Tax Working Group Public Submissions Information Release

Release Document

September 2018

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

TE ARAWA
GROUP HOLDINGS LTD

1256 ARAWA STREET
PO BOX 67
ROTORUA
[1]

30 April 2018

Tax Working Group Secretariat
PO Box 3724
Wellington 6140
New Zealand

Attention: **Tax Working Group Secretariat**

RE: **Māori Authority Tax Regime**

Tena koe,

Te Arawa Group Holdings Limited (TAGH) is the commercial arm of Te Pumautanga o Te Arawa Trust (TPT) and a Māori Authority (MA) under the MA Tax Regime. TAGH originated from the desire of our shareholders to develop capacity in a separate commercial company to optimise the resources sourced under and as part of the Te Pumautanga o Te Arawa settlement.

TAGH's purpose is to create wealth and opportunity for the inter-generational benefit of our shareholders. We aim to turn our capital and resource potential into tangible benefits and opportunities for present and future generations.

We see our job as protecting and growing the assets of our shareholders, acting appropriately and judiciously around the management and growth of the assets, and generating wealth. We know too that we are charged with the responsibility as Kaitiaki to care for and protect our natural resources. This underpins the way we behave in regards to our entire investments portfolio

TAGH has been working with our tax advisor KPMG for a number of years to ignite a conversation around the effectiveness of the current MA tax regime. Having first hand experience of the regime, TAGH sees a number of opportunities for the MA tax regime to be clarified and simplified.

We note KPMG have submitted an in depth discussion of the MA tax regime, including a number of proposed reforms, including:

1. Entities wholly owned by a Post Settlement Governance Entity ("PSGE") should automatically qualify for MA status in line with the PSGE. Otherwise there is a potential to pay a higher tax rate at 28%, resulting in a cash flow timing disadvantage or in a worst case a real cost if there is no prospect of applying the extra tax paid against other income.

2. Dividends received by a MA with imputation credits attached at the rate of 28% should be refundable where the MA cannot utilise the excess imputation credits against other income. This would then reduce the tax rate on the dividend to 17.5% in line with the MA tax rate. Otherwise the MA could end up with a 28% tax rate which is inconsistent with its MA tax status and result in a cash flow timing disadvantage. A MA should be free to determine where it chooses to invest its cash without worrying about cash flow timing disadvantages or differing tax rates.

3. MA companies can group their tax losses with other MA companies. This grouping should extend to MA's that are not companies. It is not uncommon for a PSGE to be established as a Trust rather than a company. This should not disadvantage the PSGE in offsetting tax losses with group entities that are MA companies. This change would reduce the cash flow timing disadvantages that can arise under current tax law.

4. Companies paying imputed dividends to a MA should have no RWT deducted (usually at 5%) to ensure the MA does not bear the compliance burden of seeking a refund of the RWT and suffering a cash flow timing disadvantage.

TAGH thoroughly endorses these proposed reforms to the MA tax regime and sees the benefit that these reforms will bring in terms of simplifying the regime and reducing our tax compliances costs, which enable us to invest more in providing intergenerational wealth for our shareholders.

Thank you for your consideration of the discussion and proposed reforms above. TAGH looks forward to the MA tax regime better reflecting the commercial world in which we operate.

Naku noa, na

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COLLEEN NEVILLE
CHIEF EXECUTIVE OFFICER