

Tax Working Group Public Submissions Information Release

Release Document

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

29 November 2018

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Dear Tax Working Group Members

Re: Tax Working Group – Future of Tax: Interim Report

I am writing to you in regard to the Interim Report released by the Tax Working Group (TWG) in September entitled "Future of Tax: Interim Report".

Given the TWG has asked for feedback on the Interim Report, below is BusinessNZ's response to those recommendations that have a direct relevance to the business community.

Thank you for the opportunity to comment.

Kind regards,

[1]

Vaughan Renner
President
BusinessNZ

Capital & Wealth

Recommendation	BusinessNZ Comment
<p>The Group is still forming its views on the best approach towards extending the taxation of capital income. Only once such an extension is designed can a meaningful comparison take place between different options and the status quo. Appendix B sets out the Group's initial thinking on further design features of broad-based taxation of capital income. The Group will work toward its ultimate recommendations in the Final Report.</p>	<p><u>Extension of Taxation of Capital Income (EOTOCI)</u> In our original submission to the TWG, we said we did not have a formal position on a form of capital gains tax (CGT) (which in the context of the interim report is referred to as an EOTOCI). Our reason was because the form it would take would depend on the detail of any CGT regime chosen, such as who it would include, who it would affect and how it would be implemented. In essence, the devil would be in the detail of whatever might be proposed.</p> <p>The interim report has certainly provided more detail as to the when, how and what to tax for a CTG. However, after examining the pros and cons of the proposed CTG, on balance in its current form BusinessNZ does not recommend its introduction.</p> <p>We note that the TWG have been asked "<i>In broad terms, will the fairness, integrity, revenue, and efficiency benefits from reform outweigh the administrative complexity, compliance costs, and efficiency costs that arise from the proposed additional capital income taxation?</i>". From BusinessNZ's perspective, any change of this extent to New Zealand's taxation landscape needs to clearly and comprehensively indicate a net economic benefit for the country. While we appreciate the depth of the TWG's work in constructing a potential CTG, after analysing the potential costs and benefits, we have concluded it is far from clear that overall, the benefits will outweigh the costs.</p> <p>Our concerns include:</p> <ul style="list-style-type: none"> • A query about the primary reason for introducing a CGT. If this is to decrease house prices, offshore evidence shows that does not happen. In fact, this is pointed out in paragraph 27 of chapter 6, with the TWG's view that tax will not play a large role in fixing the current state of the housing market. • In essence, this is such a narrowly defined CGT that we would question its long-term ability to fit comfortably within New Zealand's tax system. Also, there is a real risk of unintended consequences in the short to medium term. • It is ironic that while the CGT is narrowly focused, this will not, unfortunately, preclude it from becoming, potentially, overly complex. While accepting that certain calls will have to be made to establish how the CGT might fit with the rest of New Zealand's tax system, the extensive discussion in the interim report's appendix b provides more questions than answers. • There is the possibility that New Zealanders who purchase New Zealand shares directly will be taxed, while those owning shares through PIES will not. Should this happen due to a decision to use one or other of the two main options for CGT implementation, we question how things would play out from a fairness perspective. Also, how would this enhance New Zealand's overall financial literacy through direct investing, or the potential impact on small start-up businesses attempting to obtain capital?

- There seems to be no balance when it comes to the likely costs of a CGT. Increased accommodation supplements for low income earners are discussed in paragraph 28 of chapter 6, and the issue of increased administrative work is addressed in appendix b. However, no attempt has been made to determine the net revenue (or cost) accruing to government. Given that in New Zealand other measures tax capital, how would the minimal returns from a CGT provide a better outcome?

Risk-Free Rate of Return Method (RFRM)

In line with the views expressed above, the discussion on the RFRM (either an alternative to or in conjunction with an ETOCI) does not instil in us a sense that such changes will provide a clear, positive outcome for the New Zealand economy. But as with our general stance on CGT, BusinessNZ does not itself have a strong view on the RFRM concept.

We note the 2009 TWG also examined this method, but as various questions were left unanswered at the time, we agreed further work would be required to understand the full implications. In short, the possible introduction of an RFRM requires further rigorous analysis which, given the tight TWG time frame, means that at this point, BusinessNZ **does not recommend the introduction of an a RFRM.**

Roll-Over Relief

Last, appendix b goes into some depth to discuss how roll-over relief within the context of a CGT might work for a number of cases, including dispositions of business assets. While we understand other submitters will provide more detailed analysis of this, overall we would favour a system that seeks to enhance business growth, not lock investment into low performing assets.

