

Trust disclosures: 2023 data

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Background

This annex contains insights and data from trust disclosures for the 2023 tax year.

2022 tax year disclosure data has also been updated. This updates the data and insights published on Inland Revenue's website in November 2023.¹

Differences in the 2022 data between the insights published in November 2023 and this document are due to late returns being filed (or amendments to filed returns).

Disclaimer

Inland Revenue is not a registrar of trusts, and our data is collected for tax purposes only.

Used out of context, the trust disclosure information may be misleading and may not be representative of all trusts in New Zealand.

Our data is based on the subset of domestic trusts that have complied with the trust disclosure rules (generally, domestic trusts that are not specifically excluded from the rules) and other trust data from the *IR10 Financial Statements Summary* forms which generally will not include data for large trusts.

Terminology

In this document, the term **59BA trusts** is used to refer to trusts that indicated on their IR6 tax return that they were required to comply with the trust disclosure rules.

¹ <https://www.ird.govt.nz/about-us/tax-statistics/revenue-refunds/trusts-and-estates-statistics/trust-disclosure-information-from-the-2022-tax-year>

Key insights



2023 disclosures are **broadly consistent** with 2022. No major new insights, yet issues remain.



Similar patterns in return filing to 2022:

- Some trusts with no income continue to voluntarily file disclosures
- Some trusts with income are not filing either an IR6 or IR10



Total assets of 59BA trusts have grown by **\$16 billion** to \$511 billion.



Untaxed realised gains are **significantly down** in 2023 compared to 2022, however this also appears to be a **broader trend** across all IR10 filers.



Loans to associated parties (trust asset) have grown by **\$12 billion** to \$69 billion.

Borrowings from associated parties (trust liability) have grown by **\$9 billion** to \$59 billion.



The tax reported by trustees as payable on behalf of beneficiaries is only **1%** of total beneficiary income.

Is the rule for trustees paying tax on behalf of beneficiaries **fit for purpose?**

2023 disclosure data and insights

Trust returns and volumes of disclosures

The below tables show the volumes of trust tax returns in 2022 and 2023.

Table 1: Trust tax return volumes

	2022 tax year	2023 tax year
IR6 returns received	244,900	232,100
59BA trusts (trusts that indicated they were required to comply with the disclosure rules)	221,500	211,500

Table 2: Tax returns filed by trusts for the 2022 tax year

	IR6 disclosures	IR6 and IR10	Only IR10	Neither	Total
Trusts with income	51,600	85,800	17,000	27,700	182,100
Trusts with no income	7,200	5,100	1,700	25,400	39,400
Total	58,800	90,900	18,700	53,100	221,500

Table 3: Tax returns filed by trusts for the 2023 tax year

	IR6 disclosures	IR6 and IR10	Only IR10	Neither	Total
Trusts with income	51,400	85,700	14,000	25,600	176,700
Trusts with no income	6,600	4,900	1,300	22,000	34,800
Total	58,000	90,600	15,300	47,600	211,500

Estimated number of 59BA trusts

Table 4 is an estimate of how many trusts may *potentially* be subject to the trust disclosure rules.

The total estimated number of trusts that might be subject to the disclosure rules is approximately 265,000. This is about 20% higher than the number of trusts that indicated they were required to comply with the disclosure rules.

Table 4: Estimated number of trusts that may be subject to the disclosure rules

Total trusts, estates, and testamentary trusts registered with IR	426,000
Less estates	(36,000)
Add estates that indicated on the IR6 they were required to comply with the disclosure rules	16,000
Less foreign trusts	(5,000)
Less non-active trusts	(106,000)
Less the estimated number of lines trusts, widely-held superannuation funds, charitable trusts, and trusts eligible to be Māori authorities	(~30,000)
Total estimated trusts that might have needed to file an IR6 return and self-disclose if they were required to comply with the disclosure rules	~265,000

Simplified reporting trusts

A simplified reporting trust has reduced minimum standards for the preparation of financial statements. A trust is a **simplified reporting trust** if it has:

- less than \$100,000 assessable income,
- less than \$100,000 deductible expenditure, and
- less than \$5 million total assets.

