

28 April 2017

**Interest limitation #023
TP +PE #012**

BEPS – Transfer pricing, PE avoidance & Interest limitation rules

C/- Deputy Commissioner, Policy and Strategy

Inland Revenue Department

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Dear Cath

BEPS – Transfer pricing, PE avoidance and proposed interest limitation rules

The American Chamber of Commerce in New Zealand Inc appreciates the opportunity to comment on New Zealand's proposals for international tax reform released on 3 March 2017.

The American Chamber of Commerce in New Zealand Inc – better known as AmCham – has been New Zealand's number one business organisation for the promotion of trade and investment between the United States and New Zealand and the Asia Pacific region for over 50 years. We are "The Voice of American Business in New Zealand". Our members represent turnover in excess of NZ\$50 billion and over 100,000 employees.

Our submission covers two Government discussion documents – BEPS – Transfer pricing and permanent establishment avoidance and BEPS – Strengthening our interest limitation rules.

We provide comments on the overall approach which we recommend should be adopted by the Government, supplemented by our recommendations for changes to the specific proposals regarding permanent establishments ("PEs"), interest limitation rules and transfer pricing.

1. Executive Summary

Inbound investment from the United States is important to New Zealand – both in absolute dollars (at least 8% of total foreign direct investment ["FDI"]) and through wider contributions to the economy and society. Tax policy should recognise the importance of inbound FDI while ensuring that inbound investors, including our members, pay their "fair share".

Fairness and certainty considerations lead us to supporting implementation of the BEPS recommendations in New Zealand where such implementation responds to an observable problem.

However, there is a strong case for targeting measures to issues of concern to Inland Revenue rather than imposing compliance costs on members with a good compliance and tax paying history.

IN NEW ZEALAND

With regards to the proposals concerning PE avoidance:

- *We support enforcement of the accepted international definition of a PE. This is best done by way of implementing the Multilateral convention to implement tax treaty related measures to prevent BEPS rather than a unilateral PE anti-avoidance rule.*

- *Should New Zealand proceed with the PE anti-avoidance rule, clarity of scope and application is essential, there should be a transitional rule to allow our members the time to restructure and guidance from Inland Revenue regarding profit attribution would be welcome.*

We agree with aspects of the proposed reforms to interest limitation rules but wonder if the Government has lost sight of the strength of New Zealand's existing thin capitalisation rules. Members have major concerns regarding the proposed limit on interest rates on related party loans, as it will lead to double taxation in many cases and is incompatible with the arm's length principle.

We agree in principle with the change to require total assets to be calculated net of non-debt liabilities, but our members should be given time to adjust their existing arrangements. Other conditions for our support include that the ability to use net current asset values is retained, deferred tax liabilities are excluded from the definition of non-debt liabilities and existing financing arrangements are grandparented for an extended period.

With respect to transfer pricing, we support aligning New Zealand's transfer pricing rules to OECD Guidelines. Better alignment with the Australian transfer pricing rules is also appropriate, but only to the extent that those rules remain consistent with the principles set down by the OECD and do not seek to target a greater than arm's length proportion of profit.

Members do have concerns regarding the references to limited risk distribution ("LRD") structures. LRD structures commonly reflect commercial substance and are frequently embedded within a global group's worldwide framework. The LRD structure is especially prominent in the pharmaceutical and technology industries, where a large amount of research and development happens earlier in the supply chain in foreign jurisdictions. The distribution activity undertaken is often relatively low in terms of value-add.

Members also see a number of the administrative measures proposed as inappropriate. We have concerns regarding penalties for not providing information, the factors leading to a finding that a taxpayer is non-cooperative, Inland Revenue's additional information gathering powers and the enforced early payment of tax in dispute.

We expand on these issues below.

2. Importance of New Zealand/United States relationship

The United States is New Zealand's second largest source of foreign direct investment, representing at least 8% of total FDI.

Many American inbound investors create substantial value through their business activity here, over and above the tax paid, in ways not visible through financial statements alone.

Tax policy should take account of these hard to measure spillover effects while ensuring that inbound investors continue to pay their fair share.

As the world has become more interconnected FDI has increasingly become a hot topic. For New Zealand how we connect with the world is a major issue since we import most of our technology and have a relatively shallow domestic capital base.

