

# Hon Grant Robertson, Minister of Finance

## Hon Stuart Nash, Minister of Revenue

### Information Release

#### Refresh of the Government's tax policy work programme for 2019/20

September 2019

#### Availability

This information release is available on Inland Revenue's Tax Policy website at <http://taxpolicy.ird.govt.nz/publications/2019-ir-cab-dev-19-sub-0203/overview>.

#### Documents in this information release

1. IR2019/255 – Tax policy report: 2019–20 refresh of the tax policy work programme (9 May 2019)
2. IR2019/277 – Tax policy report: Tax policy work programme refresh – options on possible packages (17 May 2019)
3. IR2019/306 – Tax policy report: Final details of the refreshed tax policy work programme 2019–20 (6 June 2019)
4. DEV-19-SUB-0203 – Cabinet paper: Refresh of the Government's tax policy work programme for 2019/20 (31 July 2019)
5. DEV-19-MIN-0203 – Minute: Refresh of the Government's tax policy work programme for 2019/20 (31 July 2019)

#### Additional information

The Cabinet paper was considered by the Cabinet Economic Development Committee on 31 July 2019 and confirmed by Cabinet on 5 August 2019.

#### 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  |
| 9(2)(f)(iv) | to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials |
| 18(d)       | information is already publicly available or will be publicly available soon  |

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POLICY AND STRATEGY


**Tax policy report: 2019-20 refresh of the tax policy work programme**


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<b>Date:</b>	9 May 2019	<b>Priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2019/255 T2019/1375

**Action sought**


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	<b>Action sought</b>	<b>Deadline</b>
Minister of Finance	<b>Note</b> the contents of this report <b>Discuss</b> report at meeting on 13 May 2019	13 May 2019
Minister of Revenue	<b>Note</b> the contents of this report <b>Discuss</b> report at meeting on 13 May 2019	13 May 2019

**Contact for telephone discussion (if required)**


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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Emma Grigg	Policy Director, Inland Revenue	s 9(2)(a)
Mark Vink	Manager, Tax Strategy, The Treasury	

9 May 2019

Minister of Finance  
Minister of Revenue

## **2019-20 Refresh of the tax policy work programme**

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### **Purpose**

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1. This report is intended to assist Ministers' consideration of the high-level objectives and process for the next tax policy work programme (TPWP). In particular officials would like to gauge Ministers' views on:
  - (a) The proposed overarching objectives of the next TPWP;
  - (b) The approximate resource weighting for the TPWP;
  - (c) The fiscal approach Ministers would like to take for the next work programme; and
  - (d) The process and timing for consultation and communication.
2. We are currently undertaking a prioritisation exercise for the individual items that could form part of the work programme. We will report to you further on this.

### **Background**

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3. At a meeting with you on 30 April 2019, we discussed our intention to begin reviewing potential items for inclusion in a refreshed TPWP for 2019-20. This year, we are taking a top-down approach to refreshing the TPWP. We have considered the potential objectives of the refreshed TPWP, and the possible items of work which would contribute to or support these objectives.
4. In its response to the Tax Working group (TWG) recommendations, the Government indicated that a number of TWG recommendations would be considered as high priority items on the refreshed TPWP, while others would be considered for inclusion more generally. Further, the Government noted that several recommendations were items of work which were already underway, including work involving other agencies.
5. Therefore, possible items for inclusion in the next TPWP will be drawn primarily from recommendations of the TWG, Government priorities, and a list of policy items that officials are aware of – this includes both existing items on the work programme and emerging issues.
6. An A3 is attached to this report which provides a high-level picture of what the refreshed TPWP could look like.

### **Objectives of the refreshed TPWP**

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7. As the TWG found, New Zealand's tax system is generally sound and working well. The TWG made a number of recommendations aimed at improving the fairness, balance and structure of the system. Many of these recommendations are being considered for the refreshed TPWP. To support the ongoing strength of the tax system, we consider that the refreshed TPWP needs to contain a mix of items which

ensure that the system not only functions well now but is responsive to likely future challenges.

8. In light of this, we have organised the general structure for the refreshed work programme into the following overarching objectives, which items on the TPWP could contribute to or support. These objectives are based primarily on what we understand the Government's objectives to be, including from our conversations with Ministers.
- Improving the **integrity and fairness** of the tax system
  - Ensuring the tax system contributes to **economic performance**
  - Ensuring the tax system **functions** well now, and is **responsive** to likely future challenges and opportunities
  - Ensuring the tax system minimises **compliance** and **administration** costs
  - Ensuring the tax system effectively supports and contributes to **wider government priorities**
9. The third objective is aimed at ensuring our tax system continues to function well for the 21<sup>st</sup> century and beyond. While we have made this a separate objective, it cuts across all objectives, and will be a feature in all projects. Trade-offs will need to be considered within projects, and there is a need to ensure that policy solutions are fit for purpose now and for the future. For example, exploring options to make the gap between the company tax rate and top personal rate more sustainable would be an example of improving the integrity and fairness of the tax system, while at the same time ensuring that the tax system functions well now and is responsive to likely future challenges.

## Components of the refreshed TPWP

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### Items that will be included

#### *TWG recommendations (high priority items) and Government priorities*

10. A significant component of the next TPWP will be items that the Government has indicated, in its response to the TWG report, should be progressed as high priority items in the TPWP. These recommendations relate to:
- *Land and housing* – this includes options for taxing vacant land by land-bankers, reviewing the current tax rules for land speculators and requiring IRD numbers when transferring a main home.
  - *Infrastructure* – this includes understanding the Government's wider agenda on infrastructure and how the tax system could facilitate or contribute to this agenda.
  - *Seismic strengthening* – this includes considering whether the current tax settings are appropriate in relation to seismic strengthening. Progressing this will involve making decisions, for example, about the relative treatment of those who have already progressed seismic strengthening (and not received tax benefits) and those who have not.
  - *Improving the integrity of the tax system* – this includes a potential range of measures to ensure everyone pays their fair share. We will report to you further on which specific measures we recommend prioritising for this work.

11. The refreshed TPWP will also include items which contribute to or support Government priorities, coalition and confidence and supply agreement items.

#### Existing work programme items

12. A mix of items which are on the current work programme will be rolled over to the refreshed TPWP. Some items will be included because they are still ongoing or are non-discretionary. Others are items which are on hold – that is, they were deprioritised for higher priority projects – but we now consider that they should be reprioritised under a refreshed work programme. Examples include:
  - International tax – this includes the work on a potential digital services tax and the DTA programme. (*Ongoing*)
  - Business transformation (BT) – we will continue to support Inland Revenue’s BT programme and also consider opportunities to further leverage off the benefits provided by BT – for example opportunities under BT for the self-employed. (*Ongoing*)
  - Research and development tax credit. (*Ongoing*)
  - GST discussion document – GST issues arise from time to time that require a policy response. It is important for the health of the GST system to address these issues. This item has been on hold since mid-2018. We expect the discussion document to be largely revenue neutral. (*May be reprioritised*)

#### Emerging issues

13. Since the last TPWP refresh, new issues or issues that were not previously on the work programme have emerged. Some of these emerging issues are non-discretionary and will need to be added to the work programme. The new issues include:
  - Considering the tax consequences arising from the establishment of the Housing and Urban Development Authority (HUDA)
  - Supporting the Government’s response to the Welfare Expert Advisory Group (WEAG)

#### **Items that will be considered for inclusion**

14. The rest of the work programme will be drawn from the remaining TWG report recommendations and the list of discretionary items we are aware of (both on the current work programme and emerging issues). We are currently undertaking a prioritisation exercise of all these items and will report to you further on the outcome of this work.
15. Recommendations of the TWG that the Government has already agreed will not be progressed are not being assessed.

