



*Tax Working Group*  
*Te Awheawhe Tāke*

**Tax Working Group Information Release**

**Release Document**

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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

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

## 2. Interim report outline

<b>Noted</b>	<ul style="list-style-type: none"> <li>• 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"</li> <li>• Group may want to include some discussion in the final report on matters</li> </ul>
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	excluded from the ToR
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• Andrea to provide draft paper on TWG 'vision' for 4 May meeting and give a verbal update at the 20 April meeting</li> <li>• Andrea's paper will help to frame the interim report</li> </ul>
<b>Actions for the Secretariat</b>	<ul style="list-style-type: none"> <li>• Supporting Andrea on TWG vision paper as required</li> </ul>

### 3. Business tax

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

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

<b>Summary</b>	<p>Matt's presentation:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• recommended reconsidering imputation as the means for integrating income tax for companies and shareholders; and</li> <li>• suggested that an approach similar to the PIE regime for closely-held companies could be a feasible alternative.</li> </ul>
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### 5. Māori Authorities

<b>Noted</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Agreed</b>	<ul style="list-style-type: none"> <li>• that the factors that resulted in the 17.5% headline Māori authority rate remain relevant.</li> </ul>
<b>Actions for the Secretariat</b>	N/A