**Cabinet**

**Minute of Decision**

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**Options for Taxing the Digital Economy**

**Portfolios Finance / Revenue**

On 18 February 2019, Cabinet:

1. **noted** that the government is considering measures recommended by the Tax Working Group to improve the New Zealand tax system;
2. **noted** that there is a problem with the current taxation of the digital economy, both in New Zealand and internationally;
3. **noted** that a number of countries, including Australia, are investigating or implementing digital services taxes (DSTs);
4. **agreed** that New Zealand should continue to participate in the OECD discussions on the taxation of the digital economy, with a view to supporting a long-term solution (bearing in mind its effect on New Zealand exporters);
5. **agreed** that the government should also actively consider a possible DST as an option for taxing the digital economy, in case the OECD are unable to achieve sufficient progress in 2019;
6. **directed** officials to draft a discussion document to get public feedback on the options for taxing the digital economy (being the international solution and the DST);
7. **agreed** that the discussion document should state that:
   1. the government is determined to ensure that multinational companies pay their fair share of tax in New Zealand;
   2. the government is actively considering introducing a DST in advance of an international solution. While New Zealand is committed to finding a solution at the OECD, if sufficient progress is not made in 2019, a DST is a credible option;
   3. the government sees real benefits in aligning New Zealand’s position on a DST with Australia;
   4. the DST initially proposed would be like the one proposed by the United Kingdom;
   5. the DST would be an interim measure that would cease to apply once an international solution was adopted;
   6. the government would aim to design the DST so that it was consistent with New Zealand’s international obligations (which is expected to be possible);
8. **authorised** the Prime Minister, Minister of Finance and the Minister of Revenue to decide when the discussion document will be released;
9. **noted** that the Minister of Finance and the Minister of Revenue, in consultation with the Prime Minister, will report back to Cabinet with a draft of the discussion document prior to its release.

Michael Webster Secretary of the Cabinet

**Hard-copy distribution:**

Prime Minister

Deputy Prime Minister Minister of Finance Minister of Revenue