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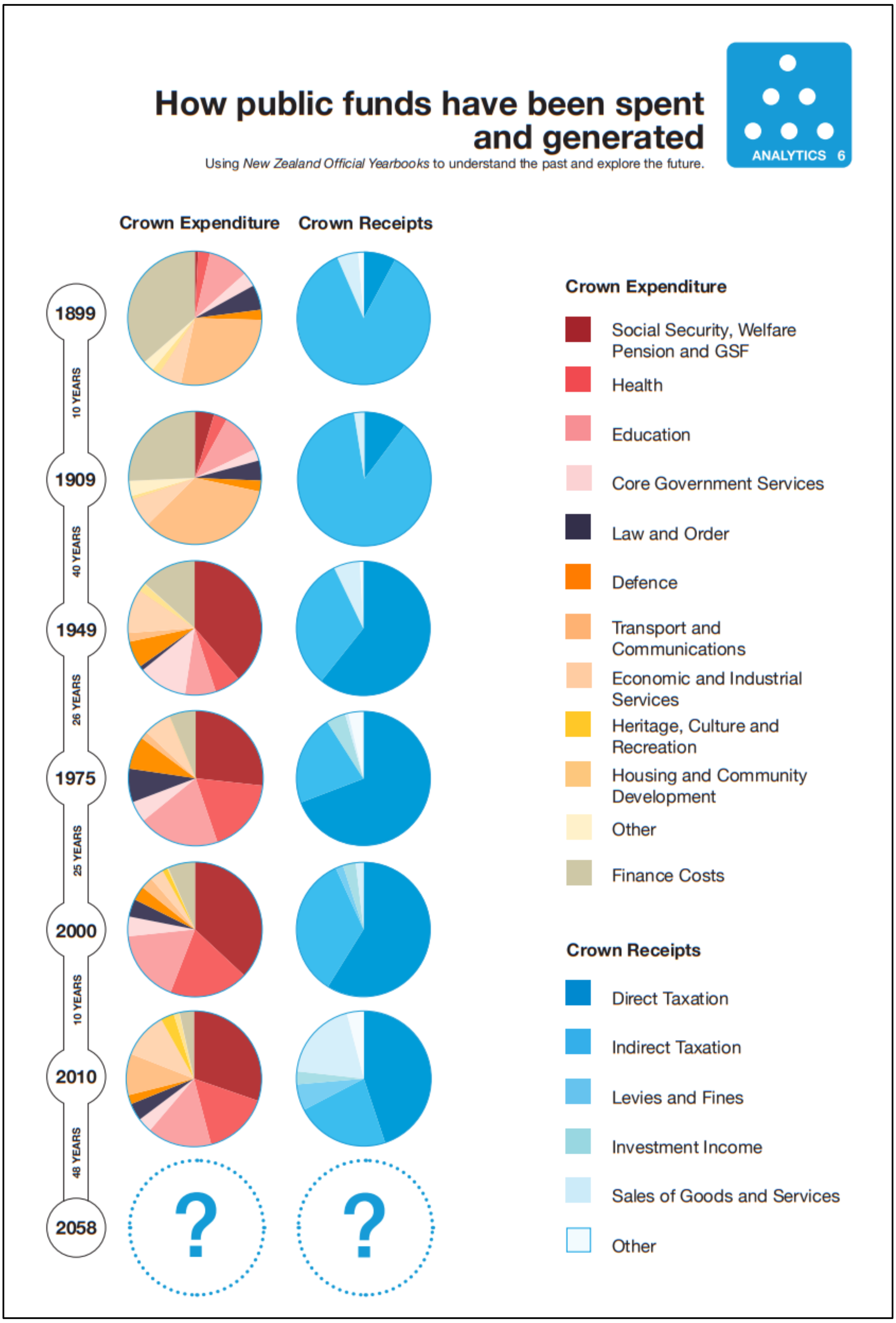
Submission

Submission to the Tax Working Group on the Future of Tax
April 2018



Source: Infographic produced using New Zealand Official Yearbooks for the McGuinness Institute's *Report 12: 2058 StrategyNZ Mapping Our Future Workbook—Exploring visions, foresight, strategies and their execution*. (2012)

About the McGuinness Institute
The McGuinness Institute was founded in 2004 as a non-partisan think tank working towards a sustainable future for New Zealand. The Institute's flagship project, *Project 2058*, focuses on New Zealand's long-term future. As a result of our observation that foresight drives strategy, strategy requires reporting, and reporting shapes foresight, we developed three interlinking policy projects: *ForesightNZ*, *StrategyNZ* and *ReportingNZ*. Each of these tools must align if we want New Zealand to develop durable, robust and forward-looking public policy. The policy projects frame and feed into our research projects, which address a range of significant issues facing New Zealand.

In preparing this submission, the Institute has drawn largely on our policy projects *ReportingNZ* and *StrategyNZ* and our research project *TacklingPovertyNZ*.

About the author: Wendy McGuinness
Wendy McGuinness wrote the report *Implementation of Accrual Accounting in Government Departments* for the New Zealand Treasury in 1988. She founded McGuinness & Associates, a consultancy firm providing services to the public sector during the transition from cash to accrual accounting from 1988 to 1990. Between 1990 and 2003, she continued consulting part-time while raising children. Over that time she undertook risk management work for the public good. In 2002 she was a member of the New Zealand Institute of Chartered Accountants (NZICA) Taskforce, which published the *Report of the Taskforce on Sustainable Development Reporting*. From 2003–2004 she was Chair of the NZICA Sustainable Development Reporting Committee. In 2004 Wendy established the McGuinness Institute in order to contribute to a more integrated discussion on New Zealand's long-term future. In 2009 she became a Fellow Chartered Accountant (FCA).

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Introduction

Thank you for the opportunity to contribute to this important conversation.

Changes in Crown revenue have always been an area of interest for the McGuinness Institute, as indicated by the image on the cover of this submission, which draws on work the McGuinness Institute undertook in 2012. The pie charts on the right indicate changes in Crown Receipts over time.

At the beginning of the 20th century, indirect taxation was the dominant form of revenue collected by government (e.g. 'over 60% of tax revenue came from alcohol and tobacco' with sugar also taxed – see Appendix 1). However by the middle of the century direct taxes became more popular. Today, we are arguably seeing a move back towards indirect taxes as the prevailing form of taxation.

The distinction between direct and indirect has dominated reporting of taxation. In 1899 indirect taxes on goods and services included customs duties, beer duty, and stamps. During the middle of the century indirect taxes included items such as sales tax, customs and excise duty and motor vehicles taxation. By 1975 indirect taxation included items such as motor vehicle fees and charges, customs duty, beer duty, sales tax, racing duty, stamp and other duties, motor spirits duty, highways taxation and payroll tax.[1] Indirect taxes have become increasingly broad and varied.

In contrast, direct taxation on income or profits has remained relatively static and streamlined. At the start of the century direct taxes included land tax, income tax, railways, registration and other fees, marine dues and territorial revenue. By the middle of the century direct taxes included income tax, social security tax, national security tax, land tax and death duties. However by 1975 direct tax included only major four items: income tax, estate and gift duty, land tax and property speculation tax.

We support this trend towards indirect taxes as a way to collect more revenue, to put less pressure on the most challenged in society and as a way of changing behaviour to encourage a more sustainable low-emissions economy.

Our submission is divided into four parts:

Part 1 responds to the direct questions in your *Submissions Background Paper*.

Part 2 contains nine topics that either did not easily fit under your chapter headings or, in our view, warranted more detailed discussion:

A: Sanitary items GST exemption
B: Carbon tax and livestock tax
C: Sugar tax
D: Alcohol tax
E: Water tax
F: Plastic tax
G: Base Erosion and Profit-Shifting (BEPS) and tax treaties
H: Government Department Strategies (GDS) and annual reports
I: Local government property taxes (rates) and other sources of revenue.

Part 3 illustrates the importance of mapping the current system and then developing a range of alternative scenarios for its development. An initial map is provided using the lens of input taxes, process (transaction taxes) and output taxes; however, there are a range of ways the tax landscape can be visually mapped and then assessed.

Part 4 brings all our recommendations together in one complete list.

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1 McGuinness Institute. (2011). *Report 12 – StrategyNZ: Mapping our Future Workbook: Exploring visions, foresight, strategies and their execution*, p. 30 Retrieved 10 May 2018 from http://www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20120726-Report-12-web.pdf.

PART 1: SUBMISSION PAPER QUESTIONS

Chapter 2: The future environment

(1) What do you see as the main risks, challenges, and opportunities for the tax system over the medium- to long-term? Which of these are most important?

The initial list of eight challenges and opportunities is a good starting point but we feel it is necessary to make four overarching points.

(a) Risks cannot be assessed in isolation and/or seen in terms of timeframes (as implied).
What we are really going to see is a more complex mix of existing and emerging issues that will put pressure on the current system. The World Economic Forums calls this our increased vulnerability to systemic risk.

> Humanity has become remarkably adept at understanding how to mitigate countless conventional risks that can be relatively easily isolated and managed with standard risk management approaches. But we are much less competent when it comes to dealing with complex risks in systems characterized by feedback loops, tipping points and opaque cause-and-effect relationships that can make intervention problematic.[2]

(b) Risks should be assessed in terms of magnitude and impact (i.e. possible effects not the chance of occurrence).
The concept of 'main risks, challenges, and opportunities' is problematic as it implies that some will have greater impact than others. We believe that the reality will be a range of pressures from which it will be difficult to identify the one that will have the greatest impact on the system. Nassim Nicholas Taleb (author of *Black Swan*) recently discussed the difference between probability and magnitude at a workshop in New York, arguing that we are reaching a point where probability will no longer be relevant.[3] We should instead look at the magnitude of a risk and focus on ways to prevent it from occurring and/or explore ways to optimise/build antifragility to be able to weather the impacts of risks if they occur. In terms of the tax system, this means we need to identify all risks and spend time managing those risks. This means that rather than ranking risks by probability, we should rank risks by our understanding of the magnitude of impact if such a risk occurs – what is the ripple effect?

(c) Risks should be assessed in terms of sociological and technological impacts.
Viewing risks in terms of their sociological and technological impacts and how these interrelate gives the advantage of identifying and understanding the era we are living in. For example, there have been phases in our development that have been slow or even static, as well as times when change has been rapid. Andrew G Haldane, a Bank of England economist, acknowledged in a speech that he is not sure which comes first – sociological or technological change – but states:

> Some insight into that debate can be provided by looking at patterns of growth through a long lens. Over long runs of history, it is possible to detect distinct phase shifts in growth. Some growth epochs have seen secular stagnation, others secular innovation. Understanding the determinants of these growth phases – sociological and technological – provides insight into the forces of secular stagnation and innovation operating today.[4]

(d) Small changes to the system can have significant impacts.
This is what some people call the 'butterfly effect'. In the same way that terrorism is changing the world and how we prepare for and respond to terrorist events, we are seeing equally small events having big impacts on the tax system. For example, consider the fact that Apple was found to be

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2 World Economic Forum. (2018). *The Global Risks Report 2018 13th Edition*, p. 15. Retrieved 10 May from www3.weforum.org/docs/WEF_GRR18_Report.pdf.

3 Personal communication with Nassim Nicholas Taleb, 2017. See www.realworldrisk.com/mini-certificate_in_detail.

4 Bank of England. (2015). *Growing, Fast and Slow,* p. 3. Retrieved 30 April 2018 from www.bankofengland.co.uk/-/media/boe/files/speech/2015/growing-fast-andslow.pdf?la=en&hash=621B4A687E7BC1FE101859779E1DFFE546A1449F.

paying only a small portion of tax to the New Zealand government. This was possibly one of the events that led to this review. Another example is cyber security, where one or a small number of people are able to have a big impact on privacy systems and public trust. The same can be said of tax system reviews, assessments and improvements (e.g. loopholes are fixed, those manipulating the system are found and penalised and the system simplified so that it is easier to use and understand).

With these four overarching points in mind, other unmentioned risks that we believe may impact the tax system separately or cumulatively (beyond your initial list of eight) are listed below:

Sociological risks

(i) Who owns and has rights over data – how is the tension between individual rights and the common good managed?

(ii) What is the impact of changes to the work-life balance? For example, it may be that people are opting to work fewer hours (i.e. a reduction in the tax-take) and/or establishing fewer businesses (i.e. a reduction in entrepreneurs to employ people).

(iii) The changing structure of businesses due to the way buyers and sellers interact. Observations worth investigating are:

   a. An increasing number of companies may be becoming intangible asset rich but tangible asset poor.
   b. An increasing number of companies may be becoming revenue rich but asset poor (e.g. Uber).
   c. An increasing number of companies may be becoming SMEs (fewer than 20 employees) meaning fewer employees pay PAYE.
   d. An increasing amount of tax is being shifted off shore (legally and illegally) by multinational companies using base erosion and profit shifting (BEPS).
   e. An increasing number of organisations are operating as social enterprises, focusing not just on the creation of profit. They see themselves as innovative but some are arguably operating outside of the tax system, as they provide workers with intrinsic and other non-financial benefits rather than collecting PAYE.

Technological risks

(iv) Cyber security risks – how might these impact tax compliance? For example, how might the IRD data systems be compromised and what backup exists?

(v) Automation/AI as part of the changing nature of work – for example, as automation replaces workers, will tax revenue be reduced due to there being fewer taxable PAYE earners? This has led to some discussion as to whether companies should be taxed for their use of automation.[5]

(vi) Climate change risk. Climate change will result in enormous strain and shock to the economy and government that will extend far beyond warmer water and increasing sea levels. The whole structure of the economy is likely to be affected, meaning businesses will need to transform in order to continue operating. This will have an enormous impact on tax-take at both central and local government levels. This climate change shock is likely to happen at the very time we are going to be hit by a technology shock (e.g. automation/AI leading to a lower number of taxable workers). The two risks together may significantly reduce our tax-take under the current structure. We need to start saving and transforming our systems and industries now. This means we should not only be looking at the way revenue is earned (options to collect revenue) but the amount of revenue/tax-take we will need to deal with future infrastructure requirements and to improve wellbeing for those severely affected.

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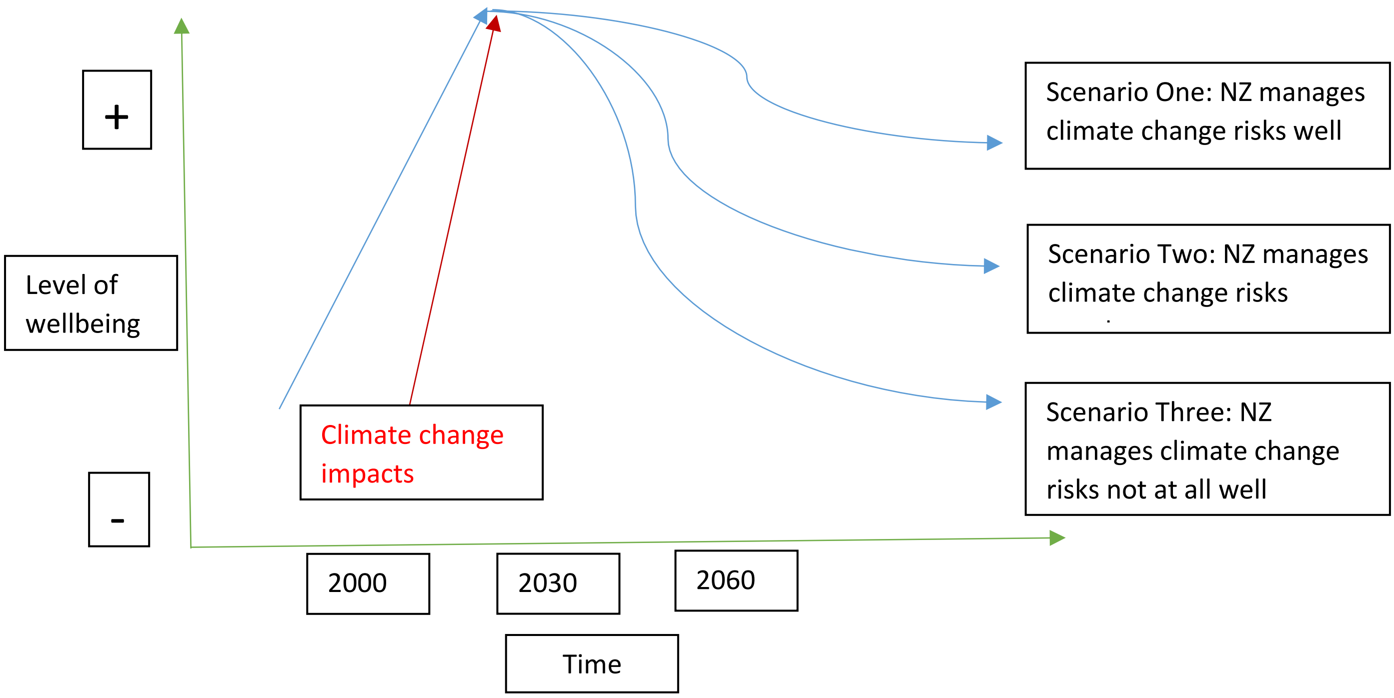
[5] Delaney, K. J. (2017). *The robot that takes your job should pay taxes, says Bill Gates*. Quartz. Retrieved 30 April 2018 from www.qz.com/911968/bill-gates-the-robot-that-takes-your-job-should-pay-taxes.

(2) How should the tax system change in response to the risks, challenges, and opportunities you have identified?

As with any complex system, constant review is crucial. This requires robust, built-in feedback loops to continually assess whether the system is delivering what is intended. Recommendation 4 (see p. 7) is one of our overarching recommendations, and is supported by the detail explained below. We consider it to be important to increase tax-take during the next ten years in order to build up a reserve for incidentals (unknown impacts) and to be able to tackle poverty and build infrastructure to help mitigate known climate change impacts.

Figure 1 illustrates that although it is generally accepted that wellbeing has improved for citizens, this is only temporary (see blue lines). As climate change impacts worsen, many citizens are likely to see a significant and sharp decrease in wellbeing. Direct effects likely to impact wellbeing include impacts on ports (sea level rise), air travel (turbulence), fish and shellfish (water temperature rising) and infrastructure damage to roads and bridges (flooding and storms). The scenarios indicate a range of outcomes for New Zealand depending on how quickly we respond by building resilience in our communities and in our infrastructure. This will depend on capacity for adaptability, skills and available revenue. This is why we believe tax-take needs to be increased in order to create a buffer for known and unknown impacts of climate change.

Figure 1: Illustrating the costs and benefits of acting early in response to climate change risks



(3) How could tikanga Māori (in particular manaakitanga, whanaungatanga, and kaitiakitanga) help create a more future-focused tax system?

These are useful principles that might be able to be applied across the tax system as a whole. This would be an interesting area to explore further.

For example, adjustments to the tax system could be organised in line with the three principles above:

(i) Manaakitanga (hospitality, kindness, generosity and support) could guide the integrity of the tax system by ensuring companies are paying their fair share and personal income/property is being taxed in an equitable manner (see Sections G, H and I).

(ii) Kaitiakitanga (guardianship and conservation), could guide the implementation of carbon taxes, livestock taxes or water taxes (see Sections C, E and F).
(iii) Whanaungatanga (relationships, kinship and family connections) could guide discussions on the removal of GST on sanitary items and guide adjustments to excise taxes such as the creation of sugar tax or increasing alcohol tax (see Sections A, B and D).

Shaping tax around care and consideration of people (social capital) and the environment (natural capital) can help link principles to strategies in the tax system.

Recommendations from Chapter 2

1. **Support further foresight and risk reporting at IRD and develop scenarios to explore what risks or combination of risks might lead to significant reductions and/or increases in the tax-take. Explore not only ways to collect tax but the size of the tax-take needed to manage the risks ahead.**
2. **Collect data on the changing structures of commercial organisations:**
   a. **Understand the landscape of business in New Zealand and monitor it over time.**
   b. **Identify the distinction between charitable organisations and charitable organisations that run for-profit companies in order to respond to the changing needs of tax providers and other users. For example, make an iwi and corporate charity subsection on the Charities Register and look at how this interrelates with the Companies Register.**
   c. **Look more closely at social enterprise organisations and how benefits are shared/gained within these.**
   d. **Consider a 'robot tax'.**
3. **Support reporting on cyber-security breaches, particularly where tax data is compromised.**
4. **Maintain income tax and company tax regimes as 'broad-based' and with current thresholds in place (i.e. although we support changes in the tax rates we do not support a shift to progressive company tax for SMEs etc.). However, also explore ways to significantly increase the tax-take in terms of collecting additional revenue through taxing consumer assets, goods and services (e.g. capital gains tax on third dwellings, GST on products purchased online from overseas), polluting goods (e.g. phosphates and plastics), goods that have long-term health impacts (e.g. sugar) and scarce resources (e.g. water).**
5. **Explore in more detail the implications of applying tikanga Māori across the tax system.**

Chapter 3: Purposes and principles of a good tax system

(4) What principles would you use to assess the performance of the tax system?

Tax has long been a feature of New Zealand society (see Appendix 1).[6] Tax enables governments to build resilience and improve wellbeing. Regarding wellbeing, we would firstly like to express our strong support for Treasury's Living Standards Framework and its attention to the four capitals.

Secondly, we note that developing the principles for assessing a good tax system requires a deeper understanding of whether we are assessing its inputs, outputs or outcomes or all of these. The principles that drive the tax collection system (receipts) cannot be seen in isolation from the principles driving the provision of public services (payments). The net effect of both receipts and payments over time should balance each other.

[6] A brief history of tax developments in New Zealand makes up thread 46 of our 2017 book *Nation Dates* (third ed.).

Lastly, we note that fraud undermines the tax system. Transparency underpins trust, as articulated by Associate Justice Louis Brandeis when he said that 'sunlight is said to be the best of disinfectants'.[7] Listing those who defraud or avoid the system is critical to building trust.

Key principles for consideration listed are below:

(i) Balance (that the system balances receipts and payments over time and ideally creates a surplus).
(ii) Regulatory compliance (that citizens comply with the system and that the system is policed – an external focus).
(iii) Cost effectiveness (that management administers processes effectively to minimise costs – an internal focus). We believe it would be useful to understand the administration costs of the different types of taxes. See discussion in Section H.
(iv) Simplicity and incontestability (that citizens find the system easy to understand, use and trust; complex systems tend to hide loop holes and enable hidden benefits). Are there unintended consequences of our tax system we are not seeing?
(v) Durability (that changes of government do not result in major changes to the tax system. This implies that some form of cross-party agreement is preferable).
(vi) Alignment (that the system aligns with international rules, treaties and standards, and with other national rules and standards).
(vii) Transparency (that the system as a whole, including public disclosure of those who do not follow the rules, is transparent. We thought *The Spinoff*'s series 'Tax Heroes' was a great angle to contrast the tax scoundrel, but those who do not pay their fair share should be held publicly accountable in some way or another.[8] For example, companies should be required to publish penalties in their annual report).

