



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.

Minutes

Date: Friday, 23 March 2018

Location: The Treasury, No. 1 The Terrace

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geof Nightingale, Hinerangi Raumati, Joanne Hodge, Kirk Hope, Marjan van den Belt, Michelle Redington, Robin Oliver, Craig Elliffe

Independent Advisor: Andrea Black

Secretariat: Mark Vink, Paul Kilford, Bevan Lye, Steve Mack, Oscar Parkyn, Matt Benge, David Holland, Emma Grigg

Apologies: Nick Malarao

1. Previous minutes and administration

Noted	<ul style="list-style-type: none"> Secretariat provided feedback on papers Group wants to consider interim report on an ongoing basis, starting with a draft outline of structure
Agreed	<ul style="list-style-type: none"> To make minor amendments to 9 March minutes Group comfortable with proactive release of Secretariat advice/background papers, provided systems were put in place to make it clear that they did not represent the views of the Group
Actions for the Secretariat	<ul style="list-style-type: none"> Circulate draft interim report structure, with reference to relevant future meeting topics.

2. Distributional analysis, capital income and wealth

Noted	<ul style="list-style-type: none"> Group discussed Secretariat papers and signalled interest in further distributional analysis (see 'Actions for Secretariat')
Agreed	<ul style="list-style-type: none"> Group not interested in pursuing a general wealth tax at this stage, but wants to retain future work-programme item on options for taxing retirement savings.
Actions for the Secretariat	<p>Try to get:</p> <ul style="list-style-type: none"> More information on top 1% Further information on wealth distribution by gender and ethnicity Industry analysis for capital Historical data on returns by asset class (including land) Value and use (eg, residential, agricultural) of land by region. <p>Look at structure of KiwiSaver incentives. Information on the effect of inflation.</p> <p>Make sure paper on retirement savings includes:</p> <ul style="list-style-type: none"> A short note on EET, including figures for switching to EET and lost

	<p>revenue going forward</p> <ul style="list-style-type: none"> • Summary of rules for moving up marginal rates (PIR) for PIE investors.
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3. Housing

Noted	<ul style="list-style-type: none"> • Group discussed Secretariat paper on tax options that are likely to impact on housing and commissioned further work in some areas (see 'Actions for Secretariat').
Agreed	<ul style="list-style-type: none"> • Future Secretariat paper on moving the capital/revenue boundary should include a spectrum of options. • Group not interested in pursuing region-specific property taxes or mortgage interest levies further. • Interim report should contain a statement regarding the relative importance of tax. In particular, existence of substantial constraints on the supply of housing – arising from land use regulation, inadequate infrastructure provision, and poor productivity in the building sector, among other things – means that tax policy is unlikely to be the dominant driver of high house prices.
Actions for the Secretariat	<p>Group wants to look more at:</p> <ul style="list-style-type: none"> • RFRM • Land tax – what effect does family home exclusion have on efficiency arguments • Stamp duty overview • Reform of 10-year rules (i.e., incremental improvements to existing rules) • What are the other tools for dealing with land banking? Tax vs others? • Denial of interest expenses to be considered alongside other options. <p>Literature review. Does CGT have an impact on price bubbles - both when they come in and relative volatility afterwards?</p>

4. International tax

Noted	<ul style="list-style-type: none"> • Presentation to the Group from David Carrigan (IR) on recent OECD work on taxing the digital economy.
Agreed	<ul style="list-style-type: none"> • Secretariat to provide a full report in July on options for taxing the digital economy, following consideration of OECD interim report and international developments (including interim measures proposed by some countries).
Actions for the Secretariat	<ul style="list-style-type: none"> • For July report, need to understand potential incidence of interim measures