



Tax Working Group
Te Awheawhe Tāke

Tax Working Group Information Release

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This paper contains advice that has been prepared by the Tax Working Group Secretariat for consideration by the Tax Working Group.

The advice represents the preliminary views of the Secretariat and does not necessarily represent the views of the Group or the Government.



Tax Working Group

Minutes

Meeting Date: Friday, 9 March 2018

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geoff Nightingale, Hinerangi Raumati, Kirk Hope, Marjan van den Belt, Michelle Redington, Nick Malarao, Robin Oliver, Joanne Hodge, Craig Elliffe
Andrea Black (Independent Advisor)

Mark Vink, Paul Kilford, Shane Domican, Keith Taylor, David Holland, Bary Hollow, Jordan Ward, Matt Benge, Emma Grigg, Steve Mack (Secretariat)

Matt Woolley, Polina Belykh, Elizabeth Elvy, Jeremy Beckham (Young IFA)

Rachel Gemming (IR)

1. Minutes of previous meeting

The minutes of the previous meeting were considered

Noted	<ul style="list-style-type: none">Minutes of previous meeting
Decided	<ul style="list-style-type: none">When Group receives presentation, minutes for the meeting should include summary of key points from presentation
Actions for the Secretariat	<ul style="list-style-type: none">Update previous minutes to include summary of key points

2. Forward agenda

The proposed forward agenda was discussed.

Decided	<ul style="list-style-type: none">Following the release of the Australian Budget Paper on the shadow economy, Group should receive copy of paper and consider itDefinition of income to be considered by Group at meeting on Capital Gains Tax on 4 MayConsideration of business taxation on 6 and 20 April should also include consideration of the taxation of trustsThe Group should have half an hour unallocated prior to meetings to be able to be able to get to know each other better
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Actions for the Secretariat	<ul style="list-style-type: none"> • Provide papers on the definition of income, including paper presented to Tax Administration for the 21st Century conference on the definition of income for consideration on 4 May • Provide paper presented to the International Fiscal Association on the definition of income by Rick Krever for consideration on 4 May • Provide information on the taxation of trusts as part of business tax papers for 6 and 20 April
Actions for the Group	<ul style="list-style-type: none"> • Robin Oliver to provide paper on the definition of income for consideration on 4 May

The group considered how to manage submissions received by the group

Noted	<ul style="list-style-type: none"> • Given time constraints there is limited scope for the Group to receive oral submissions
Decided	<ul style="list-style-type: none"> • Group to allocate one meeting for oral submissions • Individual Group members may meet with submitters to discuss submissions outside of this day. Members should make file note of the meeting to provide to group • To have an engagement strategy for environmental non-governmental organisations
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide update on submissions received for a meeting in early April
Actions for the Group	<ul style="list-style-type: none"> • If members receive invite for a forum or oral submission, they should send the invite to Andrea Black and Paul Kilford to provide to Group so Group can consider who wishes to attend • Marian van den Belt to work with Andrea Black and officials to prepare engagement strategy for environmental non-government organisations

3. Group training in Diligent Boards Software product

The Group received training in Diligent Board

Noted	<ul style="list-style-type: none"> • Diligent Boards enables papers to be shared to Group securely and enables a number of other features to allow Members to comment on documents and communicate with each other • Diligent has offered further one on one training to members on the product
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4. Communications strategy

The group considered the Māori engagement strategy

Noted	<ul style="list-style-type: none"> • The Māori engagement strategy is focused on: <ol style="list-style-type: none"> a. Engaging with Māori through existing meetings or hui b. Using a range of social media platforms, ensuring that communications are accessible to individuals or groups c. Linking into the youth engagement strategy to bring Kura and Wānanga into the Treasury schools and university challenge programmes • Strategy should focus on smaller and less resourced submitters as larger submitters will likely not need the extra support in making submissions
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Decided	<ul style="list-style-type: none"> Other Group members to join Hinerangi in consultation with Māori to provide support, in particular with technical issues
Actions for the Secretariat	<ul style="list-style-type: none"> Assist Hinerangi and other members at meetings or hui, in particular through taking notes to present back to Group
Actions for the Group	<ul style="list-style-type: none"> Hinerangi and other members to go to meetings or hui for consultation and report back to group

The Group received a general communications update from Andrew Stott (IR)

Noted	<ul style="list-style-type: none"> Group noted the videos, website and advertisement programme planned
Decided	<ul style="list-style-type: none"> Members to contact groups they have personal networks with to encourage submissions Members to contact Andrew Stott with who they intend to contact Members to contact Andrew Stott to provide additional groups to provide letters to encouraging submissions
Actions for the Secretariat	<ul style="list-style-type: none"> To update member on the launch of the website and related content so that Members may share with networks once submissions background paper released next week
Actions for the Group	<ul style="list-style-type: none"> Members to attend meetings or hui for consultation and report back to group

5. Presentation: Future Challenges: Young IFA

Young IFA provided a presentation to the group on future challenges

Noted	<ul style="list-style-type: none"> Key points from presentation <ol style="list-style-type: none"> Group encouraged by Young IFA to consider intergenerational fairness Generational accounts are a useful tool to see whether current policies are sustainable and whether different generations have unequal burdens Younger generations bear the cost of environmental degradation and Group should consider options for addressing environmental issues Young people have differing views on privacy, however the key aspect considered important is transparency and young people want to know who has their information, what information they have and what they intend to use it for The key issue for young people and a capital gains tax is how the revenue is spent, if the revenue from the tax is spent on benefits for older generations then it will not improve intergenerational fairness
Actions for the Secretariat	<ul style="list-style-type: none"> Provide further information for Group on generational accounts

6. Presentation: Cryptocurrencies and technology challenges facing IR investigators

Rachel Gemming provided a presentation to the Group.

