Inland Revenue
Te Tari Taake

5 March 2018

Ms Andrea Black
[redacted]

Dear Andrea

Thank you for your request made under the Official Information Act 1982 (OIA), and received on 18 February 2018. You requested the following:

> *the report I led when I was last at IRD. At a minimum the exec summary as I drafted it very carefully so it could be distributed widely.*

Information covered by your request

The report that is subject to your request, *HWI – Wealth Accumulation Review, June 2017* is tax secret under section 81 of the Tax Administration Act 1994 (TAA).

I have exercised my discretion under section 81(1B) of the TAA to release the executive summary and the body of the report to you. I have also made the decision, in accordance with section 81(4)(j) of the TAA, to release the statistical information that is interspersed throughout the report and set out in 'Appendix One'.

Some information in this report has been withheld pursuant to section 18(c)(i) of the OIA, as releasing this information would be contrary to the provisions of a specified enactment, namely section 81 of the TAA. As advised above, this information is tax secret and can only be disclosed if an exception to secrecy applies and the Commissioner exercises her discretion to release the information.

I have decided to withhold statistical information where figures are less than 5. There is a risk that figures of less than 5, when combined with other publicly available information, could reveal the identity of individual taxpayers. This approach accords with the test in section 81(4)(j) of the TAA and Inland Revenue's internal policy for the release of statistical information. For the sake of completeness, figures that are greater than 5 have also been withheld in instances where they could be used to deduce figures of a low denomination (e.g. totals in columns that include figures lower than 5).

I have also decided to withhold any taxpayer specific information set out in the report, and 'Appendix Two – Case studies'. This information pertains to individual taxpayers, and, in my view, the release of taxpayer specific information to a person who is not that taxpayer's nominated representative is contrary to section 81 of the TAA.

In reviewing the report I note that some of the figures in the executive summary are best understood in light of the fact that some of the HWI population reviewed are not resident in New Zealand and so we would not necessarily expect some of the income from their wealth to be subject to New Zealand tax. Also, there may be reasons under the current tax system, such as no tax on capital gains and an active income exemption for income earned in controlled foreign corporations for some income to not be subject to New Zealand tax. These points are made in the body of the report. There is a potential risk that these points are not picked up if one only reads the executive summary.

Right of review

If you disagree with my decision, you have the right under section 28(3) of the Act to ask the Ombudsman to investigate and review my decision. The Office of the Ombudsman can be contacted at PO Box 10152, The Terrace, Wellington 6143.

Alternatively, you may have the decision reviewed by an Inland Revenue review officer. This does not preclude you from subsequently seeking a review by the Ombudsman if you are not satisfied with the department's internal review. If you would like an internal review, please write to the Commissioner of Inland Revenue, PO Box 2198, Wellington 6140, setting out the details of your request.

Thank you for your request. I trust that this information is of assistance to you.

Yours sincerely

Martin Smith
Chief Tax Counsel, Inland Revenue Department

HWI – Wealth Accumulation Review

June 2016

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EXECUTIVE SUMMARY

Following the November 2015 Chartered Accountants Australia New Zealand (CAANZ) conference it was noted by one of the speakers that in terms of wealth taxation 'income tax does this heavy lifting', Jared Otto – acting Investigations and Advice Manager asked the review team of Najinder Pooni, Adis Kulasic and Andrea Black to examine whether or not that was the case with reference to the High Wealth Individual (HWI) population.

We initially endeavoured to assess the level of tax paid wealth for a sample of HWIs. However, we quickly found that the lack of consistent balance sheet or IR10 filing by this group combined with the fact that, in general, their wealth was created over several decades meant that, except in a few cases, we were unable to give precise estimates. In cases where the business is a listed company we were able to make an assessment of the market value of the HWI's wealth, excluding personal assets. In all other cases we have needed to return to the National Business Review's (NBR) estimates of wealth.

We have, therefore, approached this review through a specific review of eighteen HWIs who appear to be representative of different aspects of this population alongside an examination of population wide data. On this basis while we are unable to definitively answer the question posed to us by Jared, we feel we are able to make some informed observations about the tax paid nature of this group's wealth.

We were able to assess that in very specific cases where the wealth of the HWI was in a mature listed or very widely held business that paid significant tax paid dividends, the level of taxation of the wealth had an upper bound of 67%. This did not, however, include any personal assets such as houses; baches or yachts as Inland Revenue does not have ready access to this information.

We similarly found cases of significant wealth having little or no tax paid on it. Such cases involved a business being sold at a profit with the capital being reinvested in other growth businesses or assets that do not attract tax. This was combined with a portion of the original capital gain being used to fund the lifestyle needs of the HWI.

While not focussed directly on wealth, we found that in terms of taxable income and tax paid by this population, 25% of the HWI population pay 83% of the total tax with 10% paying 33% of the tax.

In fact from our observations and discussions with the HWI team, in close to all cases the HWI population got its initial capital base from the non-taxable sale of a business or capital asset. The non-taxable nature of these events is attributable to the following:

- no taxation of gains from repeated sales of businesses or other capital assets;
- past tax losses which could include expenses incurred in building former or existing businesses;
- the increase in the market value of shares being held on capital account;

- use of tax deductible debt to leverage the purchase of the asset which is ultimately sold for a non-taxable gain;
- low levels of taxable return for personal services provided to the business with value effectively being recouped on sale of the business;
- donations to charities controlled by HWIs.

We note that all such reasons are currently within the existing framework for the taxation of income. We also note that there is a degree of selection bias with such observations on the non-taxation of capital gains as capital losses are similarly non-deductible. However, the costs of building a business, such as interest, that subsequently fails are able to be carried forward and utilised against other future taxable income, if structured correctly.

For completeness we note that this population in the 2014 income year did pay $658 million in income tax on an estimated wealth base of $58 billion. Although we further note that 50% of that tax was paid by just 18 HWI groups and that 83% of the tax was paid by 53 HWI groups or 25% of the population. The other groups were not significantly tax paying for the reasons discussed above.

INTRODUCTION

In a Memorandum, dated 10 December 2015, Acting Investigations and Advice Manager (Large Enterprises), Jared Otto, commissioned a project to consider wealth accumulation and what exposure there is to taxation as wealth accumulates using the HWI population as a representative sample.

With the attention at that time being paid to wealth, there are concerns that the focus will eventually turn to whether that wealth has had tax paid on it as it accrues. As noted at the recent CAANZ conference, there appears to be an assumption that in general wealth is simply a store of tax paid income.

The purpose of this report is to test the above assumption, summarise the approach taken by the project team and present the findings of the review.

PROJECT APPROACH

In order to understand and assess the extent to which wealth has tax paid on it as it accrues, the project team (comprising Najinder Pooni, Adis Kulasic and Andrea Black) reviewed and analysed the information held within the HWI unit with respect to the HWI population.

We are also indebted to the support and past analysis of the HWI unit, without which we would not have been able to meet the tight timeframes set for us.

Sample Population

For the purposes of the review, a HWI is someone with net worth in excess of $50m or, in certain cases, net worth in excess of $20m where complex business structures are involved. The population, whilst focused on the controlling individual, also encompasses all of their related entities.

As at 31 March 2014, the HWI population comprised 212 customers who collectively controlled over 7,100 entities. The estimated wealth of all HWI customers is approximately $57.5b[1].

