



6 October 2023



Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 7 September 2023, requesting an update on the data for Early Childhood Education (ECE) providers Inland Revenue provided to you in response to your 16 December 2022 request, as follows:

Please can you provide an update to this official information for the data you hold for 2022 / 2023.

Please use the most updated methods – as discussed with Nicola Hutcheon on 24 January, with the updated data received by ECC on 8 March. It is important that we are comparing data sets extracted by the same methods, to ensure consistency and accuracy.

On 18 September 2023, you clarified your request to exclude data for the 2022-23 tax year as Inland Revenue does not yet hold comprehensive income tax information from taxpayers for this year and to instead include data for the 2021-22 tax year. The debt data is point-in time and does not have the same coverage issues.

Information Consistency

The first reply to your December request was based on Business Industry Classification (BIC) codes but did not provide sufficient coverage on ECE providers. Our second reply of 8 March 2023 used an expanded range of BIC codes.

As mentioned, Inland Revenue does not yet hold comprehensive income tax information from taxpayers for the 2022-23 tax year because entities represented by tax agents have up to a year to file their income tax returns, and for these entities the 2022-23 returns are not due until 31 March 2024. Taxpayers can file their returns earlier, and there is a particular incentive to do so for taxpayers who feel they may have overpaid their 2022-23 provisional tax and who are seeking a refund or perhaps a smaller provisional tax calculation for the 2023-24 year. Taxpayers without tax agents were required to file by 7 July 2023.

A consequence of the settings is that early (incomplete) data from income tax returns is biased towards either smaller parties (e.g., those not using an agent) and/or towards taxpayers with a downwards trend in taxable activity. Biased data will not meet your needs for consistency and accuracy.

Information being released

Income tax

Tables 1 and 2 in the Appendix include data for the 2021-22 tax year and provide updates to data previously provided for 2019-20 and 2020-21 tax years due to updated taxpayer filing activity.

The tables are again based on business customers filing IR4 - company tax returns, IR9 - club/society returns or IR6 - Trust returns where the customer has used any of the following business industry codes (BIC):

- Q871020 - child minding centre, excluding home-based,
- P801010 - kindergartens or accredited pre-primary school education, or
- P801020 - pre-schools providing accredited pre-primary education.

The information provided in Tables 1 and 2 is filtered by taxpayers using these BIC codes, and by those who have filed any of these three types of income tax returns. Again, I have not provided data for partnerships as IR7 – partnership returns do not contain a tax figure because the income tax liability is passed through to the individual partners.

As you have previously confirmed that individuals will not likely be the demographic that you are seeking, I have also excluded unincorporated individuals and partners of partnerships, as there are likely to be many additional variables such as salary/wage income that could distort their individual tax liability.

I have again taken the approach to apply the trust tax rate of 33% to calculate tax for trust IR6 returns regardless of any attribution through to underlying beneficiaries.

Table 1 includes nil returns, and Table 2 excludes them. Table 2 may be more useful for your previously stated intent if you want to focus only on those entities with non-zero tax obligations.

The income variable provided is taxable income. This is calculated after any brought forward losses have been claimed which may have reduced taxable income to nil. Any current-year net loss is also treated as nil taxable income in these tables.

The tax variable is residual income tax. This is tax payable by the entity directly and is net of any withholding tax credits from any income streams on which the tax has already been paid.

Debt

Aligning with the data I am providing for tax, I am releasing debt information for companies, trusts and clubs/societies that have used with BIC Codes Q871020 (child minding centre, excluding home-based), P801010 (kindergartens or accredited pre-primary school education), and P801020 (pre-schools providing accredited pre-primary school education).

To align with Inland Revenue's standard debt reporting methodology, the debt information provided is the total value of debt as at the last day of each respective tax year, rather than the debt attributed to that tax year.

The debt information has been separated by tax product including Income Tax, Employer (PAYE), and GST. The remainder of smaller tax products have been grouped into the "Other" category.

The average, median and quartile information provided applies to the total debt value.

Table 3 in the Appendix provides the ECE providers debt figures for tax years between 2014 and 2023.

While preparing the updated information for 2021-2022 and 2022-2023, an issue was identified with the information that was previously sent to you. Apologies for this error. Debt was incorrectly counted in items instead of customers, so if a customer had a debt in more than one period, they would be counted more than once. As a result, total number of customers and the mean value of debt was incorrect. The total debt, and the lower and upper quartile information are correct and unchanged. The table has been updated to reflect the correct number of customers, and the correct mean value of total debt.

