Tax Working Group
Te Awheawhe Tāke

# Tax Working Group Public Submissions Information Release

## Release Document

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# Tax Working Group

Submission

April 2018

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The art of taxation consists in so plucking the goose as to procure the largest quantity of feathers with the least possible amount of hissing

Jean-Baptiste Colbert

# Executive Summary

## Introduction

It is prudent for governments to undertake periodic reviews of the tax system to ensure that taxes are evaluated from a macro perspective and they achieve what they need to achieve in a 'fair' and efficient manner. Without high level reviews it can be easy for tax policy development to get embroiled in micro reforms which don't have the necessary macro view. Ensuring a tax system is fit for purpose involves an examination of how much tax revenue is required and what can be taxed to raise that revenue, generally in the least distortionary way.

It is difficult to make a submission to the Tax Working Group without having an understanding of the options being considered and the overall package of reform. For example, broadening the tax base through the introduction of new taxes will be more palatable when it is combined with a lowering of taxes in other areas. Until the options and tradeoffs are known it is difficult to comment on any reform package including its component parts. It is with this context that we do not provide direct views on the Tax Working Group submission paper other than noting that we are in general agreement with the process and many of the observations made in the documents to date. We instead provide some observations and international comparisons.

"the emphasis should be in initiatives that encourage the economy to grow with increased tax revenues flowing from that growth"

## Observations

1. To ensure New Zealand continues to collect the tax revenue it needs, the emphasis should be on initiatives that encourage the economy to grow with increased tax revenues flowing from that growth, rather than just taxing existing economic activity harder. A key lens through which the tax system and initiatives relating to it should be analysed is therefore from the perspective of what can be done to help New Zealand be more productive and grow, rather than being drawn into micro base maintenance concerns which have dominated recent policy deliberations.

2. New Zealand is a country which is reliant on foreign capital, it should be at the forefront of the minds of the Tax Working Group that New Zealand's tax rules need to be designed to both tax and retain what capital is already invested here, but also to attract and retain foreign capital. The Tax Working Group should be focused on ensuring there is an attractive tax regime that is internationally competitive, recognizing that there is a balance to be struck between appropriately taxing economic rents and looking to attract and retain mobile capital. Consistent with the findings of previous reviews, we think that drawing the line is not easy. In analyzing whether our tax rates are appropriate there is a need to consider where we stand vis-à-vis other jurisdictions, in particular our trading partners. As an example, New Zealand's 28% corporate rate is at the high end of the range by international standards. That said, one competitive advantage New Zealand currently has is the lack of a general capital gains tax.

3. The taxation of savings also needs to be considered. New Zealand needs to be encouraging and incentivising New Zealanders to save. Tax

can play a part in this by reducing taxes on saving. New Zealand is an outlier in following a Tax-Tax-Exempt (TTE) model and steps should be taken to reduce taxes at the investment and earning stages of the savings cycle.

4. The tax system should also be analysed on the basis of what it best for the tax system; what are the fairest and most efficient ways of collecting tax. The Tax Working Group should not be focusing on how the tax system could be used to redistribute wealth, very few tax systems do this. This is the function of the welfare / transfer system.

5. Addressing or mitigating the effects of the hidden economy should be a priority in the current review. The amounts involved are material as are the equity issues. An immediate response could be to hold a tax amnesty to draw taxpayers out. The New Zealand approach of not requiring individuals to file returns could be revalidated as part of this issue and in particular whether the lack of tax return filing contributes to the hidden economy given the impact on tax literacy.

6. Tax systems in other countries are beginning to anticipate a need to encourage employment and to support training. In 2006 New Zealand undertook consultation on Skills Training Tax Credits. While not proceeded with at that time, there could be merit in reassessing the work done in 2006 to determine whether there is a place for Skills Training Tax Credits in 2018.

7. The effectiveness of behavioural taxes varies depending on the subject matter in question. With a small population of consumers the deadweight costs of imposing and administering new taxes may negate any perceived benefit. In many instances education, information sharing and at the extreme simply regulating an outcome, is a better option for influencing / impacting behaviour; for example promotion of the harm plastic straws can cause to sea life has seen a shift away from plastic straws in mainstream life, this has been largely driven by consumer awareness and demand.

8. Housing issues are not unique to New Zealand and internationally arise whether or not gains are taxed. Likewise, it is not clear that any perceived (or real) under-taxation of housing is justification for the imposition of a capital gains tax on all assets.

## International Perspectives

While some may consider New Zealand an isolated country in terms of geography, the New Zealand tax system does not operate in isolation. The New Zealand tax system needs to achieve two broad outcomes. First to tax what is here and will remain here (economic rents); second to ensure that it is able to compete against other tax systems around the world to attract mobile capital and labour. It is therefore important that when analyzing New Zealand's tax system, regard is had to the tax systems in other countries.

The Tax Working Group submissions paper identifies a number of challenges facing the New Zealand tax system. New Zealand is not at all unique in having an aging population and the imminent threat of a mobile digital economy. It is the ubiquitous nature of these challenges (or opportunities) that has lead Deloitte to undertake a survey of tax systems.

For this we must acknowledge the assistance of Deloitte member firms in Argentina, Australia, Brazil, Canada, China, France, Germany, Hungary, Israel, Italy, Japan, Luxembourg, Mexico, Russia, Spain, and the United Kingdom who have contributed their time and resources to providing information for this submission.

All information provided in this submission should be treated as high level and general in nature. Tax is complex, no reliance should be placed on the summaries in this submission; however we have endeavoured to provide links to supporting information. All information provided in this submission is not intended to be an endorsement for a particular type of tax rule; all tax rules need to be understood in the wider context of the entire tax system in the relevant jurisdiction.

### Where to find more information

The Deloitte International Tax Source https://dits.deloitte.com/# is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. Detailed country guides are available here: https://dits.deloitte.com/#TaxGuides

## Acknowledgements

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# Taxing people

Personal income tax can be easy to collect when tax is withheld at source from employees. But more and more of us aren't employees and don't work a single job. The changing nature of work means that New Zealand needs to consider the best manner to tax its workers. The Pay As You Earn (PAYE) collection system will lose some of its effectiveness as we increasingly move to new business models and New Zealand needs to ensure workers are paying their fair share.

We posed the following question:

*New Zealand has an efficient and effective system for collecting tax off employees (in New Zealand employers withhold tax at marginal rates each pay day. Employees cannot claim tax deductions for costs of earning employment income). In New Zealand people who work as 'contractors' only have tax withheld at source in a limited number of industries. However the world is changing from people having a single full time jobs to working for multiple employers or being contractors / self-employed. In a world where less tax can be collected at source, what is your country doing to ensure tax can be collected in an efficient way? What measures are in place to ensure individuals are declaring all income (e.g. collecting & matching data)?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

Employers act as withholding agents when paying employees, but also all companies must act as withholding agents when paying independent contractors on the amounts they are invoiced. On an annual basis, individuals must declare all their assets, with a test to determine whether the change in assets is reasonable based on declared income.

### Australia

Australia is implementing a number of initiatives to ensure that income is accurately reported. These include "single touch payroll" (which is real time reporting of tax and superannuation payments), payment reporting systems for contractors operating in certain industries (cleaning, couriers and construction), a black economy taskforce (which has examined risks and solutions posed by the black economy), automated and standardized third party reporting of interest, dividends, land transactions, share transactions and data matching programmes (including for online sales, motor vehicle acquisitions, welfare declarations). More information is available at the following links.

