



24 September 2021



Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (the OIA), received on 30 August 2021. You requested the following:

This is an Official Information Act request for the following information for each of the years ended 31st March 2016, 2017, 2018, 2019 and 2020:

- 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 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;*
- 5. 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;*
- 6. 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.*

Prior to 2019-20, rental income data on IR3 personal tax returns was collated as 'net rents', which, together with residential housing, also includes rental income from non-residential investment.

From 2019-20 residential property loss ringfencing applied. There were significant changes to income tax returns regarding ringfenced residential rental income or losses. Ringfenced amounts are now explicitly disclosed on tax returns, but gross rental income is now included together with net profits derived from the disposal of (ringfenced) residential properties under the bright-line rules.

Other rental income not caught by the residential rental ringfencing rules¹ remains with similar treatment to prior years: information is collected as 'other rents'. This field does not include non-ringfenced property sales, which are asked for separately.

The structural breaks in the data supply have affected the rental time series that we were previously able to provide. To respond to questions 1, 2 and 3, two data series have been provided in Table 1 below; one data series with the 'other rents' data in 2019-20 excluded, and the second series with the 'other rents' data of 2019-20 included. Both data series now

¹ Examples of non-ringfenced rental income are commercial rental properties (potentially in this data supply to the extent that our industry code approach did not filter these out), holiday homes taxed under the mixed-use asset rules and rental properties, residential or otherwise, held on revenue account.

contain the 2019-20 tax impact of ringfenced property sales, which will not have been included in previous years.

Table 1: Net rental income of IR3 taxpayers

Tax year ending March	IR3 excluding 2019-20 'other rents' box			IR3 including 2019-20 'other rents' box		
	Total rental profits \$m	Total rental losses \$m	Total net rental \$m	Total rental profits \$m	Total rental losses \$m	Total net rental \$m
2015-16	1,489	-602	887	1,489	-602	887
2016-17	1,618	-552	1,065	1,618	-552	1,065
2017-18	1,683	-530	1,152	1,683	-530	1,152
2018-19	1,710	-537	1,173	1,710	-537	1,173
2019-20*	792	-387	405	1,804	-423	1,381

*2019-20 figures also include (ringfenced) bright-line profits.

In response to questions 4-6, for tax years up until 2017-18 Inland Revenue cannot provide comprehensive information on residential rental profits and losses broken down by the number of properties owned by taxpayers because the information does not exist. We are therefore refusing part of this request under section 18(e) of the OIA as the information cannot be produced with our data.

We are, however, able to provide a partial response to questions 4-6. Since 2018-19 information is available for the subset of around 60,000 property owners who use the IR3R calculation worksheets as an input to their filing. The proportions for this subgroup of taxpayers are provided in Table 2. 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.

Table 2: Partial* information from IR3R worksheets on the distribution of number of rental properties held

Tax year ending March	Number of properties	IR3R net rental profit	IR3R net rental loss	Total number of IR3R
2018-19	1 to 3 properties	61.7%	37.3%	99.0%
	4 to 9 properties	0.7%	0.3%	1.0%
	more than 10	0.01%	0.01%	0.02%
	Total	62.4%	37.6%	100.0%
2019-20	1 to 3 properties	66.7%	32.0%	98.6%
	4 to 9 properties	1.0%	0.3%	1.3%
	more than 10	0.04%	0.01%	0.05%
	Total	67.7%	32.3%	100.0%

*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.

Right of Review

If you disagree with my decision to refuse an aspect of 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.

Thank you for your request.

Yours sincerely



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