Key Limitations

- The review was undertaken using the HWI population as the representative group therefore the results are only indicative of wider issues.
- The quality and depth of information available on certain HWIs varied and therefore impacted on some of our analysis.
- Due to the public profile of certain HWIs and their designation to special files our sample has excluded certain individuals who would ordinarily have been classed as an HWI.

[1] References to estimated wealth throughout this report are based on figures published by the National Business Review (NBR) in the "*Rich List - 2014*".

- The review is primarily based on information available within the HWI unit for the 1997 to 2014 income years. Therefore we have not been able to consider wealth accumulation and the exposure to taxation on a comprehensive basis from inception.

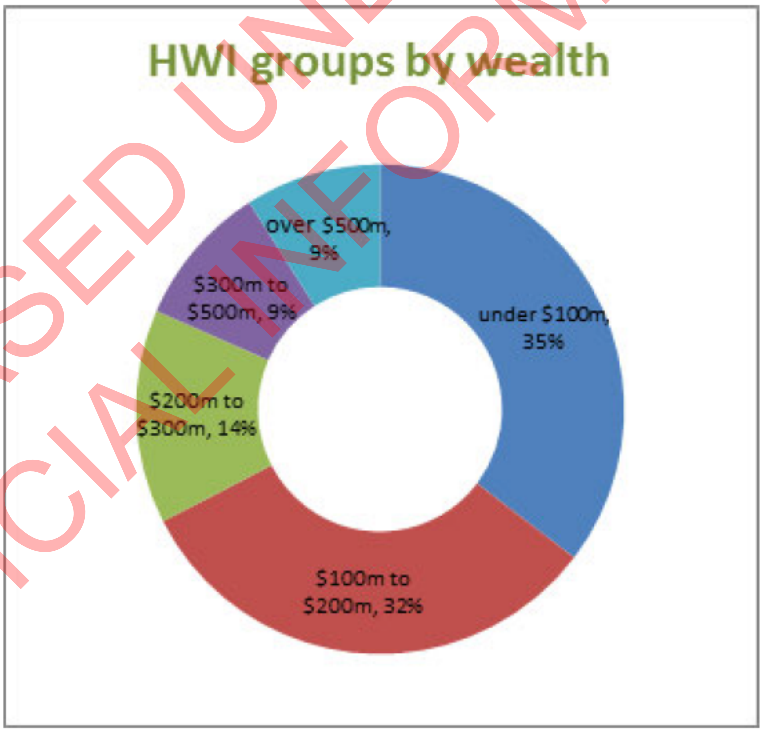
- The taxable income figures used in this report (excluding the case study examples) are based on the income tax returns lodged by the HWI groups. The figures have not been apportioned by the percentage of control exercised by the HWI.

HWI POPULATION – OVERVIEW

This section outlines some key statistics associated with the HWI population. Further detail regarding group size, age and location is provided in Appendix One.

HWI General Population Numbers

As mentioned previously, HWIs are defined as individuals who, together with their associates, effectively control a net wealth of $50m or more. The statistics in this report are based on the 2014 return data held by the HWI unit.



HWI ENTITY TYPES

As at 31 March 2014 the total number of entities collectively controlled by the HWI population was 7,171 (2013: 6,774). A breakdown of the total by entity types is provided in the table below:

Entity Type	Number
Individual	482
Company	5,090
Trust	1,217
Partnership	249
Other (incl. Consolidated Groups)	133
Total	**7,171**

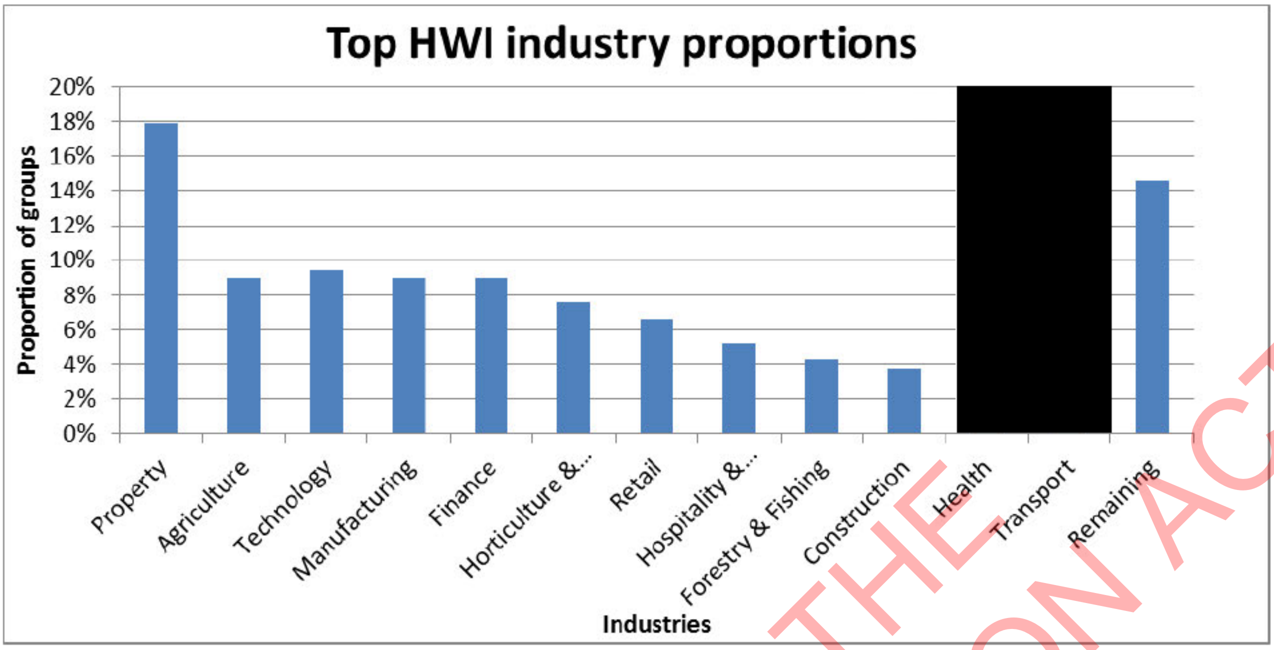
The most common entity types linked to HWI groups are companies and trusts. The majority of companies linked to HWIs are private companies.

The typical HWI group structure comprises the HWI, a holding trust(s) with the HWI as a trustee and/or beneficiary of the trust(s), and several group companies with the shares held by the respective trusts. In some cases, the shares in the group companies may be held directly by the HWI.

HWI INDUSTRIES

This section provides a breakdown of the HWI groups by industry. Property is the top industry for HWI groups, and includes commercial and residential property development as well as those operating real estate businesses. Other key industries include agriculture, technology, manufacturing and finance.