#### **Resourcing the work programme**

16. The high priority items that will be included in the next work programme are likely to take up a significant amount of available tax policy resource. This means there are constraints on how many additional measures beyond these items that can be included, at least in the short-term. We will undertake further work on this and report back to you.
17. In addition to the high priority items, we consider it is important to commit resources to general maintenance and remedial policy items. These are necessary to ensure a well-functioning tax system. We also consider it important to carve out

some resource to focus on long-term stewardship projects. Both of these focus areas will likely require approximately 20 per cent each of total resources.

18. Our initial assessment is that we will be at capacity when taking into account:
- The high priority items from the TWG;
  - General maintenance and remedial items;
  - The stewardship function; and
  - Any rollover items from the current work programme.
19. However, we will have the options to manage this capacity by flexing the timing of delivery of various items. Once we have direction from you on your highest priorities, we will advise you on realistic timing and, depending on how acceptable our proposed timing is, what trade-offs may be required to achieve your objectives.

### Fiscal implications

20. Some of the items proposed for inclusion, including some of the high priority items such as seismic strengthening and infrastructure support have with fiscal costs. We would like to discuss with you the approach to the potential fiscal implications of the work programme.
21. The following table provides you with an indication of items being considered for the refreshed TPWP that may have significant fiscal impacts:

<b><i>Items which could potentially raise revenue</i></b>	<b><i>Measures is likely to significantly reduce revenue</i></b>
International tax issues such as the digital economy	Support for nationally significant infrastructure
Further integrity measures to ensure everyone pays their fair share, including: <ul style="list-style-type: none"> <li>- Closely-held company issues</li> <li>- Options to make the gap between the company and top personal tax rate more sustainable.</li> </ul>	Research and development tax credit (already included in forecasts)
Purchase price allocation	Seismic strengthening
Improvements to the land rules	Small business compliance cost reductions
	Feasibility and black-hole expenditure (\$5m-\$50m per annum depending on design and as cost increases over time)
	Loss carry forwards when ownership changes (fiscal cost depends on design, costing for the TWG proposal was approximately \$50 million per annum)
	Building depreciation (up to \$300m per annum)

### Next steps

### Timelines

22. Officials would like to discuss the proposed work programme objectives with you at the Joint Ministers meeting of 13 May. If Ministers are comfortable with the direction of the work programme, we will undertake a prioritisation exercise, which will involve assessing all the possible items for inclusion on the refreshed TPWP against our resourcing capacity. We will bring the outcome of this exercise back to

you in the form of a detailed draft work programme, for your consideration at the joint meeting on 11 June. This will take into account the consultation referred to below.

### **Consultation**

23. While we have not done any formal consultation, discussions on items for possible inclusion on the work programme were heavily canvassed with stakeholders during the TWG process. We understand issues that are particularly important to business stakeholders (specifically, the Corporate Taxpayers Group (CTG) and Chartered Accountants Australia and New Zealand (CA ANZ)) include:
- Feasibility and blackhole expenditure;
  - Cross-border employment<sup>1</sup>;
  - Building depreciation;
  - Loss continuity;
  - Small business compliance costs;
  - Disputes.
24. Given the ongoing resource constraints on the work programme, it will be important to ensure that stakeholder expectations are managed appropriately.
25. We would like to discuss with you our proposed approach for consulting with stakeholders on the proposed refresh of the TPWP. In particular, we would like Ministers' approval to undertake limited consultation with key stakeholders (including CA ANZ, CTG, and a representative group of civil society) on the proposed direction of the next TPWP, before our next meeting with you on 11 June.

### **Communications**

26. Once Ministers agree to a refreshed TPWP, we will prepare a Cabinet paper for Cabinet's noting. This will likely be in July 2019. Following Cabinet consideration, we will discuss with you how you would like to publicly announce the refreshed work programme.

### **Revenue Strategy**

27. The Government will also be updating its revenue strategy as part of the Fiscal Strategy section of the Minister of Finance's Budget document. The revenue strategy has been revised to reflect the Government's response to the TWG and is attached to this report as an appendix.

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<sup>1</sup> This item is about ensuring that definitions of tax residency are not an undue impediment to the temporary movement of employees overseas, or temporary movement of offshore employees to work in New Zealand.

**Recommended action**

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We recommend that you:

(a) **Note** the contents of this report

Noted

Noted

(b) **Agree** to discuss this report at the next joint-tax meeting on 13 May 2019

Agreed/Not agreed

Agreed/Not agreed

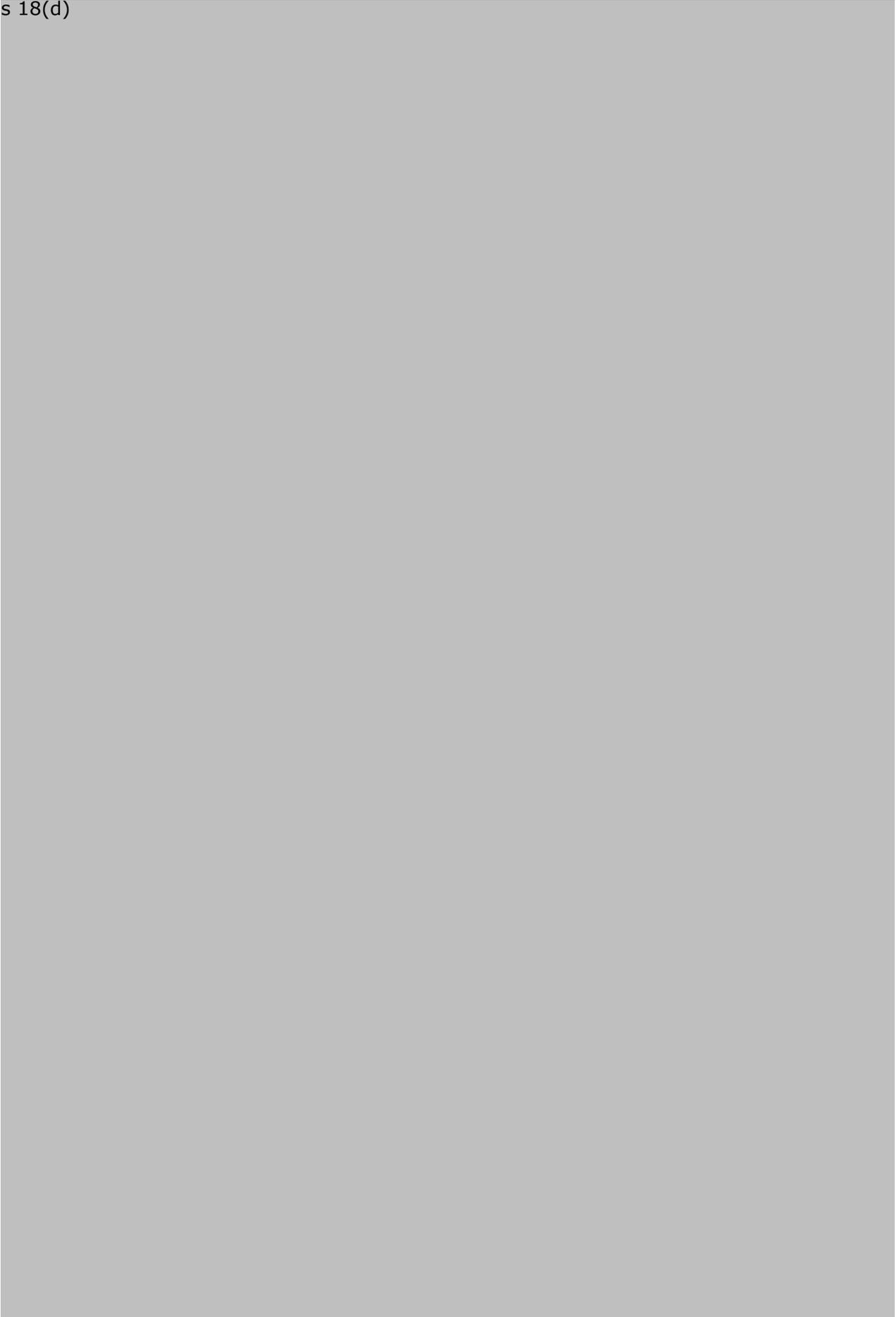
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**Hon Grant Robertson**  
Minister of Finance  
/ /2019