(5) How would you define 'fairness' in the context of the tax system? What would a fair tax system look like?

Our view is that fairness is about equity. There seems to be two ways of looking at the overall goals of the tax system. The first angle is 'equity at collection' – striving for a tax system that collects from individuals and companies in a way that is proportional and fair to their circumstances. The second angle is 'equity at redistribution' – this is more concerned with collecting tax revenue in a flat, horizontal and equal style and redistributing later to ensure vertical equity.

The article *Pencilsword: Greed vs Need* sheds some much needed light on the difference between tax evasion and benefit fraud in New Zealand, and the associated social stigmas. New Zealand suffered $1.24 billion in stolen tax revenue compared to $30 million in defrauded benefit money in 2014. The average value of a tax evasion offence is $229,000 while benefit fraud is $77,000, yet the New Zealand government spends $3 (per $100 recovered) on tax evasion compared to $17 (per $100 recovered) on benefit fraud. It is clear that tax evasion is a more significant crime both in number of offences and amount of potential tax revenue lost. We need to look at how to make better use of resource efforts to combat tax evasion as well as to eliminate legislation loopholes.[9]

The example of Warren Buffet's $29 billion net worth increase from a rewrite of the US Tax Code illustrates the fact that 'fairness' can only be defined in the context of the system's goals:

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7 Brandeis, L. (1914). *Other People's Money and How the Bankers Use It*, p. 92. Retrieved 30 April 2018 from www.ia802702.us.archive.org/32/items/otherpeoplesmone00bran/otherpeoplesmone00bran_bw.pdf.

8 Greive, D. (2018). *Tax Heroes: forget the rich list – who pays the most tax in NZ?* Retrieved 30 April 2018 from www.thespinoff.co.nz/society/inland-revenue/28-03-2018/tax-heroes-forget-the-rich-list-who-pays-the-most-tax-in-nz.

9 Morris, T. (2017). *The Pencilsword: Greed vs Need.* Retrieved 30 April 2018 from www.thewireless.co.nz/articles/the-pencilsword-greed-vs-need.

> Berkshire's gain in net worth during 2017 was $65.3 billion, which increased the per-share book value of both our Class A and Class B stock by 23% ... A large portion of our gain did *not* come from anything we accomplished at Berkshire. The $65 billion gain is nonetheless real – rest assured of that. But only $36 billion came from Berkshire's operations. The remaining $29 billion was delivered to us in December when Congress rewrote the U.S. Tax Code.[10]

In our view, the tax system should meet social and environmental goals and work with society to deliver better outcomes. We believe it should always be reviewed in terms of the needs of society, hence why this review is timely. We also believe that the tax system being simple and staying relatively constant over time is a positive thing, but we think it could be better utilised to meet current and future needs. We have attached the *People Deprivation Index* in Appendix 2, which highlights some of the current gaps by geographical region. We need to use all of our systems to give every New Zealander the opportunity to improve their living standards; this is particularly the case for New Zealanders that are currently experiencing immense challenges. We have also attached Appendix 3, which is an output of our *Project TacklingPovertyNZ* workshops. This project aims to contribute to a national conversation on how to reduce poverty in New Zealand. Key outputs of these workshops were *Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations* and *A regional perspective of the talking tour 2016/He tūāhua o te haerenga kōrero 2016* infographic.[11] The infographic illustrates how communities would be able to tackle poverty as identified by the *TacklingPovertyNZ* workshop participants, as well as the main measures for empowering those in poverty.

The tax system is part of a much larger system designed for the overall public good. It is important to look at where the systems are failing in other areas to develop a more holistic approach to tax. This same sentiment forms the basis of *Think Piece 29 – Proposed changes to s 211 of the Companies Act 1993* (to be published in late May 2018), which was developed based on the Treasury's Living Standards Framework. We look at improving the quality of corporate reporting in New Zealand by amending s 211 of the Companies Act 1993 (Content of an annual report) to require a wellbeing statement on the four capitals (natural, social, human, financial/physical) for significant companies (ideally 'large' companies). Our view is that good quality reporting practices from companies with the most significant impacts on New Zealand will enable public policy leaders and industry standard-setters to develop robust systems in the face of emerging technological, environmental and social disruptions. Wellbeing statements could include disclosures such as carbon emission and water usage statistics (natural capital), employee information (human capital), income tax, GST and cyber-security breaches (financial/physical capital) and political donations (social capital).

Recommendations from Chapter 3

6. **Consider the seven principles (i) to (vii) on p. 7 of this submission.**
7. **Research tax loopholes for each type of tax dollar collected.**
8. **Report regularly on the administration costs of each type of tax dollar collected (e.g. what is the most cost-effective and robust way to collect tax over time).**
9. **Research whether we are policing our tax laws well enough and review the penalty fee applied to each type of tax dollar collected (e.g. what is the most cost-effective and robust way to police tax collection over time? Are penalties significant enough to act as a disincentive?).**
10. **Research whether we are taxing low income brackets too much and high income brackets too little.**
11. **Research ways tax is currently being (or could be) crafted to deliver better outcomes for society (e.g. which is most cost-effective: creating a special rebate for hybrid cars (feebate) or increasing petrol taxes?).**

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10 Buffet, W. (2018). Letter to Shareholders of Berkshire Hathaway Inc. Retrieved from www.berkshirehathaway.com/letters/2017ltr.pdf.

11 These, and other workshop publications, are available to download from the *TacklingPovertyNZ* website: www.tacklingpovertynz.org/publications.

12. **Research BEPS and develop strategies to combat illegal behaviour and/or make undesirable behaviour illegal. See Section G.**

Chapter 4: The current New Zealand tax system

(6) New Zealand's 'broad-based, low-rate' system, with few exemptions for GST and income tax, has been in place for over thirty years. Looking to the future, is it still the best approach for New Zealand? If not, what approach should replace it?

We respond to this question throughout this proposal. However, we also note a question that is not easy to address anywhere else: who pays tax and who does not and how transparent is this within the current system? Specifically, companies and organisations with charitable statuses and tax exemptions operate in an area of the system that is difficult to navigate. For example, the Seventh-day Adventist Church in New Zealand (a charitable trust) owns a number of commercially driven entities, most notably Sanitarium Health and Wellbeing Company. Sanitarium is a producer of health foods in both New Zealand and Australia. The Charitable Trust status means that the Seventh-day Adventist Church and its food giant Sanitarium are not liable for tax on earnings. The Seventh-day Adventist Church accumulated a total revenue of $222,857,232 through its ventures in the 2016 financial year. This level of revenue would usually place an organisation in the Deloitte Top 200 Index.

Presently, iwi organisations and companies are registered on the Charities Register but you cannot easily search for them. Further, there appears to be no link between the Charities Register and Companies Register. It would improve transparency if the IRD were to regularly report on the public good benefit produced by iwi and other non-profit organisations. This would answer questions such as i) what tax-take is being lost in exchange for what benefit (the cost/benefit), and ii) are there ways we could use this information to build a stronger philanthropy sector (e.g. requiring charities to register by geographical location and philanthropy type) and/or a stronger business sector (e.g. requiring companies to identify and be searchable by their type of industry and number of staff)? New Zealand (and the tax system) would arguably be better supported if we had one large national register that was easy to search.

Our issue is not with for-profit organisations supporting charitable work. We simply seek to highlight that this work should be undertaken in a manner that is transparent and open about any conflicts of interest. There needs to be a clear separation between entities operating for profit or not-for-profit purposes.

(7) Should there be a greater role in the tax system for taxes that intentionally modify behaviour? If so, which behaviours and/or what type of taxes?

Yes. We believe that we already use the tax system to intentionally change behaviour and that we could be more deliberate going forward. Current examples are taxes on petrol, tobacco and alcohol. As you will see in the additional sections to this submission (A: Sanitary items GST exemption, B: Carbon tax and/or Livestock tax, C: Sugar tax, D: Alcohol tax, E: Water tax and F: Plastic tax), we believe these mechanisms could be better used to change behaviour.

We believe it is important to consider the behaviours we want to support and the behaviours we want to discourage. A comprehensive list is beyond this submission but we do want to alert you to a few we believe are important and have had a part in shaping our responses in this submission.

- Helping people and businesses move to a low-emissions economy
    - Using feebates to support energy-efficient or environmentally friendly practices such as electric cars or managing plastic bag use.
    - Supporting intensive urban development (e.g. apartments and other models of high-density living, in parallel with initiative to build empowered community and support councils to build strong, robust environments). We therefore support apartments and good central infrastructure (e.g. transport, housing, renewable energy, hospitals etc.).
    - Supporting regional communities. E.g. we suggest petrol tax needs to be raised, particularly for petrol tax purchased within major cities (e.g. Auckland, Wellington, Hamilton, Christchurch, Tauranga and Dunedin). This would avoid disadvantaging regional areas and motivate city dwellers to use public transport.
    - Building more interconnected transport networks between roads, train stations and ferries and moving towards renewable energy in these networks as much as possible.

- Helping people to stay healthy
    - Increasing the cost of alcohol, as drinking less reduces the risk of cancer.
    - Reducing obesity through a sugar tax, as less sugar reduces obesity.
    - Improving ccess to national parks and clean rivers – an embedded part of the New Zealand lifestyle.
    - Ensuring basic needs are cheap and accessible.
    - Attacking societal problems at their core (e.g. roots of homelessness, drug abuse).

- Helping people to be self-sustaining financially
    - Supporting innovation and entrepreneurship through fostering an equitable tax system.
    - Putting wellbeing at the forefront of public policy e.g. work hard, play hard.
    - Creating a system that does not disadvantage regional communities.
    - Ensure equitable access to technology (closing the Internet divide).
    - Ensuring the provision of affordable housing.

(8) Should the tax system encourage saving for retirement as a goal in its own right? If so, what changes would you suggest to achieve this goal?

Yes. There is potential to design the tax system for the public good and to encourage public trust. Participants of the Institute's 2012 *LongTermNZ* workshop recognised the issue of retirement savings and explained it in their own terms through 'the Auntie Gertrude challenge' cartoon (see Appendix 3).[12] Encouraging saving for retirement within the tax system could be a key component of addressing the future challenges of New Zealand's aging population.

<u>Recommendations from Chapter 4</u>

13. **Improve the tax system to deliver public good objectives, in particular, to tackle poverty and improve the environment.**
14. **Make for-profit and not-for-profit entities transparent in a central register (combining the companies register and the charities register) as an entity's tax status is not always apparent or easy to find.**
15. **Increase the tax on petrol purchased within New Zealand's largest cities to help New Zealand move to a low-emissions economy and to help fund public transport.**
16. **Research ways to encourage saving for retirement via the tax system.**

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12 The cartoon is a fun and creative way to explain the superannuation challenge highlighting that this burden must not be left to younger generations to carry. It was developed as part of the *LongTermNZ Youth Statement on New Zealand's Long-term Fiscal Position* workshop booklet, which can be downloaded from the McGuinness Institute website: www.mcguinnessinstitute.org/workshop-publications.

Chapter 5: The results of the current tax system

(9) Does the tax system strike the right balance between supporting the productive economy and the speculative economy? If it does not, what would need to change to achieve a better balance?

We do not have enough information to respond to this question.

(10) Does the tax system do enough to minimise costs on business?

We do not have enough information to respond to this question.

(11) Does the tax system do enough to maintain natural capital?

No, as evidenced by poor water quality and pollution levels. We see the tax system as a way to protect and build our national capital. See discussion in Part 2, Sections B: Carbon Tax and/or Livestock Tax, E: Water Tax and F: Plastic Tax.

(12) Are there types of businesses benefiting from low effective tax rates because of excessive deductions, timing of deductions or non-taxation of certain types of income?

We do not have enough information to respond to this question but we consider it to be an important one. We are aware of the difference between GAAP (generally accepted accounting practice) net income and taxable income and, based on our research, the reconciliation between the two is not always clear. We wonder if IRD have undertaken any work looking at compliance in this area.

<u>Recommendations from Chapter 5</u>

17. **Research ways tax systems can be used to deliver better outcomes for social and environmental capital.**
18. **Research types of businesses benefiting from low effective tax rates because of excessive deductions, timing of deductions or non-taxation of certain types of income.**

Chapter 6: Thinking outside the current system

(13) What are the main inconsistencies in the current tax system? Which of these inconsistencies are most important to address?

The review of the tax system needs to consider the impact of tax on social capital, natural capital, human capital and financial capital as part of a complex ecosystem – all capitals are interconnected. See also our response to question 5 above.

(14) Is there a case to consider the introduction of any new taxes that are not currently levied? Should any taxes be reduced if new taxes are introduced?

As noted above we believe the tax-take needs to increase, so we would argue that New Zealand needs additional taxes as well as retaining the current system and rates of tax.

<u>Recommendations from Chapter 6</u>

19. **New taxes for consideration are discussed in Part 2. These include Section A: Sanitary items GST Exemption, B: Carbon Tax and Livestock Tax, C: Sugar Tax, E: Water Tax, and F: a Plastic Tax.**

Chapter 7: Specific challenges

(15) How, and to what extent, does the tax system affect housing affordability for owners and renters? Is there a case to change the tax system to promote greater housing affordability? If so, what changes would you recommend?

We do not have enough information to respond to this question.

(16) Should New Zealand introduce a capital gains tax (that excludes the family home)? If so, what features should it have?

We consider a capital gains tax to be well overdue, but this should exclude two dwellings. This is particularly relevant as it seems there is a move to a lifestyle whereby people have an apartment during the working week and spend weekends out of town at a bach, boat or country home. This is not just good for the city and urban areas; it is good for a person's mental and physical health.

(17) Should New Zealand introduce a land tax (that excludes the land under the family home)? If so, what features should it have?

We are not sure how this would be different from rates.

(18) What are the main opportunities for effective environmental taxation?

The research phase of *Project ReportingNZ* was incredibly eye-opening for the Institute, as we discovered how little companies are reporting on environmental issues. Examining the content of the 126 NZSX-listed companies' 2016 annual reports, we found that:

> 19% of annual reports mentioned water statistics, water controls and/or water targets; 25% of annual reports mentioned carbon emission statistics, costs, controls and/or targets; and 29% of annual reports mentioned environmental practices or targets.[13]

It is concerning that the rate of reporting (even at the level of simply mentioning there are risks) of this kind of environmental information is so low. There are no requirements or incentives that hold companies accountable for the degradation of the environment. Carbon or livestock taxing would provide this incentive, alongside mandatory requirements to report on the environment to create a data set to measure progress and inform policy. See Part 2, Sections B, E and F for a discussion on carbon, water and plastic taxes.

(19) Should the tax system do more to support small businesses? In particular, is there a case for a progressive company tax?

Although we would like to support this idea, we suspect a small number of companies would use this as an opportunity to restructure into a number of small to medium-sized enterprises to take advantage of the opportunity to minimise tax payments.

(20) Should the tax system exclude some goods and services from GST? If so, what should be excluded? What else should be taxed to make up for the lost revenue?

Please see (A) Sanitary items GST Exemption discussion below.

<u>**Recommendations from Chapter 7**</u>

20. **Introduce a capital gains tax on any third or more dwelling. This intentionally excludes a family home and a secondary dwelling (such as a bach or apartment or boat).**
21. **We do not support a progressive company tax regime.**

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13 See Graphs 12, 14 and 16 in *ReportingNZ 2018 Worksheet: An analysis of the state of play of EER*, found on the McGuinness Institute website: www.mcguinnessinstitute.org/publications.

PART 2: NINE ADDITIONAL TOPICS

This part of the submission discusses nine specific topics in more detail.

A: Sanitary items GST exemption

We believe sanitary items should be exempt from GST in order to help correct the current gender inequity in the tax system and by doing so, deliver cheaper sanitary items. In order for sanitary products to be GST exempt (or zero-rated), they need to fall into a discrete category. For the purpose of this discussion the Institute defines sanitary items as 'personal care products used for menstruation, which are are disposable or reusable and include sanitary pads, tampons, liners, and menstrual cups'.

Background
As discussed earlier, the infographic in Appendix 3 outlines the findings from our *TacklingPovertyNZ* project, which illustrates how people living in poverty might go about tackling poverty in their community, as identified by the workshop participants.

The key assumptions that drove our analysis were:

1. If you ask people how to tackle poverty they will indirectly point out the failings in the current system and suggest improvements or novel solutions to existing problems.

2. If knowledge lies with people and the tools lie with government, the list of 'hows' we have collected in *Project TacklingPovertyNZ* represents the knowledge of the people and illustrates to government how they might use their tools more effectively.

The findings of this research indicate that people experiencing poverty highlight survival (identified in the Appendix 3 infographic as Factor 1) as a key need; people are largely concerned with their lack of basic items. Not only does this material hardship prevent full participation in education and work, it also deprives people of their dignity. Young people in particular note that the prices of sanitary items are too high, preventing them from participating in their normal routines when menstruating. There are anecdotal reports of students missing school due to the inability of their families to afford sanitary items for multiple family members. Other stories detail the indignity of using newspapers and rags, due to the inability of some families to afford both basic sanitary items and groceries for the week.[14] Other stories mention theft of sanitary items out of desperation.[15]

There is keen interest in this conversation and much discussion among young people who are supportive of reducing period poverty. While commenters (and we) are not entirely sure of the mechanisms to best achieve a reduction in the cost of sanitary items, we are interested to see what the working group is able to find in terms of data which explores the idea. From our initial research, the key areas people were unsure about relate to the implications of removing GST from these goods, and whether or not the reduced tax would be passed on to consumers as reduced retail prices. As part of the Working Group's research, we believe further exploration of the implications of zero-rating sanitary products would be a worthy enquiry. Outstanding questions from our initial research include:

- What is the actual tax revenue the government gains from the sale of sanitary items?
- What might be the real reduction in cost for the consumer if GST was removed from sanitary items?
- Is the consumer cost of sanitary products impacted by whether or not sanitary items are imported or manufactured in New Zealand?

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14 Harris, S. (2018). *Pregnant women urged to donate to help curb period poverty for Cambridge campaign*. Retrieved 30 April 2018 from www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12008677.

15 Heyward, E. (2018). *Women in 'period poverty' using socks as sanitary pads*. Retrieved 30 April 2018 from www.stuff.co.nz/national/103341262/women-in-period-poverty-using-socks-as-sanitary-pads.

- How much government tax revenue is generated by GST on sanitary items?
- What principles support a tax on an essential item required by half of the population?
- If GST removal is not the correct mechanism to reduce the cost of sanitary items, what are other alternatives to reduce cost of these items? For example, could Pharmac bulk-buy these goods and then sell them to supermarkets at cost? Although, in April 2017 Pharmac refused a request to fund women's sanitary items 'on the grounds that sanitary products were not medicines'.[16]

While the Institute recognises and acknowledges the reasons for supporting a broad base for GST, we hold that exempting sanitary items from this tax is an easily applicable measure to reduce the cost of this essential item for half the population. Unlike the debate on GST zero-ratings for other items such as food or petrol, the category of 'sanitary items' is discrete and not significant in terms of the overall GST tax-take. Further, the Australian Tax Office has developed tools for their far more complex exemption system, which could be used for the exemption of these goods. This is not a new idea. Many jurisdictions around the world have zero-rated sanitary products to exclude them from national sales taxes. This includes Ireland, Canada, Kenya, and some states of the US (Connecticut, Florida, Illinois, Maryland, Massachusetts, Minnesota, New Jersey, New York, and Pennsylvania).[17,18,19] In Australia the debate is ongoing and arguably more complicated, because Australia already has a wide range of 'necessary' goods that are exempted from sales tax.

In New Zealand the conversation is simpler because it involves extending a list of six existing exemptions to include a seventh class of items that is easily definable.[20] Locally the issue has already been raised by two Whangaparoa College students, whose petition calling for GST to be removed from sanitary items now has 36,000 signatures.[21] Further, there has been a lot of discussion of this on our Facebook page – in

Figure 2: Engagement with McGuinness Institute Facebook post

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16 Stuff. (2017). *Pharmac rejects funding bid for sanitary items saying they are 'not medicines or medical devices'*. Retrieved 30 April 2018 from www.stuff.co.nz/national/health/91695342/Pharmac-rejects-funding-bid-for-sanitary-items-saying-they-are-not-medicines-or-medical-devices.

17 BBC. (2015). *'Tampon tax' paid around the world*. Retrieved 30 April 2018 from www.bbc.com/news/world-32883153.

18 Hillin, T. (2015). *These are the U.S. states that tax women for having periods*. Retrieved 30 April 2018 from www.splinternews.com/these-are-the-u-s-states-that-tax-women-for-having-per-1793848102.

19 Reiss-Wilchins, R. (2017). *Kenya & Menstrual equality: What you didn't know*. Retrieved 10 May 2018 from www.huffingtonpost.com/gina-reisswilchins/kenya-menstrual-equity-wh_b_9557270.html.

20 Pre-existing GST exempt supplies in New Zealand include: (i) donated goods and services sold by non-profit bodies, (ii) financial services, (iii) renting a residential dwelling, (iv) residential accommodation under a head lease, (v) the supply of fine metals (gold, silver and platinum), other than zero-rated supplies and (iv) penalty interest. Inland Revenue (IRD). (2017). *GST (Goods and services tax)*. Retrieved 30 April 2018 from www.ird.govt.nz/gst/additional-calcs/calc-spec-supplies/calc-exempt/calc-exempt.html.

21 Nightingale, M. (2017). *Petition to remove GST from pads and tampons started as school project, now has 20k signatures*. Retrieved 30 April 2018 from www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11862449.

less than four days the post accumulated over 450 likes and 38 comments supporting the idea of 'tax free' tampons (see Figure 2).

Tables 1 and 2 illustrate the results from our initial research. We found that all sanitary items appear to be imported and that there is no publicly available data on volumes imported.

Table 1: Sanitary items by place of manufacture

Sanitary product brand	**Place of manufacture** (as stated on products)
Stayfree & Carefree	Thailand
U Kortex	Vietnam
OI (Organic Initiative)	Europe
Bon	EU
Budget	China
Pams	China
Libra	Australia

Table 2: Sanitary items by price with and without GST

Sanitary items	**Product**	**Price[22]**	**Max GST removed[23]**	**Sales of sanitary items**
Stayfree & Carefree	Regular Ultra-thin pads (pack of 14)	$4.39	$3.73	This data could not be found, either individually or in total but we have sent an OIA to the NZ Customs Service.
U Kortex	Regular pads (pack of 14)	$4.99	$4.24	
OI (Organic Initiative)	Tampons regular (pack of 16)	$5.69	$4.84	
Bon	Regular tampons (pack of 16)	$5.99	$5.09	
Budget	Overnight pads (pack of 20)	$2.49	$2.12	
Pams	Ultra-thin pads regular (pack of 14)	$3.99	$3.39	

<u>Recommendations on GST exemption of sanitary items</u>

22. **Research the Canadian, Irish, Kenyan and US approaches to exempting sanitary items from sales taxes in order to identify the most effective way of reducing the cost of these items in New Zealand.**
23. **Research the overall tax revenue gained from the sale of sanitary items and ways in which this might otherwise be gained if these items were made GST-free.**
24. **Research alternative ideas to zero-rating goods (in order to correct the current gender inequity in the tax system) by looking into solutions such as credits for sanitary items, Pharmac funding of sanitary items, or other options.**

22 Information collected by the McGuinness Institute from prices displayed at New World Chaffers, Wellington, on 30 April 2018.

