



Operational process summary

The High-Wealth Individuals Research Project calculates effective tax rates for high-wealth families using a mix of tax administration data, publicly available data, and data confidentially sourced directly from respondents.

Overview

The High-Wealth Individuals Research Project is an evidence-based research project carried out by Inland Revenue. It calculates the effective tax rates of just over 300 of the wealthiest tax-resident New Zealanders and their direct household family members, for the income years 2016-2021. The Project, and resulting report, was the subject of specific funding in the 2021 Budget.

The main goal has been to improve the evidence base on the fairness and efficiency of the tax system in New Zealand. The report does not make recommendations concerning future tax policy initiatives.

Population

The group studied are among those tax residents of New Zealand with the highest net worth in the years under study. The initial threshold for inclusion was estimated net worth in excess of \$50 million or net worth over \$20 million if other factors were met. These people were identified using tax administrative data and public records, within certain criteria. Some families initially identified who did not meet the net worth threshold or tax residency requirements were subsequently excluded from the research.

Throughout the process, we received a high level of responsiveness from the high-wealth individuals, as well as their advisors, resulting in an overall response rate of approximately 90%.

This resulted in a final group of 311 individuals, and their immediate families, who are in the aggregate figures presented in the report.

Information collection

The Project has relied heavily on both tax administration data and public data sources, but it was important to supplement that with additional data from the group itself.

Information was collected from the high-wealth families through 3 survey-stages in 2021 and 2022:

Stage 1 – Family collection – this was to enable us to understand who was in the family – the Project looks at economic income at the family as well as the individual level.

Stage 2 – Entity collection – this was to ensure we were able to identify all the companies, trusts and partnerships which had substantially contributed to a family's economic income for the Project period. By requesting this data, we were able to access Inland Revenue's internal data for these entities, which reduced the information required from these individuals.

Stage 3 – Financial collection – finally there were a number of supplementary questions we needed to ask relating to financial information about individuals and entities that we do not hold, to make our overall data as accurate as possible

The information requested was designed to help measure key sources of economic income (that is, all income sources including taxable ones) to calculate the effective tax rates of the individuals and families. Information was only sought if it was not otherwise reasonably available to Inland Revenue.

Dedicated resources were used to support customers, and agents', queries during the information collection stages.

Our authority to collect this information

At each stage information was requested from individuals using section 17GB of the Tax Administration Act 1994, a new provision that allows the Commissioner to collect information for tax policy purposes. Information collected for the Project under section 17GB will not be used to reassess anyone's current or future taxable income.

Privacy

Inland Revenue has made preservation of individual privacy a key element of the Project. The report does not disclose data on specific individuals. After discussions with the Privacy Commissioner, Inland Revenue's Privacy Officer and with stakeholders, internal rules and processes were put in place to ensure that the additional information sought from the group would not be able to be used by Inland Revenue in its operational activities. Furthermore, the raw data collected under section 17GB, that may identify individuals, will be disposed of when the Project is completed.

A Privacy Impact Assessment has been published and is available for review under the document library section of the High-Wealth Individuals Research Project web page.

Project Governance

The Project was led by Inland Revenue's Policy and Regulatory Stewardship group. A dedicated Project team was established. Further, a Project governance group was established to oversee the operation of the Project. Membership of the governance group was made up of senior officials from across Inland Revenue. Further details about the governance group can be found in the Privacy Impact Assessment.

External Input

External input was provided through a Methodology Advisory Group who provided comment on the methodology as it developed. The report was subject to peer-review by two academic reviewers. Models and data analysis were subject to review by specialist data consultancy firms.