listed in sections 18D to 18J and schedule 7 of the TAA.

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

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 again for your request.

Yours sincerely



Sandra Watson
Policy Lead, Forecasting and Analysis



Appendix

Table 1b: (BIC code P801010, P801020, or Q871020) corporate, trust, or club/society taxpayers including those with nil taxable income

Year	Number of IR4s, IR6s & IR9s with Industry 'P801' or 'Q871020' (ECE)	Number with positive taxable income	Number with nil taxable income	Taxable income (\$m)				Residual Income tax (\$m)					
				Total	Mean	Lower Quartile	Median	Upper Quartile	Total	Mean	Lower Quartile	Median	Upper Quartile
2014/15	764	352	412	47.6	62,325	0	0	42,948	13.0	16,975	0	0	10,878
2015/16	810	370	440	66.8	82,479	0	0	43,667	18.1	22,376	0	0	11,563
2016/17	848	393	455	74.4	87,782	0	0	48,425	20.4	24,044	0	0	13,492
2017/18	873	368	505	57.0	65,304	0	0	40,303	15.4	17,593	0	0	10,506
2018/19	912	384	528	56.7	62,182	0	0	36,534	15.6	17,078	0	0	10,144
2019/20	912	375	537	42.6	46,721	0	0	36,487	11.8	12,942	0	0	10,186
2020/21	909	437	472	89.1	98,042	0	0	77,707	24.7	27,269	0	0	21,369

Table 2b: ECE (BIC code P801010, P801020, or Q871020) corporate, trust, or club/society taxpayers excluding those with nil taxable income

Year	Number of IR4s, IR6s & IR9s with Industry 'P801' or 'Q871020' and positive taxable income	Taxable income (\$m)				Residual income tax (\$m)					
		Total	Mean	Lower Quartile	Median	Upper Quartile	Total	Mean	Lower Quartile	Median	Upper Quartile
2014/15	352	47.6	135,274	13,518	50,765	128,909	13.0	37,018	2,450	13,130	34,508
2015/16	370	66.8	180,563	10,511	54,915	156,504	18.1	49,376	2,458	15,063	41,679
2016/17	393	74.4	189,414	11,325	57,160	133,823	20.4	52,025	2,717	15,877	36,865
2017/18	368	57.0	154,919	15,677	58,313	128,521	15.4	41,898	4,262	15,798	35,223
2018/19	384	56.7	147,683	16,282	53,393	123,662	15.6	40,795	4,433	14,833	34,593
2019/20	375	42.6	113,625	16,632	52,793	115,135	11.8	31,709	4,539	14,646	32,210
2020/21	437	89.1	203,938	25,814	82,758	171,733	24.7	57,022	7,020	22,925	48,099

Table 3b: ECE debt figures

Year	ECE Companies, Trusts, Clubs/Societies with debt	Debt Values (\$)						Stats based on total debt value (\$)			
		Income Tax	Employer	GST	Other	Total debt value	Mean	Lower Quartile	Median	Upper Quartile	
2014/15	593	266,394	2,230,613	3,950,733	16,246	6,463,987	10,900	88	718	7,755	
2015/16	545	487,412	2,004,045	3,969,904	4,951	6,466,311	11,865	134	1,331	11,219	
2016/17	388	1,059,265	1,470,342	1,403,400	3,916	3,936,922	10,147	78	591	4,841	
2017/18	505	2,023,818	1,748,197	4,394,628	67,775	8,235,884	16,306	227	1,682	10,356	
2018/19	612	767,509	2,143,153	4,822,561	13,162	7,746,385	12,637	263	2,444	11,534	
2019/20	693	383,116	4,006,229	6,567,366	46,188	11,002,898	15,877	140	1,239	12,452	
2020/21	493	887,756	4,285,896	9,069,481	148,149	14,391,282	29,132	298	8,330	28,427	