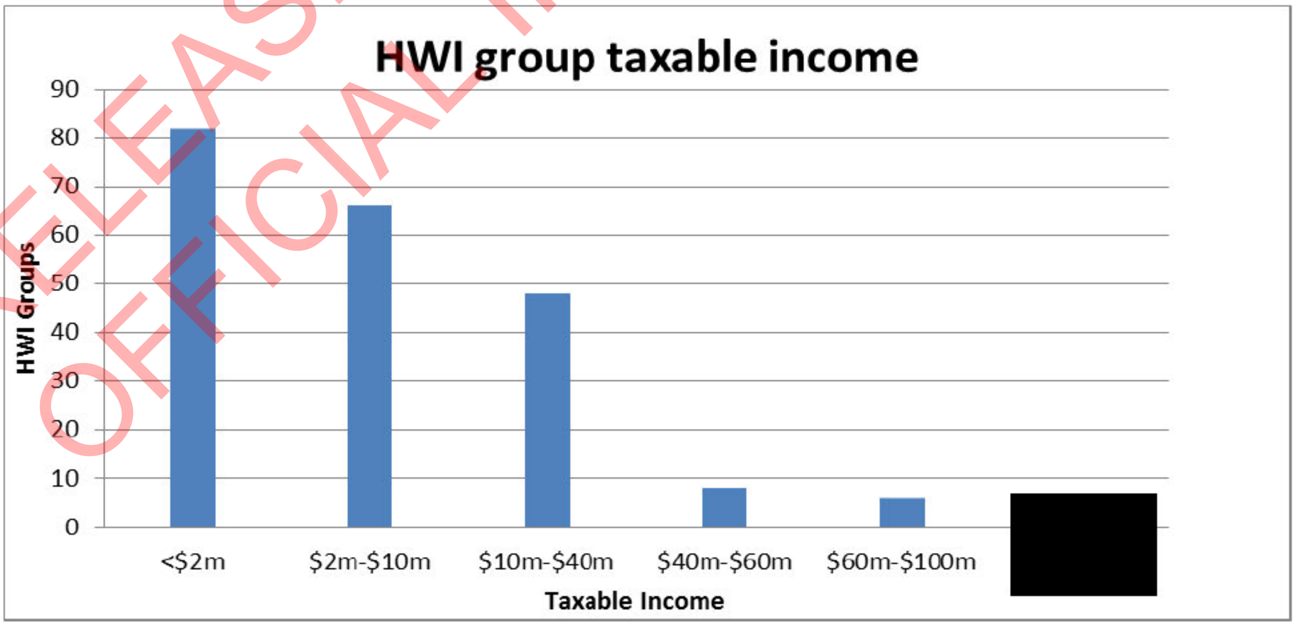
Industries	Net wealth range <$100m	$100m - $300m	>$300m	Total
Property	11	19	8	38
Agriculture	9	7	[redacted]	[redacted]
Technology	10	7	[redacted]	[redacted]
Manufacturing	5	11	[redacted]	[redacted]
Finance	7	7	5	19
Horticulture & Viticulture	9	5	[redacted]	[redacted]
Retail	6	[redacted]	[redacted]	[redacted]
Hospitality & Tourism	6	[redacted]	[redacted]	[redacted]
Forestry & Fishing	[redacted]	[redacted]	[redacted]	[redacted]
Construction	[redacted]	[redacted]	0	[redacted]
Health	[redacted]	[redacted]	0	[redacted]
Transport	[redacted]	[redacted]	0	[redacted]
Remaining	12	13	6	31
Total	**83**	**90**	**39**	**212**



HWI Group Taxable Income

Based on the 2014 return data 70% of the HWI groups' derived taxable income of less than $10m, and 1% derived taxable income greater than $100m.

Net wealth range	Total HWI income range						Total
	<0	$0-$200k	$200-$400	$400-$600	$600-$1m	>$1m	
<$100m	6	40	18	7	8	[redacted]	[illegible]
$100m-$300m	10	36	14	9	5	16	[illegible]
>$300m	13	8	[redacted]	7	6	[redacted]	[illegible]
Total	**29**	**84**	[redacted]	**23**	**19**	[redacted]	**2[illegible]**



HWI Revenue

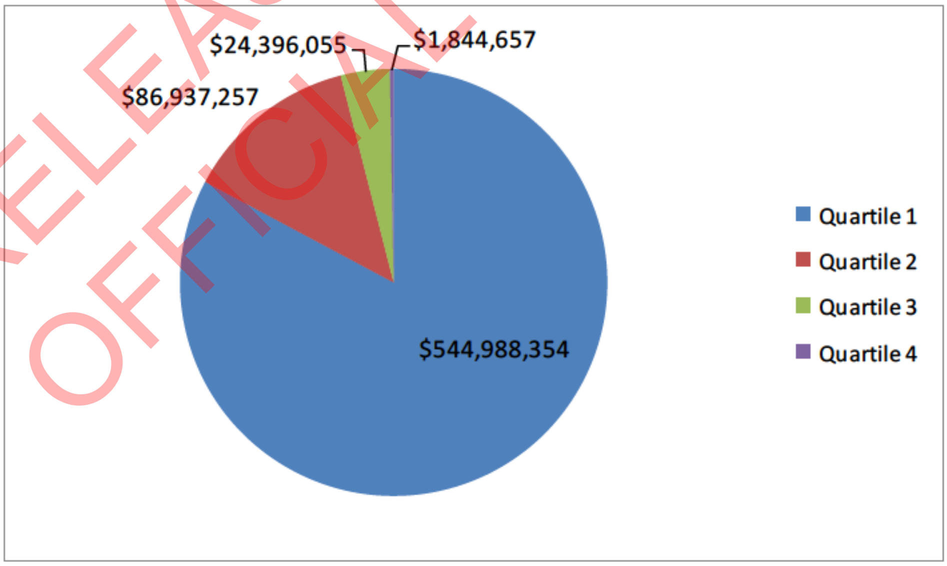
The key revenue items covered in this section are based on amounts reported by HWIs and their associated entities in their 2014 income tax returns.

In 2014 the HWI population paid $658m in net income tax:

- 74% ($485m) was paid by companies controlled by HWIs.
- 19% ($124m) was paid by trusts controlled by HWIs.
- 5% ($36m) was paid by the HWI controlling the group.
- The remaining net income tax was attributed to other individuals linked to HWI groups.

Revenue type	2014 year
Net Tax	
HWI head (individual)	$36m
Other individuals linked to HWI group	$13m
Companies linked to HWI group	$485m
Trusts linked to HWI group	$124m
Total	**$658m**

When the net income tax figure is analysed further it can be observed that the top quartile (i.e. top 53 HWI Groups) pay $544m or 83% of the total tax paid.



Of the $658m total, $230m (or 35% of the total tax paid) was paid by 10 HWI Groups. The top 10 tax paying HWI Groups are associated with the following HWIs, these were:

HWI Group	Tax Paid ($m)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Total	230

The remaining $428m of total tax paid was spread across the other 202 HWI Groups. We note that just over 50% ($336m) of the total tax paid was paid by just 18 HWI Groups, illustrating the fact that the bulk of the tax paid wealth is generated by a small portion of the HWI population.

13 HWI Groups did not pay any tax in 2014, these included:

[redacted]

In a number of cases these individuals are non-resident for tax purposes although a number still hold significant investments in New Zealand. Again we note that non-taxpaying does not mean that this group is non-compliant from the perspective of the current tax law.

FINDINGS

The following is a summary of the findings from the review of wealth accumulation within the HWI population. A more detailed discussion of some members of the HWI population is included in Appendix Two.

WEALTH ACCUMULATION

According to the 2014 NBR Rich List the total estimated wealth of the HWI population is $57.5b, some of which is unrealised. Over the last 5 years the total estimated wealth of the HWI population has almost doubled from $32.9b in 2010 to $57.5b in 2014.

Based on our review the spread of wealth is widespread covering a range of industries. The most popular business activity is property investment with 18% of HWIs having their wealth directly linked to property. Other popular business activities include agriculture, technology, manufacturing and finance with approximately 8-9% of the HWI population having their wealth linked to these industries.

