



High-Wealth Individuals Research Project

Supplemental Financial Statement Guide

August 2022

Project purpose

1. The high-wealth individuals research project is a statistical research project that seeks to fill a gap in our knowledge of economic measures of income and effective tax rates of high-wealth New Zealanders. The project will improve the evidence base regarding how the tax system is currently operating, which is the first step in policy development, that of problem identification. A final report on the project's findings will be made public in 2023.
2. No-one's tax liability will be reassessed as part of this project; information provided for the project will not be used for any tax compliance or assessment purposes. The final report will not identify any individual or entity.

Income and effective tax rate measures

3. An output from the project will be the calculation of average effective tax rates for the 2016 – 2021 income years. An effective tax rate (a measure of tax paid divided by a measure of income) helps us understand how much tax is paid by this group, relative to their income.
4. This collection seeks further information to allow us to estimate unrealised (accrued) capital gains from unlisted entities. These gains are a component of economic income, which is a broader measure of income than taxable income and will form the basis of effective tax rate calculations.
5. The unrealised capital gains will be estimated using information on net earnings, debt and cash of the entity. While in most cases we can rely on tax administration data to undertake this calculation, for some entities we have insufficient data.

Supplemental Financial Statement

6. You are receiving the Supplemental Financial Statement as we do not have sufficient or adequate financial statement information in relation to some or all of the entities you disclosed or for some consolidated tax groups.
7. Both you and your partner may have disclosed the entity as part of the Entity Collection. However, only the person who has received the Supplemental Financial Statement needs to provide the information we have requested about the relevant entities identified.

8. This information is sought under section 17GB(1) of the Tax Administration Act 1994. Section 17GB allows the Commissioner of Inland Revenue to collect information considered relevant for a purpose relating to the development of policy for the improvement or reform of the tax system. Each person who has received a notice is legally required to provide this information. You must use reasonable endeavours to provide the information. **You may request a tax agent or other representative to complete the form on your behalf although you remain ultimately responsible.**
9. You are required to provide this information by **5pm on 16 September 2022.**

What is covered by the Supplemental Financial Statement?

10. The Financial Collection questionnaire issued in June 2022 sought a range of financial information on your investments, and trusts, to enable estimation of the income measures, the attribution of some sources of income to individuals and the calculation of the effective tax rates.
11. The Supplemental Financial Statement is aimed at the estimation of unrealised capital gains from your interest in disclosed entities for the 2016 to 2021 income years. An entity may be a company, trust or partnership. We are also asking for consolidated tax group information in some cases. We will need to make assumptions to make estimates of unrealised capital gains income based on information on the net earnings, debt and cash position of the entity. This information will only be used for this research project.
12. The questions we ask may not be for all the entities you disclosed. This is because we will use information available to us internally where reasonably practicable. This is to minimise the compliance costs on you as much as possible, while still obtaining the data we require.

How to complete the Supplemental Financial Statement

13. The required information is to be provided in the Supplemental Financial Statement that has been distributed with this guide. The *Detailed Instructions* in this guide set out the information that is required and tell you how to complete the Supplemental Financial Statement.
14. The Supplemental Financial Statement is pre-populated with the entity name(s) or consolidated group name (if applicable), the entity's unique identifier (if previously provided), and the financial year(s) for which the financial information is sought. You do not need to provide the unique identifier if missing. Answers to the questions should only be provided in the light blue boxes within the workbook.
15. We recommend using Office 365 (desktop application or Excel online). Alternatively, uploading to Google Sheets will allow you to complete the workbook.
16. Information sought is in New Zealand dollars.

More information

17. If you have any questions about the Supplemental Financial Statement or require assistance in completing the workbook, please contact us at: entity.collection@ird.govt.nz. Please indicate if you would like a call back.
18. For assistance in uploading the Supplemental Financial Statement to the secure online platform (including if you need to resubmit the workbook), please contact us at: etrproject@ird.govt.nz.
19. Further information on the project can be found at: [High-wealth individuals research project \(ird.govt.nz\)](#)

How to submit

20. Submit the completed Supplemental Financial Statement through the secure online platform by following the file upload instructions in the box below.
21. If you are unable to submit the Supplemental Financial Statement through the secure online platform, you may email it, encrypted, to entity.collection@ird.govt.nz.
22. We recommend you retain a copy of the completed Supplemental Financial Statement.

