



**Policy and Regulatory Stewardship**  
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## Briefing note

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Reference: BN2023/161

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To: Revenue Advisor, Minister of Revenue – Jason Batchelor  
Private Secretary, Minister of Revenue – Helen Kuy  
Revenue Advisor, Associate Minister of Revenue – Harper Burtenshaw

From: Steve Mack

Subject: **Questions you asked about the HWI report**

### **Tax paid by the high-wealth population if the 39% top personal rate and trustee rate were in place during the Project period.**

1. The following table compares the effective tax rates and tax under the statutory personal and trustee tax rates that applied over the Project period with estimated effective tax rates and tax had the 39% personal tax rate applied on personal taxable income over \$180,000 over the period, and a trustee tax rate of 39% applied over the period.
2. It shows the average (weighted mean) effective tax rate and absolute tax value for personal and trustee income and tax for the responder population families. Trustee income and tax include both trading and non-trading trusts.
3. The all-income ETR is re-estimated using the 39% tax rate. For the all-income ETR, income does not include imputed rent. Tax includes personal, trustee and company tax (shown in the aggregate tax figure) but does not include GST.
4. These revenue calculations are static and do not incorporate behavioural changes resulting from a change in tax rates. For example, trading trusts could convert to companies if a 39% trustee rate applied.
5. The tax figures are higher than those provided in BN2023/159, as trading trusts are included in these figures.

**Comparison of results with statutory tax rates applying over the Project period to results with a 39% rate for personal and trustee income**

<b>Tax scale that applied over Project period</b>	<b>Average ETR</b>	<b>Value of tax (millions)</b>
Personal	31.8%	\$706
Trustee	33.0%	\$1,423
Personal + Trustee		\$2,130
All-income	9.9%	\$3,040
<b>Revised tax (39%)</b>		
Personal	36.8%	\$817
Trustee	39.0%	\$1,682
Personal + Trustee		\$2,499
All-income	11.1%	\$3,410
<b>Difference</b>		
Personal	5.0%	\$111
Trustee	6.0%	\$259
Personal + Trustee		\$369
All-income	1.2%	\$369

**Rates of return**

***Proportion of wealth by asset class***

6. The following shows the proportion of wealth by asset class, as at June 30, for the responder population. This is measured on a responder population family basis.
7. Wealth data is estimated at 30 June for 2015, 2018 and 2021 and interpolated for 30 June 2016, 2017, 2019, 2020.
8. Wealth is estimated from survey information, calculated data (such as unlisted entity values), and from public information (non-portfolio listed company shares). No personal debt is presumed to be associated with the wealth except with respect to real property. A debt level for non-owner-occupied real property was assumed based on HES data for debt levels for the nearest year for the top ventile of the HES sample and survey data was used for mortgages on owner-occupied housing.
9. Property is directly held and trust property, including property owned by land-rich entities; portfolio is directly held and trust portfolio assets; and business is non-portfolio listed companies owned by individuals and trusts, unlisted companies owned by individuals and trusts (other than land-rich companies), and trading trusts.
10. For the share of wealth, that is the share of wealth as a proportion of the total investment wealth in the listed categories. It is not a share of the total wealth that includes personal assets of the family (such as cars).

**Proportion of wealth by asset class for the responder population (at 30 June)**

<b>Wealth by asset class (millions)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Property	\$7,666	\$8,548	\$9,431	\$10,314	\$11,360	\$12,406	\$13,451
Portfolio	\$11,315	\$12,318	\$13,322	\$14,325	\$15,475	\$16,624	\$17,774
Business	\$45,049	\$46,465	\$47,882	\$49,298	\$51,066	\$52,834	\$54,602
Total wealth	\$64,029	\$67,332	\$70,634	\$73,937	\$77,900	\$81,864	\$85,827
<b>Share of wealth (%)</b>							
Property	12%	13%	13%	14%	15%	15%	16%
Portfolio	18%	18%	19%	19%	20%	20%	21%
Business	70%	69%	68%	67%	66%	65%	64%

***Weighted average rate of return by asset class***

11. Following is the weighted average rate of return by asset class calculated for the Project population, by tax year. The assets classes align to those used in the report.
12. Rates of return are calculated as income for the asset category / asset base.
13. Income figures for each asset class are taken from the report, modified as stated in this paragraph. Income elements included in taxable income are not included unless stated. Property income includes capital gains and taxable income from land-rich entities but does not include rent except for properties owned by land-rich companies. Business income includes capital gains from directly held unlisted and listed companies and trading trusts and businesses held in trust. Portfolio income includes directly and indirectly (held in trust) held portfolios, as well as personal interest, dividends, and overseas income that were taxable to the individual or trust (this may include dividends on non-portfolio entities<sup>1</sup>).
14. The total income and rate of return recorded below is slightly different to the all-economic income rate of return provided in BN 2023/15 as in that note, all-economic income includes base income and trustee income. In this calculation, base income and trustee income is only included to the extent it is clearly allocable to an asset class (interest, dividends and overseas income are allocated to portfolio income).

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<sup>1</sup> In that case, those dividends should technically be allocated to business income, but it is not possible to distinguish those in the data from portfolio dividends, so all dividends are allocated to portfolio income.

**Rates of return for property, business, and portfolio income** (wealth and income values in millions)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Property income	\$772	\$844	\$665	\$727	\$980	\$1,949	\$5,938
Property wealth	\$7,666	\$8,548	\$9,431	\$10,314	\$11,360	\$12,406	\$59,725
Property rate of return	10.1%	9.9%	7.1%	7.1%	8.6%	15.7%	9.9%
Business income	\$2,908	-\$588	\$4,754	-\$899	\$517	\$9,013	\$15,705
Business wealth	\$45,049	\$46,465	\$47,882	\$49,298	\$51,066	\$52,834	\$292,593
Business rate of return	6.5%	-1.3%	9.9%	-1.8%	1.0%	17.1%	5.4%
Portfolio income	\$1,026	\$656	\$1,1401	\$1,372	\$1,015	\$2,840	\$8,050
Portfolio wealth	\$11,315	\$12,318	\$13,326	\$14,325	\$15,475	\$16,624	\$83,378
Portfolio rate of return	9.1%	5.3%	8.6%	9.6%	6.6%	17.1%	9.7%
Total income	\$4,707	\$912	\$6,559	\$1,201,	\$2,512	\$13,802	\$29,693
Total wealth	\$64,029	\$67,331	\$70,634	\$73,937	\$77,900	\$81,864	\$435,696
Total rate of return	7.4%	1.4%	9.3%	1.6%	3.2%	16.9%	6.8%

15. All of the above calculations were taken from the Project data and prior calculations, so the same caveats on uncertainties in data quality and assumptions apply to these.

Steve Mack  
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