

Tax Working Group Information Release

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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-taxsurvey-2017.pdf

Major companies tax survey

Top ten themes

LOCK-DOWN



The ability to make business decisions

law. This includes Inland Revenue times. The effect is to undermine business confidence and certainty.

tax changes with a commercial lens. with long term certainty for business.

Eliminate black hole expenditure

Businesses should be able to claim or over time. Currently there are a

business by developing a comprehensive solution to allow Australian government has done. principles 3 and 4.



Help to strengthen buildings

are unable to claim relief for the costs deduction through the tax system.

for the regulatory taking imposed on building-owners, then the tax system



Maintain an internationally competitive rate

Corporate tax rates around the globe are on a downward trend, with the OECD average now just over 22 percent. While fair of share of tax, in a world where capital is mobile it is also critical that our

dropping the corporate tax rate over 25% in the next decade.

As part of this New Zealand should



Encourage research & development

The majority of major companies would being developed offshore and skilled

While government has recently We encourage government to revisit the framework around R&D and



Treat commercial information like personal information

this confidential is fundamental to the integrity of the New Zealand tax system.

companies with the same confidence and information-sharing between government agencies.



NZ MADI

Put New Zealand's

The government should develop tax

should reflect what works for us, not

a

interests first

Revenue to accept some flexibility, rather

towards a more pragmatic approach to



Determine policy based on realities

The government should take a careful are measured and justified, in the same assist by providing high quality policy 3



Restore depreciation for industrial buildings

By their very nature, and due to their class, reversing the 2010 decision to commercial and residential properties - when there are clear differences

activity is driven by businesses

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