Single Touch payroll: https://www.ato.gov.au/Business/Single-Touch-Payroll/
Taxable payment reporting system: https://www.ato.gov.au/general/new-legislation/in-detail/direct-taxes/income-tax-for-businesses/black-economy-taskforce--extension-of-the-taxable-payments-reporting-system-to-contractors-in-the-courier-and-cleaning-industries/
Black economy taskforce consultation paper: https://consult.treasury.gov.au/tax-framework-division/black-economy-taskforce/
Third party reporting systems: https://www.ato.gov.au/Business/Third-party-reporting/
Specific data matching programs: https://www.ato.gov.au/General/Building-confidence/In-detail/Data-matching/?anchor=Datamatchingprograms

### Brazil

Under Brazilian rules, employers act as withholding agents of individual income tax and social security when paying employees' salaries. All income received by the individual must be declared on an annual income tax return in which any residual tax should be collected by the submission deadline. Independent contractors are also subject to specific withholding mechanisms that apply on a case by case basis.

### Canada

Canada withholds at source on employment income. In addition, where prior year's residual tax liability is $2,000 or more, tax instalments are required to be paid by the employee quarterly. For non-resident contractors, a withholding tax regime is in place (subject to certain exemptions).

### China

China still heavily relies on a withholding mechanism to collect tax from individuals. A party making payments to an individual generally has the obligation to withhold the tax at source and remit the tax to authorities, except for certain situations (e.g. the individual doing business through a sole proprietorship, partnership, or "individual industrial and commercial household"). However, China has considered moving the existing typical scheduler Individual Income Tax system towards a more comprehensive system, which might require more self-reporting by individual taxpayers. Chinese tax authorities have made efforts to establish information exchange mechanism with other government departments (e.g. the State Administration of Foreign Exchange) to regularly collect income-related information for internal matching/audit purposes.

### France

As from 2019, a pay-as-you-earn system will be set up. In addition, France intends to develop data mining to ensure individuals are declaring all income.

### Germany

Employers act as withholding agents when paying employees, but there is no withholding requirement when paying independent contractors. Germany is relying on additional data collection and exchange of information to make sure that in the case an expense is claimed by the principal company the payment is taxed at the level of the recipient. This mostly happens in case of a tax audit at the level of the principal company. There currently is no "real-time" mechanism in place. Tax auditors and social security auditors have begun analysing payments to freelancers or contractors in much more depth, than a couple of years ago. No other new or specific measures have been introduced.

### Hungary

Companies are required to withhold taxes from salaries and fees paid, irrespective of whether the individual is an employee or contractor. All employers ought to report the earnings of their employees to the tax authority though a central database. The tax authority then prepares a return for the taxpayer automatically, which may be modified by the taxpayer. This practice helps eliminate opportunities for undeclared earnings and reduces administrative burdens. The personal tax rate in Hungary is a flat rate of 15%.

### Israel

The duty to withhold tax is on the payer, with criminal sanctions in place if tax is not withheld (except where the worker has provided a tax exemption).

### Italy

In Italy both employees and the self-employed are subject to withholding taxes.

### Japan

Many payments to individuals are subject to withholding tax, even outside of employment relationships, for example, payments to a Japanese resident lawyer, accountant, consultant, translator, and several others are subject to withholding in Japan. More information is available in the Japanese tax authority withholding tax guide:

https://www.nta.go.jp/publication/pamph/gensen/shikata2018/pdf/withholdingtaxguide2018.pdf

### Luxembourg

Luxembourg withholds at source for some revenues (e.g. salaries and pensions). A "full" tax return should be completed once a year. This must disclose all income received, with sanctions applying if obligations are not met. There is an exchange of information in place between European countries concerning some revenues (including salaries of cross-border workers). There is also an exchange of information in place between national authorities (tax authorities and authorities in charge of social matters). Recently, there was a tax amnesty whereby if an individual declared revenues not yet declared, less sanctions were applicable. More information on this tax amnesty is available here:
https://www2.deloitte.com/lu/en/pages/tax/articles/implementation-luxembourg-tax-amnesty.html

### Mexico

The tax rules applying to employees and self-employed contractors are similar; in a sense, that businesses are required to withhold taxes from salaries and fees paid, irrespective of whether the individual is an employee or a self-employed contractor.

To ensure taxes are collected in an efficient way there is an obligation to issue electronic tax invoices which are shared with the Mexican tax authorities. Additionally, the tax authority prepares a "pre filled" return for the taxpayer, which may be modified by the taxpayer. This practice helps eliminate opportunities for undeclared earnings and reduces administrative burdens.

### Russia

Multiple employment is not very common in Russia and therefore there are no specific initiatives related to this issue. All contractors must be registered with the tax authorities to carry out an independent business.

### Spain

As a general rule, payments to self-employed individuals (e.g. contractors) are currently subject to 15% withholding tax at source regardless of industry.

### United Kingdom

The UK has an efficient payroll withholding system for employees and pensioners. It has required that public sector engagers take responsibility to withhold from contractors deemed to be employees. There is discussion about broadening this to private sector engagers. There is also discussion about requiring information and possibly withholding from platforms engaging gig workers. The issue has been the subject of a review: "Good Work: The Taylor Review of Modern Working Practices". More information about the review and the UK government's response are here:

https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices and https://www.gov.uk/government/publications/government-response-to-the-taylor-review-of-modern-working-practices

## Summary

Internationally there is a clear trend towards real time data collection, which is used to either pre-fil returns or verify tax return reliability. This data collection is increasingly being available to taxpayers themselves to provide transparency to their affairs.

The requirement on all taxpayers to file tax returns in other countries brings integrity to the tax system. Given recent research in New Zealand on the size of the hidden economy and the current Business Transformation project, now seems the right time to reevaluate whether we should return to all taxpayers filing annual tax returns. Like Luxembourg, consideration should be given to holding a tax amnesty to allow taxpayers to draw a line under the past and change behaviours going forward.

# Technological change

## It's all well and good taxing people, but what if workers are replaced by robots? Technology should be viewed as an opportunity rather than a threat, but what is being done to prepare for and embrace it?

We posed the following question:

*There is concern the coming wave of technological change will result in job destruction / higher unemployment. Is your country doing anything to ensure tax rules encourage the retention / growth of employment? For example tax incentives for training or increasing staff numbers*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

Argentina has tax incentives on training. Other tax incentives usually require employers to maintain staff numbers.

### Australia

In Australia the 2017-18 budget focused on the following broad areas to achieve stronger growth in jobs:
http://budget.gov.au/2017-18/content/glossies/jobs-growth/html/

The Australian government has made significant progress in implementing its National Innovation and Science Agenda and FinTech measures to encourage individuals and businesses to innovate through greater collaboration, building talent and skills, supporting entrepreneurship and improving access to capital:
http://budget.gov.au/2017-18/content/glossies/factsheets/html/FS_innovation.htm

### Brazil

Recent labour reforms have been made, but these changes are not necessarily related to the fact that new technologies are evolving.

### Canada

There is no comprehensive tax program to encourage the retention or growth of the size of the workforce. Some provincial credits or levies have been introduced over the years.

