

**May 2022**

## **Information Sheet 3: High-wealth individuals research project**

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### **Introduction**

Inland Revenue is carrying out research into the economic income and effective tax rates of high-wealth New Zealand households to help us assess the progressivity, and therefore fairness, of the tax system.

You are receiving this information sheet because you are either:

- one of the high-wealth individuals selected to take part in this project; or
- the partner of one of those individuals.

We will also send a copy to your nominated agent if you have advised us of one for this project.

You have been sent earlier versions of this information sheet which explain in more detail some of the background to the project. This version includes key details about the financial information we will request from you shortly.

### **Project objectives**

The goal of the project is to improve the evidence base used to assess the fairness of the tax system. The project will do this by improving our information on the economic income and effective tax rates of high-wealth individuals. The project will not make any policy recommendations, but its analysis will inform future tax policy advice.

The project is not related to any existing tax provision. The information collected from individuals in this project will not be used for any compliance or other revenue purposes, and it will be destroyed at the end of the project.

A public report is expected to be completed by June 2023.

### **Where will I be able to get more help?**

Ask a question or request a call by emailing [etrproject@ird.govt.nz](mailto:etrproject@ird.govt.nz)

Further information is available at <https://www.ird.govt.nz/hwi-research-project>

Further resources are available on the ECHO site. If you do not have ECHO access, but would like it, please email: [etrproject@ird.govt.nz](mailto:etrproject@ird.govt.nz)

## Methodology

Our methodology will be subject to peer review. A Methodology Advisory Group, made up of 10 subject matter experts from outside Inland Revenue, has been formed to provide input into the methodology. Papers presented to the Methodology Advisory Group can be found on the ECHO (External Collaboration Hub Online) site.

## Timeline for financial information collection

On about 9 June you will receive a request for the further financial information we require to estimate the measures of income we intend to use in our report. In most cases we will only ask for information over the period 2016 to 2021 (the main exception will be for information about inheritances and certain other gifts as discussed below). Estimating income measures for six years provides a better picture of effective tax rates by smoothing out annual income volatility.

The information we will ask you to provide is information that Inland Revenue either does not hold as it relates to non-taxable income (such as capital gains or certain trust distributions) or is held in a form that is too aggregated for the project to undertake the analysis. In some cases (such as ownership of residential property or listed shares), we have used public registers to obtain the information we need, and we will therefore only ask for limited information regarding these asset classes.

You will have until 24 August 2022 to respond to this request.

Where we are asking about trusts and you do not have access to the information, we will ask you to provide us with contact details of a person (e.g., a trustee) who will be able to provide the information. You will be required to do this by 4 July.

For partners, each individual will receive a separate notice requesting the information. You may respond separately or jointly. This approach is being taken to protect each person's confidential information and privacy.

## What financial information is being requested in June 2022?

There will be a Guide to help you understand what information you need to provide. In broad outline the questions will be about your own financial affairs, focussing on:

- the aggregated value of your financial or portfolio investments (such as investments in bonds or equities)
- the address of your principal family residence
- any real estate holdings held for you by nominees
- distributions, sale of ownership interests and capital investment information relating to companies and unincorporated businesses (for non-portfolio holdings)
- your trust interests and certain financial information relating to those trusts
- an estimate of your household's expenditure on goods and services
- some further questions that seek to better understand the sources of economic income of high wealth New Zealanders (such as significant gifts and inheritances).

Inheritances and gifts are the only category of information which require you to look at periods earlier than 2016 – 2021. These are a component of economic income but are received infrequently, which is why we ask for the information from a longer period. We realise that it may be difficult to provide fully accurate answers, so you are only required to estimate your gifts and inheritances (rounded to the nearest \$1,000,000 per decade).

We will not ask you to have your assets or entities independently valued. For the purposes of the project, we will be consistently applying our own valuation methodology.

If we have sufficient information concerning your entities' financial statements (from tax records) for us to undertake internal valuations of those entities, then we will not be seeking it again from you. However, if we have insufficient internal information on your entities, we may need to seek further information from you. We are currently assessing the completeness of the financial information for entities disclosed by you in the entity collection and will assess whether we need to request further financial information.

If we do, it will be through a secondary targeted information request in July. We would seek information from you in the first instance but may need to request information from the entity in question if you do not have the information.

### **Is it compulsory to provide information?**

It is compulsory for you to provide the information we ask for as the information is being requested under section 17GB(1) of the Tax Administration Act 1994 (the Act). The consequences for non-compliance with section 17GB are the same as for other information-gathering powers, such as section 17B of the Act.

Information collected under section 17GB(1) has specific statutory protections that prevent the Commissioner of Inland Revenue from using it in proceedings against you. The Commissioner has further decided that the information will not be used for any compliance purposes. Further, the information collected from you for this project will not be retained by Inland Revenue.

While we understand you may not have all the information we ask for, you should try to answer the questions as fully and accurately as possible.

You may ask your authorised tax agent to provide the information on your behalf.

### **How will privacy and confidentiality be protected?**

We will ensure the privacy and confidentiality of all the information we collect is protected, and we will not use your information for other Inland Revenue purposes.

To find out more, see the first and second information sheets about this project and the Privacy Impact Assessment, here: <https://www.ird.govt.nz/about-us/who-we-are/organisation-structure/significant-enterprises/hwi-research-project/>