In 2023, 176,700 trusts had some assessable income and indicated they were required to comply with the disclosure rules (59,700 + 117,000). **64%** of these trusts (117,000/176,730) were simplified reporting trusts.

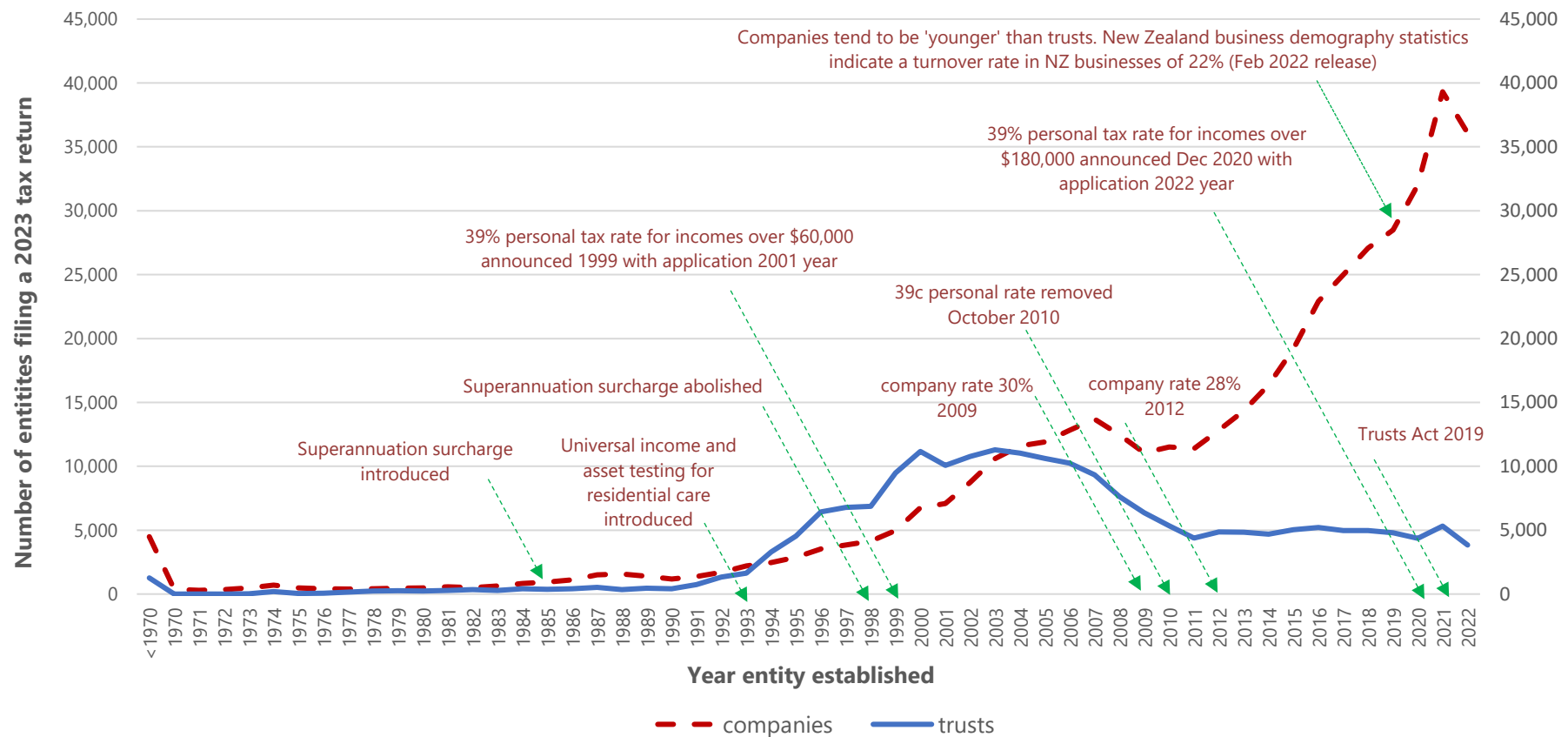
Table 5: Simplified reporting trusts for the 2023 tax year