### China

China has tax incentives to encourage the employment (including self-employment) of specific group of people, notably the disabled, ex-servicemen, fresh graduates and unemployed individuals from low-income families. For example, companies are entitled to additional deductions for

salary expenses paid to the disabled employees. Qualifying small businesses that hire certain individuals may be entitled to tax credits.

**France**

Since 2013 France has had a tax credit for competitiveness and employment ("CICE"). The CICE was introduced to reduce the cost of employing workers. The tax credit, based on the wages an entity pays to its employees over the calendar year, currently is 7% of gross payroll on the portion of remuneration that does not exceed 2.5 times the national minimum wage. The CICE generates a receivable against the French treasury that may be offset against the entity's corporate income tax liability, or refunded after three years. Some recent changes to the CICE are explained in the following article:
https://www.taxathand.com/article/8954/France/2017/Parliament-adopts-second-amended-finance-bill-for-2017-and-finance-bill-for-2018

**Germany**

There is no current known activity in Germany in this area.

"At a national and local level, government subsidies are provided for qualifying training programmes."

**Hungary**

Hungary is promoting the retention of employees through having a fairly low personal income tax rate (a flat rate of 15%) and favourable tax exemptions and allowances. Refer to the Hungary Country Guide for more information:
https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-hungaryguide-2017.pdf

**Israel**

There is no current known activity in Israel in this area.

**Italy**

In Italy there are tax deductions available which encourage open-ended employment contracts.

**Japan**

Japan has a number of initiative to address the changing nature of work. There is a tax credit available to companies based on the number of employees hired, however, this is only for companies that hire outside the major cities of Japan. There is a tax credit available for companies that raise wages and capital investment. An additional tax credit will be available to companies that increase training costs.

More information is available here:
https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/tax/bt/jp-bt-japan-inbound-tax-alert-dec-2017-no26.pdf

**Luxembourg**

No such new measures have been implemented in Luxembourg yet. There have been (non-tax) initiatives in relation to allowing flexibility at work in order to acknowledge the particular circumstance of Luxembourg being a small country with many cross-border workers.

### Mexico

Recently, Mexico has launched seven special economic zones (SEZs). The SEZs aim to stimulate growth, reduce poverty, facilitate the supply of basic services and attract investment to economically underdeveloped or depressed areas.

SEZs are available to Mexican companies or state-owned entities that obtain permission to become "integral administrators" and Mexican or non-resident entities and individuals that receive authorization from the Ministry of Finance to be qualified SEZ "investors" and that carry out qualifying "economic productive activities" in an SEZ. The tax benefits available in SEZs for qualifying integral administrators and investors includes, among others:

- A 100% reduction of the normal corporate income tax rate for the first 10 fiscal years, and a 50% reduction for the following five fiscal years, subject to certain requirements (except for the Progreso SEZ, which offers accelerated depreciation);
- A tax credit equal to 50% of the employer's contribution for illness and maternity insurance for the first 10 fiscal years, reducing to 25% for the following five fiscal years.

More information about SEZs is available here: https://www.taxathand.com/article/8935/Mexico/2017/Two-more-SEZs-launched

### Russia

No specific developments.

### Spain

From a corporate tax standpoint, article 37 of the Spanish Corporate Income Tax Act ("CIT") provides for a tax deduction for employing individuals under 30 years of age. At a national and local level, government subsidies are provided for qualifying training programs.

### United Kingdom

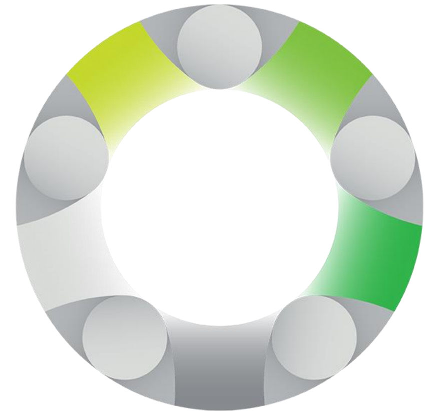
The UK has introduced an Apprenticeship Levy of 0.5% on payroll costs to finance new apprenticeships. At the autumn Budget 2017, a new tax relief for self-funded work related training costs was announced (employer costs are deductible and not a taxable benefit), with consultation currently being undertaken: https://www.gov.uk/government/consultations/taxation-of-self-funded-work-related-training

## Summary

There is a trend towards implementing tax rules which encourage employers to grow the workforce and also enhance the skills of their employees. Employment is critical for New Zealand's growth, but it is also important that employees are productive in their work and there is matching between the skills and strengths of employees and the work they are engaged in. An employee using his or her strengths are more likely to be productive and happy in their work.

New Zealand should monitor the approach being taken in the United Kingdom of looking at how the tax system can support those needing to upskill and retrain, particularly for those who want or need to change career.

# The sharing economy



## Thinking smarter and utilizing assets and workers is what the sharing economy is about. But have tax systems adapted to ensure these new business models are taxed?

We posed the following question:

*The sharing economy generally refers to people using online platforms to share assets such as their house or car with third parties (think Air BNB, Uber). Is your country doing anything to change the tax rules to ensure these transactions are taxed?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

Argentina has taken the step of prohibiting Uber, however this has not been successful and Uber still operates. Credit card companies were also mandated not to collect money on behalf of Uber. These moves do not appear to be tax driven.

### Australia

The Australian Taxation Office has engaged in some high profile litigation in respect of the requirement for ridesharing to be registered for GST where it is below the GST threshold of $75,000 (on the basis it is a taxi-service) https://www.ato.gov.au/law/view/document?LocID=%22JUD%2F2017ATC20-608%22&PiT=99991231235958

Australia has been proactive at considering taxes and the sharing economy, including holding targeting educations campaigns, such the following three examples related to the sharing economy generally, holiday homes and ride sharing:
https://www.ato.gov.au/General/The-sharing-economy-and-tax/
https://www.ato.gov.au/General/Property/In-detail/Holiday-homes/
https://www.ato.gov.au/general/ride-sourcing-and-tax/

The guidance on ride sharing communicates that the Australian Tax Office undertakes data matching in order to ensure drivers are complying with tax obligations.

The Black Economy Taskforce has also acknowledged in its interim report that the sharing economy incentivises participation in the black economy https://consult.treasury.gov.au/tax-framework-division/black-economy-taskforce/supporting_documents/BE_IR.pdf

### Brazil

There have been discussions on how to adapt the current legislation to the new sharing economy, but nothing concrete has been issued at this point.

### Canada

The province of Quebec, in its most recent budget, expanded its VAT regime to include non-residents supplying the digital economy. The federal government has recently announced that it is commencing a study to determine whether changes are required. Domestically, the Canadian tax regime encompasses transactions such as Airbnb, Uber, via worldwide taxation and self-reporting requirements. However, no new compliance measures have been introduced.

### China

The government is studying the relevant issues of the sharing economy. However, there have not yet been any announcements of plans to change the existing tax rules.

### France

As from 2019, collaborative platforms will have to transmit the income realised by their users through their platform to allow the tax administration to pre-fill the tax declarations. In addition, a bill will be examined by the Parliament in June. If the bill passes as it is drafted, the platforms will also have to transmit information to their users concerning their tax obligations and a document mentioning the relevant elements to enable them to fill their declaration.

