

Hon Simon Watts, Minister of Revenue

Information Release

Repeal of the Taxation Principles Reporting Act 2023

February 2024

Availability

This information release is available on Inland Revenue's tax policy website at <https://taxpolicy.ird.govt.nz/publications/2024/2024-ir-cab-cbc-23-sub-0025>

Documents in this information release

#	Reference	Type	Title	Date
1	IR2023/0274	Policy report	Repeal of the Taxation Principles Reporting Act 2023	1 December 2023
2	CBC-23-SUB-0025	Cabinet paper	Repeal of the Taxation Principles Reporting Act 2023	13 December 2023
3	CBC-23-MIN-0025	Minute	Repeal of the Taxation Principles Reporting Act 2023	13 December 2023
4	CBC-23-MIN-0493	Cabinet Minute	Report of the Cabinet Business Committee: Period ended 15 December 2023	18 December 2023

Additional information

The Cabinet paper was considered and confirmed by the Cabinet Business Committee on 13 December 2023.

Two attachments to the Cabinet paper are not included in this information release as they are publicly available:

- Regulatory impact statement – updated coversheet (dated 7 December 2023)¹
- Regulatory impact statement – original (dated 26 April 2023)²

Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

9(2)(a) to protect the privacy of natural persons, including deceased people
not in scope

¹ <https://www.taxpolicy.ird.govt.nz/publications/2023/2023-ris-tprar-bill>

² <https://www.taxpolicy.ird.govt.nz/publications/2023/2023-ria-pack-tax-principles-bill>

Accessibility

Inland Revenue can provide an alternate HTML version or a MS Word version of this material if requested. Please cite this document's title, website address, or PDF file name when you email a request to policy.webmaster@ird.govt.nz

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POLICY AND REGULATORY STEWARDSHIP

Tax policy report: Repeal of the Taxation Principles Reporting Act 2023

Date:	1 December 2023	Priority:	High
Security level:	In Confidence	Report number:	IR2023/274

Action sought

	Action sought	Deadline
Minister of Revenue	Agree to repeal the Taxation Principles Reporting Act before the end of this year Refer this report to the Minister of Finance	Tuesday 5 December 2023

Contact for telephone discussion (if required)

Name	Position	Telephone
Phil Whittington	Chief Economist	s9(2)(a) [REDACTED]
Murray Shadbolt	Principal Policy Advisor	s9(2)(a) [REDACTED]
Josh Fowler	Senior Policy Advisor	s9(2)(a) [REDACTED]

1 December 2023

Minister of Revenue

Repeal of the Taxation Principles Reporting Act 2023

Context

Purpose of report

1. This report seeks to confirm your intention to repeal the Taxation Principles Reporting Act 2023 ("TPR Act") before the end of this year. A draft Cabinet paper is attached for your review.

A brief history of the TPR Act 2023

2. The previous government commissioned work on developing a reporting framework on the tax system based around a series of tax principles, such as efficiency and fairness. This new reporting would supplement existing reporting under the Public Finance Act 1989 and Inland Revenue's Annual Reports prepared under the Tax Administration Act 1994.
3. On 8 May 2023, Cabinet agreed to introduce and enact a TPR Act as a standalone piece of legislation, and noted that officials would continue to work on whether to shift some aspects of the Public Finance Act into the TPR Act, around the requirements to prepare a Revenue Strategy.
4. The TPR Act was introduced, received its first reading on 19 May 2023 and was referred to the Finance and Expenditure Committee. Submissions were considered under a truncated Select Committee process and a revised version of the Bill received its third reading under urgency on 23 August 2023. The Act received the Royal assent on 30 August 2023. The need for urgency was so officials would be required to provide their first report under the TPR Act this year.
5. The TPR Act requires officials to provide reports on the tax system as it relates to a set of tax principles by the end of each calendar year. In December 2023 and 2024 the report would be an interim version, with a more comprehensive version in 2025. The cycle of interim and comprehensive reports would repeat every three years. The reports are required to be published, with the comprehensive report required to be tabled in Parliament.

Policy options and regulatory requirements

6. The repeal of the legislation may require a Regulatory Impact Statement ("RIS") to be completed. However, we have applied for an exemption from the RIS requirements and are awaiting further advice from Treasury's RIS team.
7. If a RIS was required, it could cover the two main options for the TPR Act: retain it (with or without amendments) or repeal it. The implications from these options are described below.