23 Please note actual savings to the consumer are likely to be lower than listed due to retail overheads. In order to find out the actual decrease in costs, additional information would be required from retail outlets such as supermarkets.

B: Sugar tax

Recent research from the University of Waikato has shown that the average soft drink or fruit juice in New Zealand contains a 'higher amount of sugar than those in most other Western countries'.[24] Lead author of the research Dr Lynne Chepulis stated that while sugary drinks in the UK have three or four teaspoons of sugar, New Zealand drinks have up to five or six teaspoons of sugar.[25] New Zealand has the third highest obesity levels in the OECD.[26] 'In April 2016 an open letter signed by more than 70 medical specialists including frontline care workers and professors called on the government to introduce a sugar tax.'[27]

Background

Examples of nation states that have adopted a sugar tax include Chile, Mexico, France, Britain, Ireland, Brunei, Norway and many Pacific Island nations.[28]

Taxation of sugar (or lack thereof) has, historically, not always been motivated by its impact on population obesity, but rather has been linked to questions of class and New Zealand's relationship with the British Empire. In the nineteenth century sugar was seen by government as an important energy source for the working class. In 1878 for example, tea and sugar duties were reduced 'as a nod towards a "free breakfast table" for the labouring classes'.[29] In 1907 duties were removed from sugar (amongst other foodstuffs) if it was British.[30] In the 1953 Budget, as exemptions became a more common tax practice, Prime Minister Sydney Holland 'with a wink to the children … made "fizzy drinks" free'.[31] When GST was first implemented on 1 October 1986, at a rate of 10% for all goods and services (excluding rental accommodation, housing and financial services), pamphlets explained and justified the new tax by claiming that everyday goods affected by the tax would actually decrease in price – including 'sweets, icecream, softdrinks'.[32]

The Institute acknowledges that much research and discussion at both governmental and industry levels has occurred on the topic of the sugar tax, including what mechanism might be best suited to discourage consumers from purchasing large quantities of food items linked with obesity and diabetes. While some organisations and government departments have issued reports declaring the price-signalling impact of a sugar tax to be nil, the Institute thinks that the Working Group should keep an open mind to this policy and not give it a 'no' until further research has been undertaken.

In the UK, manufacturers are to carry the cost of 'a sugar-sweetened beverage tax', officially implemented in April this year. This approach will ultimately produce a product containing less added sugar, as Dr Chepulis explains:

> The UK had the lowest proportion of sugar in their drinks which kind of ties in with the fact that the whole taxation is working for them. What they do in the UK is they pass that sugar tax on to manufacturers. So the manufacturers

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24 *NZ Herald*. (2018, January 16). New calls for sugar tax after research finds more sugar in NZ soft drinks. Retrieved 30 April 2018 from www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11976105.

25 Ibid.

26 *Stuff*. (2018, March 8). Should New Zealand adopt a sugar tax?. Retrieved 30 April 2018 from www.stuff.co.nz/stuff-nation/102086155/should-new-zealand-adopt-a-sugar-tax.

27 *NZ Herald*. (2016, April 2). Medical experts push for sugar tax. Retrieved 30 April 2018 from www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11615519

28 *Stuff*. (2018, March 8). Should New Zealand adopt a sugar tax?. Retrieved 30 April 2018 from www.stuff.co.nz/stuff-nation/102086155/should-new-zealand-adopt-a-sugar-tax.

29 Goldsmith, P. (2008). *We Won, You Lost, Eat That! A political history of tax in New Zealand since 1840*, p. 62. Auckland: David Ling.

30 Ibid., p. 114.

31 Ibid., p. 225.

32 Goldsmith, P. (2010). 'Taxes - Labour government reforms – 1984 to 1990', in *Te Ara - the Encyclopedia of New Zealand*. Retrieved 9 May 2018 from www.TeAra.govt.nz/en/zoomify/21556/shopping-with-gst.

have been reformulating the beverages in the UK to avoid the sugar levy … It's much better just to have a product that is healthier to begin with. People are still going to drink it.[33]

A recent report by NZIER discusses the 'substitution-effect' problem, but more research is required.[34]

Like the history of tobacco lobbying, we can expect a range of self-interest lobby groups arguing that a sugar tax is not required. The reality is that something must be done for the wellbeing of New Zealanders and a sugar tax is one such option.

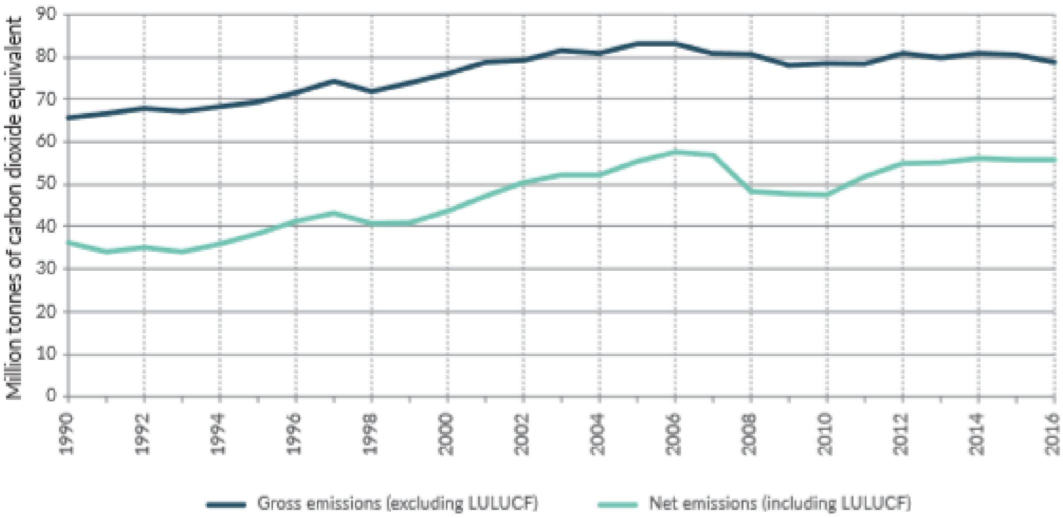
Recommendations on sugar taxes

25. **Research the long-term impact on dental decay and obesity levels in counties (or states) that have adopted a sugar tax.**
26. **Collect further data on the 'substitution-effect' problem.**

C: Carbon tax and livestock tax

New Zealand's emissions continue to rise despite the introduction of an ETS in 2008. New Zealand's gross emissions have increased 19.6% since 1990 and net emissions have increased significantly since 2008 (see Figure 3).[35] Unit prices have not remained stable during this time, leading us to ask if a carbon tax might be a more effective and broad-based mechanism to decrease carbon emissions.

Figure 3: New Zealand's gross and net emissions from 1990 to 2016[36]



This section covers direct taxes that could be adopted to change the behaviour of producers and consumers with a view to reducing greenhouse gases. From our perspective, these can either be input taxes (e.g. a livestock tax and/or nitrogen tax) or output taxes (e.g. costs being passed on by producers to consumers such as in the case of milk, meat prices or flights). Our preferred solution is a strategy to reduce livestock (say by 20%) to then be followed up by a livestock tax in the short- to medium-term.

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33 Nyika, R. (2018, January 16). Sugary drinks – NZ worse than Canada, UK and Australia, study finds. *Stuff.* Retrieved 9 May, 2018 from www.stuff.co.nz/national/health/100581810/sugary-drinks--nz-worse-than-usa-uk-and-australia-study-finds

34 NZIER. (2017). *Sugar Taxes: A review of the evidence*. Retrieved 30 April 2018 from www.nzier.org.nz/static/media/filer_public/f4/21/f421971a-27e8-4cb0-a8fc-95bc30ceda4e/sugar_tax_report.pdf.

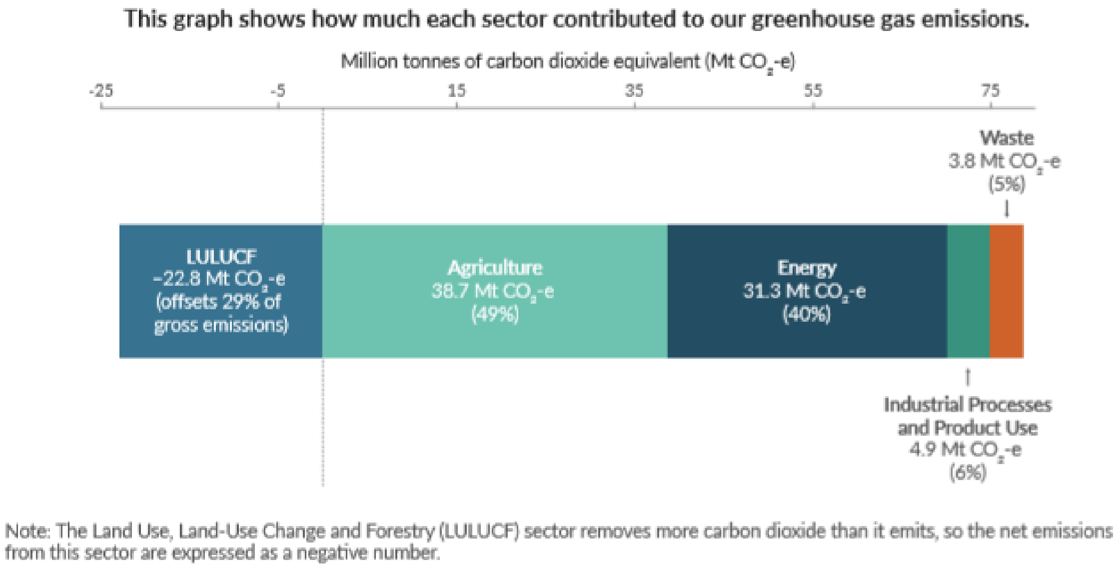
35 MFE. (2018). *Snapshot April 2018*. Retrieved 30 April 2018 from www.mfe.govt.nz/node/24121.

36 Ibid.

Background
With the government recently announcing plans to draft a Zero Carbon Bill, it is pertinent that the working group consider whether tax may be a better tool to signal to consumers and producers the need to decrease carbon emissions. The issue of carbon pricing is still relatively new and we think that the working group should stay open as to which mechanism might best suit our nation's unique economy.

Although some may argue that it is not the tool itself that is the issue (i.e. there is no difference whether emissions are decreased via an ETS mechanism or a tax on carbon), we are interested in further research on the benefits of a carbon tax over the Emissions Trading Scheme (ETS). The Institute believes that a carbon tax might be more transparent, harder to contest, more cost-effective to administer and easier for the public to understand. The ETS has been clouded with much political controversy, which may prevent citizens from understanding the importance of price signals for reducing emissions.

Figure 4: New Zealand's emissions profile in 2016[37]



Although there are a number of industries contributing to emissions (see Figure 4), we are particularly interested in agricultural emissions and their implications for New Zealand's exports going forward (both positive, in terms of brand association, and negative, in terms of being uncompetitive in the market).

The current climate change policy, until recently, has remained at an impasse. This is not just reflected in public policy but also in private practice. The research phase of *Project ReportingNZ* was incredibly eye-opening for the Institute, as we discovered how little companies are reporting on environmental issues. Examining the content of the 126 NZSX-listed companies' 2016 annual reports, we found that only 25% of annual reports mentioned carbon emission statistics, costs, controls and/or targets.[38]

Similar to our recommendations in *Project ReportingNZ* (see response in Chapter 4, question 6), the recent draft report by the Productivity Commission discusses implementing legislative change to existing reporting requirements to incorporate climate-related disclosures. The report finds:

> Existing financial reporting requirements (eg, as contained in the Companies Act 1993) will likely fail to adequately incentivise the disclosure of climate risk in a manner that is consistent and credible.[39]

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37 MFE. (2018). *Snapshot April 2018*. Retrieved 30 April 2018 from www.mfe.govt.nz/node/24121.

38 See Graph 14 in *ReportingNZ 2018 Worksheet: An analysis of the state of play of EER*. This publication can be found on the McGuinness Institute website: www.mcguinnessinstitute.org/publications.

39 Productivity Commission. (2018). *Low-emissions economy*, p. 420. Retrieved 30 April 2018 from www.productivity.govt.nz/inquiry-content/3254?stage=3.

While we agree with and support the Commission's recommendations, we are concerned that our current Emissions Trading Scheme (ETS) is failing to incentivise companies to transition into a low-carbon economy. Companies are not reporting on this policy programme and there is an urgent need for significant change in our taxing and reporting frameworks. It would be pertinent to look at a carbon tax to both guide behavioural change, and to incentivise investors, corporations and consumers to favour low-carbon businesses.

Adjusting the legislation on reporting requirements can ensure a swift transition into a low-carbon economy. Mandatory disclosures of climate-related 'governance, strategy, risk management, and metrics and targets' will aid in measuring progress and gathering the information required for informed, long-term decision making.[40] The Productivity Commission's recently published draft report, *Low-emissions economy* generates three focus areas or goals to guide sustainable reporting towards a stable climate-related ethic:

1. Commitment to net-zero emissions
2. Profitable net-zero business model
3. Quantitative mid-term targets.[41]

Given our research and the Productivity Commission's recent report, the Institute has recently commenced research for *Working Paper 2018/03 – Analysis of Climate Change Reporting in the Public and Private Sectors*. This working paper will look at the 2017 annual reports of NZSX-listed companies and 2017 Deloitte Top 200 companies, as well as the 2017 annual reports of central and local government organisations. The aim of the project is to assess the current climate reporting landscape, identify gaps in the system and, where appropriate, suggest recommendations to create better alignment between our public and private sectors. This research will be published later this year.

Recommendations on carbon and livestock taxes

27. **Prepare an updated CBA comparing an ETS with a carbon tax.**
28. **Research which mechanism is most effective (using international examples) at discouraging political manipulation of the national carbon budget (either through raising the units of carbon allowed or lowering the carbon tax amount).**
29. **Research whether a carbon tax is more effective than an ETS in confronting the difficult issue of how to tax primary agricultural producers.**

D: Alcohol tax

Excise tax on alcohol has been used as means to deliberately modify behaviour by raising taxes on goods that the government wants to reduce consumption of. This is intended to optimise public health and minimise negative health impacts.

Background

Late last century, 'over 60% of tax revenue came from alcohol and tobacco' (see Appendix 1). At present, New Zealand uses excise taxes in the cases of alcohol and tobacco to discourage drinking and smoking. While excise taxes go up slightly each year, the rate of increase is barely noticeable.[42] The value-add tax rate on absolute alcohol in New Zealand is comparatively low to other OECD countries in 2016, sitting at just 15% in comparison to 20% in the UK.[43] Our excise taxes are much lower than Australia's: our rates sit at 10% of the retail price for beer, 15% for wine and 38% for spirits in comparison to 24%, 25%

40 Ibid., p. 419.

41 Ibid., p. 156.

42 New Zealand Customs Service. (2017). *New excise duty rates for alcohol from 1 July 2017*. Retrieved 8 May 2018 from www.customs.govt.nz/about-us/news/important-notices/new-excise-duty-rates-for-alcohol-from-1-july-2017.

43 OECD. (n.d.). *Consumption tax trends 2016*. Retrieved 30 April 2018 from www.oecd.org/tax/consumption/consumption-tax-trends-19990979.htm.

and 50% respectively.[44] Raising the excise tax on alcohol may have two positive outcomes: an increase in tax revenue for New Zealand and a decrease in alcohol consumption, which may mitigate New Zealand's culture of excessive drinking (particularly among youth whose purchasing behaviour is linked to low prices).

<u>Recommendation on alcohol taxes</u>

30. Consider raising the price of alcohol by increasing the existing excise tax.

E: Water tax

There is significant public support for taxes on fresh water, as evidenced by Water New Zealand in a survey undertaken in late 2017. The survey notes that 77% of those surveyed supported agricultural and horticultural producers paying for their use of water – this includes 77% of those who live in rural areas.[45]

In addition to fresh water taxes on litres used, there is also an argument for taxing components that pollute water such as phosphorus (which is used in animal feed supplement and fertiliser).[46] In addition to fresh water taxes on litres used, there is also an argument for taxing components that pollute water such as phosphorous. Along with nitrogen, phosphorous pollutes water by over-enriching it with nutrients in a process called eutrophication, leading to blooms of toxic algae that impact biodiversity.[47] Pollution of water in this way 'has major socioeconomic consequences that include lost livelihoods, reduced property values, damage to fisheries, loss of recreational opportunities, and several health risks'.[48] Evidence suggests that, 'without changing current trajectories, the effects of eutrophication will spread and worsen in the coming decades'.[49] However, lowering the input of phosphorous to water would reduce or remove this risk and we consider it to be worth exploring whether a tax on phosphorous imports is a feasible solution.[50]

Background

The Institute notes that the *Submissions Background Paper* does not mention a tax on fresh water use for commercial purposes or a tax on polluted water or components that pollute water. If this is a political issue, we believe a water tax should still be researched and explored in order for this to truly be a holistic review of the future of tax.

In terms of fresh water taxes, there is a misconception amongst 42% of respondents to the 2017 Water New Zealand survey that all water users are already paying for use of water. This perhaps indicates that the tax is widely received by the public as a non-controversial idea, apart from a small section of industry

44 Alcohol Healthwatch (AHW). (2009). *Tax and Pricing. Information Sheet: tax on Alcohol.* Retrieved 30 April 2018 from www.ahw.org.nz/Issues-Resources/Tax-Pricing.

45 Manch, T. (2017, September 20). Over half of Kiwis want all water users to pay, Water NZ survey shows. *Stuff.* Retrieved 30 April 2018 from www.stuff.co.nz/national/politics/97020647/over-half-of-kiwis-want-all-water-users-to-pay-water-nz-survey-shows.

46 Our reference to phosphates creates a possible perceived conflict of interest as the CEO of the McGuinness Institute is an investor in Donaghys Limited and Donaghys produces and sells a competing product to phosphates.

47 Townsend, A. R. et al. (2012). *The Climate Benefits of Better Nitrogen and Phosphorus Management.* Retrieved 9 May 2018 from www.issues.org/28-2/townsend.

48 Ibid.

49 Ibid.

50 Ibid.

that seeks to benefit from public resources to create private profit. Water New Zealand noted that these opinions 'are consistent across city, regional and rural regions'.[51]

New Zealand dairy farms use the equivalent amount of water as 58.2 million people.[52] This illustrates the extent of this issue for New Zealand, particularly given the impacts of climate change on air and water temperature and the broader issues of global water shortages. There is much disputed research on the cost of a water tax to dairy farms, with Auckland University's Public Policy Institute calculating different results to the industry group DairyNZ dispute using the same figures.[53] There is not much research being conducted using established consensus data. This is an obstacle to having clear and transparent public debate on the topic.

In terms of phosphorus, we have not looked at this in detail but we understand that Denmark does operate an animal feed mineral phosphorus tax and that it is working. Although the 'analysis published shows that a tax on phosphorus would have been environmentally and economically more effective if applied to all sources, including also to mineral fertilizer'.[54]

Sweden implemented a tax on mineral fertilisers in 1984 to mitigate negative environmental impacts. It targeted nitrogen and phosphorus, but after ten years phosphorus was swapped out to cadmium when the 50% phosphorus reduction goal was reached. Cadmium is found in phosphorus fertilisers, so the tax still (for the most part) indirectly reduced phosphorus pollution. At the time, cadmium was more of a health threat than an environmental threat, hence the change. The tax was abolished in 2009 in response to the financial crisis, and environmental advocates are pushing for its return given its previous success in combatting pollution.[55]

Recommendations on water taxes

31. **Include water taxes as part of the scope to this review.**
32. **Research the economic impacts of a fresh water tax and a phosphorus tax on agricultural and horticultural industries.**
33. **Consult iwi and urban Māori for their views on the commercial use of fresh water (e.g. bottling water, irrigation etc.).**
34. **Research who is the best party (e.g. central or local government) to collect fresh water and water pollutant taxes.**

F: Plastic Tax

One key issue impacting our unique ecosystems is the pollution caused by plastic bags in marine environments. There is now significant public support for reducing plastic bag usage. Research from the National Academy of Science in the US estimates that up to 90% of seabirds had eaten plastic. This is compounded by local research conducted by Dan Godoy at the Coastal-Marine Research Group at

51 Manch, T. (2017). *Over half of Kiwis want all water users to pay, Water NZ survey shows*. Retrieved 30 April 2018 from www.stuff.co.nz/national/politics/97020647/over-half-of-kiwis-want-all-water-users-to-pay-water-nz-survey-shows.

52 Mitchell, C. (2017). *Dairy farms use equivalent water of 60 million people, experts say*. Retrieved 30 April 2018 from www.stuff.co.nz/environment/96941979/dairy-farms-use-equivalent-water-of-60-million-people-experts-say.

53 RNZ. (2017). *Water tax negligible for most dairy farms-industry figures.* Retrieved 9 May 2018 from www.radionz.co.nz/news/election-2017/339524/water-tax-negligible-for-most-dairy-farms-industry-figures.

54 Anderson, M. S. (2016). *Animal feed mineral phosphorus tax in Denmark.* Retrieved 30 April 2018 from www.ieep.eu/uploads/articles/attachments/ccbf12fc-48fa-4ddf-8d6d-4413357ae01e/DK%20Phosphorus%20Tax%20final.pdf?v=63680923242.

55 Anderson, M. S. (2016). *Fertilizer tax in Sweden.* Retrieved 30 April 2018 from www.ieep.eu/uploads/articles/attachments/cd57d2c2-6c74-4244-8201-10c8fff4b7f6/SE%20Fertilizer%20Tax%20final.pdf?v=63680923242.

Massey University, who says that 'a third of turtles washed up dead on New Zealand beaches had swallowed plastic' with plastic bag film being the most recurring material found inside these animals.[56]

Background

The United Nations has recently reported that plastic production is on the increase internationally. In 2015 it was at 322 million tonnes, whereas it is estimated to rise to 600 million tonnes by 2025.[57] When translated into local figures, this represents a significant issue for New Zealand's wildlife and our tourism brand based on the 'clean and green' image of New Zealand.

