



Tax Working Group
Te Awheawhe Tāke

Tax Working Group Information Release

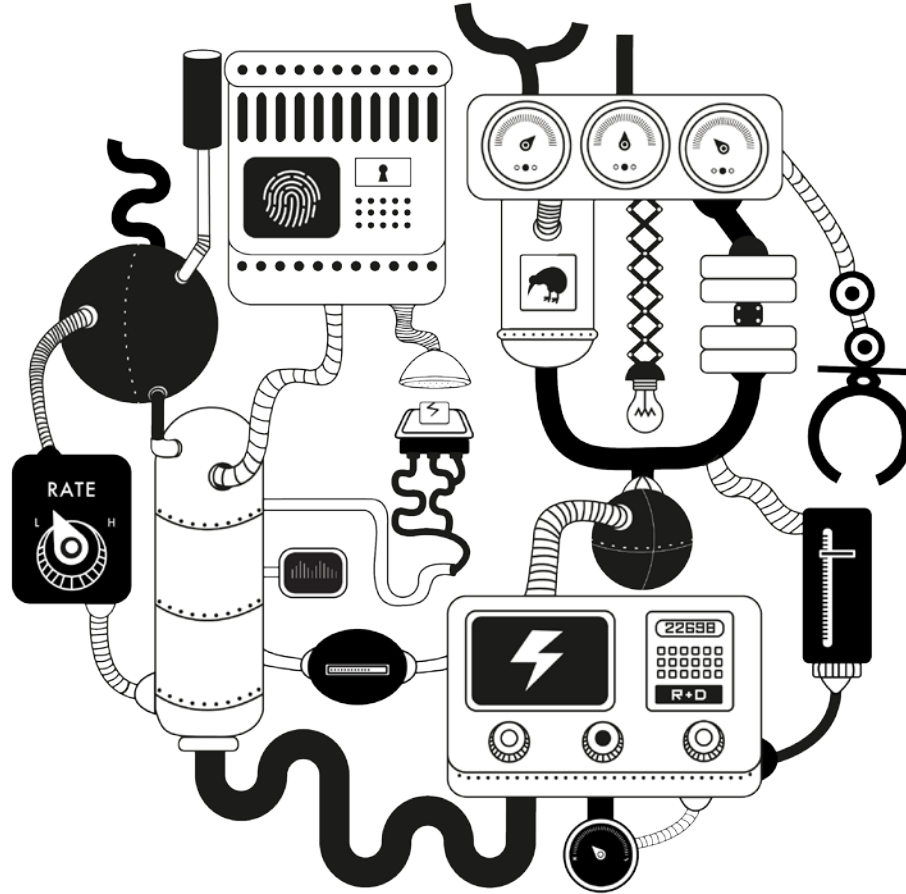
Release Document

September 2018

taxworkinggroup.govt.nz/key-documents

This paper has been prepared by a member of the Tax Working Group for consideration by the whole Tax Working Group.

The advice represents the preliminary views of the member who prepared the paper and does not necessarily represent the views of the whole Group or the Government.



Business views on the tax system

Presentation to the Tax Working Group

April 2018

Business New Zealand research

Business New Zealand undertakes regular member survey's

The comments in this presentation are supported by research undertaken in the following surveys:

- Deloitte Business NZ Election Survey (August 2017)