### Germany

Germany is part of the EU's initiative to tax the digital economy. See the following Tax Alert article for more information:

https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-european-union-23-march-2018.pdf

Germany has not yet implemented any specific measures relating to the sharing economy.

### Hungary

A proposal has recently been submitted to make online cash registers mandatory at the place of all accommodation services. These registers are hooked to the central data system of the tax authority.

### Israel

At this point there are no tax rules that ensure these transactions are taxed, but this is a current issue under consideration and the tax authorities have stated an intention to publish a position on the sharing economy.

### Italy

There is a specific 21% flat tax on rental fees (colloquially known as the Italian Airbnb tax). This is an optional flat tax on short-term rental (less than 30 days) income. The tax applies to the gross rental income with no deductions available. The 21% rate compares with progressive tax rates ranging from 23% to 43%.

### Japan

From an indirect tax perspective, Japan has introduced digital service rules requiring foreign enterprises that provide digital services to Japanese customers to collect and remit Japanese Consumption Tax.

### Luxembourg

There are no current specific rules in Luxembourg. It is noted that there is an EU proposal to tax the digital economy.

### Mexico

In Mexico, there is an electronic tax obligation that, among others, establish the obligation to issue electronic invoices, which are shared with the Mexican tax authorities. Additionally, Mexican banks have the obligation to inform tax authorities when there is cash deposit that exceed a specific threshold.

### Russia

No specific developments.

### Spain

The Spanish Revenue Agency has recently expressed not only concerns, but also action plans to ensure appropriate tax is being collected from online platforms related to the "sharing economy."

This comprises both Airbnb, Uber, and online marketplaces (Wallapop, similar to Ebay in the United States). This is being addressed from both a direct tax and indirect tax perspective. The Spanish Revenue Agency has publicly announced its intention to pay particular attention to these businesses and to conduct appropriate tax audit proceedings.

### United Kingdom

The United Kingdom has not yet implemented new laws specific to the sharing economy. Steps are being taken to ensure that platforms selling goods of others share responsibility for collection of VAT. For more information see the following consultation paper regarding a possible options for a split payment mechanism (whereby payment merchants could be required to withhold and remit VAT to HMRC on a real time basis): https://www.gov.uk/government/consultations/alternative-method-of-vat-collection-split-payment

## Summary

The sharing economy does not necessarily require special tax rules but it is important that revenue authorities educate taxpayers about tax obligations, particularly to the extent its participants are individuals who have had limited interaction with the tax system due to New Zealand's approach of not having compulsory personal tax returns.

The digital nature of the sharing economy presents facilitates data collection and matching and this is necessary to ensure the sharing economy does not contribute to an increase in the hidden economy.

# Information is everything

## If you can’t collect tax at source, the next best thing is information. Information gives the revenue authority the power to raise assessments and query return positions.

We posed the following question:

*Information is everything and we're starting to get the computer power to process a lot of information and to undertake data matching. Does your country collect a lot of data on a regular basis and use it to verify/audit tax positions? For example, submitting invoices with VAT/GST returns.*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

There are more than 100 information collecting regimes for tax purposes. For example, credit cards, schools, banks, even neighborhoods must report how much money individuals spend. Electronic invoicing is mandatory on most transactions, and any expense higher than USD50 must register who is the buyer to track expenditure.

### Australia

Australia has a legislated system of third party reporting to enable data collection in a uniform and prescribed manner. This includes collection in respect of:

- Interest and dividends
- Employment income
- Government payments
- Capital gains tax from the disposal of shares and property
- Employment-related foreign source income
- Taxable government grants and payments
- Payments made to contactors in the building and construction industry, cleaning and courier services
- Distributions from partnerships, trusts and managed funds.

For more information see the following link from the ATO:

https://www.ato.gov.au/General/Building-confidence/In-detail/Data-matching/?anchor=Legislateddatacollection#Legislateddatacollection

Further data collection is undertaken as one-off requests for information, largely around compliance risks.

The ATO routinely uses data analytics to assess compliance risks, and to conduct taxpayer reviews.

### Brazil
Brazilian corporate taxpayers operating in Brazil are required to comply with the Public Digital Bookkeeping System (Sistema Público de Escrituração Digital, SPED), which is replacing paper bookkeeping. The SPED is a new complex and sophisticated data requirement in which taxpayers should file on an annual or monthly basis (and not just in case of audit) all account and tax information available based on standard uniform electronic layout.

### Canada
This type of data is not collected on a regular basis but it may be requested upon audit.

### China
Chinese tax authorities have made efforts to establish information exchange mechanisms with other government departments to regularly collect income-related information for internal matching/audit purposes. China's State Administration of Taxation has launched a program to identify and request certain large businesses to regularly provide their relevant tax and financial information. China has established a nationwide electronic system and all domestic VAT invoices must be issued through the system.

### France
The French Tax Authority is using data mining to verify and audit tax positions for individuals as well as for companies; for example, a lot of transfer pricing information is transmitted. For individuals, most of the information is focused on their accounts. Banks also have important reporting obligations in this area.

### Germany
Data collection by the tax authorities is an important topic in today's environment. Tax auditors generally want to have access to the company's Enterprise Resource Planning (ERP) system in order to analyse the company's data. For VAT purposes data analytics has been a common theme for a while. When filing the annual tax returns an electronic balance sheet needs to be submitted so that the tax authorities can verify the data in case of a tax audit.

### Hungary
The use of online cash registers is mandatory to perform certain activities. These cash registers prevent the erasure of items post sale and provide the tax authority with information on a daily basis. As of 1 July 2018 real-time data exchange on transactions, where the invoice includes more than approximately €320 of VAT will become compulsory.

Hungary is also taking part in the EU’s Intrastat data collection. Intrastat requires companies to send monthly statistical declarations to national authorities in a close link with the tax system. In addition, taxpayers are required to file EC Sales List reports when trading with other EU Countries. More details about Intrastat are available here:

https://www2.deloitte.com/content/dam/Deloitte/be/Documents/tax/dttl-tax-intrastat-guide-2017.pdf

### Israel
The Israel Tax Authority regularly collects large amounts of data and uses it to verify and audit tax positions.

### Italy

A lot of information is collected electronically in Italy. For VAT purposes there is a requirement on certain businesses to issue electronic invoices, for example supplies made to public bodies (B2G transactions) must have an electronic invoice issued before payment can be made. An annual VAT return summarizing transactions undertaken in the previous year must be filed.

"For VAT purposes data analytics has been a common theme for a while."

### Japan

The authorities collect information returns regarding payments subject to withholding tax paid by a company so that they can match with the recipient to ensure they are reporting such payments as income.

### Luxembourg

The filing is more and more under the format of e-filing. Also data is required and exchangeable on the basis of the different exchanges of information in place (exchange of information on request, automatic exchange of information, and spontaneous exchange of information).

### Mexico

The Mexican Tax Authority has a standardized trial balance and taxpayers must upload standardized trial balances on a monthly basis.

All Mexican taxpayers must issue invoices electronically in a format established by the Mexican Tax Authority, this is known as "CFDI" (its acronym in Spanish). From 1 January 2018 there is a new 3.3 version of CFDI. These obligations provide the Mexican Tax Authority with a lot of information to verify tax positions and to undertake data matching.

### Russia

Russia is not doing anything special in this area. The tax authorities have a right to request any information they may need to verify the tax position.