If the TPR Act is retained

8. If the TPR Act is retained, officials will be required to provide you with an interim report by 31 December 2023. With the Christmas shutdown period this realistically means a report by 22 December 2023 at the latest. The interim report would include information on aspects of the tax system that cover the four areas set out in the legislation, namely:
 - Income distribution and income tax paid
 - Distribution of exemptions from tax and of lower rates of taxation
 - Perceptions of integrity of the tax system, and
 - Compliance with the law by taxpayers.
9. The TPR Act would then require Inland Revenue to publish the report as soon as reasonably practical afterwards. Given the Christmas shutdown period, publication would be in mid-January at the earliest.
10. Some of this information is already published at different times of the year in different locations¹. The interim report would bring the information together in one place and provide more analysis.
11. Further reporting would occur each year, with one in three yearly reports being a more comprehensive report into the design of the tax system with a focus on longitudinal data and one-off in-depth topics. This would require resources to be devoted to its production and publication.
12. If retained, the TPR Act could be amended as required over time to align with the Government's priorities and objectives.

If the TPR Act is repealed this year

13. If the TPR Act is repealed this year, Inland Revenue would no longer be required to report on the operation of the tax system in relation to the tax principles set out in the Act.
14. Inland Revenue would continue to report on the administration of the tax system through its Annual Report process as required under the Tax Administration Act. It would also continue to report on the use of appropriations through the annual Budget process. Additional data may also be published from time to time in response to Official Information Act requests or as part of our stewardship function, depending on priorities and resources.

If the TPR Act is repealed next year

15. If it is not possible to repeal the TPR Act before the end of this year, a repeal clause could be inserted into a Supplementary Order Paper to the current Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. This would occur in March 2024.
16. As this would be after the end of this calendar year, officials would be required to provide you with an interim report on the tax system and to publish it. Work on further reports would stop once the TPR Act is repealed.
17. As part of a later repeal, some reporting aspects of the TPR Act could be consolidated into the Tax Administration Act with the remaining parts of the TPR

¹ Some are published on various Inland Revenue websites, some on Treasury's Budget website.

Act repealed. This would authorise Inland Revenue to report on more than just the administration of the tax system, and to include additional information around the design of the tax system. Again, this would depend on priorities and resources. Over time this could address some of the concerns raised by some in the tax community about the lack of availability of some tax system information.

Inland Revenue's view

18. A reporting framework could be a valuable addition to Inland Revenue's obligations, especially where it has broad support of a range of groups in society. However, enshrining the principles in legislation removes flexibility, and the descriptions themselves were contentious throughout policy development and at Select Committee.
19. The process also lacked tax sector consultation on the measures to be reported, which makes it more difficult to meet the objectives of the legislation. In the light of this, we recommend that you repeal the legislation.

The process for repeal

20. We understand that you wish to repeal the TPR Act, and for the repeal to occur before officials are required to provide the first interim report.
21. The process to repeal the TPR Act is:
 - Agreement by Cabinet to repeal the TPR Act (a draft Cabinet paper is attached for your consideration)
 - This would need to be lodged with Cabinet Office by 7 December, considered at CBC on 13 December and confirmed by Cabinet on 18 December.
 - It may be possible to seek permission to go direct to Cabinet on 11 December to seek approval to repeal the TPR Act and introduce a Bill.
 - Cabinet to authorise the Minister, in consultation with the Leader of the House, to introduce legislation into Parliament to give effect to Cabinet's decisions, with the Minister signing off the legislation to be introduced
 - Usually draft legislation would go through a separate Cabinet committee process for approval after Cabinet has approved the policy but there is precedent for combining the two processes into one especially where there are time pressures and the draft legislation is simple.
 - The repeal Bill will be drafted by the Inland Revenue drafting team: the repeal Bill would be short.
 - A Bill of Rights check by the Ministry of Justice is required (they may be busy checking a number of 100-day Bills but we do not foresee any issues with the Bill of Rights check, only the time it may take to get a response)
 - Preparation of supplementary material such as a legislative statement, and material to support you with the passage of the Bill through the House
 - The Bill to be taken through all stages under urgency (expected in the week beginning 18 December – the last sitting week), with Royal assent before 31 December 2023.

Consultation

22. The Treasury has been consulted.

Next steps

23. Next steps include:


- referring a copy of the report to the Minister of Finance,
- providing feedback and/or lodging the draft Cabinet paper seeking approval to repeal the TPR Act as soon as you are able, and
- Inland Revenue drafting a Bill and seeking a Bill of Rights check from the Ministry of Justice.