**Hon Stuart Nash**  
Minister of Revenue  
/ /2019

s 18(d)



# PROPOSED OBJECTIVES FOR REFRESHED TAX POLICY WORK PROGRAMME and corresponding indicative potential areas of work

## Improving the integrity and fairness of the tax system

### **High priority items:**

- Improvements to the land rules
- International tax issues such as the digital economy
- Further integrity measures to ensure everyone pays their fair share potentially including:
  - Closely-held company issues
  - Tax compliance for the self-employed
  - Hidden economy
  - Explore options to make gap between company and top personal rates more sustainable

### **Further items for potential inclusion:**

- Charities
- Purchase price allocation

## Ensuring the tax system contributes to economic performance

### **High priority items:**

- Research and development tax credit
- Seismic strengthening

### **Further items for potential inclusion:**

- Feasibility and black hole expenditure
- Loss carry forwards when ownership changes
- Building depreciation

## Ensuring the tax system functions well now and is responsive to likely future challenges

### **Likely non-discretionary (existing items):**

- Regular ongoing remedial and enhancement work within BBLR settings. For example:
  - General remedial work as issues arise
  - Review of donee status applications
  - Treaty of Waitangi settlements
  - DTA work programme
  - GST discussion document

### **Further items for potential inclusion:**

- Shorter term ongoing remedial and enhancement work within BBLR settings. For example:
  - Māori Authority matters
- Longer term work on challenges and opportunities. For example:
  - Economic effects of personal taxation
  - The progressivity of the tax and transfer system

## Ensuring the tax system minimises compliance and administration costs

### **High priority items:**

- Business Transformation – ongoing support of programme and considering further opportunities to leverage benefits
- The next two releases of BT include: KiwiSaver, Student Loans and Child Support
- Tax information, collection, sharing and transparency

### **Further items for potential inclusion:**

- Small business compliance cost reduction measures
- Tax disputes for smaller taxpayers

## Ensuring the tax system effectively supports and contributes to wider government priorities

### **High priority items:**

- Support for nationally significant infrastructure
- Supporting and contributing to cross-agency work including:
  - Social policy
  - Ongoing WEAG work
  - Environmental
  - Information sharing
  - Crown debt

### **Likely non-discretionary (emerging):**

- Tax issues related to the establishment of HUDA

### **Further items for potential inclusion:**

- Other environmental measures recommended by the TWG





POLICY AND STRATEGY



## Tax policy report: Tax policy work programme refresh – options on possible packages

<b>Date:</b>	17 May 2019	<b>Priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2019/277 T2019/1464

### Action sought

	Action sought	Deadline
Minister of Finance	<b>Agree</b> to recommendations	24 May 2019
Minister of Revenue	<b>Agree</b> to recommendations	24 May 2019

### Contact for telephone discussion (if required)

Name	Position	Telephone
Emma Grigg	Policy Director, Inland Revenue	s 9(2)(a)
Mark Vink	Manager, Tax Strategy, The Treasury	

17 May 2019

Minister of Finance  
Minister of Revenue

## **Tax policy work programme refresh – options on possible packages**

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### **Purpose and background**

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1. At the joint-Ministers' meeting on 13 May 2019, you indicated that you were interested in advancing certain items on the refreshed tax policy work programme (TPWP) particularly around land, businesses and small businesses.
2. Given the time it takes to implement policy changes, we would like to check in with you on what your expectations are for implementing changes in these areas by 2020. This report therefore outlines the possible deliverables in the areas of land, businesses and small businesses over the next 12-months, and provides examples of the items that could be considered under each area. We are interested in your views on our proposed approach, including the proposed deliverables and timing under each of the packages.

### **Potential packages of work to be progressed within the next 12 months**

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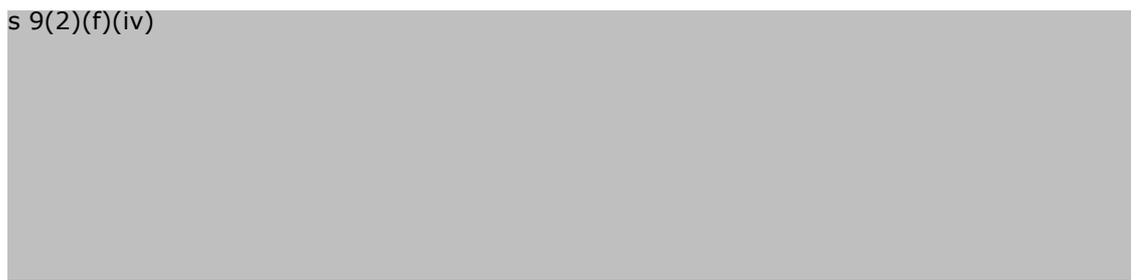
3. In our last discussion, we outlined some overarching objectives for the refreshed TPWP and the possible items which could be included that would contribute to or support these objectives. While you were broadly comfortable with this general approach, it was accepted that there is fluidity between the objectives and certain items of work may cross-over several objectives. Further, while the TPWP is set for 18-months, you were interested in progressing certain items of work (particularly the high priority items indicated in your Tax Working Group (TWG) response) on a faster track.
4. This has led us to consider another way of organising the work programme, which is to consider items as part of focused packages of work. We consider that the overarching objectives of the refreshed TPWP would remain, however, the packages proposed recognise that several items of work would contribute to or support multiple objectives.
5. Based on our discussion with you, we have packaged items up into the following key areas:

#### **Land**

6. You have indicated that you are interested in progressing a package of work on land. We consider that a focused programme of work is possible in the short-term which would cover recommendations by the TWG around:
  - Reviewing the current rules relating to speculators, land banking and vacant land (noting this could include work already underway by the Productivity Commission); and
  - Any issues around enforcement of the current rules including whether we can do anything more operationally.
7. We do not think we would be able to conduct a wider review of the land rules in the next 12 months, especially if Ministers are interested in enacting legislation. Any consultation document could, however, flag any potential issues that may warrant

further consideration in the longer term. If Ministers are comfortable with this approach, we propose the following timeline:

s 9(2)(f)(iv)



### Separate packages for businesses and small businesses

8. You were also interested in a potential package for businesses and small businesses. These packages would include a mix of integrity measures as well as items which have fiscal costs. In the first instance, we consider that further scoping work is required to determine what is included in these packages. This will involve talking to stakeholders to ensure the right mix of items are included – for example, any business-friendly initiatives we are considering should not only be ones that the business community see value in us progressing but should also contribute to enhancing economic performance. s 9(2)(f)(iv)



9. s 9(2)(f)(iv)



10. s 9(2)(f)(iv)



11. A summary of our proposed approach is as follows:

s 9(2)(f)(iv)



### Other packages of work to be progressed over the 18-month TPWP period

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12. We consider that the remainder of the work programme (and our resources) would be committed to the following packages of work:

- Infrastructure
- Information collection

- Environment
  - Government response to WEAG recommendations
  - Tax exemptions
  - Charities
  - General maintenance and remedial matters
  - Business Transformation
13. The attached table provides Ministers with further details of the possible packages of work and the approximate timing of deliverables. We note that the list of possible items for inclusion under each package is not comprehensive, but rather is intended to provide Ministers with a general sense of what could be included.