### Spain

The Spanish Revenue Agency has a very powerful technology reach and practically all taxpayers must mandatorily file their returns and communicate with the Spanish Revenue Agency electronically. Extensive resources have been invested towards creating a strong information technology system to conduct data matching which often results in tax assessments / audits.

From an indirect tax perspective, as of almost a year ago, VAT information is being submitted for qualifying taxpayers practically on a real-time basis as per Suministro Inmediato de Información (SII) system, which is conducted entirely online and provides the Spanish Revenue Agency with various sources of VAT data to reduce tax evasion.

### United Kingdom

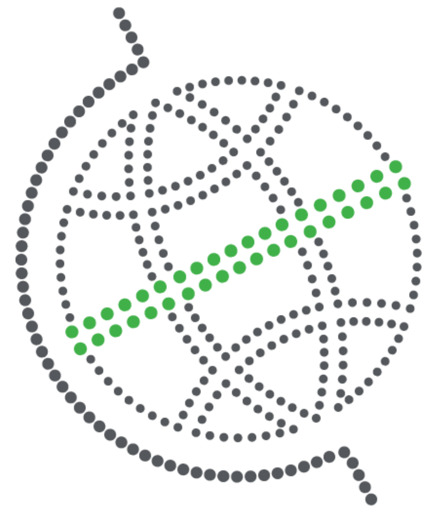
The UK requires iXBRL tagged accounts and tax computations for companies. It does not require any transaction data. The government is consulting on requiring digital record keeping and return submission for VAT, which is due to be introduced in April 2019. It may require the same for self-employed and landlords but not before April 2020. This project is called "Making Tax Digital" and more information is available here: https://www.taxathand.com/article/7510/United-Kingdom/2017/Consultation-published-on-making-tax-digital

## Summary

Data collection is becoming an important tool to ensure tax compliance in a cost effective way for tax authorities. It will be important to seriously consider compliance costs for taxpayers before pursuing a regime where large amounts of data are routinely collected.

If additional information reporting is required, then on the basis that any enhanced information reporting increases tax compliance (and so tax revenues), consideration could be given to compensating entities which are required to report additional information.

# The company tax rate



## The headline tax rate can have a significant impact on the allure of a country for international investors. If New Zealand's company tax rate stays at 28% what sort of competition will we be facing?

We posed the following question:

*A number of countries have dropped company tax rates recently. Is your country actively considering a company tax rate reduction? Is your country planning to keep the company tax rate the same but change effective tax rates in other ways (e.g. through enhanced deductions)?*

All responses are general in nature and should not be relied on without further detailed advice.

**Argentina -** The company tax rate in Argentina is 30%
The company tax rate has just been reduced to 30% this year and will be further reduced to 25% in 2020.

**Australia -** The company tax rate in Australia is 30%
Australia aims to reduce the large company corporate tax rate from 30% to 25% over 10 years. The government has already legislated a company tax rate cut for small business up to AU$50million turnover. For more information see the following link from the ATO:
https://www.ato.gov.au/rates/company-tax/
https://www.ato.gov.au/Rates/Changes-to-company-tax-rates/?page=1#Base_rate_entity_company_tax_rate

In addition to dropping the company tax rate, certain tax incentives exist. For example there is a $20,000 instant asset write off available up to 30 June 2018. For more information see the following link from the ATO:
https://www.ato.gov.au/newsroom/smallbusiness/lodging-and-paying/$20,000-instant-asset-write-off/
The National Science and Innovation agenda includes some tax initiatives including Research & Development Tax Credits:
https://www.innovation.gov.au/

**Brazil** – The company tax rate is 15% but various surtaxes provide an effective tax rate of 34%
The Brazilian government is considering a corporate income tax rate reduction but nothing concrete been enacted as yet.

**Canada -** The federal company tax rate in Canada is 15%. Provisional general corporate income tax rates range from 11.5% to 16%
There is no planned reduction to the general federal corporate tax rate. However, the federal government has announced a review of the impact of US tax reform on Canada. The federal government and certain provinces have recently reduced the tax rate on small corporations.

**China -** The company tax rate in China is 25%
Qualifying small businesses may enjoy a tax rate reduction so that the effective corporate income tax rate is only 10%. China plans to significantly expand the scope of small businesses eligible for this incentive.

**France -** The company tax rate in France is 28% for the first €500,000 taxable profit and 33.33% thereafter
The French Parliament just voted for a corporate income tax reduction. The corporate income tax rate will gradually be reduced to 25% by 2022 over a four-year period (2018-2022). More information is available here:
https://www.taxathand.com/article/8954/France/2017/Parliament-adopts-second-amended-finance-bill-for-2017-and-finance-bill-for-2018

**Germany -** The company tax rate in Germany is approximately 30%. This is made up of a base rate of 15%, a solidarity surcharge and a variable local trade tax
Germany is currently not considering a tax rate reduction or changing effective tax rates in other ways.

**Hungary -** The company tax rate in Hungary is 9%
Hungary already has a rather low corporate income tax rate of 9%.

**Israel -** The company tax rate in Israel is 23%
Since 2015, the corporate tax rate has been reduced (2015: 26.5%, 2016: 25%, 2017: 24%, 2018: 23%) and they will be reduced further in the future. In addition at the beginning of 2017, there was an amendment to the Israeli encouragement law, which introduces a new route of tax benefits that in case a company will meet some terms the corporate tax rate applying to that company can be reduced to 7.5%. Some examples where reduced corporate tax rates will apply are set out in this guidance:
https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/international-business-support/deloitte-cn-ibs-israel-int-tax-en-2017.pdf

**Italy –** The company tax rate is 24%
In Italy the company tax rate was reduced from 27.5% to 24% from 1 January 2017. There is an addition 3.5% surcharge on financial institutions. There are also accelerated depreciation deductions available for investments in tangible assets and R&D incentives which reduce the effective tax rate further.

**Japan -** The effective company tax rate in Japan ranges between 30%-34% depending on the size of the company.
Over the past few years Japan has dropped its effective tax rate to about 30%. There are no known plans for further reductions.

**Luxembourg -** The company tax rate in Luxembourg is approximately 26%. This is made up of a base rate of 18%, a surcharge for the employment fund and a variable local trade tax

There was a main tax reform with a reduction of corporate tax rate over the last two years (from 29.22% to 26.01% for entities located in Luxembourg City). See the following article for more information: https://www2.deloitte.com/lu/en/pages/tax/articles/tax-reform-2017.html

**Mexico -** The company tax rate in Mexico is 30%

The Mexican income tax rate applicable to entities is 30%. There is no current expectation of a rate reduction or enhanced deductions.

**Russia -** The company tax rate in Russia is 20%

A corporate tax rate of 20% has been in place in Russia for many years and there are no expectations that the rate will change in near future.

**Spain -** The company tax rate in Spain is 25%

Following an overhaul to taxing legislation, effective 1 January 2015, the corporate tax rate was reduced from 30% to 25%. As a compromise to the corporate tax reduction (which is not expected to be reduced any further) most historical deductions were eradicated. The current corporate tax deductions revolve around R&D, film/audiovisual/artistic productions, employment creation, and hiring of disabled individuals. The Spanish government is actively trying to increase tax revenue collection and in has for a period had a minimum corporate tax installment based on the accounting result (i.e. if tax due under the tax rules is lower, the minimum corporate tax installment must be paid). The corporate tax rate for installment payments was also increased for large-sized enterprises so that it better matches the effective tax rate borne in the final balancing payment.