Ultimately, we want to see every New Zealand business grow, which often means larger premises and/or more productive assets. Paragraph 71 of appendix b outlines the disadvantages of roll-over relief for voluntary disposition of business assets where proceeds are reinvested. However, in our view these potential disadvantages do not take into account the bigger picture. Instead, we believe the potential ongoing restrictive nature for all businesses if roll-over relief is not allowed in such areas is a far greater long-term concern.

Next Steps

Given the tight restrictions imposed by the TWG's terms of reference, we believe the proposed options for CTG changes significantly hamper the TWG's ability to create a realistic model that could effectively work for New Zealand's economy. The existence of this impediment needs to be front and centre when it comes to the TWG's ultimate recommendations. Overall, much of the TWG's good work in other areas of tax policy could be undone if it recommends a CGT that causes more problems than offers solutions.

Therefore, looking ahead to the final report, BusinessNZ believes the TWG should be bold enough to say it is not recommending any CGT or RFRM model if a majority considers these will not improve New Zealand's

	competitiveness but instead will have an adverse effect on the economy.
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Retirement Savings

Recommendation	BusinessNZ Comment
<p>Remove ESCT on the employer's matching contribution of 3% of salary to KiwiSaver for members earning up to \$48,000 per year.</p> <p>Reduce the lower PIE rates for KiwiSaver funds by five percentage points each.</p> <p>Consider ways to simplify the determination of the PIE rates (which would apply to KiwiSaver).</p>	<p>While BusinessNZ agrees with the general thrust of looking to lower the rates applying to savings in KiwiSaver accounts, there are two matters to which we would like to refer.</p> <p>First, any reduction and/or exemption that applies to one set of taxpayers and not the other moves New Zealand further away from its Broad Based Low Rate (BBLR) tax system, as the differential between the top level of tax paid and the lowest becomes larger.</p> <p>This increased differential can lead to employees choosing not to accept a pay increase or a new job that pays more, simply because having a full range of benefits below a certain pay level outweighs any additional income received. Given Working for Families currently has this very problem, the preferential treatment of retirement savings for certain groups may give some taxpayers cause for thought.</p> <p>In short, BusinessNZ believes the TWG needs to better understand the wider implications of any such policy adjustments across all government settings.</p>

Environmental & Ecological Outcomes

Recommendation	BusinessNZ Comment
<p>There is significant scope for the tax instruments to play a greater role in delivering positive environmental and ecological outcomes in New Zealand. Environmental tax instruments can be a powerful tool for ensuring people and companies better understand and account for the impact of their actions on the ecosystems on which they depend.</p> <p>Taxes are not well suited to all environmental problems and regulation will still be a better approach for dealing with some issues. The Group has prepared a draft framework identifies a range of criteria and design principles for environmental taxes to be effective. Environmental taxation and regulation should be considered together for positive outcomes.</p>	<p>As a first port of call, BusinessNZ believes that any options around environmental tax instruments ought to be thoroughly assessed to ensure the desired outcome or purpose can be achieved relative to other available measures (policy or regulatory) to achieve those outcomes. It is also important to test the effectiveness of any proposed measures in a New Zealand context.</p> <p>BusinessNZ notes the Interim report considers that over the medium term, there could be benefits from the greater use of tax instruments to address challenges relating to both water pollution and abstraction.</p> <p>BusinessNZ acknowledges the complex nature of water pollution and abstraction issues and considers related policy changes need to be clearly thought through before any decisions, including decisions on taxation options, are made.</p> <p>Economic externality arguments are particularly relevant to the issue of water quality after the water has been used for various purposes e.g. in respect to the degradation of lakes and rivers as a result of non-point source pollution (waste run-off).</p> <p>Many of the environmental externalities associated with irrigation are complex and the links between sources (cause) and effect not well understood. It is often difficult to identify, observe and measure effects from individual sources and link them to resultant changes in environmental</p>