### **Next steps**

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14. We are currently undertaking a prioritisation exercise of all the items for potential inclusion in the refreshed TPWP. We will provide you with a detailed draft work programme, taking into account any comments you may have on this report, in time for a discussion at the joint ministers' meeting on 11 June.
15. Following Ministers' approval of the refreshed work programme, we will prepare a Cabinet paper for Cabinet's noting in July. Ministers can announce the refreshed work programme following Cabinet consideration. We will discuss with you closer to the time options for announcing the TPWP.

## Recommendations

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We recommend that you:

- (a) **Indicate** your preferences on the proposed packages for the next work programme in the following table:

	<b>Minister of Finance</b>	<b>Minister of Revenue</b>
(1) Agree to a focused package in relation land s 9(2)(f)(iv) [REDACTED]	Agreed Not agreed	Agreed Not agreed
(2) Agree to officials developing a package for businesses s 9(2)(f)(iv) [REDACTED]	Agreed Not agreed	Agreed Not agreed
(3) Agree to the general approach proposed for the remaining packages as outlined in the report	Agreed Not agreed	Agreed Not agreed
(4) Note that officials will provide you with a detailed draft of the refreshed tax policy work programme in time for discussion on 11 June	Noted	Noted

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Manager  
The Treasury

**Emma Grigg**  
Policy Director  
Policy and Strategy, Inland Revenue

**Hon Grant Robertson**  
Minister of Finance  
/ /2019

**Hon Stuart Nash**  
Minister of Revenue  
/ /2019

Proposed packages	Land	Business	Small Business	Other possible remaining packages for consideration
Proposed product(s) and timing	s 9(2)(f)(iv)			<p><b>Infrastructure</b>            s 9(2)(f)(iv)            Report would consider how or if tax could facilitate or contribute to the Government’s wider agenda for infrastructure and include:</p> <ul style="list-style-type: none"> <li>Working with other agencies to understand wider issues, including current issues Inland Revenue is involved in such as the infrastructure levy</li> <li>Understanding overseas experience</li> </ul>
Examples of possible items that could be considered for inclusion	<ul style="list-style-type: none"> <li>Speculators</li> <li>Land banking and vacant land (noting Productivity Commission work)</li> <li>Enforcement of current rules</li> </ul>	<p>TWG recommendations including:</p> <ul style="list-style-type: none"> <li>Seismic strengthening</li> <li>Loss carry forwards when ownership changes</li> <li>Feasibility expenditure and blackhole expenditure</li> </ul> <p>Items already underway such as:</p> <ul style="list-style-type: none"> <li>R &amp; D</li> <li>Digital economy</li> <li>International frameworks</li> <li>Purchase price allocation</li> <li>Cross-border employment</li> </ul>	<p>TWG recommendations including:</p> <ul style="list-style-type: none"> <li>Closely-held company issues</li> <li>Compliance and enforcement issues</li> <li>Simplifying FBT</li> <li>Tax disputes for small taxpayers</li> </ul> <p>Items already underway such as:</p> <ul style="list-style-type: none"> <li>Tax compliance for self-employed (accounts payable reporting)</li> <li>Considering issues around the sharing economy/platforms</li> <li>AIM review</li> </ul>	<p><b>Environment</b>  <b>Removing petroleum mining concessions – s 9(2)(f)(iv)</b>  <b>Non-resident oil-rig exemption – proposed SOP to current tax bill, completed by June 2019</b>  <b>Other TWG recommendations relating to environment – s 9(2)(f)(iv)</b></p> <p><b>Government response to WEAG</b>  <b>Likely Cabinet decisions on future work programme – s 9(2)(f)(iv)</b>  <b>Potential initiatives – s 9(2)(f)(iv)</b></p> <ul style="list-style-type: none"> <li>This involves cross-agency work</li> <li>Includes workstream on income adequacy</li> <li>Includes child support pass on</li> </ul> <p><b>Tax exemptions</b>  <b>Report to Ministers – s 9(2)(f)(iv)</b>            Report would include wider discussion on competitive neutrality and consider a framework for when it is appropriate to provide tax exempt status to certain entities.</p> <p><b>General maintenance and remedial</b>  <b>A range of items to be included in omnibus tax bills – s 9(2)(f)(iv)</b>            Examples of items include:</p> <ul style="list-style-type: none"> <li>GST issues canvassed in GST discussion document</li> <li>BEPS remedials</li> <li>Review of donee status applications</li> <li>General maintenance and remedial work as issues arise, this includes cross-agency matters and non-discretionary work</li> <li>Longer term work on challenges and opportunities, for example, progressivity of the tax and transfer system and economic effects of personal taxation</li> </ul> <p><b>Charities</b>  <b>Report to Ministers – s 9(2)(f)(iv)</b>            Report would cover:</p> <ul style="list-style-type: none"> <li>the outcome of DIA review, in particular accumulation of assets</li> <li>Charity and not-for-profit issues</li> <li>Cross-agency work across the system</li> </ul> <p><b>Business Transformation (BT)</b>  <b>Changes identified in next 2 releases of BT – will be included in relevant omnibus tax bill where necessary</b>            This area of work would provide ongoing support to the BT programme. Changes that will be considered in the next 2 releases include: KiwiSaver, Student Loans, child support and possible simplification of PIE rates.             This area would also consider further opportunities to leverage benefits from BT.</p>



POLICY AND STRATEGY



**Tax policy report: Final details of the refreshed Tax Policy Work Programme 2019-20**

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<b>Date:</b>	6 June 2019	<b>Priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2019/306 T2019/1661

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Minister of Finance	<b>Discuss</b> report at meeting on 11 June 2019. <b>Agree</b> to recommendations.	11 June 2019
Minister of Revenue	<b>Discuss</b> report at meeting on 11 June 2019. <b>Agree</b> to recommendations.	11 June 2019

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Emma Grigg	Policy Director, Inland Revenue	s 9(2)(a)
Mark Vink	Manager, Tax Strategy, The Treasury	

6 June 2019

Minister of Finance  
Minister of Revenue

## **Final details of the refreshed Tax Policy Work Programme 2019-20**

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### **Executive summary**

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1. We previously reported to you on our proposed approach to refresh the Tax Policy Work Programme (TPWP). This included organising the next TPWP into key packages of work around which items for consideration could be arranged (*IR2019/255; T2019/1375, IR2019/277; T2019/1464 refers*). We understand that Ministers are comfortable with this approach. This report, which includes the details of the proposed refreshed TPWP, has been prepared on this basis.
2. This report provides you with a detailed draft of the items, and key areas of focus, that could sit within packages of work proposed for inclusion on the refreshed TPWP [attachment 3]. This report also provides a high-level picture of the TPWP, including how the TPWP sits alongside wider Government strategies and objectives [attachments 2 and 1 respectively].
3. We would like to discuss this report with you at the next joint meeting on 11 June 2019 and get your views on:
  - whether you are comfortable with the detailed draft of the next TPWP;
  - whether you would like us to develop land and business packages <sup>s 9(2)(f)(iv)</sup> [redacted]. We previously canvassed these packages in our last report to you (*IR2019/277; T2019/1464 refers*);
  - whether there is anything further you would like to include or remove from the proposed TPWP;
  - the proposed key products and deliverables under each package of work;
  - whether you are comfortable with us providing key stakeholders with further information on the detailed draft of the refreshed TPWP, in particular details on key deliverables and timing;
  - how you would like to announce the refresh of the TPWP and the overall presentation of the TPWP documents that we propose to publish alongside your announcement; and
  - whether you are comfortable with the proposed timetable for next steps.
4. Subject to your agreement, we will prepare a Cabinet paper of the final refreshed TPWP for noting at the Economic Development Cabinet Committee (DEV) meeting on 24 July 2019 (with Cabinet consideration the following week). We propose that the TPWP be published and announced following Cabinet consideration.