**United Kingdom** - The company tax rate in the United Kingdom is 19%

The UK has a 19% corporate tax rate and has legislated for a 17% from April 2020. It offers an effective 10% rate on certain income from patents. It offers enhanced deductions for enhanced R&D costs and for qualifying creative industries costs e.g. films, animation etc. No new incentives have been announced in the last 2 years.

## Summary

Tax rates involve a series of trade-offs between taxing mobile and immobile capital and labour. It is clear that many other countries have and are considering a reduction in company tax rates. Some of this is likely to have been driven by a need for competitiveness and in part be a reaction to other countries. In addition, it may also be an acknowledgment that company taxes can be more harmful to economic growth than other forms of tax.

# What else can be taxed?

## We tax a broad range of things in different ways, but are there other things which could also be taxed?

We posed the following question:

*Income taxes, capital gains tax, employment taxes, consumption taxes (VAT/GST) are all fairly common. Does your country tax other things? (e.g., environmental taxes) Is your country considering any new types of taxes?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

Argentina has a number of taxes: VAT and GST; a tax on minimum presumed income (however this has been repealed from 2019); a 1% stamp tax on written agreements; personal assets tax, which is a tax on the net wealth of individuals each year; tax on use of bank accounts. In addition to taxes there are numerous withholding systems which accelerate collection and increase the administrative burden on taxpayers.

### Australia

Australia has a comprehensive capital gains tax regime, and goods and services tax. At the state level, there are a number of taxes imposed including payroll tax, land tax and stamp duty on a transfer of real property. Recently, Australia has introduced a Multinational Anti-Avoidance Law (MAAL) for taxing permanent establishment avoidance and a Diverted Profits Tax (DPT). More information is available here: https://www.ato.gov.au/Business/International-tax-for-business/In-detail/Doing-business-in-Australia/Combating-multinational-tax-avoidance---a-targeted-anti-avoidance-law/ and here: https://www.ato.gov.au/general/new-legislation/in-detail/direct-taxes/income-tax-for-businesses/diverted-profits-tax/

### Brazil

Apart from the several layers of VAT (Federal, State and Municipal), Brazil imposes Excise Tax, Import Duty, Financial transactions tax, property tax, transfer tax, capital gain tax (resident and non-resident), inheritance state tax, income tax (corporate and individual), social security, taxes on specific cross border payments (technical services and royalties), withholding taxes, amongst others.

Brazil has also initiated discussions on the indirect taxation of the digital economy on a State and Municipal level.

Brazil is not currently considering any new taxes.

### Canada

Canada has indicated a commitment to some form of carbon tax to be implemented by the provinces/territories as they determine. Some jurisdictions have already introduced measures.

Canada has indicated that it will review the taxation of the digital economy.

### China

China has Resource Tax (which is imposed on various mineral resources) and Environment Protection Tax (which is imposed on taxable pollutants). The Environment Protection Tax started to be collected from 1 January 2018; noting this tax was previously collected as a fee charged by government authorities. More information is available here: https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/tax/tax-newsflash/deloitte-cn-tax-newsflash-bilingual-161229.pdf

### France

France has created many other taxes, such as environmental taxes. In addition, France is one of the country's leading the discussion which are taking place at the EU level to tax digital services.

### Germany

Germany has a variety of other taxes like e.g. real estate transfer tax, real estate tax and other consumption and indirect taxes. Germany is currently not considering any new types of taxes.

### Hungary

Hungary has special taxes for the energy sector, financial institutions, telecommunications, utility pipes and insurance companies. It cannot be excluded that more special taxes will be proposed in the future.

### Israel

No new tax types are currently being considered.

### Italy

Italy imposes real estate tax (a levy of 0.76% on immovable property); transfer taxes on all transactions involving real property; a stamp duty of €2 on any invoices zero-rated for VAT purposes that exceed €77.47; a "Tobin Tax" applies in the form of a stamp duty on transfers of shares and other financial instruments issued by Italian companies (the rate is 0.2% of the transaction value, reduced to 0.1% where the sale takes place on a listed market).

### Japan

Japan has a number of other taxes, for example:

- Depreciable asset tax - tax imposed on value of depreciable assets
- Real estate registration tax - tax imposed on value of real estate when transferred
- Stamp duty
- Business premise tax - imposed on amount of office space used

More details of these taxes are available here: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-japanguide-2017.pdf?nc=1

### Luxembourg
To increase the level of building sales there is a temporary lower tax rate. More information is available here:
https://www2.deloitte.com/lu/en/pages/tax/articles/tax-reform-2017.html

### Mexico
No new tax types are currently being considered.

### Russia
An ecological levy has recently been introduced. It is payable by virtually all manufacturers and importers in Russia.

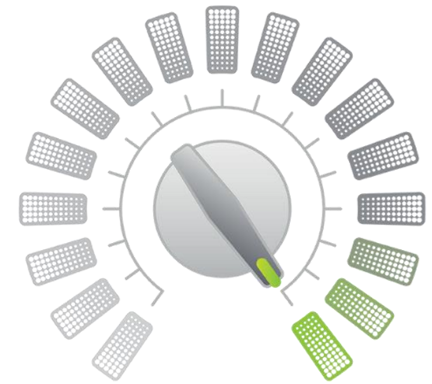
### Spain
There are so-called "green taxes" in Spain and corporations engaged in the hydrocarbon industry suffer a higher tax rate and reduced benefits. A "sugar tax" for the beverage industry has also been the subject of debate in congress.

### United Kingdom
The UK has recently introduced a soft drinks industry levy and is considering a tax on single use plastics. It has various environmental taxes and an air passenger duty. Details of yield from taxes can be obtained from the Office of Budgetary Responsibility analysis; with the soft drinks industry levy collecting less than half the amount forecast (refer page 213):
http://cdn.obr.uk/EFO-MaRch_2018.pdf

## Summary

While there are a wide range of different taxes around the world, what is not known from the information above is the level of efficiency and effectiveness of these taxes. Taxes are about raising revenue required for Governments; our tax system should therefore favour taxes which are the most effective and efficient. Any new taxes would add compliance costs which need to be considered in assessing the merits of such.

# Influencing behaviour



## The tax system has the ability to operate as a carrot or a stick. In general New Zealand has sought to avoid picking winners and losers.

We posed the following question:

*Tobacco taxes and alcohol excise tax are fairly common. Some believe there be a greater role in the tax system for taxes that intentionally aim to modify behaviour. Does your country impose taxes on "bad" things? (For example sugar, plastic bags)*

*Does your country do anything in the tax system to incentivise "good" things? (For example exempting healthy food from VAT/GST tax) If so, is there any evidence this is effective?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

Argentina imposes excise taxes on many items, including alcoholic beverages, sodas, expensive cars, etc. There was a plan to reduce excise tax on sodas depending on the level of sugar, but this was ultimately not implemented, but may still occur. Sodas with natural juice pay less tax.