Right of Review

If you disagree with my decision on 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.

If you choose to have an internal review, you can still ask the Ombudsman for a review.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you again for your request.

Yours sincerely



Sandra Watson
Policy Lead, Forecasting and Analysis

Appendix

Table 1: (BIC code P801010, P801020, or Q871020) corporate, trust, or club/society taxpayers including those with nil taxable income

Year	Number of IR4s, IR6s & IR9s with Industry 'P801' or 'Q871020' (ECE)	Number with		Taxable income					Residual Income tax				
		positive taxable income	nil taxable income	Total (\$M)	Mean (\$)	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Total (\$M)	Mean (\$)	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)
2014-15	764	352	412	47.6	62,325	0	0	42,948	13.0	16,975	0	0	10,878
2015-16	810	370	440	66.8	82,479	0	0	43,667	18.1	22,376	0	0	11,563
2016-17	848	393	455	74.4	87,782	0	0	48,425	20.4	24,044	0	0	13,492
2017-18	873	368	505	57.0	65,304	0	0	40,303	15.4	17,593	0	0	10,506
2018-19	912	384	528	56.7	62,182	0	0	36,534	15.6	17,078	0	0	10,144
2019-20	916	376	540	42.7	46,583	0	0	36,417	11.8	12,895	0	0	10,077
2020-21	926	442	484	89.2	96,315	0	0	74,390	24.8	26,783	0	0	20,353
2021-22	895	440	455	54.1	60,453	0	0	68,492	15.0	16,748	0	0	18,998

Table 2: ECE providers (BIC code P801010, P801020, or Q871020) corporate, trust, or club/society taxpayers excluding those with nil taxable income

Year	Number of IR4s, IR6s & IR9s with industry 'P801' or 'Q871020' and positive taxable income	Taxable income					Residual income tax				
		Total (\$M)	Mean (\$)	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)	Total (\$M)	Mean (\$)	Lower Quartile (\$)	Median (\$)	Upper Quartile (\$)
2014-15	352	47.6	135,274	13,518	50,765	128,909	13.0	37,018	2,450	13,130	34,508
2015-16	370	66.8	180,563	10,511	54,915	156,504	18.1	49,376	2,458	15,063	41,679
2016-17	393	74.4	189,414	11,325	57,160	133,823	20.4	52,025	2,717	15,877	36,865
2017-18	368	57.0	154,919	15,677	58,313	128,521	15.4	41,898	4,262	15,798	35,223
2018-19	384	56.7	147,683	16,282	53,393	123,662	15.6	40,795	4,433	14,833	34,593
2019-20	376	42.7	113,485	16,555	52,698	115,307	11.8	31,648	4,525	14,646	32,272
2020-21	442	89.2	201,782	25,237	81,840	171,586	24.8	56,407	6,783	22,461	48,085
2021-22	440	54.1	122,967	21,025	70,510	166,238	15.0	34,247	5,579	19,684	46,058

Table 3: ECE providers debt figures

Year	ECE Companies, Trusts, Clubs/Societies with debt	Debt Values (\$)					Stats based on total debt value (\$)			
		Income Tax	Employer	GST	Other	Total debt value (\$M)	Mean	Lower Quartile	Median	Upper Quartile
2014/15	456	266,394	2,230,613	3,950,733	16,246	6.5	14,175	88	718	7,755
2015/16	409	487,412	2,004,045	3,969,904	4,951	6.5	15,810	134	1,331	11,219
2016/17	326	1,059,265	1,470,342	1,403,400	3,916	3.9	12,076	78	591	4,841
2017/18	395	2,023,818	1,748,197	4,394,628	67,775	8.2	20,847	227	1,682	10,356
2018/19	495	767,509	2,143,153	4,822,561	13,162	7.7	15,649	263	2,444	11,534
2019/20	531	383,116	4,006,229	6,567,366	46,188	11.0	20,721	140	1,239	12,452
2020/21	321	887,756	4,285,896	9,069,481	148,149	14.4	44,833	298	8,330	28,427
2021/22	312	981,098	4,654,876	10,345,230	320,650	16.3	52,250	319	8,784	34,875
2022/23	346	1,114,650	6,576,546	12,197,149	711,748	20.6	59,538	350	12,164	40,432