On an individual level, the HWI population's wealth generally ranges between $50m[2] and [redacted] Based on the NBR data the average HWI has total estimated wealth of $270m, over 77% of the HWI population has total wealth of between $50m and $400m. The top 10 wealthiest HWIs as at 31 March 2014 were:

[redacted]

In many cases the wealth has been built-up over a lifetime or is intergenerational (e.g. [redacted]), having been passed on from one generation to another. Conversely, there are many examples of HWIs who have developed a product or identified a gap in the market and capitalised on this through the development of a

[2] 22 HWI customers have estimated wealth below $50m. These customers are included in the HWI population for various reasons other than their wealth such as perceived risk.

successful businesses. Examples of the latter include [redacted]

Key characteristics of the HWI population are that the majority are current or former business owners or long-term holders of capital assets, and they comprise an older demographic. The majority (69%) of all HWIs fall within the 50 to 80 year old age bracket, highlighting the fact that these significant levels of wealth take an extended period of time to accumulate.

[redacted] The time scales are such that when businesses or assets are realised they clearly fall within the definition of a capital asset or transaction thereby excluding them from the scope of the Income Tax Act.

Untaxed returns

While there is a degree of significant taxpaying by specific HWIs, our review indicates that a large proportion (upward of 33%) of the core wealth controlled by the HWI population is untaxed, having been derived from one of the following sources:

- establishment of a new business resulting in a public listing or sale to a third party;
- acquisition and sale of an existing business (or multiple businesses);
- long-term property investment; and
- long-term investment in other passive assets such as shares.

By way of example, [redacted]

We again note that approximately 18% of the HWI population is directly involved in property in some form or another, including long-term investment and/or development. If indirect property use is included (e.g. retirement villages, farming, vineyards, etc.) then the proportion of HWIs involved with property exceeds 50%.

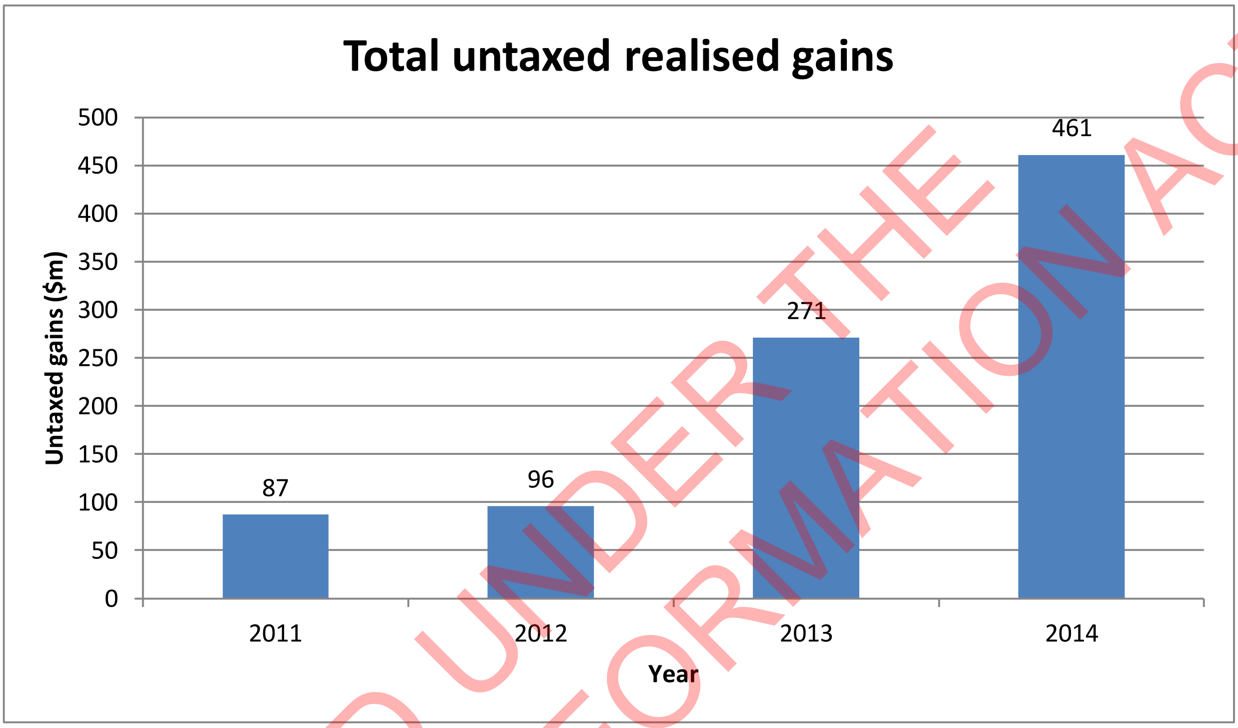
The accumulation of wealth within the HWI population is supported by the ability to leverage their investments. Like all business and capital asset owners, HWIs are able to claim a deduction for the associated interest costs whilst treating any gains in the underlying capital asset as non-taxable. The use of leverage also enables HWIs to significantly increase their capital gains. HWIs that have utilised leverage to particular effect include [redacted]

[redacted]

[redacted]

[redacted] have returned small amounts as taxable income in their personal names relative to their overall estimated wealth, and the entities they control have not been large taxpayers either.

To illustrate the untaxed realised wealth being generated by the HWI population, over the period 2011 to 2014 the IR10 data disclosed untaxed gains totalling $915m. We note that the IR10 is not compulsory and so this is the minimum level of untaxed realised gains this population could have earned. As shown in the table below the amounts have steadily increased from $87m in 2011 to $461m in 2014.



According to the income tax return data, 197 entities within the HWI population disclosed untaxed gains in the 2014 income year; the figure is similar for the 2013 income year where 200 entities disclosed untaxed gains.

We note that the changes in wealth according to the NBR rich list includes realised and unrealised gains and we note the substantial increases in capital asset values over the last 5 to 10 years within New Zealand and globally. By way of illustration, the benchmark NZX 50 Index has posted double digit gains of 18%, 16%, and 25% in 2014, 2013 and 2012, respectively.[4]

In addition to the above, market conditions worldwide have been highly conducive for initial public offerings. The public listing of a number of New Zealand household names has resulted in the creation of many HWIs including [redacted] The windfall gains enjoyed by these individuals are all outside of the current scope of income in the Income Tax Act as they were returns on shares held on capital account.