Recommended action

We recommend that you:

1. **agree** to repeal the Taxation Principles Reporting Act 2023.
Agreed/Not agreed
2. **agree** the repeal Bill should be enacted before 31 December 2023 so the legal requirement for officials to provide an interim report this year will not apply.
Agreed/Not agreed
3. **approve** the attached draft Cabinet paper seeking Cabinet agreement to repeal the Taxation Principles Reporting Act 2023 and authorising you to introduce the Bill into Parliament, in consultation with the Leader of the House.
Approved/Not approved
4. **refer** a copy of this report to the Minister of Finance for their information.
Referred/Not referred

s9(2)(a)



Phil Whittington
Chief Economist
Policy and Regulatory Stewardship

Hon Simon Watts
Minister of Revenue
/ /2023

IN CONFIDENCE

In Confidence

Office of the Minister of Revenue

Chair, Cabinet Business Committee

REPEAL OF THE TAXATION PRINCIPLES REPORTING ACT 2023**Proposal**

1. I propose that the Cabinet Business Committee approve the repeal of the Taxation Principles Reporting Act 2023 (“the Act”). I propose the repeal occur before the end of the current calendar year.

Relation to government priorities

2. The Government is committed to improving the quality of Government spending and regulation. Repealing the Act would focus Inland Revenue’s resources on its core business of collecting tax revenue to fund the government’s objectives, providing financial assistance and assisting taxpayers to comply with their obligations.

Background

3. The previous government commissioned work on developing a reporting framework on the tax system based around a series of tax principles, such as efficiency and fairness. This would have been in addition to existing reporting required under the Public Finance Act 1989 and the Annual Reports prepared under the Tax Administration Act 1994.
4. On 8 May 2023, Cabinet agreed to proceed with the Act as a standalone piece of legislation, and noted officials would continue to work on whether to shift some aspects of the Public Finance Act 1989 into the Act (specifically, the requirement to prepare a Revenue Strategy) [CAB-23-MIN-0160.01 refers].
5. The legislation was introduced and received its first reading on Budget Day, 18 May 2023 and was referred to the Finance and Expenditure Committee for consideration. It underwent a truncated Select Committee process and received its third reading under urgency on 23 August 2023. The Act received the Royal assent on 30 August 2023.
6. The Act requires Inland Revenue to provide the first interim report by the end of the calendar year after the Act commences and annual reports each subsequent year. In 2025 and every three years following, the report is to be more comprehensive and detailed and to be tabled in Parliament. This means that officials are required to provide me with a first report by 31 December 2023 unless the Act is repealed prior.

Analysis

7. In my view, the Taxation Principles Reporting Act 2023 is unnecessary. A reporting function does not require primary legislation and can be achieved through other

means (e.g. a Cabinet direction). Devoting an entire Act to this purpose is a poor use of primary legislation. The Legislation Design and Advisory Committee also submitted on the draft legislation, saying its intent could be achieved through non-legislative arrangements.

8. The Act's drafting is unusual for tax legislation. The Act is centred around a set of tax principles contained within its Schedule. Although the principles themselves are not unusual, some of their descriptions associated with them are unconventional and debatable. For example, they refer to the relative amounts "wealthy people" should pay in tax and presume decisions about trade-offs between the principles which are the purview of the Government of the day.
9. I would also note the Bill was considered under a truncated timeframe and did not undergo the Generic Tax Policy Process (GTPP) or full Select Committee consideration. The GTPP is an important stakeholder consultation process which is designed to ensure effective tax policy development and legislation.
10. The Government is committed to ensuring agencies are operating efficiently and are focused on performing their core roles. Requiring Inland Revenue to produce additional annual reports would take extra resources at a time when the Government is managing fiscal pressures and improving service delivery.
11. The operation of the Act will create administrative costs for Inland Revenue and compliance costs for taxpayers. For example, in administering the Act, Inland Revenue will be required to collect and collate new information, to prepare and publish an annual report and to regularly consult with the public on appropriate metrics.
12. In addition to these administrative costs, taxpayers will incur compliance costs in adjusting their systems to collect and supply new data, and in devoting time and resources to engaging with Inland Revenue. Concern with the compliance implications was a strong theme in Select Committee submissions. I believe the resources of these businesses can be put to better use contributing to the growth of the economy.
13. If the Act is repealed this year, Inland Revenue will not be required to publish and engage with the public on its first report, nor will it need to establish the processes necessary to ensure the reporting framework operates over the coming years. Instead, Inland Revenue's resources will be focused on its core role of collecting tax and contributing to the achievement of the Government's tax plans to be delivered in the coming year.
14. Finally, I note Inland Revenue has a stewardship function mandated under the Public Service Act 2020. As part of that function, I expect Inland Revenue to ensure that the tax system remains up-to-date and to publish material encouraging public debate on the tax system. Inland Revenue will be providing advice to me as part of the upcoming refresh of the Tax and Social Policy Work Programme which could include recommendations for future work in this area.

