



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, 1 June 2018

Location: PwC, Auckland

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geof Nightingale, Hinerangi Raumati, Joanne Hodge (by phone), Michelle Redington, Robin Oliver, Nick Malarao, Craig Elliffe

Independent Advisor: Andrea Black

Secretariat: Paul Kilford, Mark Vink, Bevan Lye, Steve Mack, Emma Grigg, James Beard, Phil Whittington, Rose Jago, Casey Plunket, Rachel Lilly

Apologies: Marjan van den Belt, Kirk Hope

1. Previous minutes, administration, forward agenda, stocktake

Noted	<ul style="list-style-type: none"> • Noted minutes for previous meeting. • Inland Revenue has received an OIA request asking for background information and public submissions from the previous four tax reviews that considered a CGT. If IR find anything interesting in the process of answering this request, they will report back to the Group. • The Secretariat has full notes from the last TWG meeting's presentation from submitters which the Group can request.
Agreed	<ul style="list-style-type: none"> • The Secretariat holds the pen (as 'ghost writers') on the interim report, with Andrea involved in the drafting process. If there are any disagreements between Andrea and the Secretariat on what should be included, the Group will have visibility of that and will see both versions. • In the Agenda for the meeting on 15 June, have the group consider the vision statement when the paper on gender is considered. • Begin the next meeting with an overview of the summary of submissions. <ul style="list-style-type: none"> ○ For the topics raised in submissions that have not been covered in meetings, the Secretariat should draw them to the Group's attention (i.e. are there submissions that have been made that we should consider?)
Actions for the Secretariat	<ul style="list-style-type: none"> • Schedule another meeting for Friday 29 June.

	<ul style="list-style-type: none"> • On property compliance, commission IR to look at audit verification – what’s happening now and what can BT do? • When Māori authorities are considered again, ensure there’s a paragraph including information on the size of the industry and the effective tax rate (lump the big MAs together – data from DIA Charities/IR). • When charities are considered again, provide the Group with information as to the size of the sector and details about what other countries require for distributions. • Produce a brief explanation or table of any specific tax rules that apply to farmers, explaining, for example, where a farm has concessional tax treatment against a business. • Draft a note containing a couple of paragraphs commenting on the interaction between local Government taxes and central Government taxes (e.g. how would any new tax interact with local government?) for the Group to consider as part of the drafting of the interim report. • Our productivity-enhancing measures paper should include a section on how we could encourage small business by reducing tax compliance costs. • Prepare a summary of the future of work changes.
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2. Oral submitters

Noted	<ul style="list-style-type: none"> • Presentations from: <ul style="list-style-type: none"> ○ Property groups: <ul style="list-style-type: none"> ▪ NZ Property Investor’s Federation ▪ Property Council New Zealand ○ NGOs: <ul style="list-style-type: none"> ▪ Oxfam ▪ Child Poverty Action Group ○ Māori organisations: <ul style="list-style-type: none"> ▪ Ngā Kaitatau Māori o Aotearoa Māori CFO ▪ Ngāti Whātua Ōrākei Whai Rawa Limited ▪ Te Runanga o Ngāi Tahu
Actions for the Secretariat	<ul style="list-style-type: none"> • IR to check if there is data on how many property owning taxpayers are in a loss/gain situation.

3. Capital income sub-group report back

<p>Noted</p>	<ul style="list-style-type: none"> • The paper shows the Group what the sub-group have been doing and asks for feedback as to whether the Group has any strong views on anything in the paper. • When Australia introduced its CGT regime, everything was taxable unless explicitly excluded. We aren't taking that approach – we are starting with nothing being taxable, unless it is explicitly included. • We want a robust but simple and not overly complex regime. <ul style="list-style-type: none"> ○ Administratively, we know it is too complicated to do an all-encompassing strategy. • Keep in mind that we already have a backstop – buying with the intention to sell. • Personal assets (assets completely outside the income tax base): <ul style="list-style-type: none"> ○ E.g. holiday homes that are not rented out, collectible items, etc. ○ There is general agreement to include such holiday homes. ○ There are issues around other personal assets – e.g. it is hard to define personal assets expected to increase in value (such as vintage wine). ○ Again, keep in mind we still have the backstop of 'intention to sell'. ○ We may end up with a <i>de minimis</i> in this space (only for personal assets). • Roll-over on death <ul style="list-style-type: none"> ○ If we allow roll-over on death, there should be roll-over for gifts of natural love and affection. ○ What about iwi issues? <ul style="list-style-type: none"> ➤ A paper on issues around Māori land and assets is being created. ○ Valuation? ○ Roll-over relief for hardship? • Will need to revisit the issue of inflation when looking at retirement savings.
<p>Agreed</p>	<ul style="list-style-type: none"> • Agreed to have a specific list of the assets that will be captured in the CGT regime. • For the September interim report, ensure each issue included in the CGT table (from the sub-group's paper) is covered off.

4. Stocktake

<p>Noted</p>	<ul style="list-style-type: none"> • Detail of recommendations: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;">Issue</th> <th style="text-align: center;">Suggested level of detail</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center; background-color: #0070C0; color: white;">Taxation of capital income and wealth</td> </tr> <tr> <td>Wealth taxes</td> <td>[Already decided] ✓</td> </tr> <tr> <td>Retirement savings</td> <td>High level* [detailed when talking about CGT]</td> </tr> <tr> <td>Capital gains</td> <td>Detailed ✓</td> </tr> </tbody> </table>	Issue	Suggested level of detail	Taxation of capital income and wealth		Wealth taxes	[Already decided] ✓	Retirement savings	High level* [detailed when talking about CGT]	Capital gains	Detailed ✓
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Taxation of capital income and wealth											
Wealth taxes	[Already decided] ✓										
Retirement savings	High level* [detailed when talking about CGT]										
Capital gains	Detailed ✓										

Housing options	Detailed ✓
International tax – digital economy	
Interim measures	High level Medium/High?* [TBC – depends on what happens in Australia/OECD]
GST	
Rate	High level* [TBC]
Exceptions	[Already decided] ✓
Financial services	High level* [TBC]
Low-value imported goods	[Already decided] ✓
Future of work	
Self employed	Potentially medium if revisited by Group* [Further work required]
Business tax	
Company tax rate	High level [Already decided]* [but the Govt should monitor whether the rate is appropriate over time]
Progressive rate	[Already decided] ✓
Imputation	[Already decided] ✓
Productivity-enhancing measures	Medium level ✓
Transaction taxes	High level ✓
Integrity	
Trusts	Medium level ✓
Closely-held companies	Medium level ✓
Tax and Māori	
Māori authorities	[Already decided] * [Come back to when considering charities. Need to look at the issue of wholly-owned subsidiaries]
Tax and society	
Corrective taxes	High level ✓
Charities	High level* Medium/TBC

		Tax and the environment	
		Frameworks	High level ✓
		Options	High level ✓
		Administration and compliance	
		Collection, hidden economy	Medium level ✓
		Taxpayer advocacy / ombudsman	Medium level ✓
		Generic Tax Policy Process	High level ✓
Agreed	<ul style="list-style-type: none"> The Secretariat holds the pen (as 'ghost writers') on the interim report, with Andrea involved in the drafting process. If there are any disagreements between Andrea and the Secretariat on what should be included, the Group will have visibility of that and will see both versions. 		