



Inland Revenue
Te Tari Taake

Policy and Strategy
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Law Society
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Dear Neil

Refreshing the Tax Policy Work Programme

This June we will provide Ministers with recommendations for any changes to Government's Tax Policy Work Programme. As you may know, this is done every 18 months.

We already have a very full work programme. And in particular for the next 18 months we know that we will need to undertake significant work in the following broad areas:

- Policy to support the Business Transformation of Inland Revenue
- International Tax and Base Erosion & Profit Shifting
- Enhancing and maintaining the law under broad-based low rate tax framework
- Ensuring the effectiveness of the administration of social policies within Inland Revenue's remit

A goal of the refresh process is to test that the Tax Policy Work Programme will have us putting most of our effort into the highest priority issues. This may lead to re-sequencing work that is already underway or it may result in existing projects being substituted by new and more important work. A key constraint to this exercise is the process Inland Revenue is currently going through to transform our business meaning that there is very limited capacity across the organisation to plan and deliver changes that have not already been anticipated.

When prioritising our projects we consider the following criteria:

- Efficiency (to what extent will the policy help the tax system to minimise impediments to economic efficiency and growth)
- Equity and Fairness (the degree to which the proposal will support government's goals for vertical and horizontal equity)
- Compliance costs are minimised
- Administration and System Costs are minimised
- Integrity and coherence of the tax system is maintained and enhanced

We know that you have perspectives which could be very useful for us to include into the prioritisation process.

I have attached a list of the projects that Ministers have previously approved on the Tax Policy Work Programme. I have also attached a list of Bills and their contents to give you an awareness of what we have worked on and is currently (or about to be) before parliament. I would welcome and value your input to the Tax Policy Work Programme. I am open to how you may choose to do this.

If you would like to meet, or discuss by telephone or video conference, please let us know as soon as possible in order that we can find a suitable time. If you would like to simply send us a list of issues/projects and your priority preferences I would welcome that also.

Appendix One – Current Tax Policy Work Programme (excluding the remedial programme)

	Policy Initiative	Description
Business Transformation	Businesses' taxation – Stage 1	Improving the tax system for business including a more certain calculation of provisional tax, the collection of information and reviewing the penalties and interest rules, in order to simplify and improve tax administration with smaller businesses.
	Businesses' taxation – Stage 2	Further enhancements to improve the administration of tax with businesses will address information provision and audit requirements (Corporate disclosure), and treatment of unfiled returns and other items and will be of greater significance to larger businesses.
	Towards a new Tax Administration Act – Stage 1	Development of a tax administration framework that fits with the direction of BT.
	Towards a new Tax Administration Act – Stage 2	Further enhancements of the tax administration legislation to enable the implementation of an effective, streamlined and responsive tax system.
	Better Administration of GST & PAYE – includes modernization of PAYE rules	Develop new policy options for payroll and GST processes which are consistent with the Business Transformation as well as to ensure that PAYE rules reflect modern employment practices and law.
	Individuals' Income	Improving the tax system for individuals including comprehensive pre-population of income information, the collection of information, more efficient debt collection processes and the degree of interaction with the tax system.
	Investment Income	Simplifying resident withholding tax and other forms of withholding from capital income (eg. dividends)
	Social Policy	Consideration of whether the tax and transfer system can be amended either legislatively or operationally to reduce complexity for individuals as part of the first stage of BT work. Associated with and now subsumes work related to Working for Families including that arising out of Budget 2015.
	Legislative changes to support the design and implementation of stage 1 of START	Changes to facilitate the design and implementation of START and its co-existence with FIRST during the implementation phases.
Better Public Services	Social-sector information-sharing agreement between Ministry of Social Development and the Accident Compensation Corporation and Inland Revenue	Information sharing with Ministry of Social Development and the Accident Compensation Corporation to prevent and recover debt and prevent fraud. IR has committed to support MSD and ACC.
	Information Sharing – Targeting Serious Crime: Phase 2	Information sharing with New Zealand Police to prevent and recover debt and prevent fraud. This supports Government's gang strategy.
	Information Sharing – Early Childhood Education	Allowing Inland Revenue to advise Ministry of Education when one of their providers goes into tax debt.

Appendix Two –Taxation Bills

Taxation Bills before the House

Taxation (Transformation: First Phase Simplification and Other Measures) Bill 2015

Main content:

- Communications framework
- Electronic signatures / in writing
- Secrecy in a co-location environment
- Withholding tax on benefits under share purchase agreements
- Information sharing
- KiwiSaver membership
- Special tax codes
- Changes to Personal Tax Summary requirements
- Notices of deduction from salary or wages

Taxation (Residential Land Withholding Tax, GST on Online Services, and Student Loans) Bill

Main content:

- GST cross-border services and intangibles
- Withholding tax on non-residents selling residential property
- Student loans (collections with Australia)

Proposed Taxation Bills

1st Omnibus Taxation Bill – 2016: proposed Bill content:

Policy projects

- NRWT on related party debt
- AIL proposals
- GST technical issues
- Review of tax rules for closely held companies
- Interaction of loss grouping and imputation rules
- Related parties debt remission
- Remission income, insolvency and bankruptcy
- Aircraft overhaul reserves - timing of deductibility
- DTA and GAAR
- Akl Council - land tainting

Recurring or ongoing Items

- Confirmation of annual rates
- Donee Status Applications

Remedial Items

- Ancillary taxes and the time bar
- WfF fairness and accuracy issues
- Resettlement of assets by a foreign trust
- Tax pooling/ICA remedials
- Depreciation recovery for partly used business assets
- Depreciation recovery income remedials
- Taxable bonus issues, Imputation Credits and available subscribed capital
- Same FIF method - exception
- Rationalisation of foreign tax credit provisions
- Repeal of redundant foreign dividend payment provisions
- Insurance (general and life) remedials
- Share buy-backs – unintended law change to the cost price adjustment
- Cost base in taxable bonus issues
- Reduction of further income tax - double counting on debt balances