Some other states have already introduced a tax on single-use plastic bags, which has effectively reduced their use. For example, Britain's use has gone down by 6 billion since the introduction of a 5p tax.[58]

Recommendations on plastic taxes

35. **Research mechanisms for collecting revenue on single-use plastic bags and explore how this revenue might be redistributed for environmental measures.**
36. **Research other jurisdictions' approaches to disincentivising excessive plastic packaging and the environmental and administrative efficacy of these approaches.**
37. **Research the impact on lower-income consumers of a plastic bag tax to explore whether this tax may disproportionately impact those who do not have access to cars (and therefore access to a stable supply of reusable bags).**

G: Base Erosion and Profit-Shifting (BEPS) and Tax Treaties

As at June 2017, company tax accounts for just under 20% of total tax revenue.[59]

The lack of transparency in the tax system is one of the key issues for the Tax Working Group to consider. BEPS and tax treaties are areas of the tax system that are particularly lacking in transparency – both for the general public and possibly for those operating the system at IRD. Our focus below is on the tax treaty between Australia and New Zealand, but we expect there are a number of other tax treaties that should be assessed.[60] The following discussion aims to highlight the issues of transparency, particularly in how the New Zealand tax system applies to international organisations. We argue that there is a fundamental lack of transparency over such basic questions as which companies are paying tax, which companies are not and what the losses are in terms of New Zealand public good. In order to try and understand the answer to some of these questions, we looked at which companies are preparing and registering their financial statements and which are not. This research resulted in Table 3 but, as explained, the data in the table is tentative due to the unavailability of some information. We argue that this information should be easy to find, particularly the tax-take specific to New Zealand, which should be compiled in summary reports by IRD.

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56 Cann, G. (2017). *How plastic bags clog our seas and kill birds, turtles, and sea mammals*. Stuff. Retrieved 30 April 2018 from www.stuff.co.nz/environment/97972395/how-plastic-bags-clog-our-seas-and-kill-birds-turtles-and-sea-mammals.

57 Ibid.

58 Smithers, R. (2016). *England's plastic bag usage drops 85% since 5p charge introduced*. Retrieved 9 May 2018 from www.theguardian.com/environment/2016/jul/30/england-plastic-bag-usage-drops-85-per-cent-since-5p-charged-introduced.

59 Percentage calculated based on data from Inland Revenue. (n.d.). *Revenue collected 2008 to 2017*. Retrieved 10 May 2018 from www.ird.govt.nz/aboutir/external-stats/revenue-refunds/revenue-collected/revenue-collected.html.

60 *Convention between Australia and New Zealand for the Avoidance of Double Taxation with Respect to Taxes on Income and Fringe Benefits and the Prevention of Fiscal Evasion (2009).* Retrieved 30 April 2018 from www.taxpolicy.ird.govt.nz/sites/default/files/tax-treaties/2009-dta-nz-australia.pdf

Background

The Taxation (Neutralising Base Erosion and Profit Shifting) Bill is currently before the Finance and Expenditure Select Committee, with a report due 12 June 2018.[61]

> The Taxation (Neutralising Base Erosion and Profit Shifting) Bill contains measures which will prevent multinationals from using:
>
> – artificially high interest rates on loans from related parties to shift profits out of New Zealand;
>
> – hybrid mismatch arrangements that exploit differences between countries' tax rules to achieve an advantageous tax position;
>
> – artificial arrangements to avoid having a taxable presence in New Zealand; and
>
> – related-party transactions to shift profits into offshore group members in a manner that does not reflect the actual economic activities undertaken in New Zealand and offshore.[62]

New Zealand had previously joined the Inclusive Framework on BEPS, which brings together over 100 countries working to eliminate 'tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity'. [63] The BEPS framework aims to equip governments with the tools to ensure that profits are taxed where economic value is created, to reduce disputes over the application of international tax rules and to standardise compliance requirements. The ability of companies with cross-border operations to profit shift undermines the integrity of tax systems and smaller-scale enterprises.

The issue of tax recently came under the spotlight when it was discovered that Apple Sales New Zealand had legally not paid any tax to Inland Revenue for the past decade. Dual claims to income tax default to where the company is controlled under a tax treaty between Australia and New Zealand. As Apple Sales New Zealand is wholly-owned by its Australian parent company, it could legally opt-out of paying any income tax to the New Zealand Government.[64] This is despite the company being number 55 on the 2017 Deloitte top 200 list and 'accounting for a quarter of the local smartphone market' in 2016.[65]

Another story that has come to light revealed that, in 2016, Facebook declared only $1.2 million in revenue, which is only a fraction of what Kiwi businesses spent on the platform.[66] On 1 May 2018 Facebook paid The Australian Tax Office (ATO) AUD$31 million in back-taxes following the passing of the Diverted Profits Tax (DPT) Act 2017. This amendment clamped-down on tax avoidance and profit-shifting.[67] The ATO estimated that it loses AUD$2 billion to profit-shifting by multinational corporations

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61 Parliament. (n.d.). *Taxation (Neutralising Base Erosion and Profit Shifting) Bill*. Retrieved 1 May 2018 from www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_75623/taxation-neutralising-base-erosion-and-profit-shifting.

62 IRD. (2017). *BEPS tax bill introduced*. Retrieved 9 May 2018 from www.taxpolicy.ird.govt.nz/news/2017-12-06-beps-tax-bill-introduced

63 OECD. (n.d.). *About the Inclusive Framework on BEPS*. Retrieved 30 April 2018 from www.oecd.org/tax/beps/beps-about.htm.

64 Nippert, M. (2017). Apple pays zero tax in NZ despite sales of $4.2 billion. *NZ Herald*. Retrieved 30 April 2018 from www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11820240.

65 Deloitte. (n.d.). *2017 Dynamic Business and Indices*. Retrieved 30 April 2018 from www.top200.co.nz/dynamic-business-indices.

66 Nippert, M. (2017). The Tax gap – Where do their profits go? How Apple, Facebook and Google move their earnings overseas. *NZ Herald*. Retrieved 30 April 2018 from www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11607279.

67 Khadem, N. (2017) *Australia now officially has a 'Google tax': Diverted Profits Tax law passed Parliament*. Retrieved 9 May 2018 from www.smh.com.au/business/the-economy/australia-now-officially-has-a-google-tax-diverted-profits-tax-laws-pass-parliament-20170328-gv83va.html.

each year. [68] It appears we do not have the mechanisms in place to evaluate profit shifting each year; compiling such a figure public is something we should be working towards.

With a significant portion of New Zealand's largest companies being direct subsidiaries of overseas companies (see Table 3 below), the Tax Working Group will need to explore the extent to which the tax treaty between Australia and New Zealand advantages or disadvantages New Zealand overall (we suspect significant disadvantages). Our corporate tax system may provide a competitive advantage for multinational corporations: they can avoid paying tax while New Zealand businesses such as those listed on the NZX remain under much greater scrutiny. Of the businesses in New Zealand, 97% are small to medium sized enterprises (SMEs) and are subject to the same tax rates but cannot use BEPS to undermine the system.[69] Despite our moderate 28% corporate tax rate, there may be a small number of companies using BEPS to minimise paying tax to the New Zealand Government. This is a missed opportunity for maximising New Zealand's total tax revenue and utilising company tax for public expenditure.

Profit-shifting is not always illegal: it has been built into the system to encourage and enable companies to reduce their tax costs, making this a political issue rather than a corporate one. A 2016 *NZ Herald* investigation found that the 20 of the most aggressive multinational companies shifting profits out of New Zealand recorded nearly $10 billion in annual sales to New Zealand consumers, $133 million in profit, and paid only $1.8 million cumulatively in tax.[70] The analysis showed that, had the companies reported profits at the same rate as their parent company, the combined tax would have been nearly $490 million.[71] The method used by *NZ Herald* compared the pre-tax profit margins disclosed by the subsidiary with the parent company. The amount of tax paid to a country by a subsidiary of a multinational business should be easily isolated from the total amount of tax paid by the parent company.

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68 Keall, C. (2018). *Facebook pays Aussie taxman $A31m in back taxes*. Retrieved 1 May 2018 from www.nbr.co.nz/article/facebook-pays-aussie-taxman-a31m-back-taxes-ck-215159.

69 MBIE. (n.d.). *Small Enterprise.* Retrieved 30 April 2018 from www.mbie.govt.nz/info-services/business/business-growth-and-internationalisation/small-enterprise.

70 Nippert, M. (2017). The Tax gap – Where do their profits go? How Apple, Facebook and Google move their earnings overseas. *NZ Herald* Retrieved 30 April 2018 from www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11607279.

71 Nippert, M. (2017). Top multinationals pay almost no tax in New Zealand. *NZ Herald.* Retrieved 30 April 2018 from www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11607336.

Table 3: Types and numbers of entities operating in New Zealand (tentative)

A: Large companies by type[72]				
Entity type[73]	Filing Requirements[74]	Number	Percentage	Tax-take
New Zealand subsidiaries of overseas companies	Financial statements on Companies Register	1198	68.5%	?
Overseas-owned companies[75]	Financial statements on Companies Register	493	28.1%	?
25% Overseas owned companies[76]	Financial statements on Companies Register	42	2.4%	?
New Zealand owned (non-overseas) companies[77]	Financial statements are not filed on the Companies Register	18	1.0%	?
Total large companies operating in New Zealand		**1751**	**100%**	**?**

B: Organisations by registration				
Entity type	Register	Number	Percentage	Tax-take
Companies registered on the Companies Office[78] (As at 31 Dec 2017, 123 of these are listed on the NZX Main Board)[79]	Companies Register	596,437	95.5%	?
Government organisations of a commercial nature registered on the Companies Office[80] (As at 31 Dec 2017, four of these are listed on the NZX Main Board)[81]	Companies Register	42	0.0%	?
Government organisations (excluding government departments, local authorities and health boards) registered on the Companies Office[82]	There is no register other than a list on the NZ Government website.	209	0.0%	Nil (other than GST)
Government departments	As above	28	0.0%	Nil (other than GST)

72 'Large' as defined by s 45 of the Financial Reporting Act 2013.

73 As indicated by a Companies Office OIA received 23 April 2018, which requested 'a list of companies that meet the definition of 'large' currently operating in New Zealand'.

74 According to ss 207D and 207E of the Companies Act 1993, only 'large' companies with at least 25% of their shares held overseas, 'large' companies that are subsidiaries of overseas companies, and 'large' overseas companies are required to file their financial statements on the Companies Office website each year. In contrast, companies that are completely New Zealand owned and operated are not required to file their financial statements on the Companies Office website each year.

75 See Footnote 73 above.

76 See Footnote 73 above.

77 We know this figure will be larger than 18 but we were unable to find any way of collecting this information from the public arena. Instead we arrived at the figure during the initial steps of the *Project ReportingNZ* research (which involved locating the financial statements and/or annual reports of both the 2016 Deloitte Top 200 companies and NZSX-listed companies, as at June 2017). Of the 2016 Deloitte Top 200, 15 companies had no legal obligation to file their financial statements on the Companies Office. We can only assume these companies are fully New Zealand owned and operated. As listed issuers are legally required to file financial statements under the Financial Markets Conduct Act 2013, we cannot determine which of the NZSX-listed companies are fully New Zealand owned and operated.

78 Companies Office. (n.d.). *Insights and Articles*. Retrieved 8 May 2018 from www.companiesoffice.govt.nz.

79 Personal communication with NZX, 2018.

80 The New Zealand Treasury. (2018). *Commercial Portfolio.* Retrieved 9 May 2018 from treasury.govt.nz/information-and-services/commercial-portfolio-and-advice/commercial-portfolio. (Entities on this list were cross-referenced with the Companies Register.)

81 Personal communication with NZX, 2018.

82 New Zealand Government. (n.d.). *Government A-Z.* Retrieved 9 May 2018 from www.govt.nz/organisations. (Entities on this list were cross-referenced with the Companies Register.)

Local authorities[83]	As above	78	0.0%	Nil (other than GST)
Health boards[84]	As above	20	0.0%	Nil (other than GST)
Charities registered on the Charities Register[85]	Charities Register	27,836	4.5%	Nil (other than GST)
Total organisations		**624,650**	**100%**	**?**

C: Enterprises[86] by employee numbers				
Entity type	Filing Requirements	Number	Percentage	Tax-take
Total non-SME enterprises in New Zealand (being 20 or more employees)[87]	See Table A	28,266	3%	?
Total small and medium enterprises (SMEs) (being fewer than 20 employees)[88]	See Table A	499,944	97%	?
Total enterprises[89]		**528,170**	**100%**	**?**

Please note there is a discrepancy between the figures for 'Total companies registered on the Companies Office' (596,437) and 'Total enterprises' (528,170). Because the term 'enterprise' encompasses all entities, including government organisations (see definition in footnote 85), the enterprise figure should be significantly larger than the figure for companies registered with the Companies Office.

Table 3 indicates the current landscape of entities operating in New Zealand. This information was gathered from a wide range of available sources. Given that there are a number of gaps, estimates and inconsistencies, and that we do not have access to the same data as IRD, this table cannot be relied upon. It is included here to illustrate the information that we believe should be readily available and that the tax-take for each of the above should be clearly accessible, identifiable and reported upon.

The McGuinness Institute's *Project ReportingNZ* recently found that while parent companies disclose their total amount of tax paid for the year ended, they do not disclose the distribution of this tax by nation state (e.g. they do not separate how much was paid to the Australian government versus the New Zealand Government). From our research, nine NZSX-listed companies are overseas companies and did not break down their total tax paid into the amounts paid to each country of operation (see Graph 4f (iii), Appendix 5) in their 2016 annual reports. It is troubling that the *NZ Herald*'s methodology (which is a

83 Local Government New Zealand. (2017). *Council maps and websites*. Retrieved 10 May 2018 from www.lgnz.co.nz/nzs-local-government/new-zealands-councils.

84 Ministry of Health. (2016). *District health board websites.* Retrieved 10 May 2018 from www.health.govt.nz/new-zealand-health-system/key-health-sector-organisations-and-people/district-health-boards/district-health-board-websites.

85 Charities Services. (n.d.). *View live stats.* Retrieved 8 May 2018 from www.charities.govt.nz/view-data.

86 Enterprise refers to 'A business operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation or self-employed individual'. MBIE. (2011). *SMEs in New Zealand: Structure and Dynamics 2011*. Retrieved 10 May 2018 from www.mbie.govt.nz/info-services/business/business-growth-and-internationalisation/documents-image-library/Structure-and-Dynamics-2011.pdf.

87 This figure is derived from total number of enterprises (528,170) [see Footnote 89] minus the total number SMEs (499,944) [see Footnote 86].

88 Beehive. (2017). *Small Businesses in New Zealand.* Retrieved 8 May 2018 from www.beehive.govt.nz/sites/default/files/2017-12/Small%20Business%20-%20Annex%203%20Small%20Business%20Factsheet.pdf.

89 StatsNZ. (2017). *New Zealand Business Demography Statistics: At February 2017.* Retrieved 8 May 2018 from www.archive.stats.govt.nz/browse_for_stats/businesses/business_characteristics/BusinessDemographyStatistics_HOTPFeb17.aspx.

rough measure) is the only way to figure out tax paid by such companies and suggests there is an information gap.

In the interests of improved transparency, it would be valuable in future to have a publicly available breakdown of government tax revenue beyond what is currently available on the IRD website.[90] While the total GST figure is useful, it would be further beneficial to have a figure for PAYE revenue, a breakdown of income tax, and a breakdown of company tax (e.g. distinction between 'large' and SME companies).

Lastly, when analysing the 2016 annual reports of 126 NZSX-listed companies during the *Project ReportingNZ* research, we noted that very few companies disclose their New Zealand Business Number (NZBN) in the report. While still a new and emerging concept in New Zealand business, the use of NZBNs appears ambiguous. This begs the question as to whether they are being used efficiently. As this information is publicly available, are these numbers being utilised by businesses and government agencies for greater efficiency and communication? How could NZBN identification numbers be used to tackle profit-shifting? Alternatively, how might the recently imposed Key Auditing Matters (KAMs)[91] be used to ensure reporting on tax figures doesn't go unnoticed? At present, only auditors of FMC Reporting Entities are required to disclose KAMs.

Recommendations on BEPS and Tax Treaties

38. **Review the 2009 'Convention between Australia and New Zealand for the Avoidance of Double Taxation with Respect to Taxes on Income and Fringe Benefits and the Prevention of Fiscal Evasion'. Specifically, put in place a public reporting framework to monitor transactions between New Zealand subsidiaries and their parent companies in terms of BEPS and tax treaties. This could be progressed under s 17 of the Financial Reporting Act 2013.**
39. **Require 'tax paid to the New Zealand Government' to be disclosed as a separate item in the cash flow statement of all financial statements filed with the Companies Office or, alternatively, make this information a requirement under s 211 of the Companies Act.**
40. **Update Table 3 above and ensure it is published annually to the public (possibly prepared by MBIE) to understand the organisation landscape in operation in New Zealand and benchmark it over time.**
41. **Clarify the use and value of business numbers and how they relate to IRD numbers. For example, could we use the business number to track tax payments, tax avoidance and tax compliance?**
    a. **Improve the quality of reporting. For example:**
    require every company to use its legal name/s on the cover of every annual report filed and to state on the inside cover its business number, registered address and industry classification used by Statistics New Zealand.
    b. **Implement wider use of industry classifications to track tax paid across sectors.**
    c. **Statistics New Zealand and the Charities Commission need to put in place a separate charity classification system (e.g. poverty, environment, mental health etc.).**

[90] Inland Revenue. (2017). *Revenue collected 2008 to 2017*. Retrieved 10 May 2018 from www.ird.govt.nz/aboutir/external-stats/revenue-refunds/revenue-collected/revenue-collected.html.

[91] External Reporting Board (n.d.) *ISA (NZ) 701) – Communicating Key Audit Matters in the Independent Auditor's Report*. Retrieved 10 May 2018 from www.xrb.govt.nz/standards-for-assurance-practitioners/auditing-standards/isa-nz-701.

H: Government department strategies and annual reports

The link between reporting, foresight and strategy requires strong alignment; this is particularly the case when designing and operating a tax system for a country. Robust reporting is vital for building public trust and for informing politicians, the public and policy analysts how the system is working or not working. Foresight is particularly important for the IRD for two reasons: the tax-take needs to be sufficient to fund long-term public investments and allowances need to be made for the time it takes to change the tax system through legislation. The Institute suggests planning ahead for a period of ten years as a realistic target; long-term strategy is an essential part of driving change. This section focuses on reporting and, in particular, the reporting of strategy.

Background
As part of *Project StrategyNZ* the Institute has undertaken a significant amount of work on best practice in public sector strategic management. Each year we conduct an analysis of all recently published government department strategies (GDSs) in order to assess how well government is drafting strategic documents and using these documents to execute long-term strategic thinking.

Currently, the number of GDSs dealing with tax is minimal. There were no strategies to drive the tax system evident in 2014/15 (see Appendix 6) and we found only one GDS in 2016 (the *IRD Corporate Strategy 2016*) that included discussion of the tax system. From the perspective of the public, the tax system appears 'frozen in time' with foresight considerations relatively absent. This observation is, of course, limited to work that is publicly available and may not accurately represent the current internal strategic thinking of IRD. However, it may alternatively indicate that there is a lack of underlying policy to drive strategy development and, consequently, an inability to design the tax system for the future.

Figures 27 and 28 in Appendix 6 are pie charts that illustrate estimated sector appropriations compared with the number of GDSs published by that sector.[92] This analysis demonstrates the significant strategy work that has been occurring in some sectors. We argue that the Tax Working Group's final report has a role to play in supporting more foresight work and strategy development going forward.

As part of *Project ReportingNZ*, the Institute has also undertaken a significant amount of work on best practice in both public and private sector reporting. This work involved an analysis of annual reports. As one example, the IRD 2017 annual report, while strong in some areas, does not provide as much detail as we would like to see.[93]

- Emerging risks are not well articulated and are arguably broader and more integrated than as defined in the Tax Working Group's discussion paper. See earlier discussion of risks in Chapter 2 of this submission.
- IRD's disclosure of statistics could be expanded. For example, corporate tax could be broken down into which companies are paying which tax (i.e. international companies, New Zealand large companies and SMEs (see p. 9).
- The report could also disclose administration costs per tax type, penalties collected per tax type and more information on actions that progressed to court (pp. 37–38).

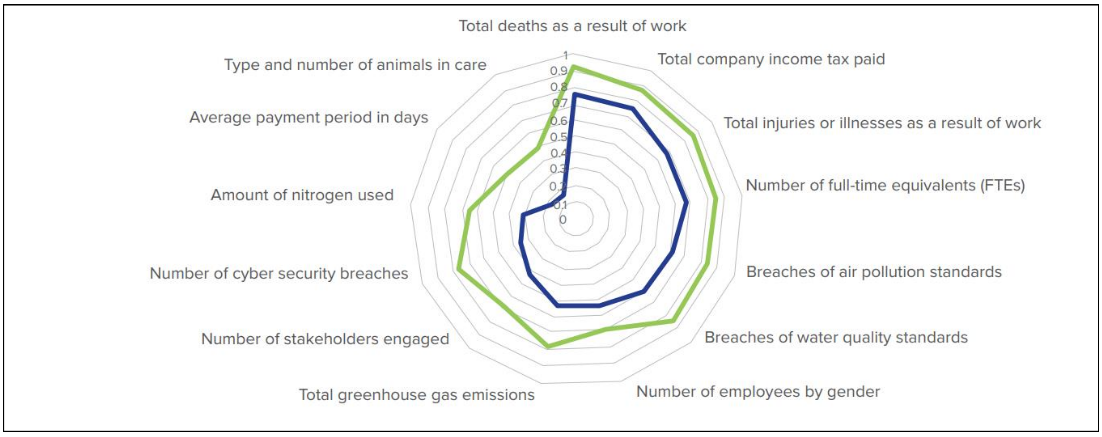
The *ReportingNZ* project involved two 2017 surveys (prepared in collaboration with the External Reporting Board) on the attitudes of users (stakeholders) and preparers (CFOs) towards Extended

92 McGuinness Institute. (2014). *Working Paper 2014/02 – Analysis of Government Department Strategies Between 1 July 1994 and 30 June 2014: An overview*, pp. 25-26. Retrieved 4 May 2018 from www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20150401-Working-Paper-201402-Web.pdf. Data from New Zealand Treasury. (2014). *Summary Tables for the Estimates of Appropriations 2014–2015*. Retrieved 2014 from www.treasury.govt.nz/publications/summary-tables/summary-tables-estimates-appropriations-2014-15-html.

93 Inland Revenue Department (IRD). (2017). *Annual Report 2017*. Retrieved 4 May 2018 from www.ird.govt.nz/resources/4/5/45a7f9a4-87eb-4181-b38c-c4ce25531dce/annual-report-2017.pdf.

External Reporting (EER). We found that there were very few areas in which the views of both users and preparers of annual reports aligned. However, when asked how important they considered the disclosure of a number of statistics to be, total company income tax paid was ranked the second most important by both users and preparers, following total deaths at work (see Figure 5 below). This highlights the importance of transparent disclosures on company tax contributions in EER information.[94] (Please note the survey question referred to tax paid, not tax expenses.)