Is the trust a simplified reporting trust?	No		Yes		Total
Did the trust earn assessable income?	No	Yes	No	Yes	
Number of 59BA trusts	800	59,700	33,900	117,000	211,500
Compliance-exempt trusts	100	2,100	7,900	10,700	20,700
Total	900	61,800	41,800	127,700	232,100

Establishment year of companies and trusts

The below graph shows the number of companies and trusts that filed an income tax return in 2023 based on when they are established. That is, this shows a snapshot of the 2023 year, not an illustration of the growth in the number of companies and trusts.

Figure 1: Establishment year of the companies and trusts (excluding estates) filing income tax returns in 2023



Trust assets

The 2023 disclosures show that total assets reported by 59BA trusts totalled **\$511 billion**. This is an increase of \$16 billion from the 2022 year.

Some trusts and estates are exempt from the disclosure rules. Incorporating the IR10 data filed by these trusts and estates bring total assets reported to Inland Revenue to **\$528 billion**.

Table 6: Total assets reported by trusts and estates

		2022 tax year	2023 tax year
59BA trusts	<i>total</i>	\$495,000 m	\$510,970 m
	<i>count</i>	222,000	211,000
	<i>mean</i>	\$2,200,000	\$2,400,000
Compliance-exempt trusts and estates	<i>total</i>	\$21,160 m	\$16,840 m
	<i>count</i>	23,000	21,000
	<i>mean</i>	\$900,000	\$800,000
All trusts and estates	<i>total</i>	\$515,860 m	\$527,810 m
	<i>count</i>	244,900	232,100
	<i>mean</i>	\$2,100,000	\$2,300,000

Trust assets: untaxed realised gains

For the 2023 tax year, **15,000 trusts** reported **\$7 billion** untaxed realised gains on the IR6 and **\$6 billion** on the IR10. The difference in the totals between the IR6 and IR10 is due to 6,000 trusts disclosing \$2.5 billion untaxed realised gains only in the IR6 (2022: 8,000 trusts disclosed \$6b only in the IR6), and 3,000 trusts disclosing \$2 billion unrealised gains only in the IR10 (2022: 4,000 trusts disclosed \$3 billion only in the IR10).

Table 7: Untaxed realised gains reported by trusts and estates in the IR6 and IR10

	2022 tax year			2023 tax year		
	Count	IR6 disclosures	IR10 disclosures	Count	IR6 disclosures	IR10 disclosures
59BA trusts	20,000	\$14,808 m	\$10,733 m	14,500	\$7,109 m	\$6,230 m
Compliance-exempt trusts	500	\$5 m	\$304 m	500	\$8 m	\$226 m
Total	20,500	\$14,813 m	\$11,038 m	15,000	\$7,117 m	\$6,456 m

The untaxed realised gains reported in 2023 is about 50% of the 2022 disclosures for the IR6 (and about 60% for the IR10 disclosures). However, rather than reflecting a decline in compliance with the disclosure rules or an issue relating to trusts specifically, this may be reflective of a broader trend. Table 8 shows that the proportion of untaxed realised gains reported in the IR10 by trusts is largely unchanged from 2022 to 2023.