### Australia

Australia levies excise taxes on items such as alcohol and tobacco, fuel and petroleum products.
https://www.ato.gov.au/Business/Excise-and-excise-equivalent-goods/

Australia has resisted calls for taxes on sugar and plastic bags. The current GST system exempts many items e.g. unprocessed foods, education, health etc. See the following page from the ATO:
https://www.ato.gov.au/business/gst/when-to-charge-gst-(and-when-not-to)/gst-free-sales/#MainGSTfreeproductsandservices

### Brazil

Brazil levies excise taxes. These taxes are higher on certain products such as guns and tobacco.

### Canada

Canada regularly increases tax rates on tobacco and is planning a tax regime for recreational cannabis once legal in July 2018.

### China

China has a "Consumption Tax" (which is somewhat like other countries' excise tax). The Consumption Tax is imposed on certain luxury goods (e.g. luxury watches, luxury cosmetics, golf balls and accessories, etc.) and energy-consumptive/highly pollutant or resource-incentive goods (e.g. certain cells/batteries, coatings, etc.). More information is available here: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-chinaguide-2017.pdf?nc=1

China has some VAT and income tax incentives to encourage renewable energy (e.g. wind power) and waste recycling (e.g. reclaimed water, construction materials made from solid wastes).

### France

The most relevant are the taxes on sodas, applicable since 2013. A new scale will enter into force as from July 2018. The current rate of tax for beverages with added sugar is €7.5 a hectolitre. This will soon start at 1g sugar/100ml; rising to €20 a hectolitre for drinks with more than 11g/100ml. France has also banned free refills of fizzy drinks in restaurants.

### Germany

Germany imposes consumption taxes on a lot of "bad" things, for example alcohol, tobacco, gas, air travel, etc. Certain items like medical products and certain types of food benefit from a reduced 7% VAT rate instead of the general 19% VAT rate. Most of these incentives however were introduced to generate revenue and not so much to influence the consumption behavior of the population. Whether the introduction of such measures is effective and creates a significant effect on the consumption behavior is heavily discussed amongst tax practitioners and scholars. We are not aware of any evidence for the success of any such measures in Germany.

"Whether the introduction of such measures is effective and creates a significant effect on the consumption behavior is heavily discussed amongst tax practitioners and scholars. We are not aware of any evidence for the success of any such measures in Germany."

### Hungary

Excise taxes are levied on alcoholic products, tobacco, fuel and products containing sugar. In addition, environmental taxes are levied on the manufacture of certain products (e.g. batteries).

A reduced VAT rate is applied on certain meats, such as chicken or fish.

### Israel

There are very high taxes on items such as cigarettes.

### Italy

No such taxes have been imposed.

### Japan

Japan has a liquor, tobacco and gasoline tax.

### Luxembourg

For "good" things, there are some incentives in connection with green mobility (electric car, electric bikes etc).

### Mexico

Regarding incentives, there is a special limit for the deduction of hybrids cars as well as for assets uses in the generation of renewable energy.

A 0% VAT rate applies to products to be use as food (exceptions apply), books and medicines.

### Russia

In Russia there are regular excise taxes and VAT. Lower VAT can apply to certain categories of goods (such as certain food and groceries).

### Spain

There are currently more taxes on "bad" things than on promoting or incentivizing "good" things.

### United Kingdom

The UK has introduced taxes on sugary drinks and consultation on single use plastics. Wales is considering a vacant homes levy. There is 100% tax relief on certain environmental equipment and lower tax rates on electric and low emission cars.

## Summary

Whether the tax system is best way to influence behavior may depend on the particular behavior in question. In many instances other approaches, such as education, are likely to be a better option and lead to more successful outcomes rather than applying the tax “stick”.

# Housing

## Housing is a complex problem, is tax an easy solution to solve the problem?

We posed the following question:

*There is a concern that there is a housing shortage in New Zealand and this is influencing housing affordability. There are many ways to attack this problem but it is unclear whether the tax system should be used to address this shortage. Does your tax system do anything to incentivise the increase in the supply of housing? Does your tax system do anything to disincentivise investment in housing?*

All responses are general in nature and should not be relied on without further detailed advice.

**Argentina**
Employees are only permitted to claim a limited number of deductible expenses, one of them is the interest paid on mortgages.

**Australia**
The Australian Federal Government announced about 10 initiatives to promote housing affordability in 2017-18. See the following fact sheets: http://budget.gov.au/2017-18/content/glossies/factsheets.htm

**Brazil**
There are no specific initiatives.

**Canada**
The province of British Columbia has introduced a levy on unoccupied homes with a view towards making more residential spaces available.

**China**
The current policy objectives of the government for real estate sector are to cool off the market and control the ever rising high price of residential property so that the middle-/low-income group of people can afford their housing. Therefore, most tax incentives in the real estate sector are granted to the supply of middle-/low-end housing which are designated to be provided to the middle-/low-income group, e.g. exemptions from stamp duty, urban land use tax, etc. Supply of high-end housing may face less favourable tax treatment, e.g. higher profit rate when tax authorities assessed the taxable profit. The government is also considering the expansion of the scope of real estate tax to include certain residential properties.

### France

France has chosen to put into place a tax on vacant units. Some tax incentives favour rental investment. As from 2018, the French government has been willing to incentive financial investment rather than investment in housing by refocusing the wealth tax only on real estate.

### Germany

The German tax system does not incentivize the increase in the supply of housing. The last tax incentive for supporting housing was abandoned back in 1995. There are certain non-tax incentives for the supply of housing, the current government is planning to introduce an incentive for families with children in the form of a cash payment. There are no specific tax measures that disincentivise housing.

### Hungary

Hungary levies a reduced 5% VAT on certain building constructions and offers allowances from real estate duties for first-time real estate owners and on certain new apartments. Savings accounts dedicated for real estate ownership are supported with supplemental credits. In addition, the "CSOK" aid grants up to approximately €32,000 for the creation of family homes (exact amount is based on the number of children in the family). Extraordinarily favourable loan opportunities are also part of the CSOK package.

### Israel

Israel, especially across Tel-Aviv, has a problem with a lack of housing. Consequently housing is very expensive and difficult to purchase. In light of the housing shortage in 2017, the tax authorities issued a rule which states that there will be tax on each person that has more than 2.5 apartments.

### Italy

There is no housing shortage in Italy. Despite this there are many incentives to purchase and restore homes.

### Japan

Japan allows a deduction for interest on a mortgage.

### Luxembourg

To increase the level of building sales, there is a temporary lower tax rate and other initiatives such as a 50% tax exemption for rental income derived from qualifying social dwellings. See the following article for more information: https://www2.deloitte.com/lu/en/pages/tax/articles/tax-reform-2017.html

### Mexico

There is a personal deduction available for all individuals for mortgage interest payments when mortgage credit is up to approximately US$243,000. Note, all personal deduction are limited to the lower of 15% of the total income, or the equivalent to approximately US$7,900. Additionally, Mexico has a tax exemption for individuals on the sale of a primary residence.

### Russia

Russia has a tax exemption for individuals on the sale of primary residence after 5 years of ownership.

### Spain

There are incentives from an individual tax perspective as there are tax benefits related to one's primary home. On the other hand, ownership of a second home which is kept for one's sole enjoyment (i.e. it is not rented) is subject to a certain degree of additional taxation.

### United Kingdom

The UK has introduced several measures to make it more costly to be a buy-to-let landlord. These include a 3% supplement on purchasing property and a limit on the deductible of finance costs (so they are deducted at the 20% basic rate and not the landlord's marginal rate, which could be 40% or 45%).