Based on our discussions with the HWI unit and our own analysis of the HWI customers included in Appendix Two it is clear that the majority of HWIs have generated their initial

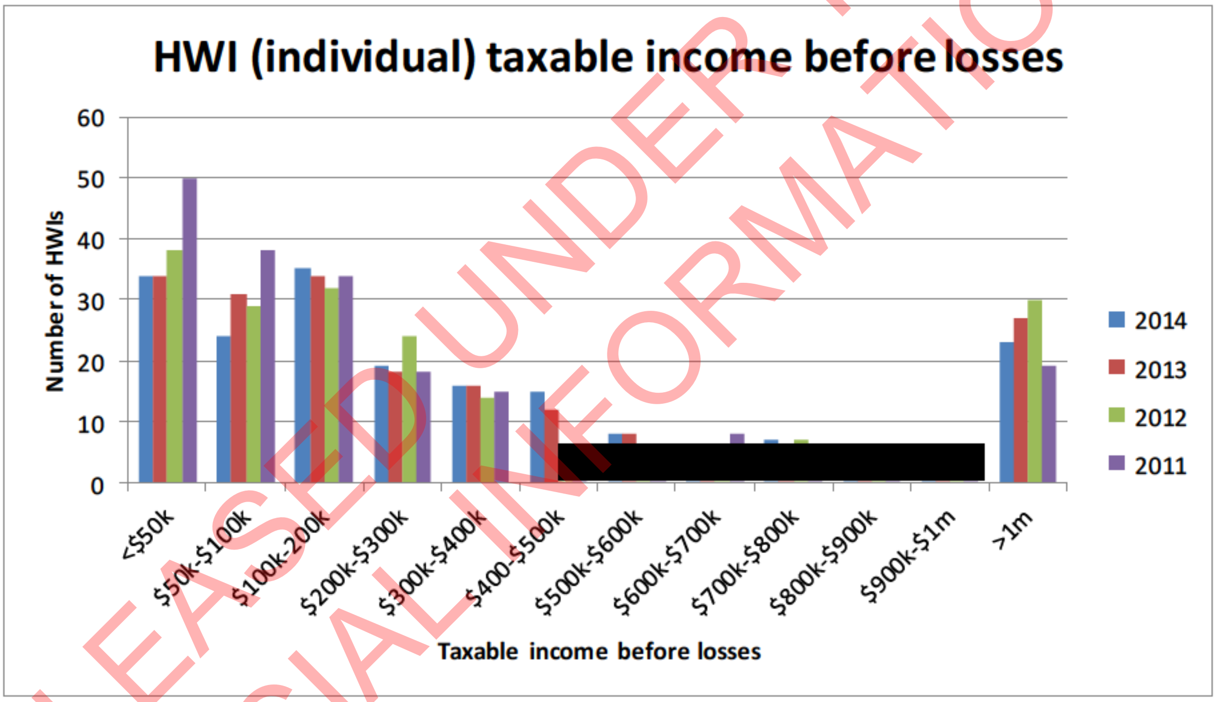
[4] "*2015 in review: More modest NZ stock market returns signal end of golden run*", NZ Herald, 24 December 2015.

wealth through the sale of a business or other capital assets, the sale giving rise to a substantial gain on sale which is treated as non-taxable. Of the eighteen HWIs reviewed by the project team in Appendix Two, a large proportion has sold one or more businesses in their lifetime.

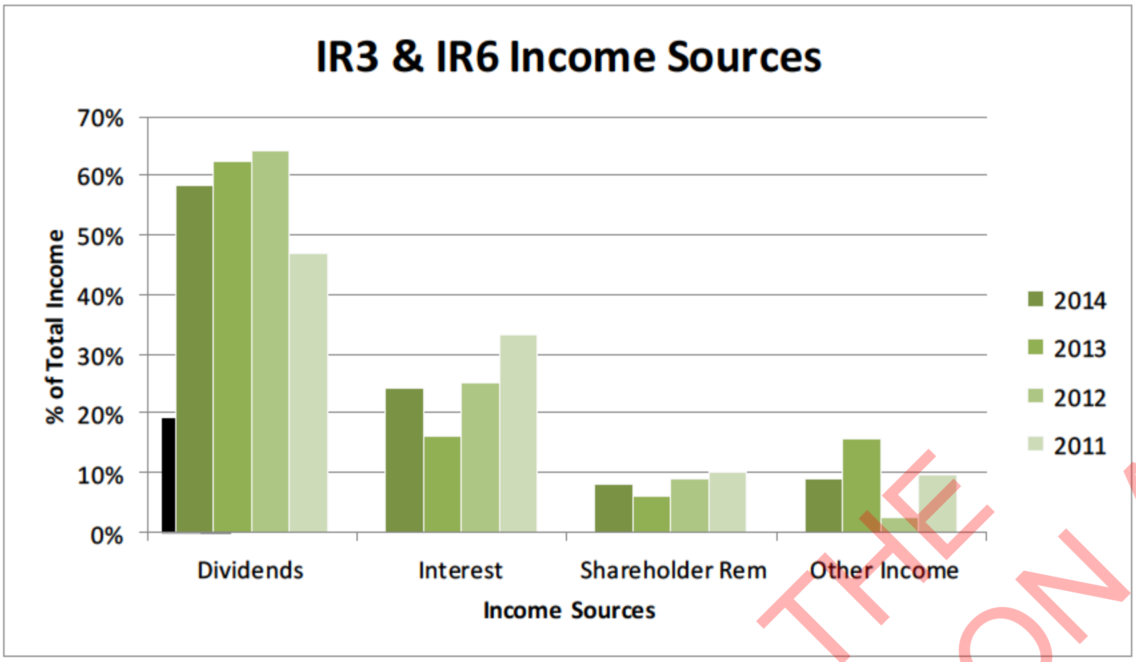
Tax paid returns

Over the 2011-2014 period the HWI population returned taxable income at an individual level as detailed in the table below.

	2011	2012	2013	2014
Taxable income before losses	$86m	$180m	$151m	$144m
Tax on income	$9m	$13m	$17m	$15m
Tax paid at source	$7m	$12m	$15m	$13m
Total losses to carry forward	**$83m**	**$87m**	**$84m**	**$60m**



A breakdown of the main sources of income relative to total income as returned in the IR3 (individual) & IR6 (trust) income tax returns is shown in the graph below.



A large proportion of the tax paid income has tax deducted at source, indicating that a large proportion of HWI's personal income is derived from passive sources such as dividends and interest. Consistent with the above, the case study candidates typically received the majority of their personal taxable income from dividends and shareholder remuneration (discussed further below).

The second notable feature is the amount of carry-forward tax losses generally for this population which range between 1 to 3 times taxable income. We note that the amount of carry-forward tax losses has been steadily declining as a percentage of taxable income since 2011 indicating that the HWI population as a whole is generating more income which can be offset against their tax losses.

At a HWI group level for the period 2011-2014 the HWI population returned taxable income as follows:

	2011	2012	2013	2014
Taxable income	$2.3b	$2.5b	$3.1b	$2.4b
Tax on income	$659m	$703m	$844m	$658m
Tax paid at source	$188m	$236m	$343m	$211m
Total losses to carry forward	**$3.3b**	**$3.7b**	**$3.9b**	**$3.7b**