Table 8: Proportion of untaxed realised gains reported by trusts in the IR10

	2022 tax year		2023 tax year	
	Count	Value	Count	Value
Trusts and estates	20,000 (57%)	\$10,733 m (42%)	14,500 (56%)	\$6,230 m (41%)
All IR10 filers	35,000 (100%)	\$25,677 m (100%)	26,000 (100%)	\$15,204 m (100%)

Trust assets: loans to and from associated parties

In the 2023 tax year:

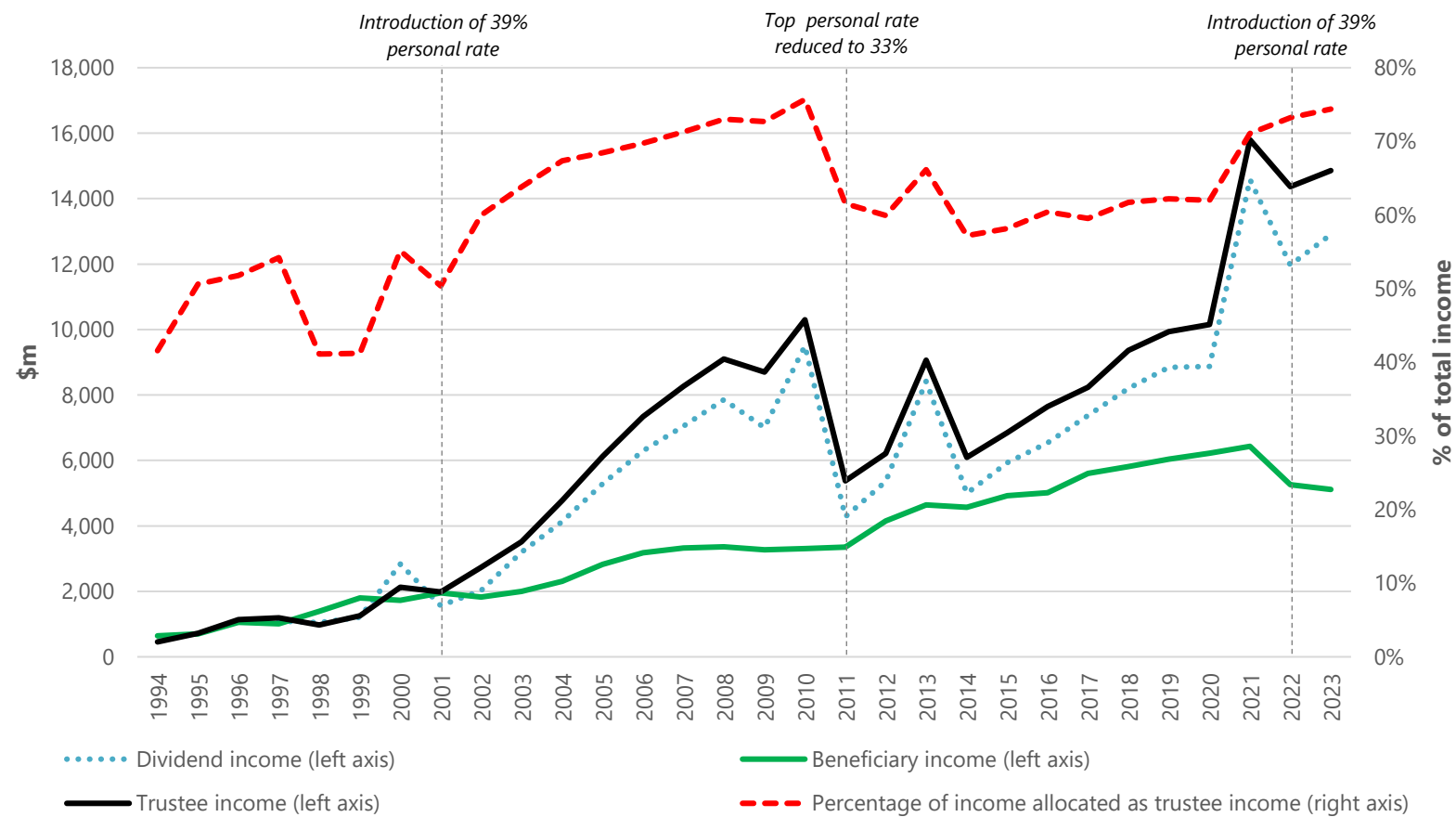
- 54,000 trusts borrowed **\$59 billion** from associated parties.
- 49,000 trusts loaned **\$69 billion** to associated parties.
- The net associated persons financial arrangements reported by 59BA trusts totalled **\$10 billion** (trust asset).

