Tax policy report: BEPS Cabinet papers

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| **Date:** | 13 July 2017 | **Priority:** | Medium |
| **Security level:** | In Confidence | **Report no:** | T2017/1901IR2017/429 |

Action sought

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| --- | --- | --- |
|  | **Action sought** | **Deadline** |
| Minister of Finance | **Authorise** the attached Cabinet papers for lodgement with Cabinet Office. | 10am, Thursday 20 July 2017 |
| Minister of Revenue | **Authorise** the attached Cabinet papers for lodgement with Cabinet Office. | 10am, Thursday 20 July 2017 |

Contact for telephone discussion (if required)

|  |  |  |
| --- | --- | --- |
| **Name** | **Position** | **Telephone** |
| Steve Mack | Principal Advisor, The Treasury | Withheld under section 9(2)(a) of the Official Information Act 1982 |
| Carmel Peters | Policy Manager, Inland Revenue |
| Paul Kilford | Policy Manager, Inland Revenue |

13 July 2017

Minister of Finance

Minister of Revenue

Tax policy report: BEPS Cabinet papers

 This report recommends that you authorisethe 3 attached Cabinet papers for lodgement with the Cabinet Office by 10am Thursday 20 July 2017 for the Cabinet Economic Growth and Infrastructure Committee (EGI) to consider at its meeting on 26 July 2017.

 The three attached papers are:

* *BEPS – strengthening our interest limitation rules*. This paper contains measures to limit the ability of multinationals to use interest payments to shift their New Zealand profits offshore.
* *BEPS – transfer pricing and permanent establishment avoidance*. This paper contains measures to strengthen our transfer pricing rules, counter permanent establishment avoidance and help Inland Revenue deal with uncooperative multinationals.
* *BEPS – addressing hybrid mismatch arrangements*. This paper proposes measures to remove the tax advantages of hybrid mismatch arrangements.

 These 3 papers form a comprehensive package of measures to address base erosion and profit shifting (BEPS). We reported to you on these measures on 22 June 2017 (T2017/1576, IR2017/325; T2017/1577, IR 2017/330; T2017/1578, IR2017/329; T2017/1604, IR2017/353).

 We also reported to you on another related Cabinet paper on Thursday 6 July 2017 (T2017/1847, IR2017/410) called *Tax measures to prevent base erosion and profit shifting*. This covering Cabinet paper summarises the background to the 3 attached papers, highlights the most important aspects of the proposed measures, and discusses matters common to all three papers (including application dates, publicity, and financial implications). We recommend that all four Cabinet papers be lodged together with the Cabinet Office.

## Next steps

 The following table sets out the next steps for the measures set out in the Cabinet papers.

|  |  |
| --- | --- |
| **Date**  | **Milestone/action** |
| 10am, Thursday 20 July | Lodge four BEPS Cabinet papers with Cabinet Office (if you agree with their contents) |
| Wednesday 26 July 2017 | EGI |
| Monday 31 July 2017 | Cabinet  |
| August – October 2017 | Further consultation on the measures |
| 14 December 2017 | BEPS bill containing the measures introduced |
| 30 June 2018 | BEPS bill to be passed by this date |
| 1 July 2018 | Application date for most measures |

Recommended action

We recommend that you:

(a) **Note** that we reported to you on 6 July 2017 on a covering Cabinet paper called *Tax measures to prevent base erosion and profit shifting* which summarises the background to the 3 attached papers, highlights the most important aspects of the proposed measures, and discusses matters common to all three papers (including application dates, publicity, and financial implications).

Noted Noted

(b) **Authorise** the attached 3 Cabinet papers for lodgement with the Cabinet Office (and their attached regulatory impact assessments), along with the covering Cabinet paper referred to above, by 10am Thursday 20 July 2017 for the Cabinet Economic Growth and Infrastructure Committee to consider at its meeting on 26 July 2017.

Authorised Authorised

**Steve Mack Carmel Peters**

Principal Advisor Policy Manager

Tax Strategy Policy and Strategy

The Treasury Inland Revenue

**Steven Joyce Hon Judith Collins**

Minister of Finance Minister of Revenue