
Hon David Parker
Minister of Revenue

PRESS RELEASE
18 May 2023

Trustee tax change to improve fairness

The trustee tax rate will be aligned with the top personal tax rate of 39 percent from April 2024, improving the fairness of the tax system and reducing opportunities for high-income taxpayers to circumvent the top personal tax rate.

“When the Government put in place the 39 percent top personal income tax rate in 2021, IRD and Treasury also recommended aligning the trustee rate to 39 percent,” David Parker said.

“Ministers made clear then that if analysis indicated high income earners were circumventing the rate through greater use of trusts, the Government would move to address this issue.

“New information from Inland Revenue has shown an almost 50 percent spike in income subject to the trustee rate, from \$11.4 billion in the 2020 tax year to \$17.1 billion in the 2021 tax year.

“Misalignment between the 33 percent trustee rate and the 39 percent top personal rate allows taxpayers to circumvent the top personal rate and reduces the progressivity and fairness of the income tax system.

“Today’s announcement to align the trustee rate and the top tax rate is a step towards righting that unfairness.

“Only a small proportion of trusts will pay most of the additional tax. The top five percent of trusts with some taxable income in the 2021 tax year accounted for 78 percent of all trustee income (\$13.3 billion out of \$17.1 billion). This is estimated to raise approximately \$350 million per year.

“As I said last month when I released IRD’s High Wealth Individuals research, there is a large difference between the average tax rate ordinary New Zealanders pay on their full income compared to the super-wealthy. This change is this Budget’s response to that research.

“The report also shows that a substantial number of the super-wealthy funnel their income through trusts which minimises their tax bill. This change remedies that.

“This change also balances the need to ensure that high-income earners are paying their fair share of tax, while not over-taxing trusts with lower rate beneficiaries. Trusts with lower-rate beneficiaries can continue to use existing rules to mitigate over-taxation.

“New Zealand is currently an international outlier in taxing trustee income below the top personal tax rate. Australia, Canada, the United Kingdom, and the United States have broadly comparable tax regimes and trust laws to New Zealand – they all align their trustee tax rates with their top personal tax rates.

“The Government is also proposing targeted measures to prevent over-taxation of trusts in certain situations, such as deceased estates and trusts for disabled persons, to allow trustee income of an eligible trust to be taxed as though it is the income of deceased person or the disabled beneficiary of the trust,” David Parker said.

Media contact: Brad Tattersfield 021 806 301