Table 9: Loans to and from associated parties for 59BA trusts

	2022 tax year			2023 tax year		
	<i>No. of trusts</i>	<i>Total</i>	<i>Mean</i>	<i>No. of trusts</i>	<i>Total</i>	<i>Mean</i>
Borrowings from associated parties (trust liability)	51,000	\$50b credit	\$1.0m	54,000	\$59b credit	\$1.1m
Loans to associated parties (trust asset)	45,000	\$57b debit	\$1.3m	49,000	\$69b debit	\$1.4m
Net associated persons financial arrangements	-	\$7b debit	-	-	\$10b debit	-

Trustee and beneficiary income

Figure 2: Trustee and beneficiary income – 1994 to 2023



Behavioural response to 39% personal rate

The 39% personal tax rate has resulted in trustees allocating less trust income to beneficiaries earning more than \$180,000 per annum.

In the first two tax years of the 39% personal tax rate (2022 and 2023 tax years), the number of beneficiaries that have received a beneficiary income distribution and earned over \$180,000 has stayed roughly the same (5 to 7% of the total number of beneficiaries that receive beneficiary income).

However, the value distributed to these individuals has halved (from 27% of all beneficiary income distributions in the 2021 tax year, to 13% in the 2022 and 2023 tax years).

Figure 3 illustrates how the percentage of total beneficiary income allocations to natural persons has changed in recent years, reflecting how trustees have responded to the 39% personal tax rate.

Figure 3: Percentage of total beneficiary income allocations to natural persons



Table 10: Beneficiary income distributions to 39% beneficiaries

	2020	2021	2022	2023
Number of beneficiary income distributions to natural persons	200,100	190,000	236,300	232,800
Number of beneficiary income distributions to natural persons earning over \$180,000	9,400 (5%)	10,300 (5%)	16,200 (7%)	17,200 (7%)
Value of beneficiary income distributions paid to natural persons	\$4,080m	\$4,290m	\$3,550m	\$3,610m
Value of beneficiary income distributions paid to natural persons earning over \$180,000	\$908m (22%)	\$1167m (27%)	\$470m (13%)	\$470m (13%)

Beneficiaries

294,000 IR6B returns were disclosed for the 2023 tax year:

- Total beneficiary income = **\$6.4 billion**
- Withdrawals from trusts = **\$16.6 billion**

Only 6 trusts allocated losses to beneficiaries in 2023 – although this may have been higher and corrected by Inland Revenue staff after filing.

3,700 disclosures with zero or 111-111-111 IRD numbers from New Zealand residents. **\$78 million** in income allocated which is not included in the individual's assessments, and withdrawals of **\$206 million. 90%** were filed by tax agents.

1,100 beneficiary disclosures were filed when not required – no income or withdrawal from the trust.

Figure 4: Who benefits from trusts?