Cost-of-living Implications

15. The repeal of the Taxation Principles Reporting Act 2023 does not have cost of living implications.

Financial Implications

16. As the Taxation Principles Reporting Act 2023 was to be funded from existing departmental baselines, no fiscal implications arise from its repeal.

Legislative Implications

17. Repealing the Taxation Principles Reporting Act 2023 will require a short repeal Bill to be introduced into the House and go through all stages under urgency before the end of this year.

Impact Analysis

Regulatory Impact Statement

18. The Treasury's Regulatory Impact Analysis team has determined that the proposal to repeal the Taxation Principles Reporting Act 2023 is exempt from the requirement to provide a new Regulatory Impact Statement. This exemption is granted on the grounds that the relevant issues have already been addressed by existing Impact Analysis produced when the policy decisions were taken [CAB-23-MIN-0160.01 refers]. This exemption is conditional on Inland Revenue producing a coversheet that provides assurance that the analysis is still applicable and provides any additional or updated analysis where relevant, and Inland Revenue's quality assurance panel certifying it is fit for purpose.
19. The previously completed Regulatory Impact Statement and coversheet analysis are attached in the Appendix.

Climate Implications of Policy Assessment

20. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply to this proposal as it not expected to result in any significant, direct emissions impacts.

Population Implications

21. There are no direct population implications associated with the repeal of the Taxation Principles Reporting Act 2023.

Human Rights

22. The repeal of the Taxation Principles Reporting Act 2023 does not present Human Rights implications.

Consultation

23. Inland Revenue has consulted with the Treasury on the proposed repeal of the Taxation Principles Reporting Act 2023.

Communications

24. I intend to announce the repeal through a press release when the Bill is introduced to Parliament or just prior.

Proactive Release

25. I propose to proactively release this Cabinet paper, associated minutes, and key advice papers, in line with the provisions of the Official Information 1982, within 30 working days of Cabinet making final decisions.

Recommendations

I recommend that the Cabinet Business Committee:

- 1 **Note** that repeal before the end of this calendar year will ensure that Inland Revenue is not required to provide the Minister of Revenue with an interim report.
- 2 **Agree** that the Taxation Principles Reporting Act 2023 be repealed.
- 3 **Authorise** of the Minister of Revenue to, after consultation with the Leader of the House, introduce a Bill giving effect to recommendation 2 above.

Authorised for lodgement

Minister of Revenue



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Repeal of the Taxation Principles Reporting Act 2023

Portfolio **Revenue**

On 13 December 2023, the Cabinet Business Committee, having been authorised by the Prime Minister to have Power to Act:

- 1 **noted** that the Taxation Principles Reporting Act 2023 (the Act) requires Inland Revenue to provide an interim report by the end of the calendar year;
- 2 **noted** that the Act is considered unnecessary as reporting requirements can be achieved through other means;
- 3 **agreed** that the Act be repealed before the end of the 2023 calendar year to ensure that Inland Revenue is not required to provide the Minister of Revenue with an interim report;
- 4 **noted** the draft Taxation Principles Reporting Act Repeal Bill (the draft Bill), attached under CBC-23-SUB-0025;
- 5 **authorised** the Minister of Revenue to approve:
 - 5.1 minor and editorial changes to the draft Bill;
 - 5.2 a final Bill in line with the attached draft Bill and, in consultation with the Leader of the House, introduce a bill to the House.

Rebecca Davies
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Rt Hon Winston Peters
Hon David Seymour
Hon Chris Bishop
Hon Simeon Brown
Hon Paul Goldsmith
Hon Dr Shane Reti
Hon Shane Jones
Hon Erica Stanford
Hon Judith Collins
Hon Mark Mitchell

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet



Cabinet

Minute of Decision

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Report of the Cabinet Business Committee: Period Ended 15 December 2023

On 18 December 2023, Cabinet made the following decisions on the work of the Cabinet Business Committee for the period ended 15 December 2023:

Out of Scope	Out of Scope
Out of Scope	Out of Scope
CBC-23-MIN-0025	Repeal of the Taxation Principles Reporting Act 2023 CONFIRMED Portfolio: Revenue
Out of Scope	Out of Scope

Rachel Hayward
Secretary of the Cabinet