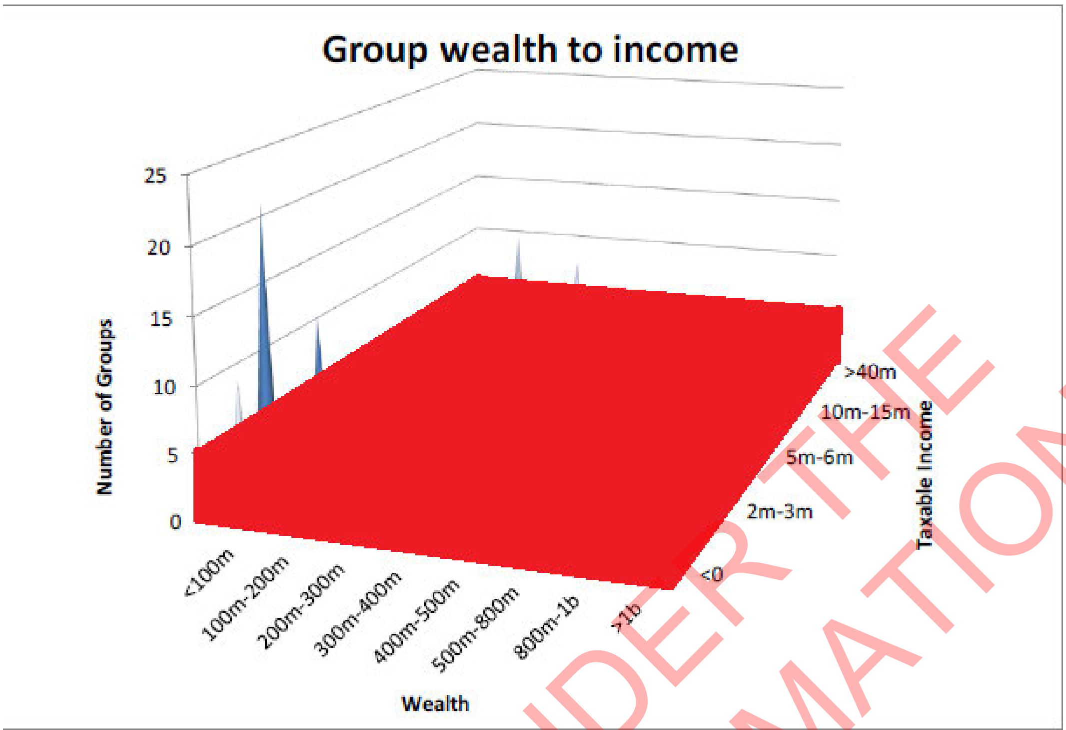
As previously noted, the majority of this taxable income (83%) is however returned by just 25% of the HWI groups in this population.

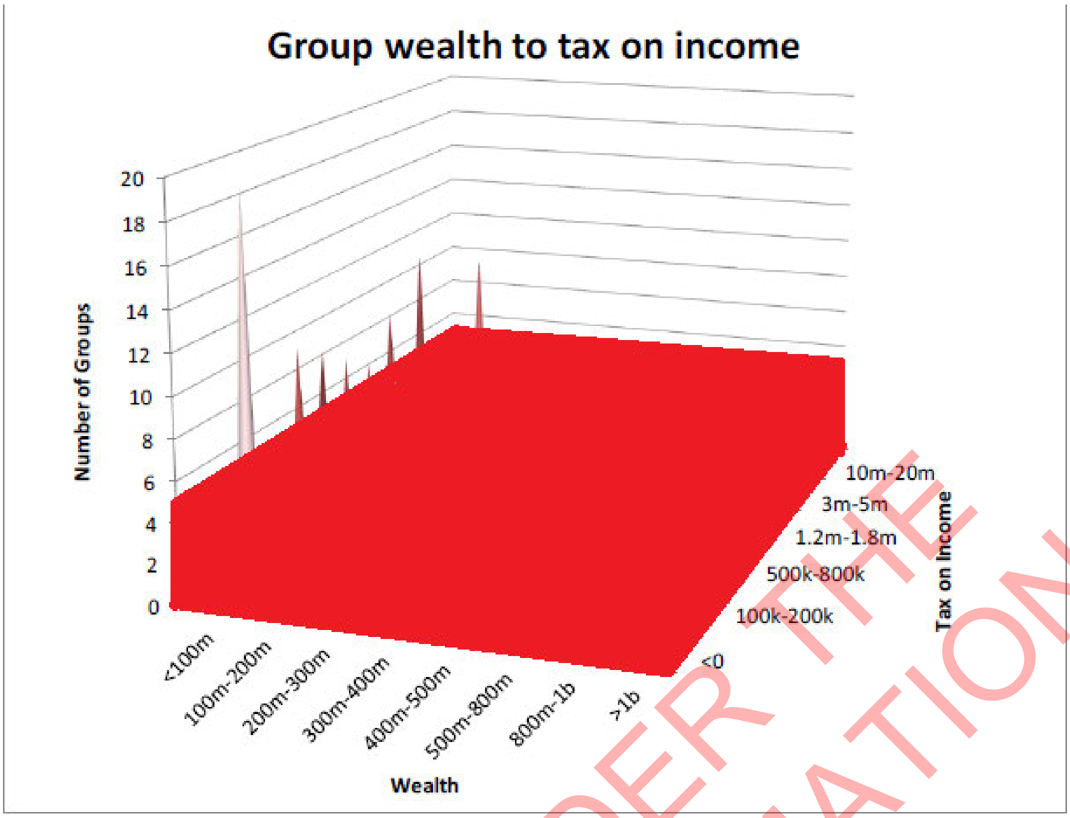
Whilst the amount of taxable income had been increasing year on year since 2011, the amount returned in 2014 was a significant drop and almost on par with that returned by the HWI population in 2011. The drop in taxable income is unusual given the absence of any material adverse economic conditions in 2014, it was also noted that the level of dividend payments by HWI group companies also dropped-off materially in the 2014 income year[5].

[5] Dividends paid $307m (2014 income year) versus $632m (2013 income year) per 2014 INC Master.

The proportion of carry-forward tax losses to taxable income has remained relatively consistent across the years at 1.3 to 1.5 times taxable income.

The relevant figures for the 2014 income year are shown in the graphs below.




Group wealth to tax on income
Number of Groups
20
18
16
14
12
10
8
6
4
2
0
<100m
100m-200m
200m-300m
300m-400m
400m-500m
500m-800m
800m-1b
>1b
Wealth
10m-20m
3m-5m
1.2m-1.8m
500k-800k
100k-200k
<0
Tax on Income

As this population built up its wealth over many decades it is not clear to us the basis of these losses. One option could be the costs, including interest, incurred from the creation of former businesses that did not succeed or were subsequently sold for untaxed capital gains. The fact that the HWI population has significant tax losses available to them means that they be able to offset them against current income streams without needing to pay tax thereby enabling them to further build their store of wealth to the extent the income is not needed to support their lifestyle.

Based on our review of the HWIs in Appendix Two it appears that the majority of HWIs are compliant with the current income tax legislation and do not engage in overly aggressive tax behaviour. This attribute of the HWI population is likely to be driven by age (60% of the HWI population is over 60 years old). There is also the overarching objective of preserving or maintaining the HWI's existing wealth, whilst minimising their exposure to any further risk.

In contrast to the above, there are several HWIs who derive significant levels of tax paid wealth in their personal names such as [redacted]

Shareholder remuneration

In the 2014 income year, approximately 80% of HWIs received some form of shareholder remuneration (i.e. a shareholder salary or gross salary/wages with PAYE deducted); a similar proportion of HWIs also received shareholder remuneration in the 2013 and 2012 income years (77% and 74%, respectively)

The HWIs with the highest levels of shareholder remuneration in 2014 were as follows:

HWI	$m
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
Total	17.4

A striking feature of the shareholder remuneration data was the level of remuneration received relative to the level of personal services provided by the HWI. [redacted]

[redacted]

Other HWIs receive considerably less than the examples cited above. The low levels of remuneration paid to HWIs may be attributable to a number of factors, including (but not limited to):

- the HWI not requiring significant levels of income to cover their lifestyle which should involve fully paid existing personal assets such as homes;
- cash flow or banking restrictions limiting the ability of the HWI to extract funds from the business; and
- the availability of funds from realised capital investments (held personally or accessible as a beneficiary of a trust).