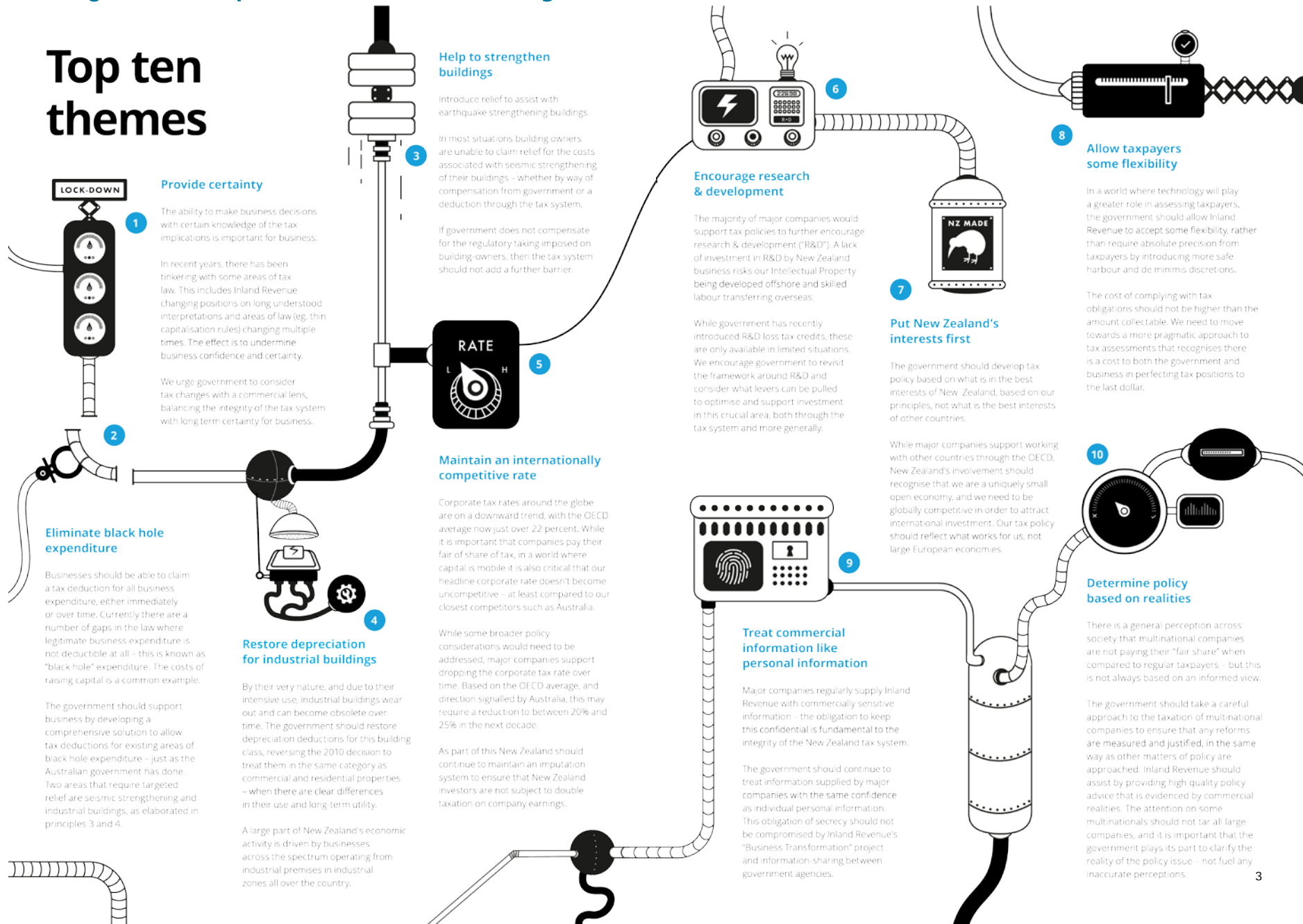
https://www.businessnz.org.nz/_data/assets/pdf_file/0006/129345/Deloitte-BusinessNZ-Election-Survey-2017.pdf

- Major companies tax survey (August 2017)

https://www.businessnz.org.nz/_data/assets/pdf_file/0010/129187/170816-Major-companies-tax-survey-2017.pdf