Figure 5: Preparers' and Users' views on statistics that are considered to be important or very important to disclose in annual reports



<u>Recommendations on Reporting on Taxes</u>

42. **IRD should disclose data and other relevant information on the effectiveness of the tax system in their annual report. This should include benchmarking taxes over time (e.g. by analysing compliance costs, administration costs and penalties by dollars and quantity) and analysis of the risks and opportunities that lie ahead.**
43. **GDSs should be published by IRD on their strategy for taxing the public, explaining their approach, the risks and opportunities they foresee and the frequency with which these strategies will be reviewed. The name of each GDS should be accessible in the annual report of the IRD.**

I: Local government property taxes (rates) and other sources of revenue

In the Tax Working Group's *Terms of Reference (Appendix 1)* there is no mention of local government rates. In our view, this limits the scope of this review. In the *Future of Tax Submissions Background Paper*, we could only find one mention of local government rates (on p. 5). In 2016 local authorities represented 3.8% of GDP.[95] While local authorities do not pay tax, they do collect tax and we consider the relationship between these taxes and the central tax system to be an important part of the design of New Zealand's tax system overall.

Background

The Institute believes that the review should cover an analysis of local government taxes. Each citizen is impacted by taxes (or rates – 'property taxes') at both the local and central government level and it is important that this is reflected in any investigation reviewing the *Future of Tax*. Property taxes may be

94 For a full comparison of preparers' and users' views on EER statistics disclosures, see p. 15 of *Survey Insights: An analysis of the 2017 Extended External Reporting Surveys* at www.mcguinnessinstitute.org/surveys.

95 Local Government New Zealand. (2017). *Local government finance*. Retrieved 30 April 2018 from www.lgnz.co.nz/nzs-local-government/new-section-page.

applied in many different ways and it is relevant to discuss whether this should be standardised nationally, or left for each local government body to decide the most effective model for their region. Local Government NZ stated that property taxes can take many forms:

> General rates – based on the land, capital or rental value of a property (with the exception of Auckland Council which is required to use capital value)
>
> Targeted rates – rates calculated on the basis of a feature of a property and used to fund a specific service, such as funding the cost of a sea wall to halt erosion based on the frontage size of affected sections
>
> Uniform annual general charges (UAGC) – a standard cost per property, not related to property value (only 30% of rates can be made up of UAGCs).[96]

There is no consolidated annual report for all of New Zealand's local authorities. This prevents comparability and analysis of revenue collection and revenue spending across different regions in New Zealand. Local government rates (and other revenue collection methods such as water permits in the Marlborough Sounds) are key mechanisms for collecting revenue at the local level. It would be useful to be able to assess the different ways that local government bodies collect and spend taxes. This is not currently an easy task due to the lack of consolidated information on local body revenue collection.

While information for individual councils can be found in each council's Funding Impact Statement (FIS) and their Rating Resolutions, it would be useful for public interest and policy if there was a central resource combining all national data relating to local bodies. This could take the form of a report consolidating all local government annual reports. This would show the different ways revenue is collected at the local level and would enable councils to review their revenue streams against the composite total. It would also enable IRD to have a deeper understanding of how the tax system impacts and operates within local government. We suggest that central government often fails to understand the full implications of its actions on local communities (and vice versa). Bringing local government taxes under this review of the *Future of Tax* seems logical and timely.

<u>Recommendations on local government property taxes (rates) and other sources of revenue</u>

44. **Include local government taxes as part of the scope to this review to ensure they are working correctly, cost effectively and fairly. Assess whether there are any lessons or alignments that might be put in place to deliver a fairer and more cohesive tax system in New Zealand. This is particularly relevant for two reasons: (i) climate change is likely to negatively impact some local communities more than others and (ii) social and natural capital tend to be local and financial and human capital tend to be national.**
45. **Encourage local governments to issue a consolidated annual report showing, for example, the total of all taxes collected.**

96 Ibid.

PART 3: MAPPING THE TAX LANDSCAPE

This part of the submission highlights the importance of mapping the current tax system and then developing a range of alternative scenarios. An initial map is provided using the lens of input taxes, process (transaction) taxes and output taxes, but there is a range of other ways the tax landscape could be mapped and then assessed.

Below we share the approach we would propose if the Institute were to undertake a review and design of the future of tax.

Firstly we would prepare a comprehensive, detailed analysis of the current tax system, identifying each part in isolation and then reviewing the system as a whole (the supply side). We would be attempting to answer the question of what is working and what is not in terms of things like behaviours, unintended consequences and administration costs per tax dollar, as well as in terms of the new goals and key principles to be agreed by the Tax Working Group.

Secondly we would want to understand what level of tax-take is required to run the country in the next five, ten, 15 and 20 years (the demand side).

Next we would explore a range of alternative tax systems that would meet the demand side while matching the goals of the system and the new set of principles agreed by the Tax Working Group. We would be exploring what might work and what might not work.

Table 4 sets out how we would map the tax system using the alternative ideas we have discussed in this submission.

<u>Recommendations on mapping the tax landscape</u>

46. Develop an approach that enables you to explore a range of alternative tax systems to discuss and propose to ministers and the wider public.

Table 4: A possible tax landscape for New Zealand

Note: A tick represents a tax the Institute would support investigating in detail. This map uses an input, processes and output approach rather than a direct and indirect taxes approach.

Who collects the tax	Input taxes	Process taxes (transaction taxes)	Output taxes
Central Government	**Business** Emissions tax (tonne of greenhouse gas released into the atmosphere) ✓ Sugar tax (manufacturing)	**Business** Company tax (profit) ✓ GST (on goods and services) ✓ BEPS ✓	
	Agriculture Emissions tax (tonnes of greenhouse gas released into the atmosphere) ✓ Livestock (numbers on farms) ✓ Water tax (use) ✓ Phosphorus and nitrogen tax on imports ✓ Non-renewable energy tax ✓		**Agriculture** Water tax (pollution) ✓ Meat tax (kilos) Milk tax (litres)
		Consumers PAYE (on income) ✓ GST (on goods and services) (exemption on sanitary items) ✓ Capital gains tax (exception two dwellings) ✓	**Consumers** Sugar tax (processed) ✓ Alcohol tax (processed) ✓ Tobacco tax ✓ Plastic tax ✓ Petrol tax (higher in population centres) ✓ Low emission products (e.g. feebate) ✓
Local Government	**Owners** Rates (property) ✓	**International tourists** Tourist tax (at airport on entry) ✓	**Business (including agriculture)** Water tax (pollution) ✓ **Consumers** Low emission products (e.g. feebate) ✓ Waste tax ✓

PART 4: LIST OF RECOMENDATIONS

This section lists each of the 46 recommendations.

Chapter 2: The future environment

1. **Support further foresight and risk reporting at IRD and develop scenarios to explore what risks or combination of risks might lead to significant reductions and/or increases in the tax-take. Explore not only ways to collect tax but the size of the tax-take needed to manage the risks ahead.**
2. **Collect data on the changing structures of commercial organisations:**
   a. **Understand the landscape of business in New Zealand and monitor it over time.**
   b. **Identify the distinction between charitable organisations and charitable organisations that run for-profit companies in order to respond to the changing needs of tax providers and other users. For example, make an iwi and corporate charity subsection on the Charities Register and look at how this interrelates with the Companies Register.**
   c. **Look more closely at social enterprise organisations and how benefits are shared/gained within these.**
   d. **Consider a 'robot tax'.**
3. **Support reporting on cyber-security breaches, particularly where tax data is compromised.**
4. **Maintain income tax and company tax regimes as 'broad-based' and with current thresholds in place (i.e. although we support changes in the tax rates we do not support a shift to progressive company tax for SMEs etc.). However, also explore ways to significantly increase the tax-take in terms of collecting additional revenue through taxing consumer assets, goods and services (e.g. capital gains tax on third dwellings, GST on products purchased online from overseas), polluting goods (e.g. phosphates and plastics), goods that have long-term health impacts (e.g. sugar) and scarce resources (e.g. water).**
5. **Explore in more detail the implications of applying tikanga Māori across the tax system.**

Chapter 3: Purposes and principles of a good tax system

6. **Consider the seven principles (i) to (vii) on p. 7 of this submission.**
7. **Research tax loopholes for each type of tax dollar collected.**
8. **Report regularly on the administration costs of each type of tax dollar collected (e.g. what is the most cost-effective and robust way to collect tax over time).**
9. **Research whether we are policing our tax laws well enough and review the penalty fee applied to each type of tax dollar collected (e.g. what is the most cost-effective and robust way to police tax collection over time? Are penalties significant enough to act as a disincentive?).**
10. **Research whether we are taxing low income brackets too much and high income brackets too little.**
11. **Research ways tax is currently being (or could be) crafted to deliver better outcomes for society (e.g. which is most cost-effective: creating a special rebate for hybrid cars (feebate) or increasing petrol taxes?).**
12. **Research BEPS and develop strategies to combat illegal behaviour and/or make undesirable behaviour illegal. See Section G.**

Chapter 4: The current New Zealand tax system

13. **Improve the tax system to deliver public good objectives, in particular, to tackle poverty and improve the environment.**

14. **Make for-profit and not-for-profit entities transparent in a central register (combining the companies register and the charities register) as an entity's tax status is not always apparent or easy to find.**
15. **Increase the tax on petrol purchased within New Zealand's largest cities to help New Zealand move to a low-emissions economy and to help fund public transport.**
16. **Research ways to encourage saving for retirement via the tax system.**

Chapter 5: The results of the current tax system

17. **Research ways tax systems can be used to deliver better outcomes for social and environmental capital.**
18. **Research types of businesses benefiting from low effective tax rates because of excessive deductions, timing of deductions or non-taxation of certain types of income.**

Chapter 6: Thinking outside the current system

19. **New taxes for consideration are discussed in Part 2. These include Section A: Sanitary items GST Exemption, B: Carbon Tax and Livestock Tax, C: Sugar Tax, E: Water Tax, and F: a Plastic Tax.**

Chapter 7: Specific challenges

20. **Introduce a capital gains tax on any third or more dwelling. This intentionally excludes a family home and a secondary dwelling (such as a bach or apartment or boat).**
21. **We do not support a progressive company tax regime.**

Section A: Sanitary items GST Exemption

22. **Research the Canadian, Irish, Kenyan and US approaches to exempting sanitary items from sales taxes in order to identify the most effective way of reducing the cost of these items in New Zealand.**
23. **Research the overall tax revenue gained from the sale of sanitary items and ways in which this might otherwise be gained if these items were made GST-free.**
24. **Research alternative ideas to zero-rating goods (in order to correct the current gender inequity in the tax system) by looking into solutions such as credits for sanitary items, Pharmac funding of sanitary items, or other options.**

Section B: Sugar Tax

25. **Research the long-term impact on dental decay and obesity levels in counties (or states) that have adopted a sugar tax.**
26. **Collect further data on the 'substitution-effect' problem.**

Section C: Carbon Tax and Livestock Tax

27. **Prepare an updated CBA comparing an ETS with a carbon tax.**
28. **Research which mechanism is most effective (using international examples) at discouraging political manipulation of the national carbon budget (either through raising the units of carbon allowed or lowering the carbon tax amount).**
29. **Research whether a carbon tax is more effective than an ETS in confronting the difficult issue of how to tax primary agricultural producers.**

Section D: Alcohol Tax

30. **Consider raising the price of alcohol by increasing the existing excise tax.**

Section E: Water Tax

31. **Include water taxes as part of the scope to this review.**
32. **Research the economic impacts of a fresh water tax and a phosphorus tax on agricultural and horticultural industries.**
33. **Consult iwi and urban Māori for their views on the commercial use of fresh water (e.g. bottling water, irrigation etc.).**
34. **Research who is the best party (e.g. central or local government) to collect fresh water and water pollutant taxes.**

Section F: Plastic Tax

35. **Research mechanisms for collecting revenue on single-use plastic bags and explore how this revenue might be redistributed for environmental measures.**
36. **Research other jurisdictions' approaches to disincentivising excessive plastic packaging and the environmental and administrative efficacy of these approaches.**
37. **Research the impact on lower-income consumers of a plastic bag tax to explore whether this tax may disproportionately impact those who do not have access to cars (and therefore access to a stable supply of reusable bags).**

Section G: Base Erosion and Profit-Shifting (BEPS) and Tax Treaties

38. **Review the 2009 'Convention between Australia and New Zealand for the Avoidance of Double Taxation with Respect to Taxes on Income and Fringe Benefits and the Prevention of Fiscal Evasion'. Specifically, put in place a public reporting framework to monitor transactions between New Zealand subsidiaries and their parent companies in terms of BEPS and tax treaties. This could be progressed under s 17 of the Financial Reporting Act 2013.**
39. **Require 'tax paid to the New Zealand Government' to be disclosed as a separate item in the cash flow statement of all financial statements filed with the Companies Office or, alternatively, make this information a requirement under s 211 of the Companies Act.**
40. **Update Table 3 above and ensure it is published annually to the public (possibly prepared by MBIE) to understand the organisation landscape in operation in New Zealand and benchmark it over time.**
41. **Clarify the use and value of business numbers and how they relate to IRD numbers. For example, could we use the business number to track tax payments, tax avoidance and tax compliance?**
    a. **Improve the quality of reporting. For example:**
    require every company to use its legal name/s on the cover of every annual report filed and to state on the inside cover its business number, registered address and industry classification used by Statistics New Zealand.
    b. **Implement wider use of industry classifications to track tax paid across sectors.**
    c. **Statistics New Zealand and the Charities Commission need to put in place a separate charity classification system (e.g. poverty, environment, mental health etc.).**

Section H: Reporting: Government Department Strategies and Annual Reports

42. **IRD should disclose data and other relevant information on the effectiveness of the tax system in their annual report. This should include benchmarking taxes over time (e.g. by analysing compliance costs, administration costs and penalties by dollars and quantity) and analysis of the risks and opportunities that lie ahead.**
43. **GDSs should be published by IRD on their strategy for taxing the public, explaining their approach, the risks and opportunities they foresee and the frequency with which these strategies will be reviewed. The name of each GDS should be accessible in the annual report of the IRD.**

Section I: Local government property taxes (rates) and other sources of revenue

44. **Include local government taxes as part of the scope to this review to ensure they are working correctly, cost effectively and fairly. Assess whether there are any lessons or alignments that might be put in place to deliver a fairer and more cohesive tax system in New Zealand. This is particularly relevant for two reasons: (i) climate change is likely to negatively impact some local communities more than others and (ii) social and natural capital tend to be local and financial and human capital tend to be national.**
45. **Encourage local governments to issue a consolidated annual report showing, for example, the total of all taxes collected.**

Part 4: Mapping the tax landscape

46. **Develop an approach that enables you to explore a range of alternative tax systems to discuss and propose to ministers and the wider public.**

Appendix 1: History of tax and benefits in New Zealand

Note: This text comes from thread 26: Tax and benefits in the third edition ofMcGuinness Institute's signature book *Nation Dates: Events that have shaped the nation of New Zealand*. For references and further information, please see [www.nationdatesnz.org.](http://www.nationdatesnz.org)
Source: McGuinness, W. (2017). *Nation Dates: Events that have shaped the nation of New Zealand*. Wellington, McG Publishing.

Date	Event	Details
1841 1 Jul	First New Zealand tariff system introduced	The Customs Regulation Ordinance 1841 introduces the first tariff. Previously, New Zealand came under the jurisdiction of the New South Wales tariff regulations. (Goldsmith, 2008: 18)
1845 19 Apr	First local government rates system attempted	The Public Roads and Works Ordinance 1845 represents the first attempt to establish a system whereby local authorities could levy rates to pay for things such as roads, bridges, waterworks and markets. This is followed by several pieces of legislation in the 1860s, including the Municipal Corporations Act 1867, which aimed to consolidate local authorities. (Goldsmith, 2008: 48–49)
1866 Oct	Stamp and death duties introduced	'The first permanent tax taken directly from the taxpayer – rather than indirectly' is stamp and death duties. Previously, 'over 60% of tax revenue came from alcohol and tobacco'. Sugar was also taxed. The stamp and death duties are 'forced on the population [due to] the cost of the 1860s New Zealand wars'. 'Stamp and death duties [are] passed into law in October 1866.' Stamp duties tax documents (such as mortgage deeds) and death duties tax inheritance. Death duties exist in some form until 1992 when they are abolished by the Minister of Finance Ruth Richardson. (Goldsmith, 2008: 308; 2010a)
1878 29 Oct	Land tax introduced	Premier Sir George Grey introduces a land tax through the Land Tax Act 1878 to shift the burden of taxation off the poor. This is replaced the following year with a broader property tax that covers the value of land, herds and personal possessions. Over time, income tax (rather than land tax) becomes the more prevalent tax.

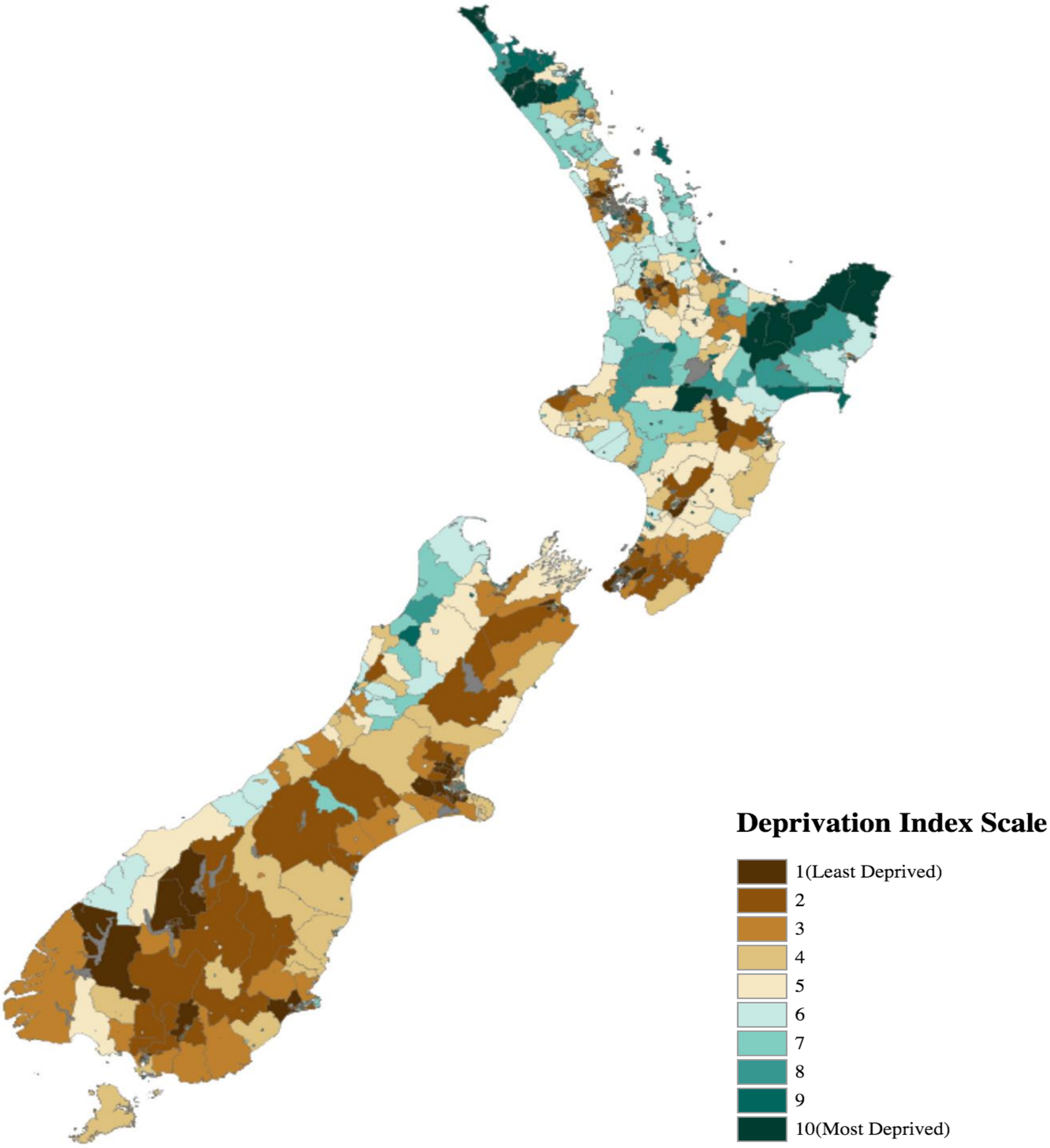
		(Goldsmith, 2010a; McAlister et al., 2012: 4)
1891 8 Sep	Income tax introduced	The Liberal Party comes to power promising to introduce progressive income tax. It passes the Land and Income Assessment Act 1891. Anyone who earns less than £300 per year is exempt from paying tax on income (which includes the majority of the population). Income tax increasingly becomes the largest source of government revenue. [t26–1927] (Goldsmith, 2010b; McAlister et al., 2012)
1927 15 Nov	Motor-Spirits Taxation Act 1927	As car ownership increases a tax on petrol is introduced, justified by the need to fund new roads. Petrol continues to be taxed. (Goldsmith, 2008: 158)
1930 11 Oct	Poll tax introduced to create funds for unemployment relief	The government imposes a £1 10s poll tax on every male over the age of 20 by passing the Unemployment Act 1930. 'Poll' is an old English term for 'head', hence a 'poll tax' is a fixed amount per person. In 1931 an additional 1.25% flat income tax is introduced as an 'Emergency Unemployment Charge'. This is the first time all citizens have been asked to pay some direct taxation. (Goldsmith, 2010c)
1933 8 Feb	Sales tax introduced	A 5% sales tax is introduced on all goods sold, with the exception of most everyday food items and items used by farmers. This is one of the first indirect taxes that is not levied at the border. (Goldsmith, 2008: 175; 2010c)
1958 26 Jun	Black Budget introduces PAYE and increases indirect taxation	The incoming Minister of Finance, Arnold Nordmeyer, introduces the Black Budget in response to the balance of payments crisis. The budget introduces the PAYE (Pay As You Earn) system for income tax and doubles duties on beer, spirits, tobacco and cars. 'The outcome was an 18 per cent increase in taxation.' (Goldsmith, 2010d; McDermott & Sethi, 2010a; McKinnon, 2003: 219–220)

1986 1 Oct	Goods and Services Tax introduced	As part of the Labour Government's economic reforms, a 10% tax is added to most goods and services, increasing the reliance on consumption tax for government revenue. This tax is increased to 12.5% in 1989 and then to 15% in 2010. (MCH, 2017x)
1991 30 Jul	Richardson releases 'mother of all budgets'	Finance Minister Ruth Richardson announces 'the mother of all budgets,' which cuts welfare benefits, introduces market rates on state houses, and, through the Employment Contracts Act 1991, 'de-unionise[s] much of the workforce'. (Bohan, 2004: 176; James, 2016; Waldegrave et al., 2003, 197–198)
2015 16 Nov	Taxation (Bright-line Test for Residential Land) Act 2015	Rapidly rising house prices, particularly in Auckland, lead to the introduction of a bright-line test for the sale of residential property. With the 'exception of the main family home', this test requires 'income tax to be paid on any capital gains from the sale of residential property that is bought and sold within two years'. This is the closest New Zealand has to a capital gains tax. (Bell, 2017; Claus, Jacobsen & Jera, 2004: 18, fn. 33; Policy and Strategy, Inland Revenue & Treasury, 2015: 1; Roughan, 2017: 246–247)

