

Taxation of High Wealth Individuals

In late 2015 following the publication of Max Rashbrooke's book *Wealth and New Zealand* and the discussion of wealth and tax at the 2015 CAANZ conference; senior management at Inland Revenue Investigations organised a small project to look at the tax paid by the High Wealth population.¹

The objective of the work was to provide information to policy makers when at a future time tax and wealth became a focus. There was a short time for the team to do the work and so the approach was to specifically review 18 HWI groups who were representative and supplement this with general data from the entire HWI compliance managed population.

I was the lead member of the team and Inland Revenue have kindly made the work available to me and the Working Group by way of the Official Information Act². While all the taxpayer specific information has been – correctly – redacted; the key insights are still accessible.

To me the key insights are:

- 1) The majority of the tax paid – 83% - is from 25% of the population. This is when the underlying entities are widely held and/or mature businesses.
- 2) Despite the underlying wealth of this population; the groups still have over \$3 billion in tax losses and the individuals have \$60 million.
- 3) Property directly or indirectly accounts for almost 50% of industries of this group.
- 4) Low levels of personal remuneration received by the individuals even though high levels of personal services provided to the business.
- 5) Businesses or capital assets sold for significant untaxed capital gains which then provided capital for future businesses or their personal lifestyle.
- 6) Little or no aggressive tax practices by this group; any low tax outcomes are a direct result of an orthodox application of the law.
- 7) Little or no correlation between wealth and taxable income. For example 13 groups with wealth in excess of \$300 million had no or negative taxable income in 2014.

Andrea Black

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¹ This is a group separately compliance managed at Inland Revenue who broadly have wealth in excess of \$50 million.

² Strictly speaking an exception to the secrecy provisions of the Tax Administration Act as Inland Revenue's view is this report is a tax secret.