The conclusion drawn from the shareholder remuneration data is that the amounts paid to HWIs are generally not reflective of the personal input or value of the services provided by the HWI to the business.

Other observations drawn from the 2014 return data included:

- 23% received no shareholder remuneration.

- 8% received over $500k shareholder remuneration.
- 67% received shareholder remuneration of up to $100k.

Below market salaries also mean that the entity that is currently bearing the remuneration is also getting a below market salary deduction. Therefore, like Penny & Hooper it is only an issue to the extent that the additional 5% is being avoided; the underlying entities are loss-making and/or there is an expectation that the return for personal services is being deferred until the business is sold thereby netting a higher capital return. From our observations it seems reasonable to assume that at least the last two issues are applicable.

Philanthropy and/or charitable endeavours

A common theme within the HWI population is a focus on giving back to the community. As HWIs mature and fulfil their business objectives they begin to focus their efforts on philanthropic endeavours, which include giving back to the community by way of financial grants to various groups and charities and supporting charitable causes such as the arts, sports and education.

Unsurprisingly, the amounts distributed annually by HWIs are significant. By way of example, [redacted]

To facilitate their philanthropic efforts many HWIs have setup charities, our review identified 27 HWIs as being linked to charities, however the number is likely to be higher as the data in this area was not complete. It was noted that some HWIs control multiple charities, for example [redacted]

[redacted] high profile HWIs who have utilised charitable trusts to facilitate their benevolent endeavours are [redacted] individuals have utilised the charity rules to further their charitable intentions but have adopted noticeably different approaches, which also give rise to different tax implications.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

The HWI unit has also noted that the charity rules are being used in other ways that may be of concern by some HWIs. Examples include the transferring of wealth to charities, which ultimately make little or no charitable donations, and/or the eventual winding-up of the charity with no tax being paid on the wealth generated. We have not, however, uncovered this in the sample of HWIs we reviewed as case studies and see this as a generic issue with the current tax law on Charities.

Conclusions

Based on our review of the HWI population data and specific cases, we do not feel we have found evidence that 'wealth is simply a store of tax paid income'. While in absolute terms a large amount of wealth is taxed as it accrues such as business profits, or passive income our data shows that the majority of tax (83%) is paid by a minority of the population (25%) with the great majority of wealth being generated by realised and unrealised gains on capital assets. This is supplemented by the ability to:

- claim interest deductions on the build-up of a capital asset;
- offset losses from the past building up of former business (s) or capital assets with current income streams;
- pay well below market salaries for personal services provided to the business; and
- make fully deductible contributions to charities controlled by the HWI themselves.

SIGN-OFF

The HWI Wealth Accumulation review and analysis of the results as outlined in this report were undertaken by:

- **Andrea Black** – Principal Advisor, Investigations & Advice
- **Adis Kulasic** – Senior Investigator, Investigations & Advice
- **Najinder Pooni** – Specialist Investigator, Investigations & Advice

The report was reviewed by the HWI team and the manager responsible for HWIs before it was finalised. They were comfortable with our conclusions.

Report Sign-off:

