



*Tax Working Group*  
*Te Awheawhe Tāke*

**Tax Working Group Information Release**

**Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

*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, 29 June 2018

Location: The Treasury, No 1 The Terrace

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

Independent Advisor: Andrea Black

Secretariat: Paul Kilford, Mark Vink, Matt Benge, Bevan Lye, Steve Mack, Emma Grigg, Phil Whittington, Michael Sherwood

Apologies: Hinerangi Raumati

## 1. Previous minutes, administration, forward agenda, stocktake

<b>Noted</b>	<ul style="list-style-type: none"> <li>Noted minutes for previous meeting. Recommended change to reflect the fact that the Group wanted more work regarding GST on explicit fees imposed by the financial sector</li> <li>The business tax papers will be proactively released early next week.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>Decided the next proactive release should be the last one prior to the interim report.</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>Amend the minutes for the previous meeting to reflect the need for more work on explicit fees.</li> </ul>

## 2. Potential revenue reducing options

<b>Noted</b>	<ul style="list-style-type: none"> <li>Earthquake strengthening should be covered off in a separate paper</li> <li>Living Standards Framework should be utilised when analysing</li> <li>Paper will incorporate discussion of blackhole and small business compliance options.</li> </ul>
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<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>• Ensure the Living Standards Framework is used when analysing the revenue reducing options.</li> <li>• Review the proposals in submissions to support environmental outcomes.</li> </ul>
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### 3. Gender analysis

<b>Noted</b>	<ul style="list-style-type: none"> <li>• The impact that childcare costs have on the ability for mothers to re-enter the workforce is an issue.</li> <li>• Using the tax system to provide a tax credit for childcare costs is likely not the best.</li> <li>• Analysis of the impact of gender on savings would be useful. Noted that the paper on savings will not have time to incorporate this, as it is being finalised today.</li> <li>• The Group is open to an extension of childcare being a revenue negative item (a spending item)</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• Support continuing to use the individual as the unit of taxation, rather than the family.</li> <li>• Interim report will have a gender lens throughout</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>• Will refer the issue to the Welfare Advisory Group.</li> </ul>

### 4. Information on MSD/IR research on joint debtors

<b>Noted</b>	<ul style="list-style-type: none"> <li>• Noted the different enforcement practices of IR and MSD.</li> <li>• Noted the current data matching process between IR and MSD.</li> <li>• Noted that Stage 3 of Business Transformation in IR may make it possible for IR to use tax refunds to pay off debt with MSD.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• To refer the report to the Welfare Advisory Group.</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>• Discuss with the Welfare Advisory Group Secretariat what can be done around debt collection enforcement practices.</li> </ul>

### 5. Secretariat papers reporting back on:

- **Future of work**

<b>Noted</b>	<ul style="list-style-type: none"> <li>• Noted the current misalignment in tax law and employment law around the definition of what an “employee” is.</li> <li>• Group to further consider the removal of GST for dependent contractors, noting potential issues with the financial services industry</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• The definition of employee should be aligned for tax and employment law as much as is possible.</li> </ul>

	<ul style="list-style-type: none"> <li>• Work to extend the use of withholding tax on contractors should continue.</li> <li>• Issue with GST and contractors should be considered a separate issue.</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>• To look at wider government work on a common definition of employee. To report back if anything useful is found.</li> </ul>

- **Effective tax rates**

<b>Noted</b>	<ul style="list-style-type: none"> <li>• A Capital Gains Tax would potentially solve the issue of low effective tax rates faced by the retirement village industry.</li> <li>• Andrea to draft a note on retirement villages for the CGT Sub-group</li> <li>• As a part of GTPP, we should look back at old policies such as those made for the motion picture industry, and decide if the reason for those policies are still relevant.</li> <li>• Noted that part of the low effective tax rates for property developers is driven by the timing benefit of being able to claim deductions before they have to recognise income.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• The issue of how a Capital Gains Tax could be applied to retirement villages should be dealt with by the sub-group.</li> </ul>

- **Property compliance**

<b>Noted</b>	<ul style="list-style-type: none"> <li>• Noted the compliance difficulties with the bright-line test, while also noting the improvements IR has made over time.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• Agreed that the bright-line rules should be amended so as to remove the exemption for providing IRD number if purchasing a family home.</li> </ul>

- **Incidence of GST exemptions**

<b>Noted</b>	<ul style="list-style-type: none"> <li>• Noted the evidence on the distributional impact of GST exemptions.</li> </ul>
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## 6. External reviews of Secretariat papers on environment tax

<b>Noted</b>	<ul style="list-style-type: none"> <li>• The reviews appear to show that hypothecation could be useful for some environmental issues, but that you need to be careful about when it is used and how it is designed.</li> <li>• There is a need for further work on environmental concessions.</li> </ul>
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<b>Agreed</b>	<ul style="list-style-type: none"> <li>The summary of the findings from the external reviewers should be attached to the environmental paper as a part of the proactive release</li> </ul>
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## 7. Interim report outline and vision statement

<b>Noted</b>	<ul style="list-style-type: none"> <li>The vision statement should be incorporated into the Living Standards Framework section of the Interim Report.</li> <li>Andrea's vision statement as a separate document to be dropped</li> <li>A hope for a broad consensus on most topics, but it will be possible for the Group to state that it is still finalising its position on specific topics.</li> <li>The Final Report could have a majority and minority view for some topics if that is necessary.</li> <li>The Interim Report should have a separate chapter on housing issues.</li> <li>The Interim Report should contain discussion of how the Living Standards Framework interacts with tax policy.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>Group members will volunteer to help review specific items in the Interim Report as they are being written.</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>Secretariat and Andrea to combine the different outlines and get the new outline to the Group early in the week.</li> </ul>

## 8. Capital income sub-group report back

<b>Noted</b>	<ul style="list-style-type: none"> <li>Some issues will be decided for the Interim Report. The Report will need to say that some issues are still being considered though.</li> <li>Noted the sub-group's recommendations: <ul style="list-style-type: none"> <li>Specific assets will be included in the Capital Gains Tax, as opposed to the Australian approach which includes every asset unless it is excluded.</li> <li>Need to finalise how the "family home" will be defined.</li> <li>Roll-over relief should be granted when economic ownership of an asset remains the same.</li> <li>Still need to decide if capital gains from overseas assets held by New Zealand residents should be taxed.</li> <li>Noted some issues around capital losses.</li> <li>Ring-fencing of capital losses will only apply for portfolio shares</li> </ul> </li> <li>Noted that the Interim Report will have a number of options on how to deal with roll-over relief and double tax issues, and will seek feedback on what approach is best.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>Decided that collectibles etc. should not be in the base.</li> </ul>