Appendix 2: People Deprivation Index

People Deprivation Index

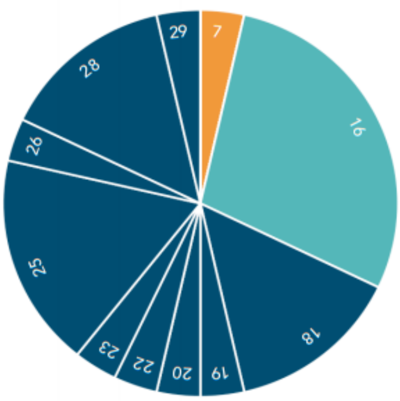
Singh, H. (2014, May 16). "Where are NZ's most deprived areas?" *New Zealand Herald*. Retrieved March 24, 2016 from http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11254032



Appendix 3: Infographic of A regional perspective of the talking tour 2016/He tirohanga a rohe o te haerenga kōrero 2016

A regional perspective of the talking tour 2016/ He tirohanga a rohe o te haerenga

Queenstown

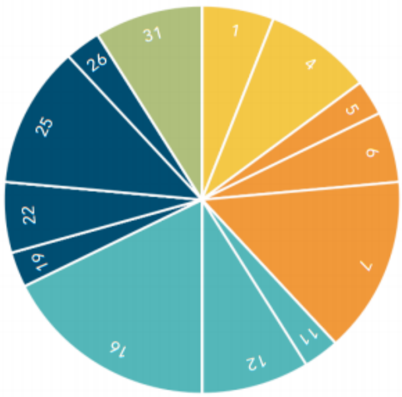


7.	[1]	16.	[8]	18.	[4]
19.	[1]	20.	[1]	22.	[1]
23.	[1]	25.	[5]	26.	[1]
28.	[4]	29.	[1]		

Rotorua

1.	[1]	4.	[2]	6.	[7]
7.	[1]	8.	[4]	10.	[3]
11.	[3]	12.	[2]	13.	[2]
16.	[4]	19.	[2]	20.	[3]
21.	[1]	22.	[2]	24.	[2]
25.	[3]	26.	[1]	28.	[2]
30.	[3]	31.	[2]	33.	[1]

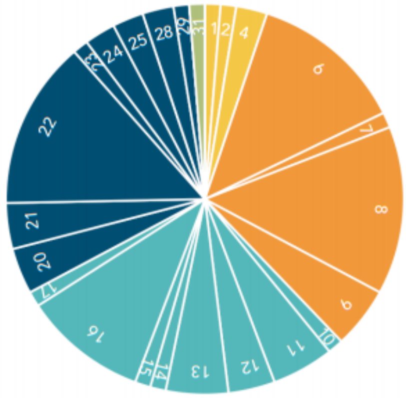
Manawatu



1.	[2]	4.	[3]	5.	[1]
6.	[2]	7.	[5]	11.	[1]
12.	[3]	16.	[6]	19.	[1]
22.	[2]	25.	[4]	26.	[1]
31.	[3]				

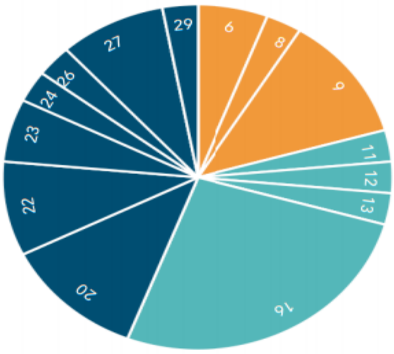
Please note: The numbers in the pie chart segments and left aligned in the tables below are the sub-factor number. The right-aligned numbers [X] in the tables below the pie charts refer to the number of 'hows' developed at the workshop relating to that sub-factor.

Gisborne



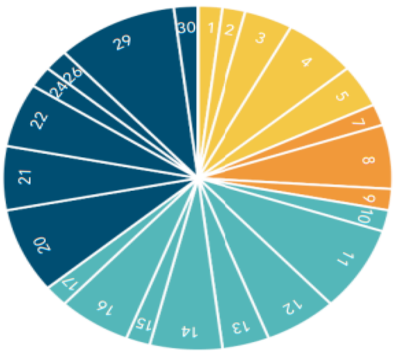
1.	[1]	2.	[1]	4.	[2]
6.	[10]	7.	[1]	8.	[11]
9.	[4]	10.	[1]	11.	[4]
12.	[3]	13.	[4]	14.	[1]
15.	[1]	16.	[8]	17.	[1]
20.	[3]	21.	[3]	22.	[11]
23.	[1]	24.	[2]	25.	[2]
28.	[2]	29.	[1]	31.	[1]

Kaitaia



6. [2]	8. [1]	9. [4]
11. [1]	12. [1]	13. [1]
16. [9]	20. [2]	22. [2]
23. [4]	24. [2]	26. [3]
27. [1]	29. [2]	

Kaikohe



1. [1]	2. [1]	3. [2]
4. [3]	5. [2]	7. [1]
8. [3]	9. [1]	10. [1]
11. [4]	12. [3]	13. [2]
14. [3]	15. [1]	16. [3]
17. [1]	20. [4]	21. [3]
22. [3]	24. [1]	26. [1]
29. [5]	30. [1]	

Sustaining factors / Tohu Toitū

Factor I: Survival / Oranga

Providing emergency products and services for survival.

1. Food
2. Clothing and shoes
3. Bedding
4. Shelter (emergency housing)
5. Accessibility

Factor II: Security / Tāmau

Providing a sense of short-term security.

6. Security of income
7. Security of place (social housing)
8. Security of health
9. Security of transport and technology

Empowering factors / Tohu Whakamana

Factor III: Self-determining individuals / Tangata Motuhake

Providing skills and tools for individuals to live the life they want.

10. Employment literacy
11. Education literacy
12. Health literacy
13. Financial literacy
14. Transportation literacy
15. Technological literacy
16. Civic literacy
17. Housing literacy

Factor IV: Self-determining communities / Hapori Motuhake

Providing social infrastructure to meet specific community needs

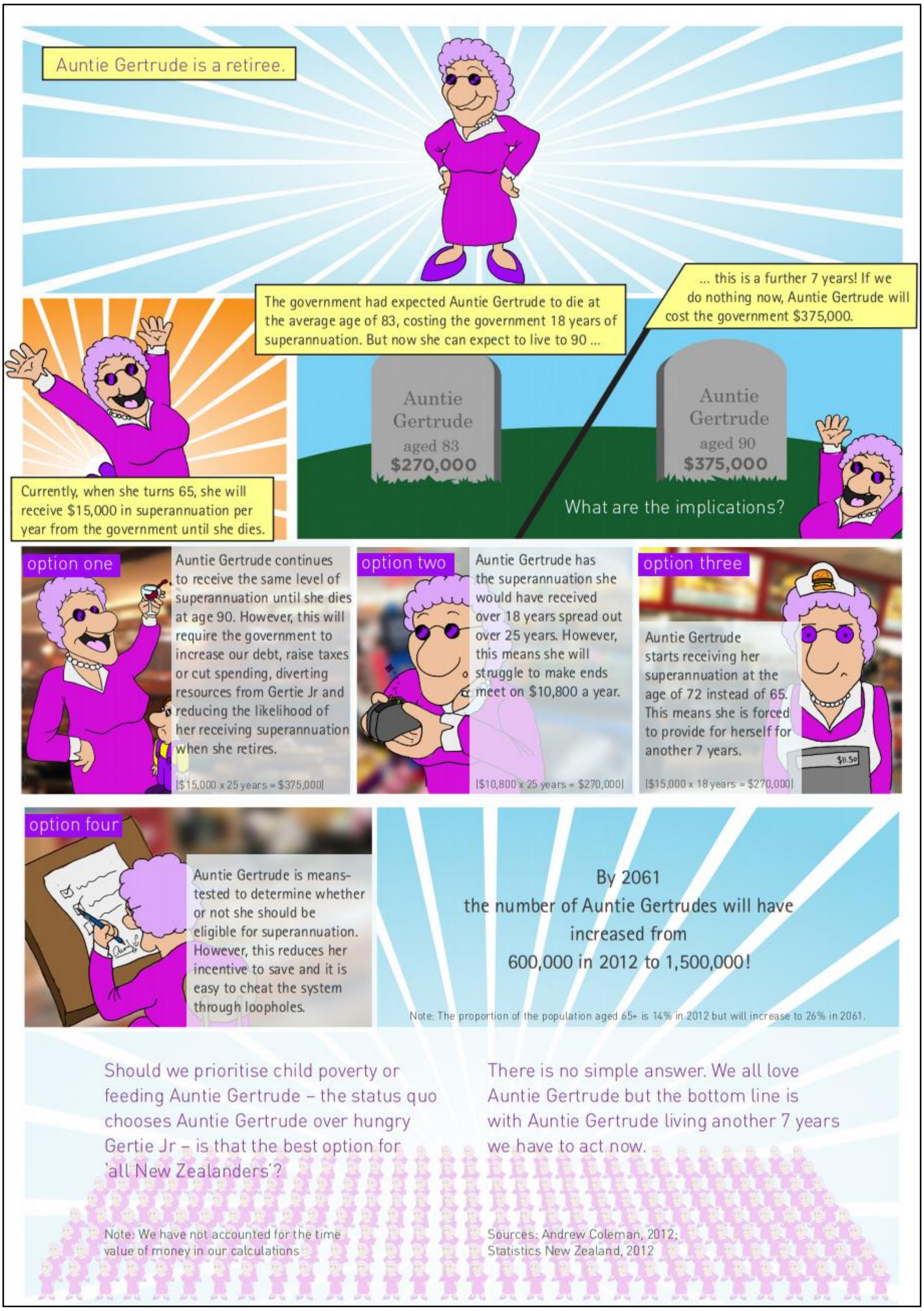
18. Resource allocation
19. Community decision making
20. Curriculum, teachers and students
21. Harmful products and services
22. Social infrastructure
23. Community projects
24. Medical services
25. Home ownership, rentals and shared housing (affordable housing)
26. Culture of care
27. Grandparents raising grandchildren
28. Financial assistance and tax systems
29. Local economy
30. Explore innovative ways to package debt

Factor V: Self-determining nation / Iwi Motuhake

Providing a strategic approach that optimises both public good and economic enterprise.

31. Central government strategy to tackle poverty
32. Mental health services review
33. Think Tank: takahanga tuatahi – The first footsteps

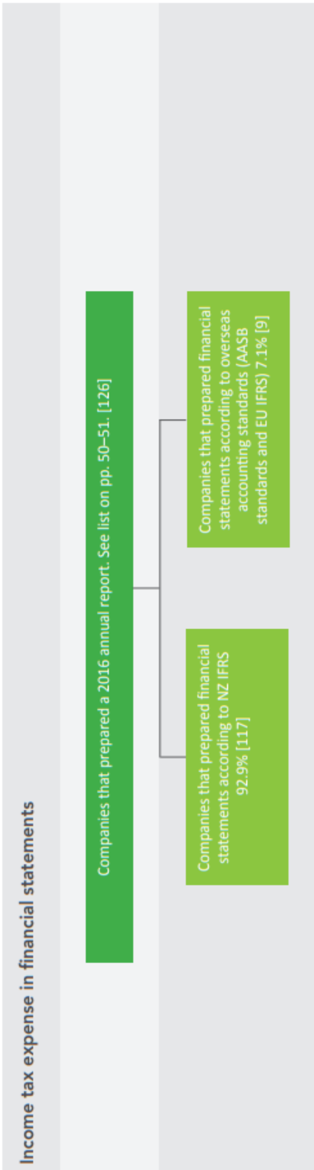
Appendix 4: The Auntie Gertrude Problem



Appendix 5: Tables 4c and 4f from Working Paper 2018/01: NZSX-listed Company Tables

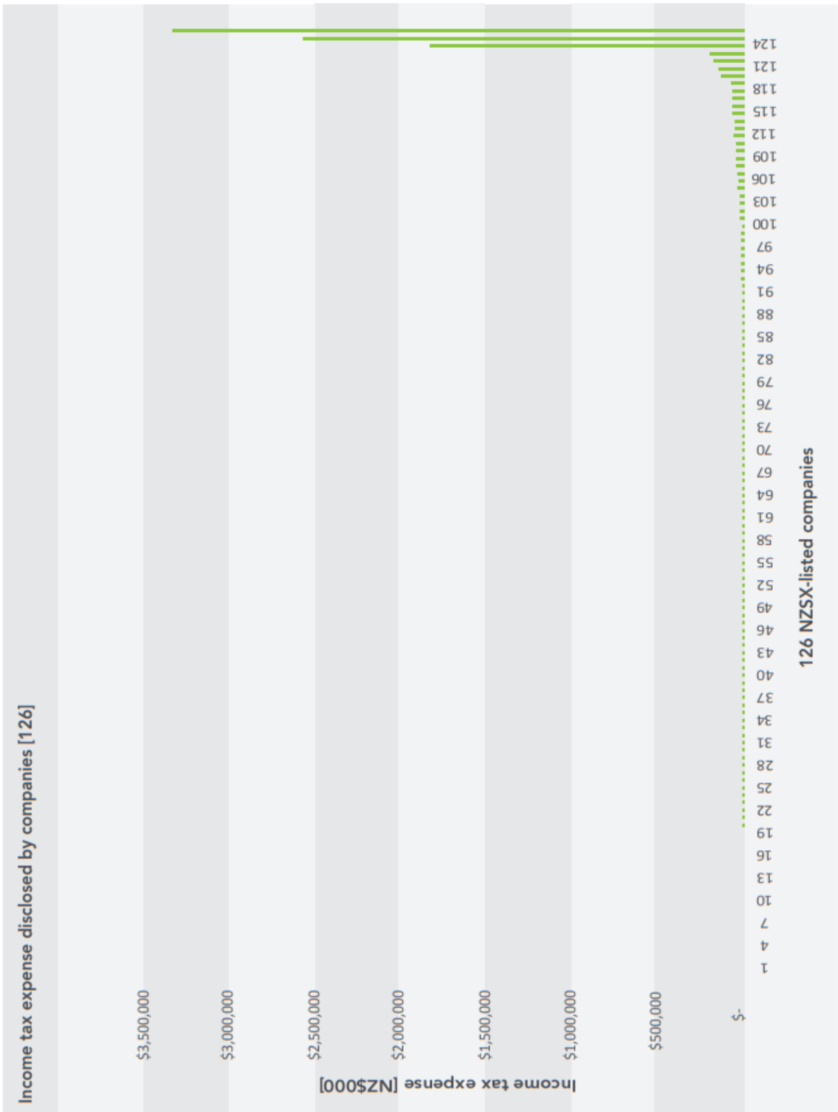
Table 4c: Income tax expense in financial statements

Source: Compiled from list of NZSX-listed companies as at 30 June 2017. Retrieved from 2016 financial statements.



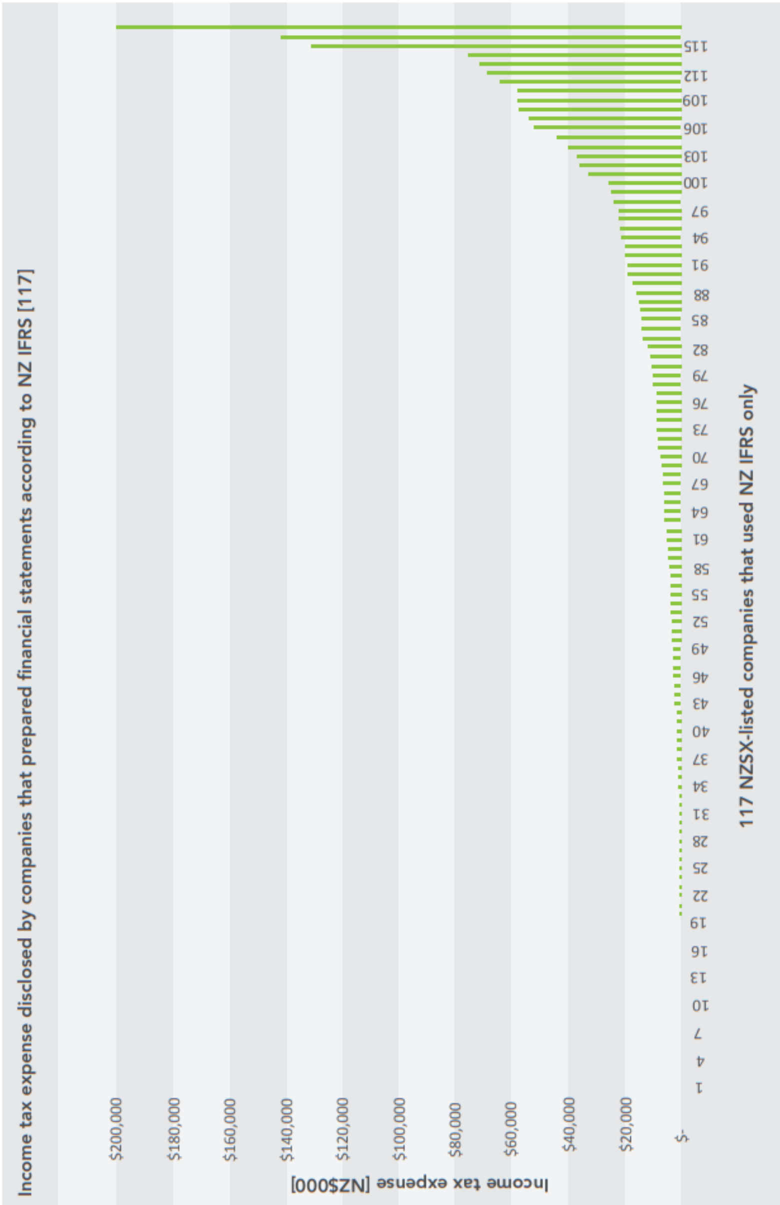
Note: Relevant Glossary terms for this table are: Financial statements, NZX Main Board (NZSX) and Income tax expenses.

Graph 4c(i): Income tax expense disclosed by companies [126]

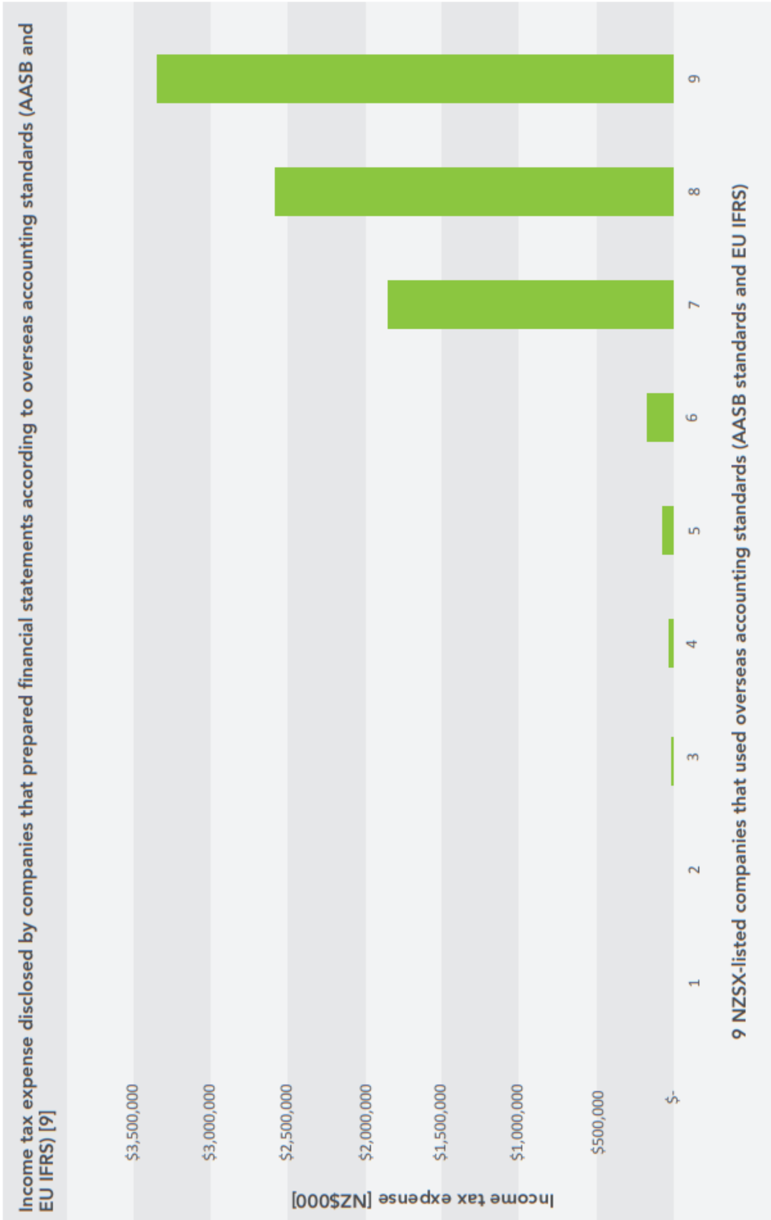


Note: Companies 124–126 prepared their financial statements using overseas accounting standards. These outlying figures skewed the data presentation. See Graph 4c(ii) for the income tax expense of NZ IFRS-only companies and Graph 4c(iii) for the income tax expense of companies that used overseas accounting standards.