## Recommended action

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We recommend that you:

- (a) **Discuss** this report at the joint-Ministers' meeting on 11 June 2019, and indicate your preferences on final details of the refreshed TPWP for 2019-20 in the following table:

<b>Recommendation</b>	<b>Minister of Finance</b>	<b>Minister of Revenue</b>
(1) <b>Agree</b> to the final details of the proposed refreshed TPWP for 2019-20 as outlined in this report and the associated attachments.	Agreed / Not agreed	Agreed / Not agreed
(2) s 9(2)(f)(iv) 	Yes / No	Yes / No
(3) <b>Agree</b> to officials providing key stakeholders with further information on the detailed TPWP, in particular details on the key deliverables and timings of packages.	Agreed / Not agreed	Agreed / Not agreed
(4) <b>Indicate</b> whether there are any further items of work you would like us to include or remove from the proposed TPWP.	Yes / No If yes, please specify:	Yes / No If yes, please specify:
(5) <b>Agree</b> to the proposed next steps in this report, which includes a paper for noting to the DEV Committee on Wednesday 24 July 2019 and Cabinet on Monday 29 July 2019.	Agreed / Not agreed	Agreed / Not agreed
(6) <b>Agree</b> to release the attachments to this report when you announce the release of the refreshed TPWP.	Agreed / Not agreed	Agreed / Not agreed

**Mark Vink**  
Manager  
The Treasury

**Emma Grigg**  
Policy Director  
Inland Revenue

**Hon Grant Robertson**  
Minister of Finance  
/ /2019

**Hon Stuart Nash**  
Minister of Revenue  
/ /2019

## Prioritising items for the TPWP

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5. Since our last discussion with you on 13 May 2019, we have undertaken an exercise to prioritise the items of work for possible inclusion in the TPWP. When considering whether to include an item of work on the next TPWP, we weighed up the following factors:
- What we already know are priority items or areas you wish to progress on the refreshed TPWP, in particular:
    - the Tax Working Group (TWG) recommendations that the Government has indicated are high priority items for consideration; and
    - Ministers' desire to advance a focused package of work around land and businesses (including small businesses).
  - Whether the item supports or contributes to wider Government objectives (including both social and economic objectives);
  - The fiscal cost of certain items of work and whether these items could be packaged together with other items of work (for example, integrity measures) to deliver a coherent package;
  - Feedback from stakeholders to date;
  - The need to ensure the TPWP contains a mix of items that are both responsive to the issues of today but also to any longer-term opportunities or challenges;
  - The resourcing required to deliver the packages of work; and
  - Whether we could phase the delivery of certain items of work or packages.

## Details of the refreshed TPWP

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6. As a result of this prioritisation exercise, we have prepared three documents (attached to this report) which present an overall picture of the proposed TPWP for 2019-20.

s 9(2)(f)(iv)

7. s 9(2)(f)(iv)

s 9(2)(f)(iv)

8. s 9(2)(f)(iv)

## Attachment 3 – Details of the refreshed TPWP

9. This attachment provides detailed descriptions of the packages which would be progressed on the next TPWP, including the key deliverables and timings for each proposed package of work.

10. Unlike previous TPWPs, we have deliberately chosen not to provide a “shopping list of items” under each package. Instead, the focus is on outlining why we are progressing with certain areas of work (having taken into account the factors outlined above).
11. This approach would allow us, where appropriate, to consult / engage with stakeholders during the policy development process to refine the specific items or initiatives that could be considered under each package. Where we have been able to, we have outlined examples of the types of items that could be included under certain packages of work.
12. Also attached to this report is a table illustrating how the TWG recommendations are reflected on the refreshed TPWP [see attachment 4].

### ***Packages for land and business***

13. In our last report to you, we outlined a possible approach for progressing packages for land and businesses. The approach for both packages is summarised on the first page of attachment 3. We are seeking confirmation from you to begin developing these packages.

14. s 9(2)(f)(iv)



### **Releasing details of the TPWP**

15. We would like to discuss attachments one, two and three with you. Taken together, they represent our proposal of what should be on the Government’s refreshed TPWP. Subject to your views, we consider that these attachments could be released when Ministers announce the refresh of the TPWP. s 9(2)(f)(iv)



16. Further, we seek your views on whether there are any other items of work you would like to include on the TPWP, or any items you do not wish to include. For example, is there any particular work you would like on longer-term tax issues? This work may not necessarily end up on a publicly released TPWP given it is unclear what the deliverable or timing would be at this stage. However, it can still be factored into our wider TPWP if Ministers are interested in including it.

## High-level consultation

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17. Since our last meeting, we also consulted with the following key stakeholders:
  - New Zealand Bankers' Association;
  - Corporate Taxpayers' Group (CTG);
  - Chartered Accountants Australia New Zealand (CA ANZ); and
  - Small Business Council.
18. We note that CTG provided us with a letter outlining what their members consider should be prioritised by the Government. We were also provided with a copy of a letter to the Minister of Revenue from the Small Business Council, which covered key areas of interest for that group. Finally, CA ANZ noted that the outcome of a survey of its members (on what they consider to be priority issues) will be released later in the year.
19. Our discussions with stakeholders covered the broad direction of the next TPWP, the priority areas for the Government, and the idea of the next TPWP being organised into packages of work. While discussions covered all the proposed packages of work for the next TPWP, the general focus was around the packages you had indicated you would like prioritised – that is, the packages for land and business (including small business).
20. Discussions with stakeholders went well. We outlined that the packages (particularly for business) would have to include a mix of measures which would support a productive economy and encourage growth and innovation, while at the same time recognising the need to protect the integrity of the tax base and the overall fiscal constraints. They were generally comfortable with this approach.
21. Where stakeholders had a specific interest in progressing a particular item of work, they indicated that they would provide us with further information on why that item should be prioritised over other items. For example, CA ANZ noted that they will provide us with a list of land measures they consider should be included in the review of the land rules. CTG also indicated that they would think about providing the items they would like progressed on the TPWP within the context of the Government's wider objectives, particularly around productive investment and innovation.
22. Stakeholders also told us that understanding key deliverables and the possible timing of the different packages of work on the TPWP was important to them. To this end, we would like your permission to provide key stakeholders with further information on the detailed TPWP.

## Further consultations planned

23. The consultation we have undertaken over the last few weeks is only the first step of a wider strategy for engaging with stakeholders on the packages of work we intend to deliver under the next TPWP. As mentioned above, as we begin the policy development process for each individual item or package of work, we will engage further with stakeholders. This includes, where appropriate, involving stakeholders right from the start of each project.
24. Once the TPWP is finalised, we also expect to start engaging with a wider set of stakeholders and interested parties, including other businesses, social partners, Maori/iwi and across Government. One of the groups you had asked us to talk to at our last meeting was the Prime Minister's Business Advisory Council, chaired by Mr Christopher Luxon. We have been discussing with the Minister of Finance's office

about how best to engage with this group as we advance items relating to business on the TPWP.

