



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, 6 April 2018

Location: Meredith Connell, Auckland office

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geof Nightingale, Hinerangi Raumati-Tu'ua, Kirk Hope, Marjan van den Belt, Michelle Redington, Robin Oliver, Craig Elliffe, Nick Malarao

Independent Advisor: Andrea Black

Secretariat: Mark Vink, Paul Kilford, Bevan Lye, Steve Mack, Sam Aldridge

Matt Benge, David Holland, Phil Whittington, Geoff Leggett, Phoebe Sparrow

Guests: Rachael Gemming (IRD), Matt Woolley (Russell McVeagh)

Apologies: Joanne Hodge

1. Previous minutes, forward agenda and administration

Noted	<ul style="list-style-type: none"> • GST on low-value goods papers to be released by the Government shortly. The Group's advice on this topic will be released at the same time. • Group members are needed to present at CPA Australia and CA ANZ events • A group photo of the TWG (minus officials) is required • Group members invited to Craig's book launch at the University of Auckland after the 4 May meeting
Agreed	<ul style="list-style-type: none"> • To make minor amendments to 23 March minutes • That the Group's submissions received on GST on low-value goods will be passed on to the relevant Government tax policy officials • That all late submissions will be considered in time but that the Group cannot commit to considering all late submissions by a certain date. • To include an additional session on the environment for 4 May meeting focusing on principles and frameworks • To a future session on transparency of tax administration, and the potential role for an independent advocate
Actions for the Secretariat	<ul style="list-style-type: none"> • Include glossaries of technical terms in all policy papers going forward • Redistribute the amended minutes in Diligent after changes to draft minutes have been agreed • Provide briefing on self-employed compliance for next meeting in light of Inland Revenue research being released • Shift transactional taxes to 15 June meeting. • Circulate updated forward agenda • Add expected apologies to future agendas

2. Interim report outline

Noted	<ul style="list-style-type: none"> • Some concern that the Group and Secretariat is focusing too much on detail at this stage and that a higher level discussion is needed to set the scene for the interim report – i.e. "what is the current state of the NZ economy and what are the consistent issues" • Group may want to include some discussion in the final report on matters
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	excluded from the ToR
Agreed	<ul style="list-style-type: none"> • Andrea to provide draft paper on TWG 'vision' for 4 May meeting and give a verbal update at the 20 April meeting • Andrea's paper will help to frame the interim report
Actions for the Secretariat	<ul style="list-style-type: none"> • Supporting Andrea on TWG vision paper as required

3. Business tax

Noted	<ul style="list-style-type: none"> • Geoff to talk to PwC colleagues about composition of investment
Agreed	<ul style="list-style-type: none"> • To not progress further with a progressive company tax rate • Tentatively agreed to retaining the current imputation credit system • Need more info (data) before deciding whether the current company tax rate is appropriate or whether it should be lower or higher • No further consideration required of indexing the tax base for inflation or of building depreciation • More information required on loss continuity and blackhole expenditure options
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide additional supporting information on company tax (target 4 May meeting) • Add accelerated depreciation to productivity-enhancing options • Provide data on avoidance, size of the rates misalignment problem vis-à-vis CGT absence • Business tax policy option implications of CGT (flag in CGT paper) • Provide the economic/revenue analysis relating to the previous company tax rate cut (both the ex ante modelling and what actually happened) • Undertake a Living Standards Framework analysis of final options

4. Full integration of personal and company income tax (Matt Woolley)

Summary	<p>Matt's presentation:</p> <ul style="list-style-type: none"> • highlighted a range of equity concerns and economic distortions caused by the current imputation system, including the deferral of income (indicated by the \$19b of unused imputation credits); • recommended reconsidering imputation as the means for integrating income tax for companies and shareholders; and • suggested that an approach similar to the PIE regime for closely-held companies could be a feasible alternative.
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5. Māori Authorities

Noted	<ul style="list-style-type: none"> • that the Secretariat will provide further advice on the competitive neutrality implications of commercial entities being able to access a lower tax rate as part of the scheduled discussion on charities in July.
Agreed	<ul style="list-style-type: none"> • that the factors that resulted in the 17.5% headline Māori authority rate remain relevant.
Actions for the Secretariat	N/A