New Zealand–United States trade and investment has a considerable impact on the New Zealand economy. The Government has acknowledged our tax settings must “be consistent with maintaining New Zealand’s position as an attractive location to base a business.” There is a broad consensus that taxation is a significant factor in location decisions regarding inbound investment.

United States companies operating in New Zealand account for investment totalling in excess of NZD 12.6 billion and thousands of jobs. Direct investment in New Zealand is mostly in the finance/insurance and manufacturing sectors, with many investments having some degree of mobility. The United States accounts for at least 8.0% of foreign direct investment into New Zealand. This figure is likely to be materially understated as it excludes investment ultimately sourced from the United States but routed via third countries such as Australia and Singapore. Inland Revenue’s own statistics show that, of the 314 foreign owned groups completing its international tax questionnaire, some 59 (or 19%) have ultimate American ownership.

The United States has become New Zealand’s third largest trading partner, with trade totalling in excess of NZD 11 billion. In particular, New Zealand’s largest imports of tangible goods from the United States include aircraft, jets, motor vehicles, medical instruments, food and appliances.

Our members’ businesses have a positive impact on New Zealand society in many ways. Technology companies among our membership are commonly singled out during tax debates due to their digital nature. Yet these members belong to a sector having a transformative effect on the New Zealand economy, with the benefits from their presence extending well beyond New Zealand’s receipt of corporate income tax.

Traditional economic and accounting indicators can underplay this effect and lead to the importance of inbound investment being underplayed. The digital economy in particular has the potential to drive future economic growth and productivity when it is adopted by businesses and consumed by users, whereas a large portion of the value of the digital economy goes unmeasured in today’s economic indicators. For example:

- *In terms of economic development, the digital economy can help alleviate the “double tyranny” of New Zealand’s relative size and distance that affects businesses;*
- *Consumer benefits of digital communication are seen in increased convenience, better access to information, well informed decisions and more time saved in our daily lives; and*
- *With respect to transport, better mapping technology enables improved navigation and helps people find local businesses and tourist destinations.*

AmCham consider that it is legitimate for the Government to take into account the wider spillover effects of our members’ inbound investment when setting tax policy. We emphasise that we are not seeking any form of tax break or incentive: it is important that taxes are fair and seen to be fair. Our members are happy to pay their “fair share” in accordance with legislation.

3. Overall comments on the approach taken in the discussion documents

AmCham supports implementation of the BEPS recommendations in New Zealand where such implementation responds to an observable problem.

Our members do not accept that aggressive tax practices are commonplace in New Zealand.

There is a strong case for targeting measures to issues of concern to Inland Revenue rather than imposing compliance costs on members with a good compliance and tax paying history.

Today’s business structures have evolved within a dated tax system and everyone will benefit from a simpler, more transparent, tax system.

The members of AmCham support the work of the Organisation for Economic Co-operation and Development (“OECD”) and the G20 towards coordinated tax reform to ensure that global tax rules keep pace with business evolution. We recognise that consistent and fair taxation of multinationals has become more difficult in recent years. We also note the Government’s consistent support for, and major policy contribution to, the OECD’s work.

AmCham therefore agrees a proportionate implementation of the OECD recommendations is the right tax policy for New Zealand.

Keeping the Government’s response proportionate to the size of the problem, while not deterring inbound investment, will be crucial. To this end, we agree with the Government that the majority of multinational companies operating in New Zealand comply with their tax obligations and with the

Minister of Revenue that “most foreign-owned firms operating here have relatively conservative debt positions and pay significant amounts of tax.” We note further recent research conducted by EY which supports the conclusion that the majority of multinationals are not loading their New Zealand subsidiaries with excessive interest-bearing debt and that the majority have an effective tax rate close to, or equal to, the New Zealand corporate tax rate. While the evidence is not fully conclusive, AmCham does not accept that aggressive tax practices are prevalent in New Zealand.

We are further concerned that measures enacted unilaterally in New Zealand will over time have a similar impact on our New Zealand members operating in overseas jurisdictions. Should all countries implement the full package of measures proposed in New Zealand, such as the interest rate cap or anti-avoidance source rule, double taxation appears inevitable.

AmCham therefore considers it essential for New Zealand to take a measured approach and to stay within international norms. Governments should harmonise tax rules so that businesses can continue to create value. Fragmentation along country lines puts this value at risk. Unilateral action by New Zealand in addressing perceived base erosion and profit shifting (“BEPS”) will be harmful if it also creates double taxation. A coordinated approach to BEPS will lead to more certainty for businesses, more efficient economic outcomes and growth, fewer cross-border tax disputes between revenue authorities and a higher global tax-take.