## Next steps

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### Timeline

25. Subject to your agreement, we will prepare a Cabinet paper for noting by DEV, which would include all the documents attached to this report.
26. The following timetable provides you with key dates which will allow you to announce and publish the next TPWP in July:

Item	Timing
TPWP discussion with joint-Ministers	Tuesday 11 June 2019
Draft Cabinet paper to Ministers' offices	Thursday 4 July 2019
Cabinet paper lodged in CabNet	Thursday 18 July 2019
Paper to DEV for noting	Wednesday 24 July 2019
Paper to Cabinet	Monday 29 July 2019
Release of TPWP	Any time after Cabinet consideration

### Communications/announcing the TPWP

27. We would like to discuss with you how you would like to announce the refresh of the TPWP. In previous years, the Minister of Revenue has announced the refresh in a keynote address at a suitable tax event or conference. At the same time, we published the details of the TPWP on Inland Revenue's Tax Policy website. If you are comfortable with this approach, we will liaise with your offices to try and find a suitable opportunity for an announcement.



In Confidence

Office of the Minister of Finance  
Office of the Minister of Revenue

Chair, Cabinet Economic Development Committee

## **REFRESH OF THE GOVERNMENT'S TAX POLICY WORK PROGRAMME FOR 2019-20**

### **Proposal**

1. This paper asks the Cabinet Economic Development Committee to note the Government's Tax Policy Work Programme for 2019-20. Following Cabinet consideration of this paper (including the attachments), we intend to publicly announce and publish the refreshed Tax Policy Work Programme in early August.

### **Executive Summary**

2. The Government's Tax Policy Work Programme (TPWP) is refreshed approximately every 18 months. The TPWP prioritises and sequences the development of tax policy proposals. As the Ministers of Finance and Revenue, we are jointly responsible for setting and agreeing to the work programme.
3. The final TPWP for 2019-20 reflects our consideration of a range of factors, including the Government's overall policy agenda, our fiscal strategy, and the ability of the Treasury and Inland Revenue to deliver the TPWP over the next 18 months.
4. At a high level, the Government is working to build a productive, sustainable and inclusive economy in order to improve the living standards and wellbeing of all New Zealanders. The TPWP will make an important contribution to this goal over the coming year.
5. A well-functioning tax system is necessary to raise the revenue that funds public investments in the future of New Zealand. Tax also has a direct impact on the lives of New Zealanders – through its role in redistribution, and through its ability to shape and influence behaviour across the economy. At the same time, perceptions about the fairness of the tax system underpin social capital and shape public trust and confidence in the Government as a whole.
6. The TPWP has been shaped with these broader considerations in mind. We have identified the tax policy areas that are most likely to enhance productivity and increase the fairness of the tax system. We have also identified areas where the Government can reduce complexity and compliance costs for taxpayers. Our objective in doing so is to ensure that tax policy settings support the Government's wider social, economic and environmental objectives.
7. The TPWP for 2019-20 also responds to the recommendations made by the Tax Working Group (TWG) in their final report, *Future of Tax*. The key priorities on the refreshed TPWP reflect the Government's response to the TWG's recommendations.

8. We have grouped the items on the TPWP into workstreams (see attachment 3). These workstreams are:
  - 8.1 Land
  - 8.2 Business
  - 8.3 Infrastructure
  - 8.4 Information collection and use
  - 8.5 Business Transformation
  - 8.6 Reforms and remedials
  - 8.7 Social policy (including Government response to the Welfare Expert Advisory Group Report)
  - 8.8 Environment / Sustainable economy
  - 8.9 Charities
  - 8.10 Tax exemptions
  - 8.11 International
9. These workstreams reflect our current expectations for the work programme over the next eighteen months. Should new or emerging issues arise over this period (which are not currently listed on the refreshed TPWP), we will work with officials and Ministerial colleagues (where appropriate) to determine how best to prioritise these issues alongside existing items or commitments.
10. Following Cabinet consideration of this paper, we propose to announce the refreshed TPWP at an event run by the Young International Fiscal Association Network in early August and publish details of the TPWP on Inland Revenue's tax policy website.

### **Background**

11. In 2017, the Government established the TWG to consider whether improvements can be made to the structure, fairness and balance of the tax system in order to support the Government's overall objectives.
12. The TWG found that New Zealand's tax system is generally sound and working well, but made 99 recommendations aimed at improving the fairness, balance and structure of the tax system. While the primary recommendation of a broad extension of the taxation of capital gains has not been adopted, the wider TWG recommendations provided us with a starting point for the TPWP refresh.
13. In April, the Government publicly announced its response to the TWG recommendations. The Government's response to the recommendations were grouped into the following categories:
  - 13.1 where it considered no further work would be necessary,

- 13.2 where work was already underway,
  - 13.3 recommendations that should be considered for inclusion on the TPWP, or
  - 13.4 recommendations that should be considered as high priority for inclusion on the TPWP.<sup>1</sup>
14. The recommendations considered as high priority included:
- 14.1 Consider various land issues, including vacant land and land banking;
  - 14.2 Consider a regime that encourages investment into nationally-significant infrastructure;
  - 14.3 Measures to improve collection and encourage compliance;
  - 14.4 Consider the tax treatment of building seismic strengthening;
  - 14.5 Review of loss trading and loss continuity rules; and
  - 14.6 Consider closely-held company issues.
15. All of these high priority recommendations have been included on the refreshed TPWP.

**Comment**

16. The items of work that have been included on the refreshed TPWP have been drawn from the Government's response to the recommendations of the TWG, together with Government priorities, existing items on the current TPWP, and emerging issues.
17. Specific items included on the refreshed TPWP have been arranged around workstreams. These workstreams seek to support the Government's wider social, economic and fiscal objectives.

***Details of the refreshed TPWP for 2019-20***

18. The attachments to this paper provide an overall picture of the proposed TPWP for 2019-20.

s 9(2)(f)(iv)



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<sup>1</sup> The Government's response to the recommendations of the Tax Working Group – 17 April 2019

s 9(2)(f)(iv)





*Attachment 3 – Details of the refreshed TPWP*

- 24. This attachment provides detailed descriptions of the workstreams which will be progressed on the next TPWP, including the key deliverables and timings for each proposed workstream.
- 25. Instead of providing a list of specific policy projects which will be progressed on the next TPWP, the focus is on outlining why certain areas of work are being progressed. This broad approach allows, where appropriate, engagement with stakeholders during the policy development process to refine the specific items or initiatives that could be considered under each workstream. This is important given the number of items which could be considered under each workstream, and the need to manage expectations around the ability to deliver some of these items over the next 18 months.
- 26. Below is a summary of the workstreams on the TPWP.

Workstream	Description
<p><b>Land</b></p>	<p>The current land rules will be reviewed, particularly in relation to investment property and speculators, land banking, and vacant land. The objective would be to recommend ways to improve the efficient use of land, and ensure that the current tax settings are fair, balanced, and encourage and support productive investment. The review will also look at whether Inland Revenue can do anything more around enforcement of the current rules.</p> <p>It is unlikely that any significant reforms relating to vacant land and property would be feasible in the short term. However, in the short-term the Government could consider a number of measures aimed at improving the fairness and balance of the tax rules for land.</p> <p>The longer-term work will include work being carried out across Government; for example, the Productivity Commission is reviewing</p>

