Country experience: New Zealand: tax records

Statistics New Zealand (Statistics NZ) is in the process of establishing a new business register (BR), which will also include microbusinesses that are not currently recorded. Since the 1920s, Statistics NZ has used tax data from Inland Revenue (IRD) on incomes of individuals, self-employed workers and companies, which has been integrated with tax data from the goods and services tax (GST) since the mid-1980s. The integration was made possible by linking the BR enterprise statistical unit to the business tax number of GST-registered businesses.

Increasingly, over the past 20 years, as the use of tax and other administrative data to maintain the BR has been extended, Statistics NZ has observed that BR quality has improved in terms of coverage, timeliness and accuracy, operational costs have been reduced and business compliance costs resulting from BR update surveys have also been reduced. Challenges in transforming administrative data for statistical purposes that Statistics NZ has addressed include a better understanding of the rules and processes that define the administrative data, including coverage, timing, quality and completeness of the administrative data, as well as the differences between the statistical units in the BR versus units defined in the tax system; and developing appropriate methodology and processes to transform the administrative data to the statistical model. Addressing those issues has involved the following:

(a) Relying on tax data for small businesses with a simple structure where the statistical unit directly matches the tax unit structure and supplementing the tax data for large and complex businesses with data collected by Statistics NZ;

(b) Using models to derive the required statistical outputs from tax data. For example, modelling two and six monthly GST tax returns to produce quarterly data;

(c) Using statistical techniques, such as estimation/forecasting, to address timeliness issues;

(d) Using tax data correlated with a required statistical variable (not available in the tax system) to model the required variable;

(e) Making available to users a clear definition of the statistical outputs produced, and providing overlaps between series on the old and new definitions;

(f) Requesting changes to administrative rules so that the administrative data fits better with the statistical requirements.

Maintenance of the BR is conducted continually, primarily on the basis of tax data, as well as on data from the Companies Office, survey feedback, media reports and company reports, among other sources. Units on the BR are stratified into three tiers on the basis of their structure, GST activity and employment numbers, thereby allowing Statistics NZ to focus its resources on the largest businesses. All units are updated primarily using tax data, as well as an annual update survey and other information that supplement and verify the tax information for the larger enterprises. The BR has a monthly quality monitoring programme that also identifies opportunities for quality improvement and for extending the use of administrative data.

Back to D. Country experiences (Chapter 9)

[1] See chapter 3 for a description of the memorandum of understanding between Inland Revenue (IRD) and Statistics New Zealand.