	<p>conditions.</p> <p>It is important to set water quality standards at appropriate levels. If standards are too high, there may be wasteful over-investment in pollution control and a reduction of output and value from water use. But if standards are low or non-existent, environmental damage may result and cultural and recreational uses may suffer.</p> <p>Any mechanism for addressing environmental externalities needs to be appropriately targeted to location and scale as generally a one-size-fits-all approach will not be possible. Obviously this could include the possibility of a cap and trade on discharge which might be appropriate at a catchment level. A well- designed cap and trade regime could provide a mechanism for allocating discharge rights to landowners who value them most highly. However, it is accepted that there would probably be significant establishment and implementation costs in developing a discharge cap and trade for each region.</p> <p>There is a strong case for initially allocating existing rights to discharge point and non-point pollution relating to historical emissions, protecting the value of current investments. This is consistent with arguments for grandparenting rights to water and with the approach taken to the allocation of fisheries' rights under the 1980's ITQ framework.</p> <p>The ability to transfer (or trade) a right to take water is fundamental to ensuring an efficient longer-term allocation of resources. It may also help to minimise any possible conflict between existing and potential abstractive water users by ensuring water flows to its most highly valued uses (either through short or long-term lease arrangements or sale). That said, the environmental, social, and cultural considerations of transfers between different points within catchments or (especially) between catchments, must be taken into account.</p> <p>Overall, such mechanisms are early in their development in New Zealand. Therefore, a very deliberative approach needs to be taken before any proposals for water taxes are recommended, which would obviously require considerably more work if they are to be seriously considered as part of the tax framework.</p>
<p>In the short term, there may be benefits in expanding the coverage of the Waste Disposal Levy, and for reassessing waste and landfill disposal externalities to see if higher rates are warranted. There could also be benefits from strengthening the ETS and advancing congestion charging. Over the medium term, there could be benefits from greater use of tax instruments to address challenges in both water pollution and water abstraction. Addressing Maori rights and interests in fresh water should be central to any changes. In the longer term, new tools could allow for an expanded role for environmental taxes to address other challenges such as biodiversity loss and impacts on ecosystem</p>	<p>BusinessNZ notes the interim report states there may be benefits in expanding the coverage of the Waste Disposal Levy, and for reassessing waste and landfill disposal externalities to see if higher rates are warranted.</p> <p>BusinessNZ would caution against making ad hoc decisions in this area for the reasons outlined below.</p> <p>A number of options are currently being considered by government and others to try and reduce waste going to landfill under the Waste Minimisation Act 2008. These include expanding the use of the levy (currently a minority of landfills are covered by the levy) and increasing it from its current \$10 tonne to (some have suggested) \$140 per tonne.</p>

services.

Do these proposals stand up to scrutiny?

It is of fundamental importance to understand clearly that there is an "optimal" amount of waste, just as there is an optimal amount of resources that should be spent on crime prevention etc. Waste cannot be completely eliminated, at least not without great cost.

As a general principle, individuals and companies should bear the full costs associated with their behaviour (i.e. costs should be internalised) or individuals will over-consume resources if they can shift costs on to third parties. Waste minimisation is no different. If individuals are to make rational decisions regarding waste minimisation, they should ideally bear the costs (and benefits) associated with specific options/outcomes. On the other hand, if individuals and companies are forced to pay a greater amount than the costs those individuals and businesses impose, the outcome will either be more expensive items, ultimately reflected in prices to consumers, and/or reduced choice for consumers to buy products which meet their unique preferences.

It is equally important to recognise that before any regulatory approach to waste reduction is considered, it is first necessary to fully understand the nature of the problem, who is affected, the costs of taking action, and who bears those costs. Regulatory intervention, because of its cost, should generally be considered as a last resort, only to be undertaken when all other cost effective approaches have been exhausted.

Currently, the waste levy of \$10 per tonne brings in around \$30 million per annum. Therefore is an increase justified and would it result in reduced waste or simply in added costs of little benefit?

Expanding the levy to include most landfills would likely capture many which currently accept "clean fill" (inert material such as non-contained soil and concrete waste). This would simply add to the costs of construction, including housing, for little or no benefit.

Increasing the levy could also result in greater use of opportunistic fly-tipping and increase potential harm as individuals and companies failed to dispose of material safely through managed landfills.

Under the Waste Minimisation Act, 50% of waste levy income currently goes to local authorities while 50% goes into a contestable fund. It would appear that the figure of 50% for local authorities was just plucked out of the air, with the danger being that those paying the levy (those who dispose of waste), may not necessarily be the beneficiaries of the funding. There is no connection at all between the "payers" and the recipients of any benefits. Perhaps more importantly, it would be useful to understand what the economic returns have been from the current levies used within the contestable fund and the 50 percent used by Councils. Or have they simply been wasted on costly, ineffective, and economically irrational pet projects?