	<p>local government body financing and will consider the use of vacant land and property taxes to discourage land banking. This work will also consider the impact on housing affordability and availability.</p>
<b>Business</b>	<p>The TWG has recommended that the Government consider a number of business reforms which would improve productivity and efficiency. This workstream will focus on:</p> <ul style="list-style-type: none"> <li>• Increasing integrity, fairness and the neutrality of the system;</li> <li>• Lifting the economic performance of all businesses, especially smaller firms; and</li> <li>• Minimising compliance cost for businesses.</li> </ul> <p>Some of the items proposed in the business workstream (such as the treatment of innovative spending) have been on the TPWP for some time but have not been progressed due to other priorities.</p> <p>It will be important that stakeholders are aware during the policy development process that decisions on whether certain items of work are ultimately progressed will likely involve trade-offs, such as fiscal costs (including the Government's overall fiscal strategy) and other Government priorities.</p>
<b>Infrastructure</b>	<p>The TWG recommended the Government consider the development of a regime to encourage investment into large, nationally significant infrastructure projects. This workstream will consider the optimal tax settings for ensuring efficient infrastructure investment.</p>
<b>Information collection and use</b>	<p>This workstream focuses on improving the quality and frequency of information Inland Revenue collects to help minimise compliance and administration costs and contribute to wider policy objectives.</p>
<b>Business Transformation (BT)</b>	<p>This workstream will seek to continue to support Inland Revenue's BT programme. Over the next 18 months, Inland Revenue will implement release 4 of its BT programme (Student Loans and KiwiSaver) and commence design on release 5 (Child Support).</p> <p>We envisage the BT policy workstream as identifying and developing policy proposals that leverage off and support the new tax and social policy system.</p>
<b>Reforms and remedials</b>	<p>Many of the specific provisions in the taxation acts need to be regularly maintained or updated in response to changing technology, business practices, jurisprudence or other factors. In addition, as Inland Revenue and taxpayers begin to apply new tax legislation they may identify legislative errors or unintended consequences which require remedial amendments.</p> <p>These issues can create high compliance costs or inadvertent non-compliance so need to be addressed promptly to maintain the certainty, efficiency and fairness of the tax system.</p>
<b>Social policy</b>	<p>This workstream includes policy work on:</p> <ul style="list-style-type: none"> <li>• the Government's welfare overhaul work programme (WEAG)</li> </ul>

	<p>including:</p> <ul style="list-style-type: none"> <li>○ reform of Working for Families;</li> <li>○ child support pass-on; and</li> <li>○ debt.</li> </ul> <ul style="list-style-type: none"> <li>• student loan scheme;</li> <li>• KiwiSaver; and</li> <li>• other agency initiatives that impact on the tax or social policy system.</li> </ul> <p>On the Government response to the welfare overhaul, officials are working closely with MSD and other agencies to develop a welfare package.</p>
<p><b>Environment / sustainable economy</b></p>	<p>This workstream will consider:</p> <ul style="list-style-type: none"> <li>• a framework for taxing negative environmental externalities including considering how specific tax regimes might be used to achieve positive environment outcomes;</li> <li>• monitor international developments;</li> <li>• collaborate with other agencies on environmental issues and initiatives; and</li> <li>• build capability in environmental taxation.</li> </ul> <p>Tax policy officials will work with other agencies on environmental issues to provide environmental tax analysis and advise on tax implications of environmental policy.</p> <p>This workstream will also review industry-specific tax provisions impacting on natural capital. Petroleum mining will be the initial focus-industry in a series of reviews which includes considering issues relating to the timing of deductions for petroleum development expenditure.</p>
<p><b>Charities</b></p>	<p>Tax concessions for charities, not-for-profit, and donee organisations are subject to continual monitoring and review to determine their effectiveness. In recent years, the Government has largely focused on the integrity and coherence of charities-related tax concessions rather than the broader policy settings. This workstream will review those policy settings.</p>
<p><b>Tax exemptions</b></p>	<p>This workstream will develop a framework for considering tax exemptions for different types of entities. It will consider:</p> <ul style="list-style-type: none"> <li>• how different entities fit within the Government’s public policy purposes;</li> <li>• the compliance costs and benefits;</li> <li>• fiscal implications; and</li> <li>• the impact of particular exemptions on competitive neutrality</li> </ul>

	with the private sector.
<b>International</b>	<p>This workstream considers the growing concern about the low levels of income tax paid by digital companies (i.e. companies operating through highly digitalised business models). Pressure has been building on the long-standing international income tax framework; and the OECD (including New Zealand) have undertaken to review the framework.</p> <p>This workstream will include:</p> <ul style="list-style-type: none"> <li>• Reporting back on the digital service tax discussion document;</li> <li>• Double Tax Agreement negotiations and assisting with free trade agreements;</li> <li>• Multi-lateral work (including the OECD working parties); and</li> <li>• Follow-on work to monitor and adjust the Base Erosion and Profit Shifting (BEPS) measures enacted last year.</li> </ul>

### Emerging issues

27. We also note that over the next 18 months, new or emerging issues can be expected to arise that are not currently listed on the TPWP. We will work with officials and Ministerial colleagues (where appropriate) to determine how best to prioritise these issues alongside existing items or commitments.

#### *Attachment 4 – table illustrating how the TWG recommendations are reflected on the refreshed TPWP*

28. This attachment provides a breakdown of how the TWG recommendations have been reflected on the refreshed TPWP.

#### ***Prioritising items for the refreshed TPWP***

29. The items that have been included on the refreshed TPWP reflect our consideration of the following factors:
- 29.1 Whether the item is a priority area for the Government. All of the high priority TWG recommendations have been included in the refreshed TPWP;
  - 29.2 Whether the item supports or contributes to wider Government objectives (both social and economic);
  - 29.3 The potential fiscal cost of certain items of work and whether these items could be packaged together with other items of work to deliver a coherent package;
  - 29.4 Feedback from stakeholders to date;
  - 29.5 The need to ensure the TPWP contains a mix of items that are both responsive to the issues of today but also to any longer-term opportunities or challenges;

29.6 The resourcing required within Inland Revenue and the Treasury to deliver the items of work on the TPWP; and

29.7 Whether it was possible to phase the delivery of certain items of work.

### **Publication of the TPWP**

30. Publishing the TPWP is important for maintaining transparency and confidence in the tax system. Taken together, the attachments to this paper represent a detailed picture of the refreshed TPWP for 2019-20. s 9(2)(f)(iv)

31. s 9(2)(f)(iv)

### **Next Steps**

32. Details of key deliverables is included in attachment 3. A high priority area is addressing anomalies in the taxation of land and officials working towards a consultation paper with proposals, to be released in the second half of 2019, and enactment sometime next year. Initial reports or proposals on the other areas of the TPWP are expected later this year. How quickly these other areas progress to government reforms and legislation will depend on weighing their relative priorities in 2020.

### **Consultation**

33. Officials from Inland Revenue and the Treasury have been involved in refreshing the TPWP for 2019-20.

34. As part of the development of the refreshed TPWP, officials undertook high-level discussions with the following stakeholders: New Zealand Bankers' Association, the Corporate Taxpayers' Group, and Chartered Accountants Australia New Zealand. The purpose of these discussions was to provide stakeholders with a broad overview of the priorities for the next TPWP and, in turn, allow stakeholders to outline the areas of inquiry which they considered should inform the Government's priorities. Other stakeholders, such as the Small Business Council, were consulted on specific items on the refreshed TPWP.

35. Officials have provided a copy of the draft TPWP to Government agencies including: the Ministry of Business, Innovation and Employment, the Ministry of Education, the Ministry of Social Development, the Ministry for the Environment, the Department of Internal Affairs, the Ministry of Housing and Urban Development, Land Information New Zealand, ACC, Te Puni Kōkiri, Te Arawhiti, the Department of Prime Minister and Cabinet and the Ministry of Foreign Affairs and Trade. The consultation undertaken to date is only the first step of a wider strategy for engagement. Further, more detailed engagement is planned as the policy development process begins for each individual item or workstream on the TPWP. Effective engagement will require:

- 35.1 greater integration and networking across a wider set of stakeholders and interested parties, including other businesses, social partners, Māori/iwi and across Government;
  - 35.2 seeking stakeholder perspectives at all stages in the policy development process; and
  - 35.3 greater diversity and inclusion in the policy process, through involvement of other areas and applying differing 'lenses' to a common problem/issue/opportunity.
36. Once the refreshed TPWP is announced, we expect officials to start the engagement process.