Major companies tax survey

Top ten themes



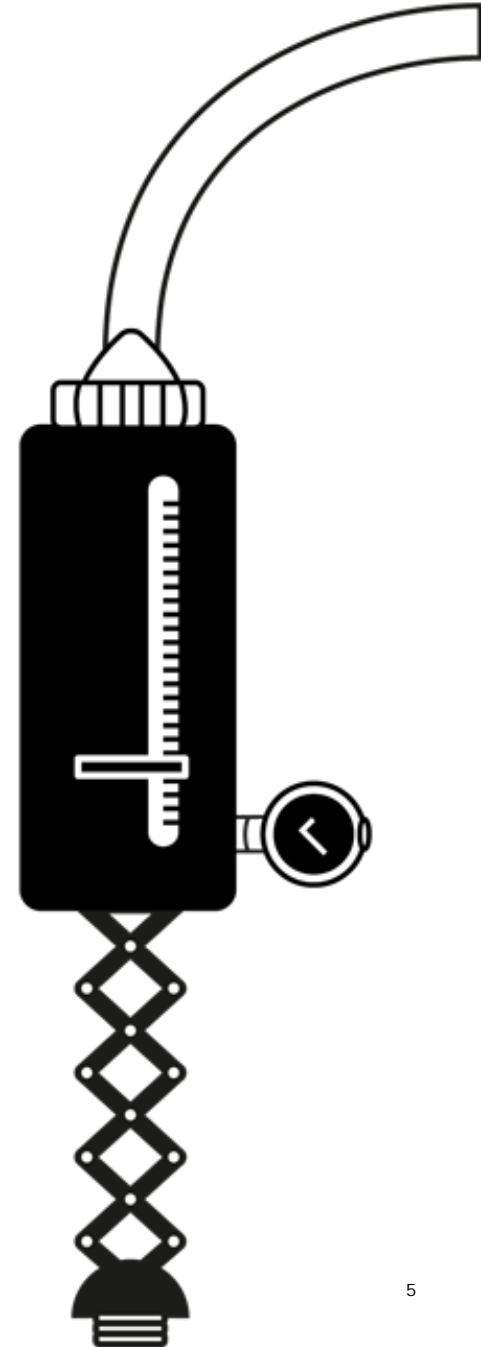
The tax system must attract capital investment & encourage saving

- Competitive (effective) company tax rate
- Not having a capital gains tax is viewed positively by international investors when choosing an investment location
- Tax settings should encourage savings (other than in the family home)



The tax system must minimise compliance costs

- Businesses as the unpaid tax collector
- Tax laws are too complex – design rules for compliant taxpayers and use BG 1 against non-compliant taxpayers
- More flexibility with safe harbours and de minimis rules
- Where can rules be simplified? Alignment of tax and accounting for matters which are just timing (e.g. depreciation, trading stock, accrued expenditure etc)

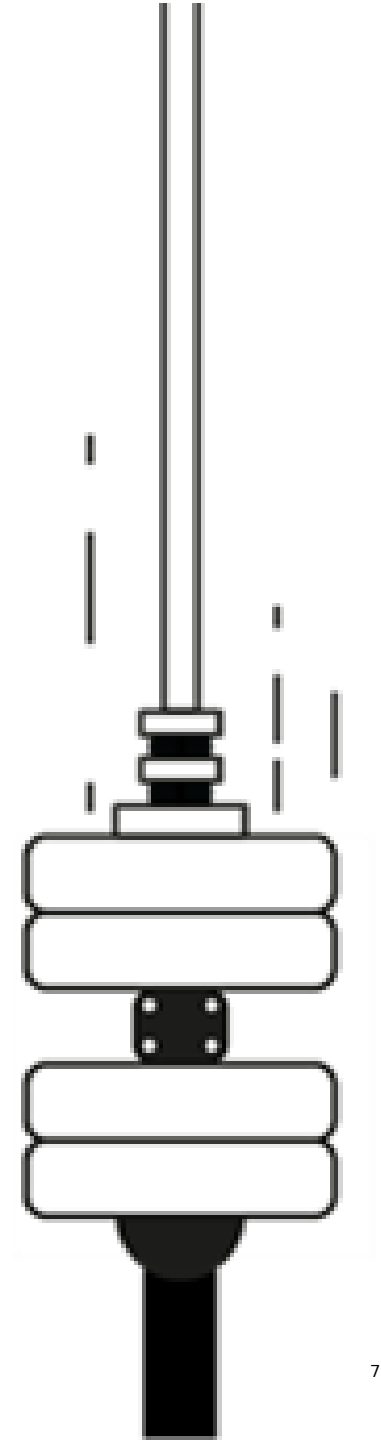


The tax system must minimise distortions

- Domestic savings bias towards housing and away from productive sectors. However a CGT on debt/equity may only amplify the bias
- Blackhole expenditure
- Depreciation on commercial and industrial buildings
- No double taxation
- Ability of investors with different tax status to work together (fully taxable, Maori, Charitable, non-resident etc)

Is capital gains tax the answer?

- Evidence says no
- Target problem area – residential property
- Risk that wider application reinforces bias against productive sector
- Deadweight compliance costs will exceed any benefit as soon as politically motivated exemptions are introduced
- International competitive advantage to not tax capital gains



What's missing

- How to grow the pie? The tax systems should not act as a hand-brake to this goal
- How can tax be used to attract capital and investment – linking through to the knowledge economy
- Putting New Zealand's interests first