AmCham also endorses New Zealand’s international tax framework. We consider the Government needs to confirm that it is open for business, consistent with New Zealand’s taxation framework for inbound investment. Foreign businesses will respond favourably to certain and predictable tax laws in New Zealand. The benefits of foreign direct investment are endorsed in the discussion documents.

We note that the package is a powerful combination. It has gained international attention, and will put New Zealand at the forefront of BEPS implementation worldwide.

Given the substantial impact that some components of the package will have, we suggest that the Government consider whether any measures can be targeted at highly geared companies which have sought aggressively to minimise their New Zealand tax liability.

Finally, we support the consultative process adopted by the New Zealand Government.

4. Permanent establishment avoidance

Support for rule which enforces the accepted international definition of a permanent establishment

We agree that economic activities which should result in a PE in New Zealand should be subject to tax here. We therefore support a rule which enforces but does not widen the accepted international definition of a PE in substance.

We further agree that there is no need for a separate diverted profits tax. That said, the proposed PE anti-avoidance rule does replicate elements of the United Kingdom diverted profits tax, notably sharing many features with Australia's multinational anti-avoidance law.

We highlight, however, that New Zealand's implementation of the Multilateral convention to implement tax treaty related measures to prevent BEPS has the potential to address most, if not all, of the attempts to flout PE rules. That approach, being the coordinated international response, is the appropriate mechanism by which to enforce New Zealand's PE rules.

The introduction of more robust transfer pricing rules as proposed in the discussion document will also counteract the need for a specific PE avoidance rule. In particular, the discussion document indicates that the existence of a "number of well paid employees" would be an indicator of the existence of a PE. This could be addressed through the transfer pricing regime, and strengthened transfer pricing rules will assist Inland Revenue in relation to enforcement.

We are concerned that implementation of a unilateral response such as the new PE avoidance rule will impede the coordinated global response to BEPS. We therefore do not support its introduction at this time.

Uncertainty will not lead to good tax administration

There is a risk that vague and uncertain wording within the legislation could lead to disputes about the nature of activities being performed by taxpayers in New Zealand. In particular, a number of phrases and concepts central to the operation of the rule ought to be defined, including "commercially dependent", "in connection with", "low tax jurisdiction", "high paid employee" and "specialised services".

As an example of uncertainty, consider the proposal that an "arrangement involving third party channel providers" should necessarily result in a PE. Any such investigation would be a fact-specific enquiry and would depend on the activities provided by related party and third party channel providers. It will not always be clear whether the related party is performing "sales promotion and services", and there will inevitably be cases where the activities in New Zealand are in reality something less than this, or where the non-resident and the third party are in fact not working together to sell the goods or services to the end customer. The legislation, or guidance supporting the legislation, should be clear as to what kinds of specific arrangements give rise to a deemed PE.

If PE anti-avoidance rules are uncertain or difficult to apply, then the corresponding compliance costs could potentially outweigh the gains to the Government from more tax being paid here. Uncertainty in the rules could dissuade investment into New Zealand. Further, we highlight Inland Revenue's expectations regarding initiatives to tackle complex technical issues (such as PE anti-avoidance). The Commissioner of Inland Revenue is required to collect over time the highest net revenue practicable within the law having regard to the compliance costs incurred by taxpayers. Inland Revenue's

unaudited target return on income for additional funding voted by the Government in 2015/16 was \$13.00 per dollar spent, on the basis of the economic inefficiencies involved in chasing down the last dollar of revenue. There is risk that attempted enforcement of the PE anti-avoidance rule will fall short of Inland Revenue's targets.

An ambiguous rule, combined with the proposed 100% penalty, could dissuade investment in a legitimate PE structure, within New Zealand's double tax agreements, on the mere potential that New Zealand would take unilateral action. This would not benefit tax enforcement, the New Zealand economy or our members.

We submit that taxpayers should be able to obtain confirmation from Inland Revenue that the PE avoidance rule would not apply in respect of a particular business structure. The process should operate similarly to an Advance Pricing Agreement ("APA") for transfer pricing purposes, and would add clarity for business with unique circumstances that risk breaching the proposed rule.