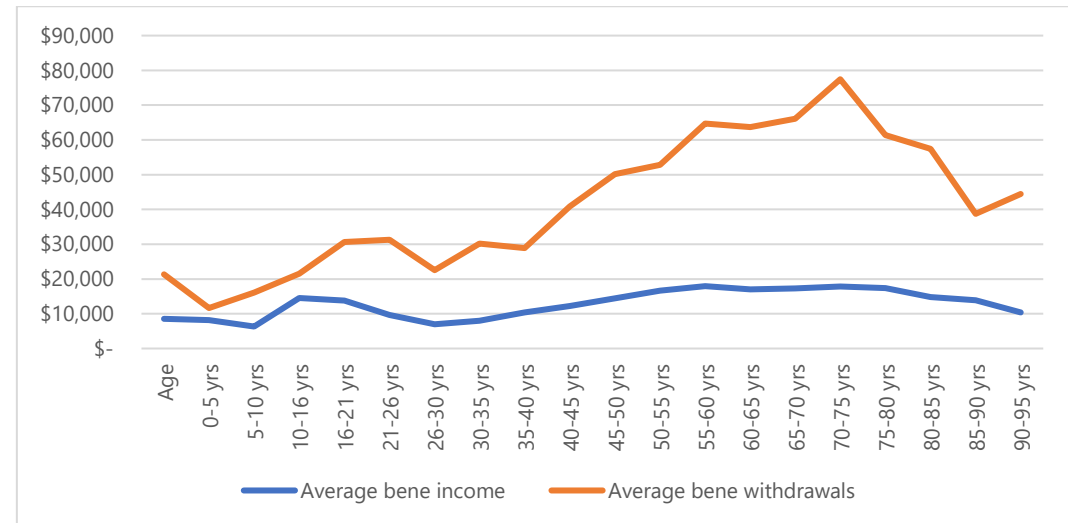
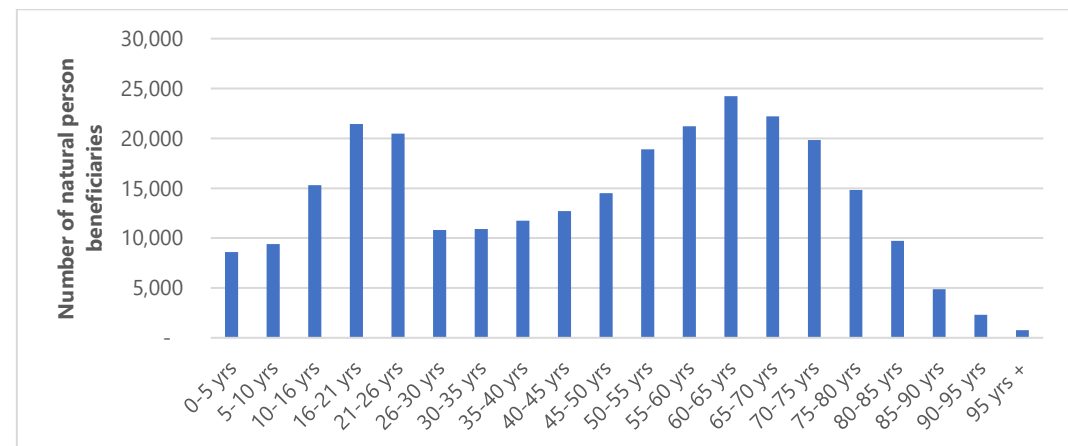


Figure 5: Natural person beneficiaries by age



Beneficiary current accounts

In 2023, about 100,000 trusts report beneficiary current account balances.

About **75%** of 59BA trusts report a credit balance (trust liability) of **\$48 billion** (and increase of \$6 billion from 2022), and **25%** report a debit balance (trust asset) of **\$14 billion** (an increase of \$2 billion from 2022).

Net beneficiary current account balances reported by trusts and estates on an IR10 grew from \$15 billion in 2016 to **\$23 billion** in 2023 (an increase of \$2 billion from 2022). The 2023 breakdown is: **\$35 billion** credit (liability) (n=60,000, mean=\$574,000), **\$12 billion** debit (asset) (n=23,000, mean=\$521,000).

The 2023 disclosures show that net beneficiary current account balances reported by 59BA trusts totalled **\$34 billion** credit (liability). The 2023 breakdown is: **\$48 billion** credit (liability) (n=79,000, mean=\$600,000), **\$14 billion** debit (asset) (n=**28,000**, mean=**\$500,000**).

Effectiveness of section HC 32

Section HC 32 of the Income Tax Act 2007 provides that:

In their capacity as agent, the trustee must satisfy the income tax liability of the beneficiary for their beneficiary income and taxable distributions derived.

Section HD 4 of the ITA does allow the beneficiary to undertake that obligation, if the Commissioner agrees.