Andrea Black

Andrea Black
Principal Advisor
Investigations & Advice

Adis Kulasic

Adis Kulasic
Senior Investigator
Investigations & Advice

APPENDIX ONE – HWI POPULATION

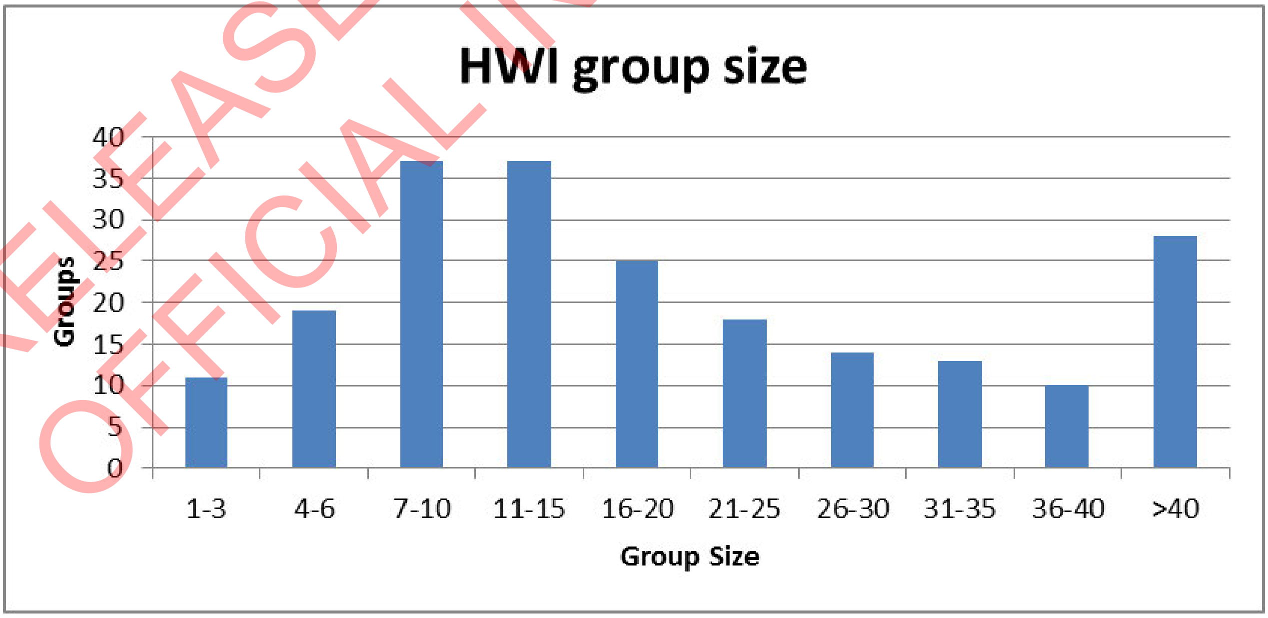
HWI GROUP SIZE

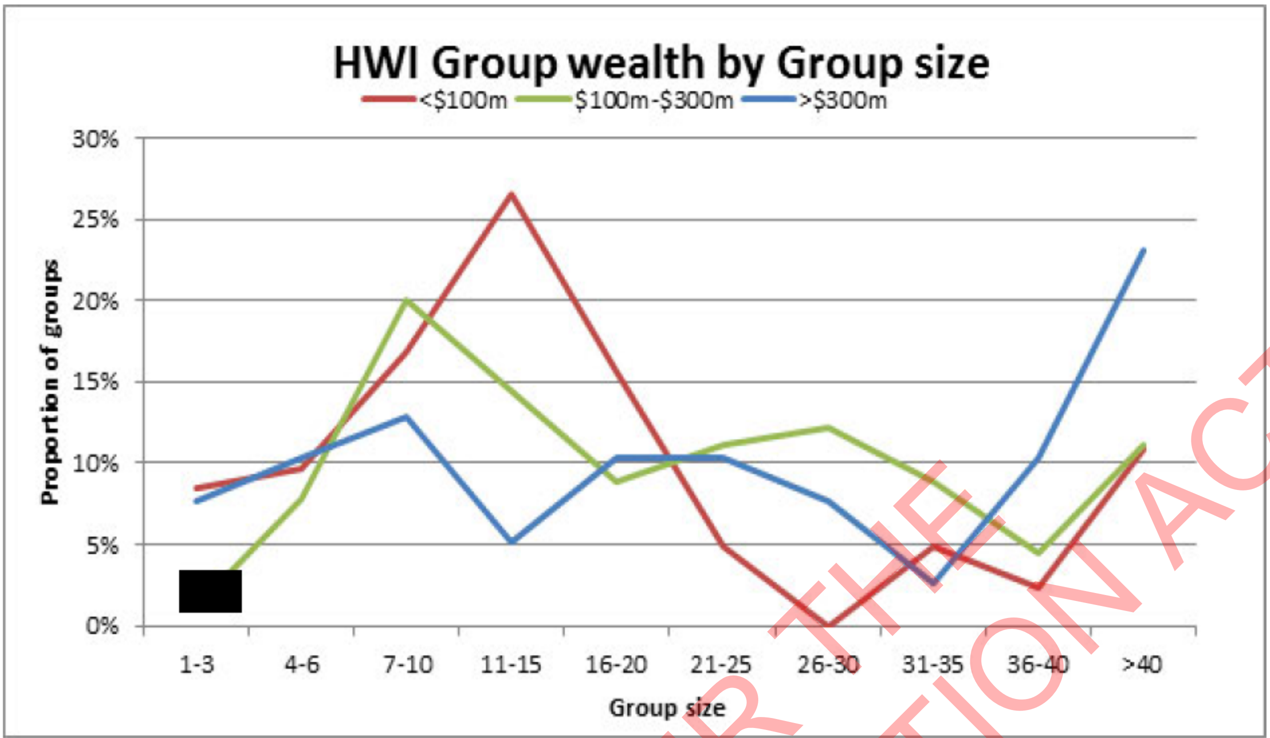
Nearly half (47%) of the HWI groups have 7 to 20 entities and 13% have more than 40 entities, the percentages are similar to that of the HWI population in Australia.

The HWI group size is based on income tax active entities. It is positively correlated with group wealth, the greater the group's wealth the greater the group's size.

- The most popular group size is 7 to 15 entities.
- 77% of groups with estimated wealth under $100m have a group size of 1 to 20 entities.
- 33% of groups with estimated wealth greater than $300m have a group size greater than 35 entities.

Wealth range	Group size 1-3	4-6	7-10	11-15	16-20	21-25	26-30	31-35	36-40	>40	Total
<$100m	7	8	14	22	13	[redacted]	0	[redacted]	[redacted]	9	[redacted]
$100m-$300m	[redacted]	7	18	13	8	10	11	8	[redacted]	10	[redacted]
>$300m	[redacted]	[redacted]	5	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	9	39
Total	[redacted]	[redacted]	**37**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	**28**	**212**



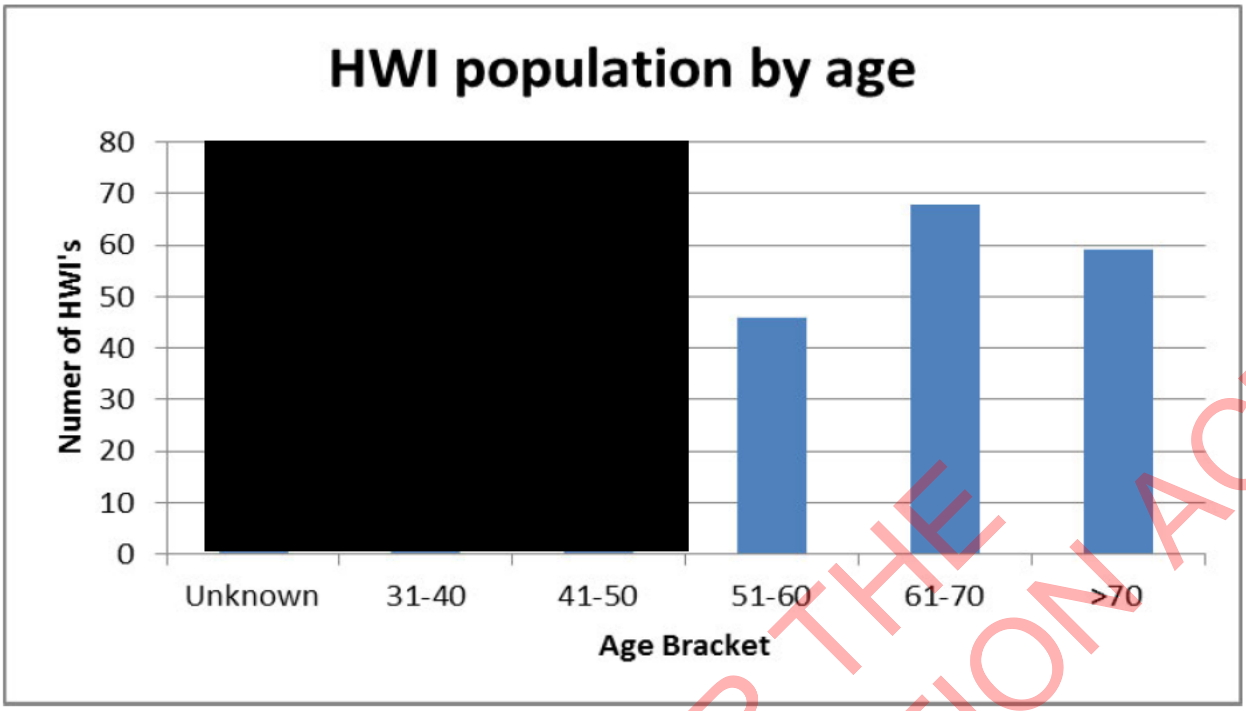


HWI AGE

The age shown in this section is the age of the primary individual within the HWI group.

- 60% of HWIs are older than 60, 23% are 51-60 years old, and 14% are younger than 50.
- The age demographic of the HWI population is heavily weighted towards the over 50 year old age bracket.
- The New Zealand figures compare favourably with Australia where 72% of HWIs are older than 60, 20% are 51 to 60 years old, and 8% are younger than 50.
- Age proportions do not differ greatly amongst the different wealth ranges.

Age Years	Net wealth range			Total
	<$100m	$100m to $300m	>$300m	
Unknown	[redacted]	[redacted]	[redacted]	[redacted]
31-40	[redacted]	[redacted]	[redacted]	[redacted]
41-50	13	7	[redacted]	[redacted]
51-60	16	24	8	48
61-70	30	27	11	68
>70	19	28	13	60
Total	[redacted]	[redacted]	[redacted]	**212**



HWI Location

The HWI group location is shown as the region in which the wealthy individual is based.

- 50% of the HWIs are located in the Auckland region.
- 19% of the HWIs are located in the Wellington and Canterbury regions.

Regions	Net wealth range <$100m	$100m - $300m	>$300m	Total
Auckland	43	42	21	106
Canterbury	10	9	[redacted]	[redacted]
Wellington	7	7	6	20
Otago	6	6		12
Waikato	[redacted]	6	[redacted]	[redacted]
Northland	[redacted]	5	[redacted]	[redacted]
Hawkes Bay	[redacted]	[redacted]		[redacted]
Marlborough	[redacted]	[redacted]	[redacted]	[redacted]
Taranaki		[redacted]		[redacted]
Bay of Plenty		[redacted]		[redacted]
Southland	[redacted]			[redacted]
Overseas	[redacted]	6	6	[redacted]
Total	**83**	[redacted]	[redacted]	**212**

APPENDIX TWO – CASE STUDIES

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