### **Financial Implications**

37. While the TPWP refresh does not give rise to any fiscal implications itself, the potential fiscal impacts for the items on the TPWP were considered as part of the overall development of the TPWP.
38. As items of work on the TPWP progress through the policy development process, consideration will be given to the fiscal impacts (if any) of each proposal. We note that some items on the TPWP will have (potentially significant) fiscal impacts if the Government ultimately decides to progress them to implementation. Ultimately, these will be managed through the tax policy scorecard and the Budget process.

### **Legislative Implications**

39. The TPWP refresh does not require legislative changes. However, many items on the TPWP will require changes to legislation if the Government chooses to progress them. These changes will generally be, but not limited to, the Income Tax Act 2007, the Tax Administration Act 1994, and the Goods and Services Tax Act 1985.

### **Impact Analysis**

40. A Regulatory Impact Analysis statement (RIA) is not required for the TPWP. Inland Revenue and the Treasury will prepare RIAs for specific projects on the TPWP as required.

### **Human Rights**

41. The TPWP refresh is consistent with the Human Rights Act 1993 and the Bill of Rights Act 1990. Human rights and Bill of Rights implications will be considered within the specific projects on the TPWP when they are being developed.

### **Gender and Implications**

42. This paper does not give rise to any gender implications. Any impacts will be considered within each specific project on the work programme.

### **Disability Perspective**

43. This paper does not raise any disability issues.

### **Publicity**

44. We will announce the refreshed TPWP at an event run by the Young International Fiscal Association Network in early August. Attachments two, three and four of this paper will also be published on Inland Revenue's tax policy website.

### **Proactive Release**

45. I propose to proactively release this Cabinet paper, associated minutes, and key advice papers in part within 30 working days of Cabinet considering this paper.

### **Recommendations**

The Ministers of Finance and Revenue recommend that the Cabinet Economic Development Committee:

46. **Note** that the Government's Tax Policy Work Programme (TPWP) has been refreshed for 2019-20 (as outlined in this paper and the associated attachments).
47. **Note** that we will announce the refreshed TPWP in early August 2019, s 9(2)(f)(iv) specifically attachments two, three and four will be published on Inland Revenue's tax policy website.
48. **Note** that this Cabinet paper, the associated Cabinet minute, and key advice papers will be released on Inland Revenue's tax policy website.

Authorised for lodgement

Hon Grant Robertson  
Minister of Finance

Hon Stuart Nash  
Minister of Revenue

s 9(2)(f)(iv)

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IN CONFIDENCE









## TABLE ILLUSTRATING HOW TAX WORKING GROUP (TWG) RECOMMENDATIONS ARE REFLECTED ON THE REFRESHED TPWP

In its response to the recommendations of the TWG, the Government indicated that it would consider 10 recommendations as high priority items for potential inclusion on the TPWP, and 28 recommendations as items to be considered for inclusion. The following table provides a breakdown of how these recommendations have been reflected on the proposed TPWP.

### Table key:

Consider for inclusion on 2019/2020 TPWP

Consider as a high priority for inclusion on 2019/2020 TPWP

TWG recommendations	How it is reflected on the TPWP
<p>Land recommendations (including options around investment property and speculators, land-bankers and vacant land)</p> <p><i>Recs 96 and 97 – Vacant land and land banking, including Productivity Commission review</i>  <i>Rec 98 – repeal 10-year rule</i>  <i>Rec 99 – IRD numbers when transferring main home</i></p> <p><i>Note also Government indicated that it intended to seek a review of current rules relating to land speculators.</i></p>	<p>Included in the TPWP work on land.</p>
<p>TWG recommendations on “concessions” and exemptions</p> <p><i>Rec 17 – tax deductibility of costs associated with QEII covenant or Ngā Whenua Rāhui</i>  <i>Rec 18 – FBT exemption for public transport</i>  <i>Rec 19 – removing concessions harmful to natural capital</i>  <i>Rec 38 – New Zealand Superannuation Fund exemption</i></p>	<p>Concessions and exemptions included in general work on tax exemptions on the TPWP.</p> <p>Recommendation 19 relating to tax concessions for petroleum mining included in environment/sustainable economy work on TPWP.</p>
<p>Environmental recommendations</p> <p><i>Recs 5, 20 to 24 – recommendations relating to the environment.</i></p>	<p>Included in the environment/sustainable economy work on TPWP, generally as a watching brief and working closely with Ministry for the Environment.</p>
<p>Business recommendations (including Māori authority rates, loss continuity and loss trading rules, blackhole expenditure, depreciation, seismic strengthening, GST contractors, closely-held company issues, and improving collection and compliance).</p> <p><i>Recs 30 and 31 – Māori authority rates</i>  <i>Rec 32 – loss continuity</i>  <i>Rec 33 blackhole expenditure</i>  <i>Rec 34 – depreciation and seismic strengthening</i>  <i>Rec 35 – tax measures that encourage building to higher environmental standards</i>  <i>Rec 37 – options to reduce compliance costs</i>  <i>Rec 57 – GST and contractors</i>  <i>Rec 60 – loss trading and loss continuity review</i>  <i>Rec 61 and 66 – closely-held company issues</i>  <i>Rec 64 – measures to improve collection and encourage compliance</i></p>	<p>Included in the work on the TPWP for businesses.</p>

<p><i>Rec 67 – ensuring the integrity of the tax system is maintained by exploring options around misalignment of tax rates</i></p> <p><i>Rec 74 – tax disputes</i></p>	
<p>Infrastructure recommendation</p> <p><i>Recommendation 36</i></p>	<p>Included in the work on infrastructure on TPWP.</p>
<p>Retirement savings recommendations</p> <p><i>Rec 43 – KiwiSaver</i></p> <p><i>Rec 44 – PIE rates simplification</i></p>	<p>Specific TWG recommendations on retirement savings not prioritised on the TPWP. However, opportunities from Business Transformation (BT) to improve social policy, including ways to simplify PIE rates (rec 44) included in BT work on the TPWP.</p>
<p>Tax secrecy and transparency recommendations</p> <p><i>Rec 68 – research and surveys</i></p> <p><i>Rec 69 – measures to increase transparency</i></p> <p><i>Rec 70 – Inland Revenue publishing broader range of statistics</i></p> <p><i>Rec 71 – Inland Revenue information collection</i></p>	<p>Included in the information collection and use work on TPWP.</p>
<p>Charities recommendations</p> <p><i>Recommendations 84 and 85</i></p>	<p>Included in the charities work on the TPWP, and is closely connected to work by the Department of Internal Affairs.</p>



# Cabinet Economic Development Committee

## Minute of Decision

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*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.*

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### Refresh of the Government's Tax Policy Work Programme for 2019/20

**Portfolios**                      **Finance / Revenue**

On 31 July 2019, the Cabinet Economic Development Committee:

- 1        **noted** that the government's Tax Policy Work Programme (TPWP) prioritises and sequences the development of tax policy proposals, and that the TPWP is refreshed approximately every 18 months;
- 2        **noted** the refreshed TPWP for 2019/20, as outlined in the paper under DEV-19-SUB-0203 and associated attachments;
- 3        **noted** that the Minister of Finance and the Minister of Revenue propose to announce the refreshed TPWP in early August 2019, s 9(2)(f)(iv) [REDACTED] will be published on Inland Revenue's tax policy website.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Kelvin Davis  
Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Stuart Nash  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Shane Jones  
Hon James Shaw  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

**Hard-copy distribution:**

Minister of Finance  
Minister of Revenue