Changes to group structure will take time

Reorganising a global supply chain can be a complex business taking a substantial amount of time. New Zealand will often be a small component of a much larger supply chain. The effect of reorganising a global supply chain in a short period of time would be exacerbated for our multinational members operating in a larger number of countries.

We are also concerned that the proposed PE anti-avoidance rule could apply to members whose existing investment structures have previously been reviewed by Inland Revenue by way of a ruling, tax audit sign-off or an APA.

Further, the proposed 100% penalty applicable would present a punitive outcome for such taxpayers with a history of complying with New Zealand tax law if it is not possible for a multinational to reorganise its supply chain before the PE avoidance rule is implemented.

Additional guidance required on profit attribution

We anticipate that multinationals will engage more frequently in disputes with revenue authorities regarding the attribution of profits across jurisdictions.

It is important that the New Zealand Government consider the risk of double taxation where its preferred method of profit attribution differs from that applied in the jurisdiction of the foreign entity.

In light of these substantial proposed changes to the rules around PEs, it would be timely for Inland Revenue to provide additional guidance around the attribution of profit to a New Zealand PE.

5. Interest limitation rules

No case for interest rate cap

Limiting interest deductions based on credit rating within wider group is uncommercial, a departure from the arm's length principle and is likely to lead to cross-border disputes and double tax.

Our members find that there are many circumstances in which a foreign investor might want to invest in New Zealand through debt funding which should appropriately be priced at an interest rate higher than its group cost of funds. The New Zealand entity might be a high credit risk, for example a start-up or different industry. New Zealand is also a small, isolated, market and presents more risk to a (say) United States investor for which the next best alternative would be to expand its existing operations in the United States.

In such circumstances, a third party bank would conceivably lend to the New Zealand subsidiary at an interest rate much higher than the parent company's cost of funds. It will therefore often be more cost-effective for the parent company to provide funding directly to New Zealand. We anticipate that for our members providing finance into New Zealand, double taxation is a likely outcome. The lender will be required by its home tax authority to charge interest at arm's length rates, whereas New Zealand would apply its interest rate cap. In such a case, more disputes between tax authorities would result, most likely leading to additional mutual agreement procedures. Additional compliance costs would be inevitable, and it is not clear that the New Zealand Government would prevail.

An alternative approach would be for the US parent to provide a guarantee to the New Zealand subsidiary to reduce the cost of borrowing. In such circumstances, OECD guidance suggests that a guarantee fee should be paid to the parent company. The fact that OECD endorses the payment (and therefore deduction) of a guarantee fee reflects the fact that an interest rate anchored to the parent's cost of funds is not arm's length.

Agreement in principle to change in treatment of non-debt liabilities

We agree in principle with changes to require total assets to be calculated net of non-debt liabilities for consistency with the test employed in other jurisdictions, but we note that this would result in a material increase in gearing levels for some members, particularly those with large provisions, trade creditors or deferred tax liabilities.

The ability to use net current assets should be retained.

The Government is correct to highlight that current thin capitalisation rules work well given their aim of ensuring that excessive interest deductions are not used to shelter New Zealand sourced profits.

Most multinationals operating in New Zealand have relatively modest debt levels. EY's recent research (cited above) supports that conclusion. Members have seen no evidence to suggest that the

majority of multinationals are sheltering New Zealand sourced profits using excessive levels of related-party debt.

Members do however note that the changes to the treatment of non-debt liabilities will significantly increase calculated gearing levels, particularly for members with large provisions, trade creditors or deferred tax liabilities. That makes it more important for calculations to give fair value to assets and for the definition of non-debt liabilities to be well designed.

The ability to use net current asset values should be retained. It allows recognition of the market value of assets where this is not done for financial reporting purposes. Such market values are relevant to a lender of debt so it is appropriate the ability to use such values be retained.

The non-debt liabilities definition is based on the Australian definition, and – as in Australia - deferred tax should be excluded.

For some of our members, deferred tax liabilities for some entities can be substantial due to financial reporting rules, particularly under IFRS. Using a balance sheet approach, it is frequently necessary to account for liabilities on both permanent and timing differences which have no impact on cash flows. Users of financial information, including banks, frequently look through the large deferred tax liabilities reported by companies. Examples of problem areas include initial recognitions of a deferred tax liability on assets with no tax base, such as buildings, client lists and other intangibles acquired. Revaluations can also give rise to misleading results.

Compliance costs will increase

The ability for taxpayers to carry out a thin capitalisation calculation once each year should be retained.

