

13 October 2023

[REDACTED]

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), transferred to Inland Revenue from the Minister of Revenue on 4 October 2023. You requested the following:

1. *Has your ministry identified the potential fiscal cost of reinstating the deductibility of the interest cost of mortgages to the purchasers of houses?*
2. *In each of the last four years what was the fiscal cost to the government budget of the tax deductions made by taxpayers.*
3. *In each of the last three years what was the number of taxpayers who claimed of the cost of mortgage interest?*
4. *In the most recent year in which deductions of the interest cost of mortgage interest were allowed, what was the average deduction received by taxpayers? What was the largest deduction and the smallest?*
5. *Has any calculation been made of the impact on house prices of reintroduction deductions?*

### Question 1

Reinstating the deductibility of interest for residential landlords is not Government policy and Inland Revenue has not done any work looking at the potential fiscal cost of reinstating this. Therefore, I am refusing this part of your request under section 18(g) of the OIA, as the information requested is not held by Inland Revenue and I have no grounds to believe it is held by or more closely connected with the functions of another department.

When denial of interest deductions was first included in forecasts in the 2021 Half Year Economic and Fiscal Update, it was expected to raise the following revenue (June years):

**Table 1: Revenue expected to raise**

Fiscal year	Gain from interest denial (\$M)
2021/22	80
2022/23	200
2023/24	350
2024/25	490
2025/26	650

### Question 2

Inland Revenue has not done any work looking at the fiscal cost of interest deductions that have been made by taxpayers in past years (as distinct from estimating the fiscal gain from phased in denial of interest deductions, shown in Table 1). Therefore, I am refusing this part of your request under section 18(g) of the OIA, as the information requested is not held by Inland Revenue and I have no grounds to believe it is held by or more closely connected with the functions of another department.

### Questions 3 and 4

The information that Inland Revenue holds on interest deductions is sourced from tax returns, and the specific question relating to residential interest deductions was not added to tax returns until the 2021-22 income year, for which statistics are in the table below. Interest denial commenced from October 2021, so in the 2021-22 income year interest was 25% denied for a half-year. Therefore, I am refusing your request for the years prior to 2021-22 under section 18(g) of the OIA, as the information requested is not held by Inland Revenue and I have no grounds to believe it is held by or more closely connected with the functions of another department.

I have interpreted question 4 to be for the most recently completed tax year, 2021-22. Tax returns for the 2022-23 income year are substantially incomplete as taxpayers have until 31 March 2024 to file.

The information relating to the maximum interest deduction claim is considered sensitive revenue information under section 18 of the Tax Administration Act 1994 (TAA) because it would reflect specific taxpayers. Sensitive revenue information can only be released in certain circumstances, as set out in section 18D to 18J and schedule 7 of the TAA.

In this case, there are no grounds that permit me to release this information to you. Accordingly, I have decided to refuse your request under section 18(c)(i) of the OIA, as releasing this information would be contrary to section 18 of the TAA.

**Table 2: Residential interest deductions claimed during the year ending 31 March 2022**

	Number of taxpayers*	Total interest deduction claimed (\$m) **	Mean \$	Minimum \$ ***
2021-22	139,080	1,391.7	10,006	<1

\*Individuals, Companies, Trusts, Māori Authorities, Clubs and Societies, rounded to the nearest 10.

\*\*rounded to the nearest \$0.1m

\*\*\*To be included in the table a non-zero interest deduction in relation to residential rental property had to be claimed. This selection method included trivial amounts less than \$1.

Residential rental properties aside, it should be noted that mortgage interest deductions are also claimed, or partially claimed, by businesses and the self-employed where there is a nexus to their business activity. Information on the degree to which such claims exist and reflect residential mortgage interest is not held by Inland Revenue.

### Question 5

Inland Revenue has not done any work on the potential impact of reintroducing interest deductibility on rents. Therefore, I am refusing this part of your request under section 18(g) of the OIA, the information requested is not held by Inland Revenue and I have no grounds to believe it is held by or more closely connected with the functions of another department.

### Right of review

If you disagree with my decisions on your OIA request, you can ask an Inland Revenue review officer to review my decisions. To ask for an internal review, please email the Commissioner of Inland Revenue at: [commissionerscorrespondence@ird.govt.nz](mailto: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 decisions. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto: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**

We intend to publish Inland Revenue's response to your request on our website. This letter, with your personal details removed, will be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of Ministers and officials.

Thank you for your request.

Yours sincerely



Sandra Watson  
**Policy Lead, Forecasting and Analysis**