## Summary

It is clear that New Zealand is not unique in having issues associated with housing. The range of examples expressed above indicate there are a number of ways to tackle the problem.

# Retirement savings

## With an aging and expanding population that is also living longer, the youth of today can expect a very different world when they come to retire. Universal superannuation may be a thing of the past in 2058, so should there be incentives now to save for the future?

We posed the following question:

*More people are reaching retirement age, we're expecting more "baby boomers" to start retiring. Is your country doing anything to incentive savings?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina
Certain financial products are exempt from tax.

### Australia
Whilst Australia does not have specific savings incentives, the tax incentives within the superannuation system are attractive to savers.

Australia has both a compulsory and voluntary superannuation savings. The compulsory regime is the superannuation guarantee scheme which requires employers to contribute superannuation contributions of 9.5% of an employee's ordinary-time earnings to superannuation (this will eventually increase to 12% in financial year 2025-2026). Employees can also make contributions either as salary sacrificed (before tax) or after tax contributions subject to a capping system.

More information on the taxation settings of the Australian superannuation system can be found on page 3 of this Budget 2016 fact sheet:
http://www.budget.gov.au/2016-17/content/glossies/tax_super/downloads/FS-Super/01-SFS-budget_narrative-161109.pdf
The Re:think Tax Discussion Paper (March 2015) also provide a full summary of the taxation of savings in Australia (pages 57-72):
http://bettertax.gov.au/files/2015/03/TWP_combined-online.pdf

In addition Australia operates under a dividend imputation system which imputes a credit for tax paid at a company level to the shareholder. This provides an incentive for Australian residents to invest in Australia companies.

### Brazil
Specific retirement funds benefit from a withholding tax exemption.

### Canada
Canada has a registered retirement savings plan regime which provides a tax deduction for contributions and tax deferred growth accumulation. As well, a tax-free saving account has been introduced to further encourage savings. There are limitations on contribution amounts to both.

### China
China has been encouraging employing companies to set up annuities for employees by providing an income tax deferral treatment, i.e. the income tax will not arise until the withdrawal. China recently launched a pilot programme to provide income tax deferral treatment to individuals who purchase qualifying commercial pension insurance products.

### France
France have some measures to orientate savings to certain types of investments helping the financing of specific companies or sectors.

### Germany
There are specific retirement plans that are tax subsidized. Payments out of the general old age insurance are generally taxable whereas contributions into the old age insurance system are tax deductible.

### Hungary
Hungary have quite limited incentives. Voluntary contributions in pension funds are supplemented with another 20% of the in-payment as a tax allowance.

### Israel
In 2017 the Social Security started to save 50ILS (US$14) monthly for each child aged under 18.

### Italy
Italy has always implemented a favourable tax regime for savings. For example there are generally no capital taxes and there are favourable tax rates for interest.

### Japan
Japan introduced NISA (National Individual Savings Account) which can accumulate earnings tax free (subject to limitations).

### Luxembourg
There are dedicated tax regimes for optional retirement regimes with tax deductions.

### Mexico
Until the mid-1990s, the country had a traditional defined-benefits pension system, which was administered by the government. However, this system was modified in 1997 and since then each worker have their own pension account.

Pensions are no longer administered by the Mexican Social Security Institute, and have been passed into the hands of administradoras de fondos para el retiro (AFORES), or retirement funds administrators, which opened the way for private participation in the segment.

It is important to mention that this pension funds are funded through contributions made by the employee, employer and government.

Under Mexican income tax law, personal pension account contributions are available to be claimed as a taxable deduction for the individual subject to certain requirements and limits.

### Russia

There are no specific initiatives.

### Spain

Tax incentives for savings are small and one could say they do not have a real impact on large figures. The Social Security system needs to find new ways of funding, but real decisions have yet to be reached. More could probably done.

"More could probably be done."

### United Kingdom

The UK has Individual Savings Accounts (ISAs) which allow an individual to save £20,000 annually in a tax-exempt environment. There are Lifetime ISAs and Help to Buy ISAs which offer additional incentives to save (supplements paid in by the government). An individual's main residence is exempt from capital gains tax. Pension saving follows the EET model, with limits on the amount that can be saved. The UK introduced auto-enrolment for pensions, where all employers have to enroll employees in a pension with a minimum employer and employee contribution. Employees may opt out but few do; the numbers saving has increased significantly. The minimum contributions are due to rise and naturally there is concern that more employees could opt out.

## Summary

The taxed-taxed-exempt (TTE) approach in New Zealand differs from many other countries and there is merit in exploring how New Zealand could reduce taxes on savings so as to grow the domestic supply of capital.

# Other examples

## The catch-all. Is there anything else unusual out there in the tax world that New Zealand could consider?

We posed the following question:

*Are there particular tax issues / challenges your country is facing? Has your country done (or considering) anything unique or novel with its tax rules?*

All responses are general in nature and should not be relied on without further detailed advice.

### Argentina

The level of non-declared sales is very high, mainly by small companies and shops. It was recently made mandatory to accept debit cards, which helps tracking sales. Electronic invoicing is also expected to increase tracking to reduce non declared sales.

### Australia

Due to the political make-up of the Senate, the Australian government is not tackling significant tax reform initiatives apart from multinational tax avoidance, housing affordability and risks in respect of the black economy.

### Brazil

There are ongoing discussions of tax and social security reforms which are necessary to recover the economy of the country.

In addition, there are current discussion on the creation of a unified VAT system to reduce complexity.

### Canada

Canada offers R&D incentives.

### China

No.

### France

No.

### Germany

The tax environment in German is relatively stable, the last change in tax rates and a major overhaul of the corporate tax system took place in 2008. There are currently no plans to do anything unique or novel in the area of Germany's tax rules. Germany is one of the few countries that does not offer any R&D tax incentives.

### Hungary

No.

### Israel
No.

### Italy
Web taxation has been introduced and should apply from 1 January 2019. This is a 3% tax on certain internet transactions (this was originally proposed to be 6%). The tax is levied on firms buying "intangible digital products" such as online advertising and sponsored linked embedded in webpages. There is a de minimis threshold of 3,000 transactions in a calendar year before the tax applies. More information on this tax is available here:
http://newsletters.usdbriefs.com/2017/Tax/WTA/171215_5.pdf

### Japan
As a means to more effectively utilize tax authority resources, the tax authority introduced a tax governance program whereby companies, which show that they have good tax governance and are in communication with the tax authorities prior to large transactions, can be subject to less frequent tax audits.

### Luxembourg
No.

### Mexico
No.

### Russia
Russia has "deoffshorization" laws in place incentivising Russian based activities and punishing "tax heaven" activities.

### Spain
From an individual income tax perspective, a new Form 720 was introduced to report assets held abroad by Spanish tax residents (similar to the US's FBAR declaration).

### United Kingdom
The UK has implemented a Diverted Profits tax. The UK is considering turnover tax on certain digital businesses, probably as part of an EU initiative. See the following link for more information:
https://www.gov.uk/government/consultations/corporate-tax-and-the-digital-economy-position-paper

## Summary

Each system has its own nuances and tax policy changes will be made bearing in mind the challenges faced and the nuances of the particular system. What is interesting to observe is there is no indication of moves away from traditional sources of tax to "new" or "novel" methods of taxation.

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