We note that the changes to the thin capitalisation test will increase the burden of compliance for multinational taxpayers. An example is the proposal that only quarterly or daily calculations should be acceptable for the purposes of the measurement date of the thin capitalisation test. Absent any evidence that multinationals are abusing the annual method, we see no reason to change the rules. To do so would add a compliance burden to the majority in order to address a problem which has not been seen by our members and must be very rare in practice.

Existing financing arrangements should be grandfathered

We are concerned that companies will not have sufficient time to adjust their affairs prior to the start of the first income year following enactment.

We note that firms controlled by non-residents acting together will be subject to the rules only on a prospective basis, on the basis that recent changes to the thin capitalisation rules would remain unchanged for some time. This logic applies equally to all multinationals.

Lenders have chosen to invest based on current law and instruments will have been costed on that basis. In some cases it may be prohibitively expensive to seek to unwind financing arrangements before applications of the new rule as investors have a legitimate expectation of a particular return. It would not be reasonable to expect borrowers to refinance based on a proposal in a discussion document which may be subject to significant amendment prior to enactment.

There should be a considerable grandparenting provision or a period during which restructuring of loans can be undertaken. Grandparenting, or delayed application for a period of at least five years from enactment, would be a reasonable compromise as it would allow the vast majority of existing loans to mature.

6. Transfer pricing

Support for alignment with OECD Guidelines and appropriate Australian rules

We agree that New Zealand's transfer pricing regime should be aligned to international best practice. Consistency with the regimes applied in other jurisdictions will also help avoid the incidence of double taxation.

In our members' experience, since reform in 2012, the Australian transfer pricing rules have led to additional disputes between multinationals, the Australian Tax Office and overseas tax administrations. We expect that the proposals to reform the transfer pricing regime in New Zealand will result in a similar increase in the number of disputes, and we note the compliance costs associated with this.

Limited risk distributors commonly reflect commercial substance

The LRD model is one commonly used throughout the world. It is especially prominent in the pharmaceutical and technology industries, where a large amount of research and development happens earlier in the supply chain in foreign jurisdictions. The distribution activity undertaken in New Zealand happens at the end of the supply chain and is often relatively low in terms of the value-adding functions contributing to the system profits of the enterprise.

The implication of the discussion document seems to be that, in most cases, LRDs structures lack commercial reality and most risks are controlled by the New Zealand entity. More often, for these businesses the global marketing strategy is conducted offshore and tight control maintained over marketing spend, inventory levels and major business decisions of the LRD. The New Zealand subsidiary will have substantially smaller resources at its disposal and will often undertake market activation activity rather than development.

This point has previously been accepted by Inland Revenue. In one recent example, John Nash, Manager (International Revenue Strategy) was commented:

"In terms of the way we tax, is you tax the value-add. I wish it wasn't like this. But you can only tax what gets added in New Zealand and we're right at the end of the value chain. Unfortunately, that's the state of the industry in New Zealand; it's not necessarily a reflection of profit-shifting."

Applying the arm's length standard

We note that, in assessing the transfer prices employed by taxpayers and determining whether adjustment is appropriate, the Commissioner has the advantage of hindsight which our members will not have when entering into the transaction. Shifting the burden of proof onto our members in relation to transfer pricing matters could be problematic, if we are later required to show that the arrangement was arm's length based on an outcome we could not have predicted. The Commissioner should take care not to impose unrealistic requirements on members in relation to genuine, but underperforming, business ventures.

Opposition to time bar extension

Tax positions assessed in the year ended 31 March 2013 are now time barred, but under the proposals could be reopened for a further three years. Members consider that this is inappropriate; any changes should be prospective in their application only.

Some members have invested considerable time and money in negotiating APAs with Inland Revenue. It is possible that legislative changes could override the effect of these APAs, effectively penalising taxpayers whose intention it was to be proactive in managing transfer pricing risk in a constructive way with Inland Revenue. The agreements should be honoured given their lower risk to the New Zealand revenue base and the inequity that would be created should taxpayers need to renegotiate such agreements.

We consider that any need for the extension of the time bar is limited should the proposal to shift the burden of proof to the taxpayer be adopted. This is because, should the taxpayer have the burden of proof, the Commissioner's concerns in relation to accessing relevant information are mitigated by an ability to more readily adjust transfer pricing outcomes where the taxpayer is non-compliant.

