



Tax Working Group
Te Awheawhe Tāke

Tax Working Group Information Release

Release Document

September 2018

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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, 20 April 2018

Location: Treasury, Wellington

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

Independent Advisor: Andrea Black

Secretariat: Mark Vink, Paul Kilford, Bevan Lye, Steve Mack, Sam Aldridge
Matt Benge, David Holland, Phil Whittington, Shane Domican

Guests: Keith Taylor, Stewart Donaldson, Sri Farley, Paul Sparrow, Miranda Law

Apologies: Hinerangi Raumati-Tu'ua,

1. Previous minutes, forward agenda and administration

Noted	<ul style="list-style-type: none"> • Minutes of previous meeting • That the proactive release of secretariat papers is planned for early May • Bill Rosenberg to be absent on meetings of 6th July and 25th July
Agreed	<ul style="list-style-type: none"> • To have a permanent item on the agenda to consider the interim report and have it populated as decisions are made by the Group • For oral submissions the Group should aim to hear from 'representative' submitters covering respective industry groups or areas
Actions for the Secretariat	<ul style="list-style-type: none"> • Recommend which submissions Group should specifically read, in particular those with greater analysis.

2. Collection Challenges

Noted	<ul style="list-style-type: none"> • Presentation from Nick Malarao <ul style="list-style-type: none"> ○ There are collection challenges for collecting tax, in particular where companies and trusts are involved ○ The corporate veil is an area of concern and the ability for companies to have limited liability, take profit from the company, without meeting their obligations to creditors. ○ Early intervention plays an important part in addressing this, however the current enforcement toolkit may not be adequate to address these issues ○ These are areas that the Working Group should be interested in on fairness, revenue integrity, and efficiency grounds.
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Agreed	<ul style="list-style-type: none"> • To consider issues regarding collection challenges and address the issue in its interim report
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide advice to Group on collection issues for meeting of 6 July alongside administration issues. Advice to include: <ul style="list-style-type: none"> ○ What is currently on the tax policy work programme regarding collection issues? ○ Analysis on potential new collection powers for Inland Revenue, in particular those outlined in presentation and options for collecting from shareholders and directors and piercing the corporate veil ○ What collection issues are being considered by other Government agencies, in particular regarding the corporate veil? ○ What are the obligations for businesses for providing financial statements and IR 10s, and how could these be improved? • Provide advice to Group on trusts. Advice to include: <ul style="list-style-type: none"> ○ Collection issues with corporate trustees ○ What issues are caused by trusts? ○ What is the framework for taxing trusts? ○ Have trusts gone beyond their original purpose? ○ Information on utilisation of trusts for income splitting

3. Effective tax rates by Industry

Noted	<ul style="list-style-type: none"> • Paper prepared by Secretariat
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide explanation of profile of industries with low effective tax rates, providing simple example scenarios explaining why they have low effective rates. • At meeting considering transparency issues, advice to be provided on IRD constraints in providing information on issues such as effective tax rates and why we have secrecy for corporate information.

4. Self-employment compliance

Noted	<ul style="list-style-type: none"> • Paper by Cabral-Gemmell
Agreed	<ul style="list-style-type: none"> • In interim report, Group to encourage the Government and Inland Revenue to take further action to address underreporting of income.
Actions for the Secretariat	<ul style="list-style-type: none"> • To provide information on opportunities created by emerging technology (such as blockchain) to help with tax administration and compliance.

5. Taxing Capital income

Noted	<ul style="list-style-type: none"> • Presentation by Craig Elliffe <ul style="list-style-type: none"> ○ NZ is an outlier in not having a capital gains tax ○ The case for a capital gains tax is complex. ○ Favouring a CGT are fairness and revenue integrity ○ Against a CGT are compliance and administration costs ○ The case on efficiency grounds is mixed ○ NZ can learn from overseas countries' experience with CGTs in designing one. There is the potential for simplification of some existing tax rules if a comprehensive CGT is introduced
Agreed	<ul style="list-style-type: none"> • Interim report should consider taxation of capital income by outlining current rules, looking at different incremental approaches to

	extending capital income and then outlining case for a comprehensive approach to capital gains
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6. TWG vision

Noted	<ul style="list-style-type: none"> • Draft vision prepared by Andrea Black
Agreed	<ul style="list-style-type: none"> • The vision is useful for providing the principles and narrative for the interim report. They provide context for the issues and cover why the group is considering them • Parts 1 and 2 of paper are most valuable parts of the paper at this stage. The later parts of the paper rely on decisions yet to be made • Members to provide comments on Parts 1 and 2 of the vision paper to Andrea Black.