



Tax Working Group Information Release

Release Document

February 2019

taxworkinggroup.govt.nz/key-documents

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.

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials;
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions;
- [4] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

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, 14 September 2018

Location: Inland Revenue, Wellington

Attendees: Sir Michael Cullen (Chair), Bill Rosenberg, Geof Nightingale, Kirk Hope, Marjan van den Belt, Michelle Redington, Robin Oliver, Nick Malarao, Joanne Hodge, Hinerangi Raumati-Tu'ua,

Independent Advisor: Andrea Black

Secretariat: Mark Vink, Paul Kilford, Bevan Lye, Steve Mack, Sam Aldridge
Matt Benge, Phil Whittington, Shane Domican, Emily O'Connell, Matt Cowan, Catherine Milner, Emma Grigg, Rachel Lilly, Jason Kim, Stewart Donaldson, Fiona McCarthy

Apologies: Craig Elliffe

1. Previous minutes and administration

Noted	<ul style="list-style-type: none"> • Secretariat will send e-mail to Group providing notice regarding release of interim report • That there will be a proactive release of papers presented to the Group including: <ul style="list-style-type: none"> ○ Secretariat papers ○ Papers prepared by Group members (with names not redacted) ○ Papers prepared by Independent Advisor ○ Agendas and minutes of meetings
Agreed	<ul style="list-style-type: none"> • Confirmed minutes of previous meeting • Geof Nightingale to be liaison for Group on Future of Tax in NZ Symposium and work with Matt Benge • Members to consider willingness and availability for presenting and attending Future of Tax in NZ Symposium and to reply to Matt Benge. If Members do not reply, then it is assumed that they are available to attend session outlined in draft agenda
Actions for the Secretariat	<ul style="list-style-type: none"> • Send copy of minutes that will be proactively released • Provide 'walkabout' pack for Members to use as part of consultation and engagement

2. Forward agenda

Noted	<ul style="list-style-type: none"> • Draft forward agenda
Agreed	<ul style="list-style-type: none"> • To proposed forward agenda subject to following amendments: <ul style="list-style-type: none"> ○ 28 September: PIE experts to include KiwiSaver expert ○ Administrative issues to be brought forward to earlier meeting ○ Land banking to be included in forward agenda ○ RFRM to have high level consideration on 12 October ○ There should be a session on what information is required by Inland Revenue ○ Session on compliance cost for small business to be done through Group considering joint paper from CAANZ and NZLS ○ Independent Advisor to prepare paper on truncated disputes process ○ To consider social policy issues and impact of marginal tax rates on lumpy capital gains income ○ Session of 20/21 December rescheduled to 19/20 December ○ Include a final meeting for 23/24 January • To send Appendix B of interim report to Australian experts to test thinking and provide Australian perspective on design choices
Actions for the Secretariat	<ul style="list-style-type: none"> • Provide updated forward agenda to Group with amendments

3. Extending Taxation of Capital Income: List of Agreed Design Features

Noted	<ul style="list-style-type: none"> • List of agreed design features
Agreed	<ul style="list-style-type: none"> • Secretariat paper reflects Groups decisions on extending taxation of capital income, subject to the following amendments: <ul style="list-style-type: none"> ○ Use phrase “interim decisions” ○ Use “would” rather than “should” ○ 2.2 – move to decided ○ 2.5 – Group to make suggestion that Government should consider it but consider it outside of terms of reference ○ 12.1.1 – move to decided ○ 17.1 - should say “deferred” ○ 21.2 – remove this as is covered by 22.1 ○ Include 25.6 - best means of offsetting CGT impacts ○ 26.1.3 – remove “where losses are transferred” ○ 26.7 – remove “in a consolidated group member” ○ 29.2 and 29.3 – move to decided • Group Members can provide paper to stakeholders for consultation purposes
Actions for the Secretariat	<ul style="list-style-type: none"> • Use example scenarios when providing advice on design features • Provide advice on how Canadian valuation rules work • Provide updated paper to Group with amendments

4. Structure of Final Report

Agreed	<ul style="list-style-type: none"> • Future Secretariat papers to include draft text for final report • Final report should be a standalone document and avoid referring to the interim report on issues • Keep main body of final report as short as possible with detail of issues to be outlined in separate volume • Use example scenarios to help explain complex issues
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Actions for the Secretariat	<ul style="list-style-type: none"> • Draft outline of Final Report
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5. Engagement plan

Noted	<ul style="list-style-type: none"> • Engagement plan provided by Secretariat • There is a planned workshop with “civil society” groups
Agreed	<ul style="list-style-type: none"> • With engagement plan outlined by Secretariat subject to following amendments: <ul style="list-style-type: none"> ○ To try and engage with Fonterra and Pure Advantage as part of environmental engagement ○ Specialist Māori groups to be included in engagement on environmental issues ○ Include focus group with small business groups • Need strong working group member attendance at engagements with “representative groups who commonly engage on recommended tax policy changes”
Actions for the Secretariat	<ul style="list-style-type: none"> • Add FNZ, Taxlab and other tax software providers to engagement list • Send collated list of public engagements planned and proposed to Group

6. Māori Assets and Engagement

Noted	<ul style="list-style-type: none"> • Intention for consultation with Māori stakeholders is to ensure recommendations are clearly understood by Māori and seek information about likely impacts to inform further advice • Proposed approach of <ul style="list-style-type: none"> ○ Soft-testing in late September (two small-scale hui) to test who the key stakeholders are and ensure consultation materials are fit for purpose ○ Formal hui in early to mid-October covering <ol style="list-style-type: none"> 1. The key recommendations 2. He Ara Waiora – A Pathway Towards Wellbeing 3. Scenarios/worked examples of how proposals would play out, especially extending the taxation of capital income ○ Providing a summary of feedback and how I has informed the proposals to stakeholders in February • As part of engagement consider what makes capital gains different to other income for Māori assets
Agreed	<ul style="list-style-type: none"> • To consider how standard rollover principles would apply to Māori collectively owned assets and to apply Māori context over principles
Actions for the Secretariat	<ul style="list-style-type: none"> • Update section on rationale for family home exception

7. Capital Income: Supply-Constrained Housing Market and Phased Introduction

Noted	<ul style="list-style-type: none"> • Secretariat paper • Officials to provide further information on housing market impacts of extending the taxation of capital income
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Agreed	<ul style="list-style-type: none"> • To defer decisions regarding phase in, in particular if phase in is required for complex areas of extending the taxation of capital income
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8. Tertiary Challenge Winners

Noted	<ul style="list-style-type: none"> • Tertiary challenge had 16 entries from 6 institutions • Key themes from entries were the perception of the tax system, housing, environment, intergenerational problems, and concerns about how well tax is understood
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