In addition, the Government will already have access to improved information flows through country-by-country reporting and automatic exchanges of information between Revenue Authorities.

Further, although the proposed extension of the time bar is limited to transfer pricing matters, there are complications associated with an adjustment for the interactions between transfer pricing and other matters, including income tax and withholding tax. If an extension of the transfer pricing time

bar is pursued, it should be clear what delimits a “transfer pricing matter” from another, to avoid the Commissioner pursuing something as a transfer pricing matter to “get around” a more restrictive time bar for another regime.

Evidence and documentation requirements

Given that the revised transfer pricing rules would place a burden of proof on our members to show that their transfer pricing is arm’s length, it is important that it is clear to members what is required. In other jurisdictions around the world, the legislation is notably more prescriptive and sets out clearly what is required in documentation.

In New Zealand, Inland Revenue does not habitually set out its requirements in a formal way which creates difficulty for multinationals attempting to assess their documentation requirements (in many cases, by centralised tax functions overseas). Inland Revenue should set out unambiguously what is required of taxpayers. Mere endorsement of the OECD Guidelines does not assist taxpayers with little understanding of the particular risks to the New Zealand revenue base to which Inland Revenue’s concerns more specifically relate.

7. Administrative measures

Penalties for not providing information

Penalties for failure to provide transfer pricing information should not be imposed on New Zealand business officers and/or directors.

It is proposed that changes be made to allow a person to be convicted of an offence if they fail to provide information held by an associated offshore group member. The New Zealand subsidiary of a multinational tends to be small in the context of the group’s global operations. Our members note that officers and/or directors of New Zealand subsidiaries will often have little or no ability to compel offshore parents to provide information. We submit that it is not appropriate to impose penalties on New Zealand officers and/or directors for this reason.

Non-cooperation

Obtaining information can be difficult for a small subsidiary of a multinational.

We note that some of the factors proposed in the discussion document that lead to a finding that a taxpayer is “non-cooperative” are wide in scope (e.g. failure to respond to Inland Revenue correspondence). We submit that there should be some acknowledgement that on occasion delays in

obtaining information are not driven by an unwillingness to provide information, but rather by the difficulties in obtaining information from within large organisations generally.

Collection of information

Additional information gathering powers are unlikely to be effective and should not proceed.

We submit that Inland Revenue is likely to have sufficient ability to collect information from large multinationals under existing rules by virtue of country-by-country reporting and automatic exchange of information.

As noted previously, the introduction of specific provisions that enable Inland Revenue to directly request information or documents offshore may be unlikely to result in Inland Revenue receiving information in a timelier manner, on the basis that delays in obtaining information tend to be attributable to the internal workings of large organisations rather than deliberate non-cooperation. This is particularly so in light of the size of New Zealand relative to other jurisdictions that multinationals operate in, rather than a result of unwillingness by large multinationals to provide information. Country-by-country reporting and automatic exchange of information arguably provides Inland Revenue with a better method of collecting information than the specific provisions proposed in the discussion documents.

Early payment of disputed tax

Payment of tax in dispute at an earlier stage of the disputes process is not appropriate. Large multinationals are unlikely to default on the tax due, with use of money interest being an inadequate form of recompense for taxpayers.

Taxpayers generally do not enter into a dispute with Inland Revenue to delay the payment of tax. Rather, there is a genuine dispute over the tax position taken and amount of tax payable. In this respect, large multinationals in dispute with Inland Revenue should not be treated differently from any other New Zealand taxpayer.

The use of money interest and late payment penalties regime should be a strong enough disincentive not to prolong a dispute. The power of use of money interest is further evidenced by taxpayers using tax pooling services to mitigate its effects.

8. Conclusion

AmCham believes that New Zealand's tax laws are currently among the best in the world. New Zealand has a strong tax treaty network, a proven and effective thin capitalisation regime and a well-established transfer pricing regime.

AmCham supports a coordinated global response to BEPS, and endorses the work of the G20 and OECD. To the extent that the New Zealand Government proposes implementing the OECD's recommendations, our members broadly support the Government's intentions. However, where the proposals extend beyond implementing OECD recommendations, we do not see the Government has sufficient justification to take unilateral action.

A coordinated global approach will lead to better outcomes for tax authorities and for taxpayers.

We understand these submissions may be the subject of a request under the Official Information Act 1982 and consent to their release.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Hearn', followed by a horizontal line extending to the right.

Mike Hearn

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