File upload instructions for Supplemental Financial Statement

- 1) Please go to: www.hwiresearch3B.ird.govt.nz
- 2) If you are submitting the Supplemental Financial Statement yourself, you will be asked to enter your personal IRD number, so we can authenticate your submission (no initial '0', numeric characters only, no spaces or special characters (including hyphens)).
 - If you are a tax agent and completing the submission for your client, please enter your client's personal IRD number.
- 3) Once you have logged in, follow the instructions to the page where you can upload your submission.

Detailed Instructions

Scope

23. The Supplemental Financial Statement must be completed for each entity that is specified in the workbook. You are only required to provide financial information for the entity for the financial years that are specified, as our internal data is sufficient for other years.
24. The Supplemental Financial Statement will have certain pre-populated information, such as the entity's name (as previously disclosed) or the consolidated group name (if applicable), and the unique identifier (if previously provided).
25. By "entity" we also mean partnerships or trusts with business income over a certain threshold, for which we do not hold sufficient internal data. Where a partnership or trust is required to provide financial statement information, provide answers related to the business enterprise only. We are also asking for information for some consolidated tax groups. In those cases, provide total amounts for all of the companies in the consolidated tax group.
26. The financial information being requested is part of the same information that is found in the IR10 that is submitted together with the entity's relevant income tax return.

Questions

Section A: Financial Details

The following information is only required for each financial year (tax year) that is specified in the Supplemental Financial Statement. Where you have an approved non-standard balance date, please ensure the supplemental financial information supplied relates to the tax return filed for the specified tax year.

Sales

27. Provide the gross income from the sale of goods or services (turnover as recorded in the profit and loss statement). Include management fees and commissions if this is the main source of business income.

Gross profit

28. Provide the total amount of gross profit as shown in the profit and loss statement. The gross profit figure is determined by taking sales and/or services and then deducting the cost of goods sold (COGS). The COGS is calculated by adding opening stock and purchases (including other direct costs) and then deducting closing stock. If the gross profit figure is a loss, enter the figure as a negative number.
29. Where there is no COGS attributable to sales, we would expect the sales and gross profit figure to be the same.

Interest received

30. Provide the amount of interest income/finance income of the business, as recorded in the relevant year's profit and loss statement. Include interest income from finance leases.

Dividends received

31. Provide the amount of dividends received by the entity as shown in the relevant year's profit and loss statement, including intragroup dividends. Gross up the dividends to the extent that they are taxable and the imputation credits are available to satisfy the business' income or tax liability. If the business is required to prepare general purpose financial statements that comply with generally accepted accounting principles (GAAP), you may account for imputation credits on a net basis as required by International Financial Reporting Standards (IFRS).

Accounting depreciation and amortisation

32. Provide the total amount of accounting depreciation and amortisation as shown in the relevant year's profit and loss statement.

Interest expense

33. Provide the total amount of interest expense/finance expense as shown in the relevant year's profit and loss statement.

Net profit/loss before tax

34. Provide the net profit/loss before tax. This should be the same as the net profit/loss before tax shown in the profit and loss statement for the relevant year.

Cash & deposits

35. Provide the total amount of all funds held in bank accounts or otherwise, as shown on the balance sheet for the relevant year. Include all funds on short-term deposit (i.e., less than one year), cash on hand, funds with building societies, stock firms and other financiers.

Term deposits

36. Provide the total amount of all long-term interest-bearing deposits (one year or longer) as shown on the balance sheet for the relevant year. Include bank term deposits and bonds. Do not include loans and mortgages.

Current loans

37. Provide the amount of loans outstanding that are re-payable or will have to be re-financed within one year as shown on the balance sheet for the relevant year. Include interest-free loans, loans from the owners of the business, bank overdrafts and amounts owing to stock firms.

Non-current liabilities

38. Provide the total amount of liabilities with a term of more than one year as shown on the balance sheet for the relevant year. Include loans, mortgages or other term borrowing. Do not include the owners' current account balances.

Owners' equity

39. Provide the total equity or interest that the owners have in the business. With a company it will be the sum of paid-up capital, reserves and retained profits/accumulated losses. With a partnership, it will be the sum of capital that has been contributed and retained profits/accumulated losses. With a trust, it will be the sum of amounts settled and undistributed profits/accumulated losses. The owners' equity should be the amount shown in the balance sheet for the entity.

Why we need this information

40. An estimated market value for unlisted businesses will be derived from internally held financial information within the tax system (using filed IR10s of entities that meet the threshold for the project). The change in the entity's estimated market value will be used to approximate an accrued capital gain.

41. We do not have complete IR10 information for the entities and financial years identified in the Supplemental Financial Statement. Asking for the specific information in the Supplemental Financial Statement means we can estimate market values for these years and so calculate accrued capital gains.