Noted	<ul style="list-style-type: none"> Key points from presentation
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	<ul style="list-style-type: none"> a. Cryptocurrencies provide a compliance risk to Inland Revenue as it can be difficult to enforce the law, in particular where there are overseas exchanges b. Current tax laws do not fit neatly with how cryptocurrencies work and what they are used for c. Inland Revenue is addressing this through ramping up capability, providing a public ruling on the current law and policy are looking at legislative options d. Cryptocurrencies are not an easy issue to fix legislatively, the technology and use of them are rapidly changing and regardless of the regime enforcement will be difficult e. Cryptocurrencies provide a policy and administration issue that may need new frameworks to address
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7. Preparing New Zealand's tax system for the future

Group considered paper

Decided	<ul style="list-style-type: none"> • Group wishes to consider in future meetings <ul style="list-style-type: none"> a. Savings and investment b. How to drive productivity through tax system c. Housing and capital gains d. Fairness and social capital issues e. The environment and natural capital issues f. Future tax administration g. Capital gains, in particular include information on list of capital gains and which NZ taxes and which we don't h. Changing cross-border arrangements and whether NZ should address issues unilaterally or await OECD consensus i. Compliance pressures and opportunities, withholding taxes and information reporting j. Whether everyone should be required to file a tax return. Group wanted information from IR on this issue regarding what it intends to do about black economy if it is not requiring everyone to file returns k. Use of structures to get a tax advantage. In particular the use of trusts for tax purposes and consideration of the legitimate purpose of trusts and companies l. Whether company tax system and imputation is fit for purpose m. Whether we have a system that is sustainable in the face of an uncertain future • Group should have two sessions focusing on capital gains and wealth taxation. Additional time made available from reducing time on submissions should be used for this purpose • Regardless of what the Groups recommendation is on the merits of a capital gains tax the Group should provide a proposed design of a capital gains tax in its report • Following meeting by Group on capital gains taxation and decisions on high level design features a subcommittee of Group members, Andrea and officials should be set up to be consider detailed design of a capital gains tax • Group should consider outline of interim report and through future meetings should populate report and check progress
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	<ul style="list-style-type: none"> • Draft structure should use the terms of reference as a guide, and potentially using strengths, weaknesses, opportunities, and strengths to structure report
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide information for future meetings on issues listed above • For papers which involve particularly technical issues, Officials should also include an outline and highlight key areas to assist Group discussion • Provide Group an outline of the interim report, setting out proposed structures and headings of report • Provide further information to Group on the forward fiscal position. This should include modelling of tobacco tax revenue, an update of data provide in McLeod tax review, and further information of the impact of productivity growth on the forward fiscal position • Provide further information to group on resource rentals • Provide further information to group on the role of tax in improving natural capital and the evidence of impact of environmental taxation on behaviour. • Provide information on incidence of various forms of capital taxation, are taxes on capital borne by capital holders or are the cost passed on • Provide update on information provided in McLeod report on hypothecated tax and regulation

8. Commissioning independent analysis

Group considered paper

Decided	<ul style="list-style-type: none"> • Group wishes to commission <ul style="list-style-type: none"> a. Economic modelling of tax policies (impact of capital gains taxes on industries and on housing market) b. Australian perspective on capital gains tax. Considered David Perl would be good to invite to comment on Groups progress at a later meeting c. Insight on the impact of taxes on investment and productivity. This is to include summary of current state of thinking and officials' paper on this issue could be provided to a 'middle of the road' expert on the issue, and to what extent profits in New Zealand are above the cost of capital • Group does not wish to commission <ul style="list-style-type: none"> a. Survey of New Zealanders' perception of the tax system b. Review of the interim report
Actions for the Secretariat	<ul style="list-style-type: none"> • Commission work as per above decisions
Actions for the Group	<ul style="list-style-type: none"> • Provide further information to officials regarding any other research or independent analysis they wish to have commissioned

9. GST

Group considered paper

Decided	<ul style="list-style-type: none"> • Group agrees that there should not be further exceptions in our GST base for items such as food or necessities.
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	<ul style="list-style-type: none"> • Defer consideration of decreasing the rate of GST until Group has had further consideration of potential revenue raisers • To consider GST on financial services at a future meeting
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10. Presentation: Bill Rosenberg

Bill Rosenberg presented to Group

Noted	<ul style="list-style-type: none"> • The proportion of NZ income held by labour has been declining over time • The reasons for this include rent capture, capital intensity and the reduced bargaining power of labour • If Government wishes to spend more, in particular to improve outcomes for labour then taxing labour is not practical as it is a declining share of the total income
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