Graph 4c(ii): Income tax expense disclosed by companies that prepared financial statements according to NZ IFRS [117]



Graph 4c(iii): Income tax expense disclosed by companies that prepared financial statements according to overseas accounting standards (AASB and EU IFRS) [9]



List 4c: Income tax expense in financial statements

NZSX-listed companies that disclosed tax expense [126]

1. [AFT] AFT Pharmaceuticals Limited $0
2. [AOR] Aorere Resources Limited $0
3. [BIL] Bethunes Investments Limited $0
4. [BLT] BLIS Technologies Limited $0
5. [ERD] EROAD Limited $0
6. [FMS] Future Mobility Solutions Limited $0
7. [IQE] Intueri Education Group Limited (in administration) $0
8. [MAD] Energy Mad Limited $0
9. [MOA] Moa Group Limited $0
10. [NTL] New Talisman Gold Mines Limited $0
11. [NWF] NZ Windfarms Limited $0
12. [NZF] NZF Group Limited (after 30 June 2017 becomes [BGI] Blackwell Global Holdings Limited) $0
13. [PEB] Pacific Edge Limited $0
14. [PIL] Promisia Integrative Limited $0
15. [SEA] SeaDragon Limited $0
16. [SPY] Smartpay Holdings Limited $0
17. [TRS] TRS Investments Limited $0
18. [TTK] TeamTalk Limited $0
19. [TWR] Tower Limited $0
20. [MMH] Marsden Maritime Holdings Limited $6
21. [IKE] ikeGPS Group Limited $7
22. [KFL] Kingfish Limited $22
23. [WDT] Wellington Drive Technologies Limited $51
24. [PLX] Plexure Group Limited $57
25. [SLI] SLI Systems Limited $77
26. [FIN] Finzsoft Solutions Limited $126
27. [SUM] Summerset Group Holdings Limited $158
28. [ALF] Allied Farmers Limited $182
29. [SKO] Serko Limited $291
30. [PPH] Pushpay Holdings Limited $386
31. [MGL] Mercer Group Limited $573
32. [VIL] Veritas Investments Limited $680
33. [MVT] Mercantile Investment Company Limited $687
34. [NZK] New Zealand King Salmon Investments Limited $792
35. [RAK] Rakon Limited $874
36. [NPT] NPT Limited $895
37. [AUG] Augusta Capital Limited $1,096
38. [BRM] Barramundi Limited $1,434
39. [PGC] Pyne Gould Corporation Limited $1,435
40. [MLN] Marlin Global Limited $1,467
41. [XRO] Xero Limited $1,512
42. [FLI] Fliway Group Limited $1,684
43. [OHE] Orion Health Group Limited $1,698
44. [MVN] Methven Limited $2,046
45. [OCA] Oceania Healthcare Limited $2,218
46. [CAV] Cavalier Corporation Limited $2,288
47. [AWF] AWF Madison Group Limited $2,438
48. [ASB] ASB Capital Limited $2,457
49. [SCY] Smiths City Group Limited $2,500
50. [SCT] Scott Technology Limited $2,831
51. [SEK] Seeka Limited $3,227
52. [ABA] Abano Healthcare Group Limited $3,346
53. [NZO] New Zealand Oil and Gas Limited $3,422
54. [SPN] South Port New Zealand Limited $3,447
55. [GTK] Gentrack Group Limited $3,534
56. [VGL] Vista Group International Limited $3,550
57. [TIL] Trilogy International Limited $3,699
58. [RYM] Ryman Healthcare Limited $3,908
59. [HFL] Henderson Far East Income Limited $4,038
60. [ARV] Arvida Group Limited $4,148
61. [NZX] NZX Limited $4,497
62. [ARG] Argosy Property Limited $4,657
63. [HLG] Hallenstein Glasson Holdings Limited $5,382
64. [TGH] Tegel Group Holdings Limited $5,393
65. [EVO] Evolve Education Group Limited $5,544
66. [RBC] Rubicon Limited $5,607
67. [TEN] Tenon Limited $5,607
68. [TRA] Turners Automotive Group Limited (Previously [TNR] Turners Limited) $5,949
69. [CVT] Comvita Limited $6,258
70. [MPG] Metro Performance Glass Limited $6,459
71. [GXH] Green Cross Health Limited $6,882
72. [STU] Steel & Tube Holdings Limited $7,342
73. [CMO] The Colonial Motor Company Limited $8426
74. [SKL] Skellerup Holdings Limited $8,429
75. [AWK] Airwork Holdings Limited $8,602
76. [OIC] Opus International Consultants Limited $8,660
77. [PFI] Property for Industry Limited $8,671
78. [PGW] PGG Wrightson Limited $8,832
79. [RBD] Restaurant Brands New Zealand Limited $9006
80. [TGG] T&G Global Limited $9,659
81. [SPG] Stride Property Ltd & Stride Investment Management Ltd $9,822
82. [CDI] CDL Investments New Zealand Limited $10,510
83. [PCT] Precinct Properties New Zealand Limited $10,600
84. [THL] Tourism Holdings Limited $12,093
85. [AFI] Australian Foundation Investment Company Limited $12,273
86. [CBL] CBL Corporation Limited $13,409
87. [KMD] Kathmandu Holdings Limited $13,804
88. [SML] Synlait Milk Limited $14,011
89. [SCL] Scales Corporation Limited $14,678
90. [MET] Metlifecare Limited $15,036
91. [SAN] Sanford Limited $15,879
92. [NZR] The New Zealand Refining Company Limited $17,020
93. [FRE] Freightways Limited $18,847
94. [BGR] Briscoe Group Limited $19,155
95. [HBL] Heartland Bank Limited $20,024
96. [MCK] Millennium & Copthorne Hotels New Zealand Limited $20,117
97. [KPG] Kiwi Property Group Limited $20,963

98. [DGL] Delegat Group Limited $21,370
99. [ATM] The a2 Milk Company Limited $21,863
100. [ZEL] Z Energy Limited $22,000
101. [MHJ] Michael Hill International Limited $22,929
102. [WHS] The Warehouse Group Limited $23,820
103. [IFT] Infratil Limited $24,800
104. [POT] Pcrt of Tauranga Limited $25,774
105. [TME] Trade Me Group Limited $33,062
106. [CNU] Chorus Limited $36,000
107. [MFT] Mainfreight Limited $36,843
108. [CEN] Contact Energy Limited $40,000
109. [VCT] Vector Limited $44,277
110. [SKC] SKYCITY Entertainment Group Limited $51,597
111. [EBO] Ebos Group Limited $53,718
112. [FPH] Fisher & Paykel Healthcare Corporation Limited $57,405
113. [SKT] Sky Network Television Limited $57,687
114. [MCY] Mercury NZ Limited $58,000
115. [NZM] NZME Limited $64,050
116. [DOW] Downer EDI Limited $66,103
117. [GNE] Genesis Energy Limited $68,800
118. [MEL] Meridian Energy Limited $71,000
119. [AIA] Auckland International Airport Limited $75,400
120. [FBU] Fletcher Building Limited $131,000
121. [SPK] Spark New Zealand Limited $142,000
122. [AMP] AMP Limited $172,557
123. [AIR] Air New Zealand Limited $200,000
124. [TLS] Telstra Corporation Limited $1,846,282
125. [ANZ] Australia and New Zealand Banking Group Limited $2,586,279
126. [WBC] Westpac Banking Corporation $3,350,168

Note: These figures are from income statements. All tax benefits are excluded (only tax expenses are reported below).

Companies that prepared financial statements according to NZ IFRS [117]

1. [AFT] AFT Pharmaceuticals Limited $0
2. [AOR] Aorere Resources Limited $0
3. [BIL] Bethunes Investments Limited $0
4. [BLT] BLIS Technologies Limited $0
5. [ERD] EROAD Limited $0
6. [FMS] Future Mobility Solutions Limited $0
7. [IQE] Intueri Education Group Limited (in administration) $0
8. [MAD] Energy Mad Limited $0
9. [MOA] Moa Group Limited $0
10. [NTL] New Talisman Gold Mines Limited $0
11. [NWF] NZ Windfarms Limited $0
12. [NZF] NZF Group Limited (after 30 June 2017 becomes [BGI] Blackwell Global Holdings Limited) $0
13. [PEB] Pacific Edge Limited $0
14. [PIL] Promisia Integrative Limited $0
15. [SEA] SeaDragon Limited $0
16. [SPY] Smartpay Holdings Limited $0
17. [TRS] TRS Investments Limited $0
18. [TTK] TeamTalk Limited $0
19. [TWR] Tower Limited $0
20. [MMH] Marsden Maritime Holdings Limited $6
21. [IKE] ikeGPS Group Limited $7
22. [KFL] Kingfish Limited $22
23. [WDT] Wellington Drive Technologies Limited $51
24. [PLX] Plexure Group Limited $57
25. [SLI] SLI Systems Limited $77
26. [FIN] Finzsoft Solutions Limited $126
27. [SUM] Summerset Group Holdings Limited $158
28. [ALF] Allied Farmers Limited $182
29. [SKO] Serko Limited $291
30. [PPH] Pushpay Holdings Limited $386
31. [MGL] Mercer Group Limited $573
32. [VIL] Veritas Investments Limited $680
33. [NZK] New Zealand King Salmon Investments Limited $792
34. [RAK] Rakon Limited $874
35. [NPT] NPT Limited $895
36. [AUG] Augusta Capital Limited $1,096
37. [BRM] Barramundi Limited $1,434
38. [PGC] Pyne Gould Corporation Limited $1,435
39. [MLN] Marlin Global Limited $1,467
40. [XRO] Xero Limited $1,512
41. [FLI] Fliway Group Limited $1,684
42. [OHE] Orion Health Group Limited $1,698
43. [MVN] Methven Limited $2,046
44. [OCA] Oceania Healthcare Limited $2,218
45. [CAV] Cavalier Corporation Limited $2,288
46. [AWF] AWF Madison Group Limited $2,438
47. [ASB] ASB Capital Limited $2,457
48. [SCY] Smiths City Group Limited $2,500
49. [SCT] Scott Technology Limited $2,831
50. [SEK] Seeka Limited $3,227
51. [ABA] Abano Healthcare Group Limited $3,346
52. [NZO] New Zealand Oil and Gas Limited $3,422
53. [SPN] South Port New Zealand Limited $3,447
54. [GTK] Gentrack Group Limited $3,534
55. [VGL] Vista Group International Limited $3,550
56. [TIL] Trilogy International Limited $3,699
57. [RYM] Ryman Healthcare Limited $3,908
58. [ARV] Arvida Group Limited $4,148
59. [NZX] NZX Limited $4,497
60. [ARG] Argosy Property Limited $4,657
61. [HLG] Hallenstein Glasson Holdings Limited $5,382
62. [TGH] Tegel Group Holdings Limited $5,393
63. [EVO] Evolve Education Group Limited $5,544
64. [RBC] Rubicon Limited $5,607
65. [TEN] Tenon Limited $5,607
66. [TRA] Turners Automotive Group Limited (Previously [TNR] Turners Limited) $5,949
67. [CVT] Comvita Limited $6,258
68. [MPG] Metro Performance Glass Limited $6,459

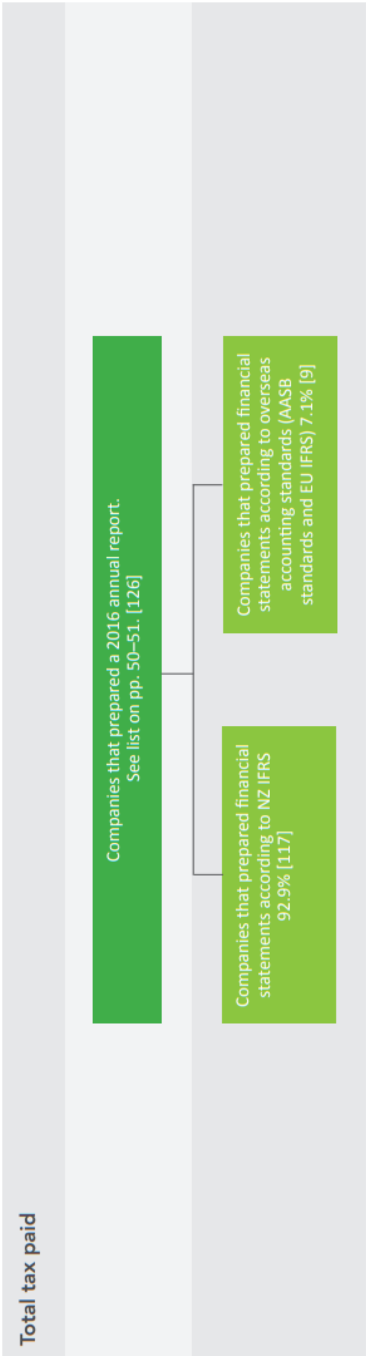
69. [GXH] Green Cross Health Limited $6,882
70. [STU] Steel & Tube Holdings Limited $7,342
71. [CMO] The Colonial Motor Company Limited $8,426
72. [SKL] Skellerup Holdings Limited $8,429
73. [AWK] Airwork Holdings Limited $8,602
74. [OIC] Opus International Consultants Limited $8,660
75. [PFI] Property for Industry Limited $8,671
76. [PGW] PGG Wrightson Limited $8,832
77. [RBD] Restaurant Brands New Zealand Limited $9,006
78. [TGG] T&G Global Limited $9,659
79. [SPG] Stride Property Ltd & Stride Investment Management Ltd $9,822
80. [CDI] CDL Investments New Zealand Limited $10,510
81. [PCT] Precinct Properties New Zealand Limited $10,600
82. [THL] Tourism Holdings Limited $12,093
83. [CBL] CBL Corporation Limited $13,409
84. [KMD] Kathmandu Holdings Limited $13,804
85. [SML] Synlait Milk Limited $14,011
86. [SCL] Scales Corporation Limited $14,678
87. [MET] Metlifecare Limited $15,036
88. [SAN] Sanford Limited $15,879
89. [NZR] The New Zealand Refining Company Limited $17,020
90. [FRE] Freightways Limited $18,847
91. [BGR] Briscoe Group Limited $19,155
92. [HBL] Heartland Bank Limited $20,024
93. [MCK] Millennium & Copthorne Hotels New Zealand Limited $20,117
94. [KPG] Kiwi Property Group Limited $20,963
95. [DGL] Delegat Group Limited $21,370
96. [ATM] The a2 Milk Company Limited $21,863
97. [ZEL] Z Energy Limited $22,000
98. [WHS] The Warehouse Group Limited $23,820
99. [IFT] Infratil Limited $24,800
100. [POT] Port of Tauranga Limited $25,774
101. [TME] Trade Me Group Limited $33,062
102. [CNU] Chorus Limited $36,000
103. [MFT] Mainfreight Limited $36,843
104. [CEN] Contact Energy Limited $40,000
105. [VCT] Vector Limited $44,277
106. [SKC] SKYCITY Entertainment Group Limited $51,597
107. [EBO] Ebos Group Limited $53,718
108. [FPH] Fisher & Paykel Healthcare Corporation Limited $57,405
109. [SKT] Sky Network Television Limited $57,687
110. [MCY] Mercury NZ Limited $58,000
111. [NZM] NZME Limited $64,050
112. [GNE] Genesis Energy Limited $68,800
113. [MEL] Meridian Energy Limited $71,000
114. [AIA] Auckland International Airport Limited $75,400
115. [FBU] Fletcher Building Limited $131,000
116. [SPK] Spark New Zealand Limited $142,000
117. [AIR] Air New Zealand Limited $200,000

Companies that prepared financial statements according to overseas accounting standards (AASB standards and EU IFRS) [9]

1. [MVT] Mercantile Investment Company Limited $687
2. [HFL] Henderson Far East Income Limited $4,038
3. [AFI] Australian Foundation Investment Company Limited $12,273
4. [MHJ] Michael Hill International Limited $22,929
5. [DOW] Downer EDI Limited $66,103
6. [AMP] AMP Limited $172,557
7. [TLS] Telstra Corporation Limited $1,846,282
8. [ANZ] Australia and New Zealand Banking Group Limited $2,586,279
9. [WBC] Westpac Banking Corporation $3,350,168

Table 4f: Tax paid in financial statements

Source: Compiled from list of NZSX-listed companies as at 30 June 2017. Retrieved from 2016 financial statements.

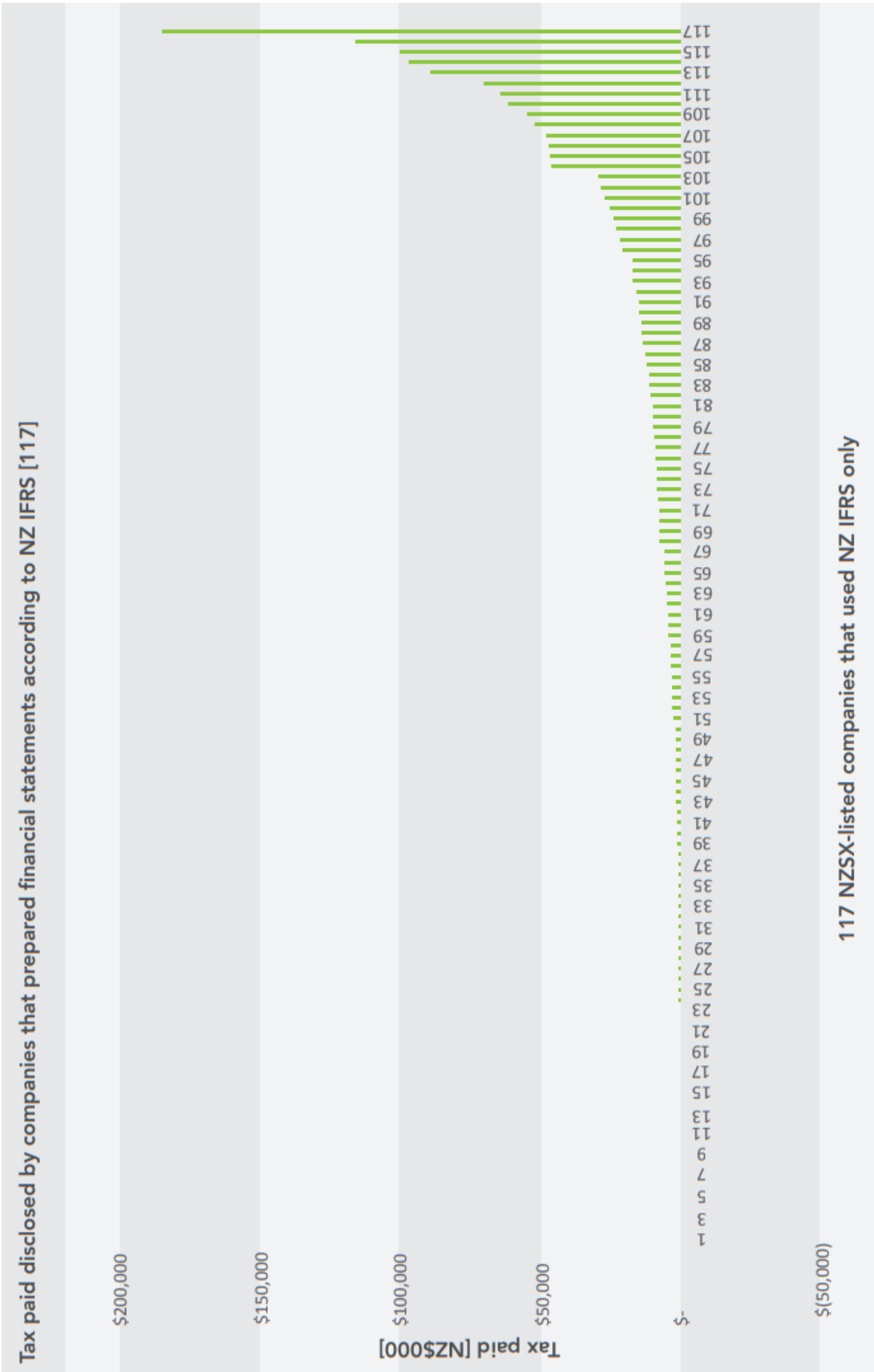


Note: Relevant Glossary terms for this table are: Financial statements, NZX Main Board (NZSX) and Total tax paid.

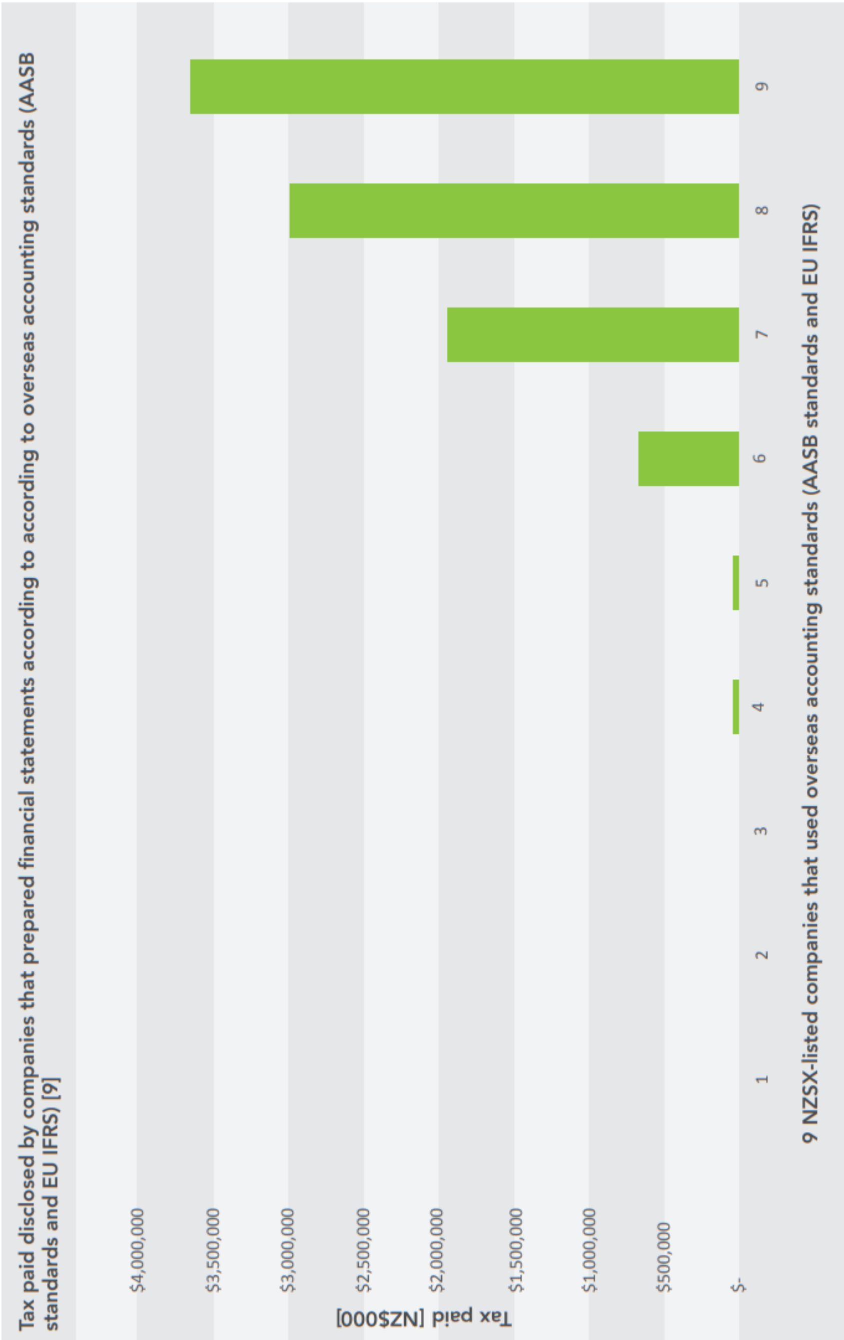
Graph 4f(i): Tax paid disclosed by companies [126]

Note : Companies 123–126 prepared their financial statements using overseas accounting standards. The outlying figures skewed the data presentation (this includes the first two companies who recieved tax refunds, and 22 companies that paid no tax). See Graph 4f(ii) for tax paid by NZ IFRS-only companies and Graph 4f(iii) for tax paid by companies that used overseas accounting standards.