Table 11: Tax payable on behalf of beneficiaries

	2022 tax year	2023 tax year
Total beneficiary income allocated to beneficiaries	\$5,300m	\$5,100m
Tax reported by trustees as payable on behalf of the beneficiaries	\$60m (1%)	\$50m (1%)

In 2022 and 2023, the amount reported as tax payable on behalf of beneficiaries is only 1% of beneficiary income.

Charities and tax-exempt beneficiaries

In 2023, trustees disclosed **1,000** charitable beneficiaries (and a further **100** tax exempt entities).

\$176 million was allocated to beneficiary income to these charities and tax-exempt entities in the 2023 tax year.

- **\$160 million** was withdrawn by those beneficiaries.
- **200** withdrew more than their annual income allocations.
- **1,200** entities were allocated more income than the amount that they withdrew. The excess income was **\$65 million**.

Overseas-based beneficiaries

In 2023, trustees disclosed that **7,000** beneficiaries were based overseas.

\$98 million in income was allocated to overseas residents. Those same residents withdrew **\$390 million**.

50% of the overseas-based beneficiaries are Australian residents. They were allocated **\$41 million** in income and withdrew **\$171 million** from those trusts.

Social policy entitlements and obligations

In 2023, **4,500** beneficiaries were registered for Working for Families and had an entitlement calculated. Approximately half of which were receiving the Best Start tax credit only.

For those that received other forms of Working for Families tax credits, **800** beneficiaries received excess withdrawals above their beneficiary income. The number of beneficiaries in this situation has halved from the 2022 tax year.

16,000 beneficiaries were registered as student loan borrowers in the 2023 tax year. **15,000** of these borrowers had student loan balances owing, with an average balance of \$31,000. **100** were based overseas, **30** of whom had outstanding debt to Inland Revenue.

3,000 beneficiaries were registered for child support in the 2023 tax year.

Distributions

The volume of accounting income and other distributions in 2023 is only **60%** of 2022 volumes (58,000/93,500), but the total value is **76%** higher (\$6.7 billion / \$3.8 billion).

Table 12: Distributions to beneficiaries

	2022 tax year		2023 tax year	
	Volume	Value (\$b)	Volume	Value (\$b)
Accounting income and other distributions	93,500	3.8	58,000	6.7
Corpus	3,600	0.8	4,300	0.8
Capital (including prior years' trustee income)	31,800	8.9	27,000	8.3
Use of trust property for less than market value	800	0.04	600	0.03
Distribution of trust assets	2,900	1.5	800	0.4
Forgiveness of debt	1,200	0.5	1,000	0.3
Total credits to beneficiary accounts	133,800	15.5	91,700	16.5
Net amount withdrawn from the trust	148,600	13.8	63,000	8.9

Settlements

During 2023, **\$23.8 billion** was reported as being settled on a trust. **37%** of settlements were cash.

Types of settlements

- **66%** of settlements (110,000 out of 168,000) disclosed were historic settlements (110,000 settlements). This is lower than 2022 (71%), but still quite high considering most had filed disclosures in the 2022 tax year.
- Of these historic settlements, **61,000** were duplicate disclosures repeating the first year's historic settlor disclosures.
- **25%** (42,000) of settlements were only nil value settlements).
- **8%** (13,000) of settlements with financial value.
- **2%** (3,500) disclosed no settlements.

Settlor disclosures

50,000 unique settlors were disclosed for the 2023 tax year.

- This included 2,000 settlements from non-residents. These trusts therefore are likely to be dual-resident trusts. 39% of those settlors were Australian residents. The United Kingdom and United States are the other most common countries for these settlors to have come from.
- The majority of settlors are individuals. There are around **1,000** corporate, estate or trustees who made settlements during the 2023 year
- **105,000** beneficiaries were also settlors of a trust
- **71,000** trusts (excluding estates) have filed under the disclosure rules, yet have failed to disclose any settlor details. **21,000** of these were filed by tax agents.

Time series for IR10 key points – trusts and estates

The following time series graphs show key points from the IR10 form (Financial statements summary) for trusts and estates from 2016 to 2023.

