



Tax Working Group Information Release

Release Document

February 2019

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This paper has been prepared by the Secretariat to the Tax Working Group 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 whole Group or the Government.

Some papers contain draft suggested text for the Final Report. This text does not constitute the considered views of the Group. Please see the Final Report for the agreed position of the Group.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Minutes

Date: Friday, 31 August 2018

Location: PwC, Auckland

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geof Nightingale, Kirk Hope (via phone), Marjan van den Belt, Robin Oliver, Craig Elliffe, Nick Malarao, Joanne Hodge

Independent Advisor: Andrea Black

Secretariat: Mark Vink, Paul Kilford, Steve Mack, Matt Benge, Emma Grigg, Casey Plunket, Bevan Lye, Rachel Lilly (note taker)

Apologies: Hinerangi Raumati-Tu'ua and Michelle Redington

1. Previous minutes, forward agenda and administration

Noted	<ul style="list-style-type: none"> • Noted the minutes of the previous meeting. • The Group completed the Tax Working Group Satisfaction Survey. • The Robin Oliver Scholarship Conference is on 27-28 November and Sir Michael is speaking.
Agreed	<ul style="list-style-type: none"> • Kirk Hope's comments he provided on the interim report will be considered post-release for the final report. • Agree to have a longer discussion of the concept of income in the final report. (Noted that the Welfare Expert Advisory Group (WEAG) Secretariat are looking at what you count as 'income'. The Group agreed to wait for the WEAG Report before doing any additional work, but Bill will write a paper about what the main issues are. • The interim report will conclude the principles around the Herd Scheme issues, but the matter will be referred to officials. Officials will carry out consultation and report back to the Group ahead of the final report – but this does not mean anything will be included in the final report on these issues.
Actions for the Secretariat	<ul style="list-style-type: none"> • Add the definitions of the Living Standards Framework's 'Four Capitals' to the interim report's glossary. <ul style="list-style-type: none"> ○ Noted that the 'ecosystems' aspect of 'natural capital' is missing from the LSF's 'natural capital' definition. The Group agreed to come back to this issue after the interim report. • The Secretariat is to prepare draft notes for Sir Michael ahead of the release of the interim report – particularly around the KiwiSaver issues (retirement savings, etc.)

2. Interim report

Noted	<ul style="list-style-type: none"> • Chapter 17, Para 40: <ul style="list-style-type: none"> ○ Joanne wishes to formally record in the minutes her recommendation that “this paragraph, referring to parliamentary intent, come out. In Mathew McKay’s words, if extrinsic material is elevated to legislative status through reference to “intent” it usurps the supremacy of Parliament. That is, the extrinsic material effectively becomes part of the legislation and isn’t just source material to be referred to as an aid in statutory interpretation, as it is now. Have talked wording with Andrea and am OK to leave this segment as amended with my reservation noted.”
Agreed	<ul style="list-style-type: none"> • The Group agreed to the version of the interim report as at the end of today’s meeting (which includes the tracked changes discussed during today’s meeting). • Regarding the Māori authorities section in the Business Tax chapter, there are two issues at play: <ol style="list-style-type: none"> 1. Reducing tax rate of Māori authority subsidiary to match the parent Māori authority (Group agrees). 2. If we grant Māori authority subsidiaries Māori authority status, their current imputation credits will turn into refundable Māori authority credits. (Consider for the final report). ○ The Group agrees that a minor amendment be made to the wording in the Māori authorities section so that the second issue can be considered after the interim report is released.

3. Discussion of capital income appendix

Noted	<ul style="list-style-type: none"> • Māori assets and a capital income tax: <ul style="list-style-type: none"> ○ The consensus of the capital income sub-group is that they broadly understand and agree with the key issues iwi have with an extension of capital income (e.g. there should be no retrospective taxation on settlement assets, etc.). ○ However, the sub-group wants to resolve these issues by using the general relief options they are considering for other assets (e.g. roll-over) – rather than having iwi-specific relief rules. ○ A Secretariat paper on Māori assets will be circulated to the Group for consideration at the next meeting on 14 September.
Agreed	<ul style="list-style-type: none"> • The Group will discuss the idea of a <i>de minimis</i> for the extension of the taxation of capital income after the interim report is released. • The Group agreed that no further changes are required to the appendix ahead of the release of the interim report.
Actions for the Secretariat	<ul style="list-style-type: none"> • Secretariat to prepare a list of key design principles that Cabinet would need to sign off (focus on death and roll-over). Confirm the list at the next meeting and provide to the Minister of Finance the following week.

4. Forward agenda work programme and engagement strategy

Noted	<ul style="list-style-type: none"> • Minister of Finance to attend the 28 September meeting – need to confirm whether it should be held in Auckland or Wellington.
Agreed	<ul style="list-style-type: none"> • Appendix C: Environment:

	<ul style="list-style-type: none"> ○ The Secretariat will handle the first two bullet points on page 15 of the Forward Work Programme Background Paper (under the “three areas of interest”). ○ The third bullet point will be handled by Marjan, or will be contracted out. The Group noted that this bullet point would also include new taxes, rather than just concessions. ● There will be a focus group with environmental groups to discuss the interim report. The Secretariat will support and facilitate this. ● There will be targeted consultation in October (with a few members of the Group attending each session) on: <ol style="list-style-type: none"> 1. Livestock (although note that officials will be handling this aspect of the consultation); 2. PIE/KiwiSaver; 3. Share registries; and 4. SMEs.
<p>Actions for the Secretariat</p>	<ul style="list-style-type: none"> ● Add ‘retirement savings’ and ‘distributional consequences to the revenue neutral package’ to the list of priority items on page 4 of the Forward Work Programme Background Paper. ● Prepare a meeting-by-meeting forward agenda for the Group as a ‘Starter for 10’ to be circulated to the Group the Friday before the next meeting. ● Agenda for next meeting: <ul style="list-style-type: none"> ○ Māori assets (paper being considered on 14 September) ○ Māori engagement ○ NZSF ○ As listed above at n 3, the Secretariat is to prepare a list of key design principles that Cabinet would need to sign off (focus on death and roll-over). This list should be included in the agenda for the next meeting so that the Group can confirm them before they are provided to the Minister of Finance. ○ KiwiSaver/PIE issues – send relevant parts of the appendix to tax experts from the big four accountancy firms and get them to come to the next meeting. ○ Capital income issues: <ul style="list-style-type: none"> ▪ Introducing a taxation on capital when the housing market is vulnerable and there are supply pressures might be an additional complication. ▪ Is there a case for some sort of staggered implementation? ▪ Principles to guide further development: what are the top 10 issues? From that, look at sequencing. Secretariat to start thinking about this.