

6 May 2019

S Devoy
fyi-request-10001-ee2bd151@requests.fyi.org.nz

Dear S Devoy

Thank you for your request made under the Official Information Act 1982 (the OIA), received on 4 April 2019. For the period January 2003 to December 2018 (inclusive), you requested the following:

- *The number of LAQC's and LTC's registered per annum up to the present;*
- *the \$ value tax losses per annum relating to residential properties owned by them; and*
- *the total number of residential properties owned by them per annum.*

Information being released

The table in appendix 1 attached shows information relating to the number of loss-attributing qualifying company (LAQC) and look through company (LTC) entities based on active tax returns filed by taxpayers. This gives a more accurate result than providing the number of all registered LAQC and LTC entities. The income data is taken from net business earnings on the IR4 (LAQC) or IR7 (LTC) tax returns. Since these returns do not require descriptive details of rental activity, the correct taxpayers are identified by industry code and an element of commercial or other non-residential rental activity may be part of this figure. I have also provided net rental profits to produce a better overall picture of total net rental income.

In 2012 the LAQC entity type was withdrawn. Previous LAQC entities either remained as ordinary qualifying companies (without the loss flow-through), or shifted into other structures, such as the newly established LTC entities which have flow through of profits as well as losses to their underlying owners. Because of the 2012 changes (which also removed building depreciation as an allowable deduction) there was a downwards shift in rental loss flow-through.

LAQC and LTC entities are granted 18 months from the end of the financial year (31 March) to file their tax returns, giving taxpayers until September 2019 to file their 2017/18 financial year returns. Therefore, your request for information relating to the number of LAQC and LTC entities past March 2017 is being refused under section 18(g) of the OIA as the information is not yet held by Inland Revenue.

Information to be withheld

Inland Revenue only collects data on net financial results from owning properties, not the number of properties owned by taxpayers. Therefore, your request for information relating to the total number of residential properties owned by LAQCs and LTCs is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue.

Ref: 19OIA237

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.

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

Yours sincerely



Sandra Watson

Manager, Forecasting, Revenue Forecasting

Appendix 1

Year ended March	Number of LAQCs with active returns			LAQC rental income \$m			Number of LTCs with active returns			LTC rental income \$m		
	net rental profit	net rental loss	total	net rental profit	net rental loss	total net rental	net rental profit	net rental loss	total	net rental profit	net rental loss	total net rental
2003	700	3,160	3,860	29	-47	-18	-	-	-	-	-	-
2004	840	5,460	6,300	196	-88	108	-	-	-	-	-	-
2005	980	7,710	8,690	153	-145	9	-	-	-	-	-	-
2006	1,140	10,490	11,630	162	-211	-49	-	-	-	-	-	-
2007	1,300	13,500	14,800	165	-289	-124	-	-	-	-	-	-
2008	1,410	15,900	17,310	157	-413	-257	-	-	-	-	-	-
2009	1,540	17,840	19,380	64	-530	-466	-	-	-	-	-	-
2010	1,950	19,200	21,150	86	-470	-384	-	-	-	-	-	-
2011	2,320	19,390	21,710	76	-424	-348	-	-	-	-	-	-
2012	3,670	5,160	8,830	118	-84	35	1,080	11,860	12,940	10	-114	-103
2013	4,200	4,860	9,060	169	-57	112	1,980	12,300	14,280	19	-107	-87
2014	4,610	4,580	9,190	153	-49	104	2,860	12,370	15,230	28	-102	-73
2015	4,540	4,770	9,310	187	-58	129	3,000	13,300	16,300	32	-120	-88
2016	4,810	5,060	9,870	195	-63	133	3,600	13,940	17,540	40	-133	-93
2017	5,140	4,790	9,930	244	-56	188	4,770	13,650	18,420	55	-122	-66

Notes:

- LAQCs were made obsolete in 2012, for 2012 onwards the LAQC column shows former LAQCs who have reverted to ordinary qualifying companies (QCs), without loss flow through.
- Only the net value of gains and losses are provided and not the tax effect. The tax effect can be calculated by using a generic average tax rate of 29% for flow through amounts. The volume data has been rounded to the nearest 10.