Graph 4f(ii): Tax paid disclosed by companies that prepared financial statements according to NZ IFRS [117]



Graph 4f(iii): Tax paid disclosed by companies that prepared financial statements according to according to overseas accounting standards (AASB standards and EU IFRS) [9]



List 4f: Tax paid disclosed by companies

NZSX-listed companies that disclosed total tax paid [126]

1. [AFT] AFT Pharmaceuticals Limited ($47)
2. [SEA] SeaDragon Limited ($16)
3. [TRS] TRS Investments Limited $0
4. [AOR] Aorere Resources Limited $0
5. [BIL] Bethunes Investments Limited $0
6. [BLT] BLIS Technologies Limited $0
7. [FMS] Future Mobility Solutions Limited $0
8. [HFL] Henderson Far East Income Limited $0
9. [IKE] ikeGPS Group Limited $0
10. [MET] Metlifecare Limited $0
11. [MGL] Mercer Group Limited $0
12. [MMH] Marsden Maritime Holdings Limited $0
13. [NTL] New Talisman Gold Mines Limited $0
14. [NWF] NZ Windfarms Limited $0
15. [NZF] NZF Group Limited (after 30 June 2017 becomes [BGI] Blackwell Global Holdings Limited) $0
16. [OCA] Oceania Healthcare Limited $0
17. [PEB] Pacific Edge Limited $0
18. [PGC] Pyne Gould Corporation Limited $0
19. [PIL] Promisia Integrative Limited $0
20. [PPH] Pushpay Holdings Limited $0
21. [RYM] Ryman Healthcare Limited $0
22. [SCY] Smiths City Group Limited $0
23. [SPY] Smartpay Holdings Limited $0
24. [SUM] Summerset Group Holdings Limited $0
25. [MAD] Energy Mad Limited $1
26. [KFL] Kingfish Limited $16
27. [SML] Synlait Milk Limited $19
28. [SLI] SLI Systems Limited $50
29. [PLX] Plexure Group Limited $54
30. [WDT] Wellington Drive Technologies Limited $69
31. [BRM] Barramundi Limited $82
32. [MLN] Marlin Global Limited $128
33. [ALF] Allied Farmers Limited $134
34. [MOA] Moa Group Limited $156
35. [SKO] Serko Limited $214
36. [ERD] EROAD Limited $288
37. [VIL] Veritas Investments Limited $513
38. [FIN] Finzsoft Solutions Limited $532
39. [MVT] Mercantile Investment Company Limited $535
40. [TTK] TeamTalk Limited $559
41. [RAK] Rakon Limited $634
42. [CAV] Cavalier Corporation Limited $655
43. [TRA] Turners Automotive Group Limited (Previously [TNR] Turners Limited) $659
44. [NPT] NPT Limited $899
45. [SEK] Seeka Limited $974
46. [CEN] Contact Energy Limited $1,000
47. [NZK] New Zealand King Salmon Investments Limited $1,002
48. [AUG] Augusta Capital Limited $1,184
49. [TEN] Tenon Limited $1,402
50. [RBC] Rubicon Limited $1,402
51. [SCT] Scott Technology Limited $1,463
52. [FLI] Fliway Group Limited $1,556
53. [IQE] Intueri Education Group Limited (in administration) $2,172
54. [MHJ] Michael Hill International Limited $2,357
55. [ASB] ASB Capital Limited $2,539
56. [ARV] Arvida Group Limited $2,827
57. [MPG] Metro Performance Glass Limited $2,872
58. [TIL] Trilogy International Limited $2,935
59. [XRO] Xero Limited $3,215
60. [SPN] South Port New Zealand Limited $3,351
61. [AWF] AWF Madison Group Limited $3,356
62. [OHE] Orion Health Group Limited $3,815
63. [ABA] Abano Healthcare Group Limited $3,852
64. [MVN] Methven Limited $4,021
65. [EVO] Evolve Education Group Limited $4,484
66. [TWR] Tower Limited $4,598
67. [TGG] T&G Global Limited $4,827
68. [VGL] Vista Group International Limited $5,484
69. [CVT] Comvita Limited $5,640
70. [GTK] Gentrack Group Limited $5,651
71. [TGH] Tegel Group Holdings Limited $7,192
72. [GXH] Green Cross Health Limited $7,345
73. [CMO] The Colonial Motor Company Limited $7,394
74. [HLG] Hallenstein Glasson Holdings Limited $7,495
75. [NZX] NZX Limited $7,824
76. [PFI] Property for Industry Limited $8,120
77. [OIC] Opus International Consultants Limited $8,387
78. [CBL] CBL Corporation Limited $8,448
79. [AWK] Airwork Holdings Limited $8,664
80. [SKL] Skellerup Holdings Limited $8,733
81. [STU] Steel & Tube Holdings Limited $8,944
82. [SPG] Stride Property Ltd & Stride Investment Management Ltd $9,234
83. [THL] Tourism Holdings Limited $9,449
84. [ATM] The a2 Milk Company Limited $9,673
85. [CDI] CDL Investments New Zealand Limited $10,341
86. [RBD] Restaurant Brands New Zealand Limited $10,618
87. [ARG] Argosy Property Limited $11,269
88. [NZO] New Zealand Oil and Gas Limited $11,827
89. [SAN] Sanford Limited $12,501
90. [SKC] SKYCITY Entertainment Group Limited $13,062
91. [PCT] Precinct Properties New Zealand Limited $13,500
92. [PGW] PGG Wrightson Limited $13,903
93. [KPG] Kiwi Property Group Limited $14,451
94. [SCL] Scales Corporation Limited $14,627
95. [DGL] Delegat Group Limited $15,438
96. [BGR] Briscoe Group Limited $16,468
97. [MCK] Millennium & Copthorne Hotels New Zealand Limited $16,571
98. [KMD] Kathmandu Holdings Limited $16,688
99. [HBL] Heartland Bank Limited $20,297

100. [FRE] Freightways Limited $21,332
101. [NZM] NZME Limited $22,798
102. [TME] Trade Me Group Limited $23,419
103. [NZR] The New Zealand Refining Company Limited $25,076
104. [ZEL] Z Energy Limited $27,000
105. [WHS] The Warehouse Group Limited $28,037
106. [POT] Port of Tauranga Limited $28,991
107. [AFI] Australian Foundation Investment Company Limited $35,653
108. [DOW] Downer EDI Limited $37,490
109. [GNE] Genesis Energy Limited $46,000
110. [SKT] Sky Network Television Limited $46,458
111. [CNU] Chorus Limited $47,000
112. [MFT] Mainfreight Limited $47,563
113. [IFT] Infratil Limited $51,800
114. [EBO] Ebos Group Limited $54,529
115. [VCT] Vector Limited $61,526
116. [FPH] Fisher & Paykel Healthcare Corporation Limited $63,976
117. [AIA] Auckland International Airport Limited $69,900
118. [MCY] Mercury NZ Limited $89,000
119. [FBU] Fletcher Building Limited $97,000
120. [MEL] Meridian Energy Limited $100,000
121. [SPK] Spark New Zealand Limited $116,000
122. [AIR] Air New Zealand Limited $185,000
123. [AMP] AMP Limited $664,241
124. [TLS] Telstra Corporation Limited $1,942,356
125. [ANZ] Australia and New Zealand Banking Group Limited $2,988,215
126. [WBC] Westpac Banking Corporation $3,650,042

Note: These figures are from cash flow statements. For our purposes, GST has been ignored where it was listed. This means some tax paid may include GST if they were not separated.

Companies that prepared financial statements according to NZ IFRS [117]

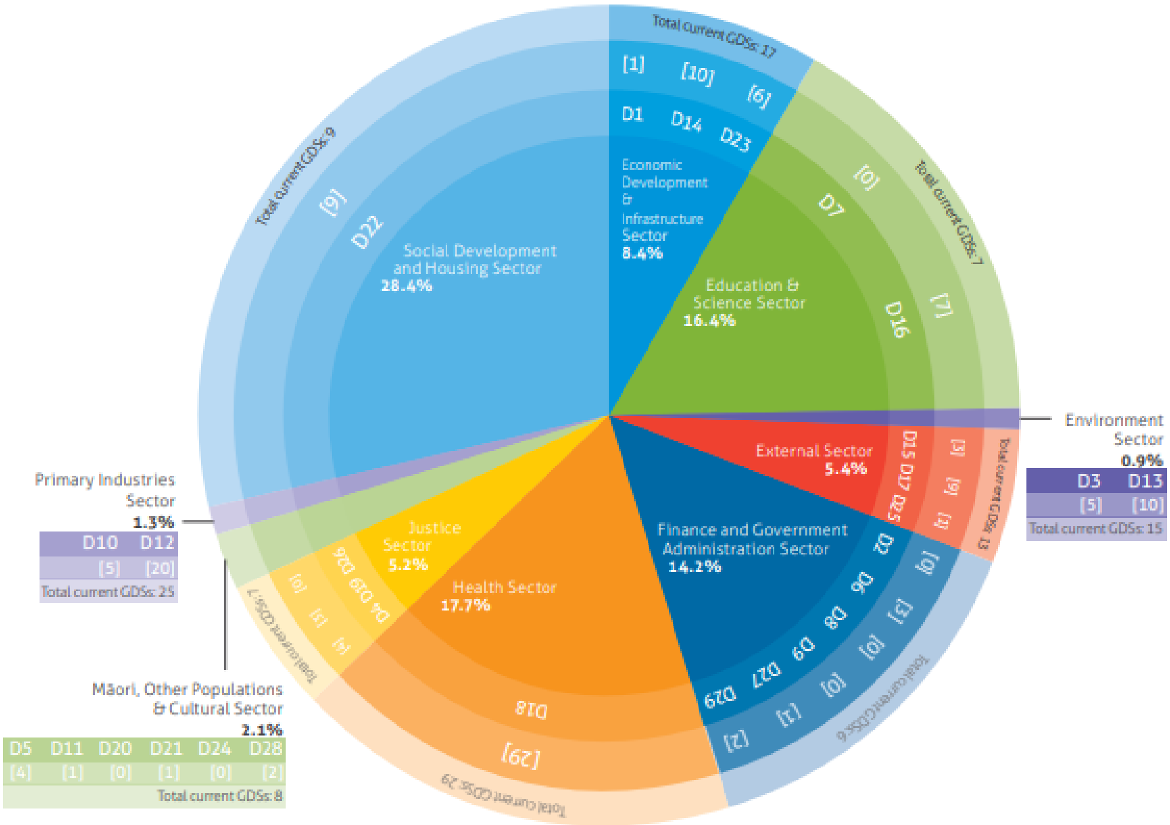
1. [AFT] AFT Pharmaceuticals Limited (-$47)
2. [SEA] SeaDragon Limited (-$16)
3. [AOR] Aorere Resources Limited $0
4. [BIL] Bethunes Investments Limited $0
5. [BLT] BLIS Technologies Limited $0
6. [FMS] Future Mobility Solutions Limited $0
7. [IKE] ikeGPS Group Limited $0
8. [MET] Metlifecare Limited $0
9. [MGL] Mercer Group Limited $0
10. [MMH] Marsden Maritime Holdings Limited $0
11. [NZF] NZF Group Limited (after 30 June 2017 becomes [BGI] Blackwell Global Holdings Limited) $0
12. [NTL] New Talisman Gold Mines Limited $0
13. [NWF] NZ Windfarms Limited $0
14. [OCA] Oceania Healthcare Limited $0
15. [PEB] Pacific Edge Limited $0
16. [PGC] Pyne Gould Corporation Limited $0
17. [PIL] Promisia Integrative Limited $0
18. [PPH] Pushpay Holdings Limited $0
19. [RYM] Ryman Healthcare Limited $0
20. [SCY] Smiths City Group Limited $0
21. [SPY] Smartpay Holdings Limited $0
22. [SUM] Summerset Group Holdings Limited $0
23. [TRS] TRS Investments Limited $0
24. [MAD] Energy Mad Limited $1
25. [KFL] Kingfish Limited $16
26. [SML] Synlait Milk Limited $19
27. [SLI] SLI Systems Limited $50
28. [PLX] Plexure Group Limited $54
29. [WDT] Wellington Drive Technologies Limited $69
30. [BRM] Barramundi Limited $82
31. [MLN] Marlin Global Limited $128
32. [ALF] Allied Farmers Limited $134
33. [MOA] Moa Group Limited $156
34. [SKO] Serko Limited $214
35. [ERD] EROAD Limited $288
36. [VIL] Veritas Investments Limited $513
37. [FIN] Finzsoft Solutions Limited $532
38. [TTK] TeamTalk Limited $559
39. [RAK] Rakon Limited $634
40. [CAV] Cavalier Corporation Limited $655
41. [TRA] Turners Automotive Group Limited (Previously [TNR] Turners Limited) $659
42. [NPT] NPT Limited $899
43. [SEK] Seeka Limited $974
44. [CEN] Contact Energy Limited $1,000
45. [NZK] New Zealand King Salmon Investments Limited $1,002
46. [AUG] Augusta Capital Limited $1,184
47. [TEN] Tenon Limited $1,402
48. [RBC] Rubicon Limited $1,402
49. [SCT] Scott Technology Limited $1,463
50. [FLI] Fliway Group Limited $1,556
51. [IQE] Intueri Education Group Limited (in administration) $2,172
52. [ASB] ASB Capital Limited $2,539
53. [ARV] Arvida Group Limited $2,827
54. [MPG] Metro Performance Glass Limited $2,872
55. [TIL] Trilogy International Limited $2,935
56. [XRO] Xero Limited $3,215
57. [SPN] South Port New Zealand Limited $3,351
58. [AWF] AWF Madison Group Limited $3,356
59. [OHE] Orion Health Group Limited $3,815
60. [ABA] Abano Healthcare Group Limited $3,852
61. [MVN] Methven Limited $4,021
62. [EVO] Evolve Education Group Limited $4,484
63. [TWR] Tower Limited $4,598
64. [TGG] T&G Global Limited $4,827
65. [VGL] Vista Group International Limited $5,484
66. [CVT] Comvita Limited $5,640
67. [GTK] Gentrack Group Limited $5,651
68. [TGH] Tegel Group Holdings Limited $7,192
69. [GXH] Green Cross Health Limited $7,345
70. [CMO] The Colonial Motor Company Limited $7,394
71. [HLG] Hallenstein Glasson Holdings Limited $7,495
72. [NZX] NZX Limited $7,824

		Companies that prepared financial statements according to overseas accounting standards (AASB standards and EU IFRS) [9]
73. [PFI] Property for Industry Limited $8,120 74. [OIC] Opus International Consultants Limited $8,387 75. [CBL] CBL Corporation Limited $8,448 76. [AWK] Airwork Holdings Limited $8,664 77. [SKL] Skellerup Holdings Limited $8,733 78. [STU] Steel & Tube Holdings Limited $8,944 79. [SPG] Stride Property Ltd & Stride Investment Management Ltd $9,234 80. [THL] Tourism Holdings Limited $9,449 81. [ATM] The a2 Milk Company Limited $9,673 82. [CDI] CDL Investments New Zealand Limited $10,341 83. [RBD] Restaurant Brands New Zealand Limited $10,618 84. [ARG] Argosy Property Limited $11,269 85. [NZO] New Zealand Oil and Gas Limited $11,827 86. [SAN] Sanford Limited $12,501 87. [SKC] SKYCITY Entertainment Group Limited $13,062 88. [PCT] Precinct Properties New Zealand Limited $13,500 89. [PGW] PGG Wrightson Limited $13,903 90. [KPG] Kiwi Property Group Limited $14,451 91. [SCL] Scales Corporation Limited $14,627 92. [DGL] Delegat Group Limited $15,438 93. [BGR] Briscoe Group Limited $16,468 94. [MCK] Millennium & Copthorne Hotels New Zealand Limited $16,571 95. [KMD] Kathmandu Holdings Limited $16,688 96. [HBL] Heartland Bank Limited $20,297 97. [FRE] Freightways Limited $21,332 98. [NZM] NZME Limited $22,798 99. [TME] Trade Me Group Limited $23,419	100. [NZR] The New Zealand Refining Company Limited $25,076 101. [ZEL] Z Energy Limited $27,000 102. [WHS] The Warehouse Group Limited $28,037 103. [POT] Port of Tauranga Limited $28,991 104. [GNE] Genesis Energy Limited $46,000 105. [SKT] Sky Network Television Limited $46,458 106. [CNU] Chorus Limited $47,000 107. [MFT] Mainfreight Limited $47,563 108. [IFT] Infratil Limited $51,800 109. [EBO] Ebos Group Limited $54,529 110. [VCT] Vector Limited $61,526 111. [FPH] Fisher & Paykel Healthcare Corporation Limited $63,976 112. [AIA] Auckland International Airport Limited $69,900 113. [MCY] Mercury NZ Limited $89,000 114. [FBU] Fletcher Building Limited $97,000 115. [MEL] Meridian Energy Limited $100,000 116. [SPK] Spark New Zealand Limited $116,000 117. [AIR] Air New Zealand Limited $185,000	1. [HFL] Henderson Far East Income Limited $0 2. [MVT] Mercantile Investment Company Limited $535 3. [MHJ] Michael Hill International Limited $2,357 4. [AFI] Australian Foundation Investment Company Limited $35,653 5. [DOW] Downer EDI Limited $37,490 6. [AMP] AMP Limited $664,241 7. [TLS] Telstra Corporation Limited $1,942,356 8. [ANZ] Australia and New Zealand Banking Group Limited $2,988,215 9. [WBC] Westpac Banking Corporation $3,650,042

Appendix 6: GDSs published per sector appropriations

Figure 27: GDSs in operation as at 30 June 2014 (136) by sector (1 July 2014 to 30 June 2015)

Source: *Summary Tables for the Estimates of Appropriations 2014–2015* (Treasury, 2014)



Key to figure:

'Sector'[1] refers to the appropriation estimates for New Zealand 1 July 2014 to 30 June 2015.
'D' is an abbreviation for department. Each department is given a number (see list).
'GDS' is an abbreviation for government department strategy. The name of each strategy can be found in *Working Paper 2014/01*.
[x] is the number of GDSs in operation as at 30 June 2014 by sector.

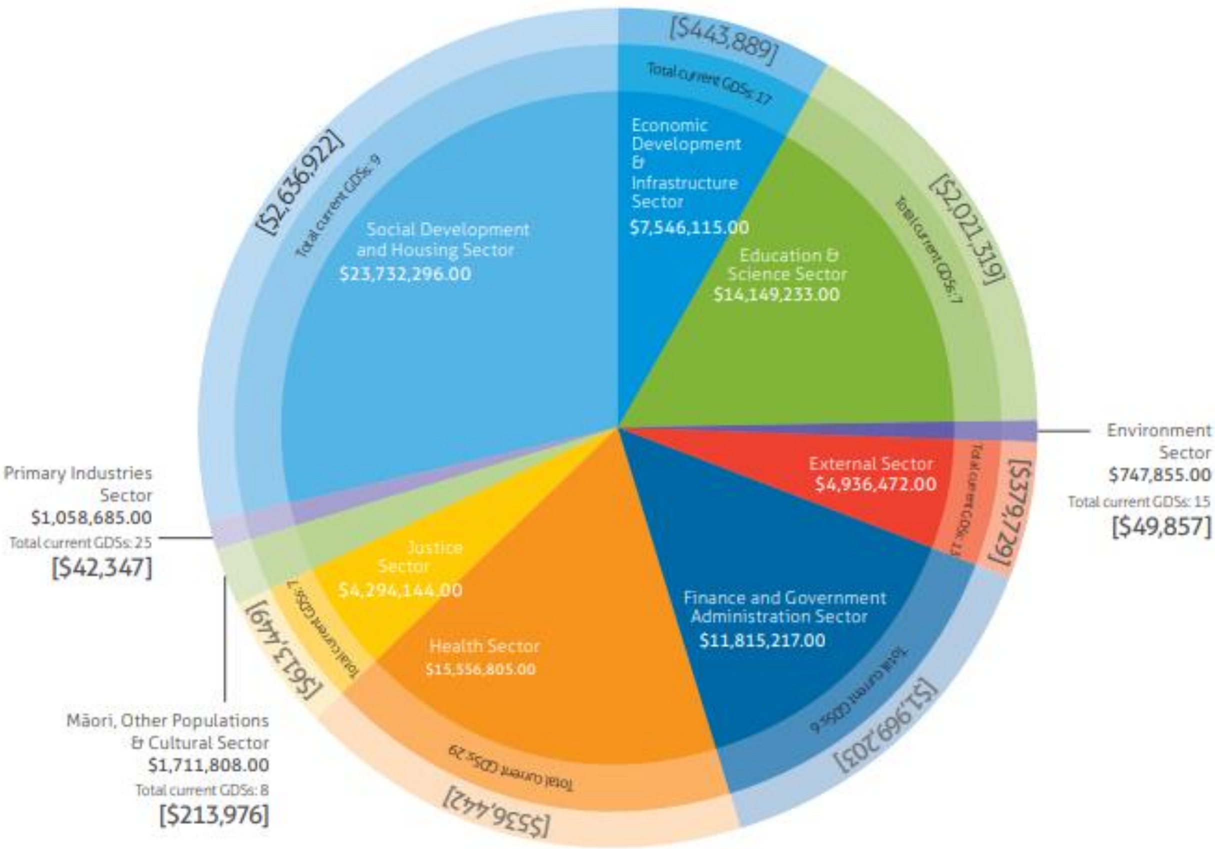
Department name:

1. Canterbury Earthquake Recovery Authority
2. Crown Law Office
3. Department of Conservation
4. Department of Corrections
5. Department of Internal Affairs
6. Department of the Prime Minister and Cabinet
7. Education Review Office
8. Government Communications Security Bureau
9. Inland Revenue Department
10. Land Information New Zealand
11. Ministry for Culture and Heritage
12. Ministry for Primary Industries
13. Ministry for the Environment
14. Ministry of Business, Innovation and Employment
15. Ministry of Defence
16. Ministry of Education
17. Ministry of Foreign Affairs and Trade
18. Ministry of Health
19. Ministry of Justice
20. Ministry of Māori Development, Te Puni Kōkiri
21. Ministry of Pacific Island Affairs
22. Ministry of Social Development
23. Ministry of Transport
24. Ministry of Women's Affairs
25. New Zealand Customs Service
26. Serious Fraud Office
27. State Services Commission
28. Statistics New Zealand
29. Treasury

1 Within each sector are a number of 'votes' described by the Treasury in *Primary Sector – The Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2015* as 'A grouping of one or more appropriations that are the responsibility of one or more Ministers of the Crown and are administered by the one department or Office of Parliament' (2014:xvi).

Figure 28: Sector appropriations (July 2014 to 30 June 2015) divided by number of GDSs in operation as at 30 June 2014

Source: *Summary Tables for the Estimates of Appropriations 2014–2015* (Treasury, 2014)



Key to figure:

[x] is the average appropriation per GDS by sector.
See Figure 27 for a breakdown of which departments make up each sector.

Average appropriation per GDS:

Economic Development and Infrastructure Sector	$443,889
Education & Science Sector	$2,021,319
Environment Sector	$49,857
External Sector	$379,729
Finance and Govt. Admin Sector	$1,969,203
Health Sector	$536,442
Justice Sector	$613,449
Māori, Other Populations & Cultural Sector	$213,976
Primary Industries Sector	$42,347
Social Development and Housing Sector	$2,636,922