Much more effort needs to be made to send households

	economically transparent pricing signals for rubbish collection and disposal. Many Councils still fund these out of general rates so there is little apparent connection between the amount of rubbish disposed of and the costs faced by households. Significant improvement in pricing is required before considering costly and ad hoc interventions such as cranking up waste levies.
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Corrective Taxes

Recommendation	BusinessNZ Comment
Recommends that the Government review the rate structure of alcohol excise with the intention of rationalising and simplifying it.	BusinessNZ generally supports this recommendation.
Recommends that the Government prioritise other measures to help people stop smoking before considering further large increases in the tobacco excise rate.	<p>BusinessNZ generally agrees that other measures to reduce the level of smoking should be investigated before considering further large increases in the tobacco excise rate but would point out the potential effects of which the TWG needs to be aware.</p> <p>First, paragraph 10 of chapter 10 notes that the excise raised was almost \$1.7 billion in 2017 – an increase of over 50% since 2010. Given the purpose of the TWG is to ensure any changes are tax neutral, it should be recognised that the implementation of other measures to reduce smoking levels would also have the effect of reducing revenue.</p> <p>In relation to the point above, the TWG should as well take into account the possibility of substitution effects in the medium term, with those who currently smoke choosing e-cigarettes instead.</p> <p>A combination of existing smokers stopping smoking/turning to e-cigarettes, as well as potential new smokers taking the e-cigarette option may see a reduction in the total excise tax collected from tobacco. This would require revenue from elsewhere to meet the shortfall if the tobacco excise tax is earmarked for specific government expenditure.</p>
Recommends that the Government develop a clearer articulation of its goals with regard to sugar consumption and gambling activity.	<p>As stated in our original submission to the TWG, any taxes introduced for such purposes would need to go through a rigorous government policy process to ascertain whether they are required in the first place. This would include establishing whether substantive international evidence shows such taxes having a significant positive effect on behaviour without creating significant distortionary effects elsewhere in the tax system, as well as unintended negative behavioural consequences.</p> <p>While we agree that for government to develop a clearer articulation of its goals in the corrective taxes area is important, these should be bare minimum requirements, as the link between government goals and what turns out to be good policy can be very different.</p>

International Income Tax

Recommendation	BusinessNZ Comment
Supports New Zealand's continued participation in OECD discussions on the future of the international tax framework.	BusinessNZ supports this recommendation.

Recommends that the Government be ready to implement an equalisation tax if a critical mass of other countries (including Australia) move in that direction.	BusinessNZ supports consideration of an equalisation tax if a similar step is taken by a significant number of countries.
Recommends that the Government ensure, to the extent possible, that our double tax agreements and trade agreements do not restrict our taxation options in these matters.	BusinessNZ supports this recommendation.

GST

Recommendation	BusinessNZ Comment
Recognises the significant public concern regarding GST, but does not recommend a reduction in the rate of GST. This is because lowering the GST rate would not be as effective at targeting low- and middle-income families as either: <ul style="list-style-type: none"> • Welfare transfers (for low income households); or • Personal income tax changes (for low and middle income earners). 	BusinessNZ generally supports this recommendation. The most recent changes to the GST rate in 2010 were part of a wider rebalancing of taxes, where decreases in personal tax rates were combined with increases in GST and welfare transfers. Any future change in the GST rate would most likely require a similar suite of changes.
Does not recommend the removal of GST from certain products, such as food and drink, on the basis that the GST exceptions are complex, poorly targeted for achieving distributional goals, and generate large compliance costs.	<u>BusinessNZ thoroughly endorses this recommendation.</u> We have long held the view that GST should remain a broad-based tax with few if any exemptions. Overseas evidence has consistently shown that exemptions often lead to gaming and the diverting of resources that could be used more productively.
Believes there is a strong in-principle case to apply GST to financial services, but there are significant impediments to a workable system. The Government should monitor international developments in this area.	BusinessNZ generally supports this recommendation.
Does not recommend the application of GST to explicit fees charged for financial services.	BusinessNZ generally supports this recommendation.
Recognises that there is active international debate on financial transaction taxes, which should be monitored, but does not recommend the introduction of a financial transactions tax at this point.	BusinessNZ supports this recommendation, but would like to see the recommendation going one step further to say the TWG <u>does not recommend any form of financial transaction tax being introduced</u> , now or in the future.

Personal Work & the Future of Work

Recommendation	BusinessNZ Comment
Will provide recommendations regarding the rates and thresholds of income tax in the Final Report in February 2019.	<p>As we have stated previously, one of the most direct and effective ways in which SMEs in New Zealand can gain from tax policy changes is for a top personal rate or threshold change that would lead to a reduction in the level of tax paid.</p> <p>While we generally support measures to reduce tax compliance costs for businesses, changes via the top personal tax rate route would enable all SMEs to benefit, particularly when the recommended changes outlined in <i>the taxation of business</i> section below might not be relevant to certain businesses.</p> <p>We note the TWG is not considering a reduction in the top marginal tax rate of 33% because the rate is already low by international standards. While this may be the case when</p>

	<p>putting OECD countries in order of their top marginal tax rate, it only tells half the story. New Zealand's top marginal tax rate begins at \$70,000, which is much lower than the top rate in countries we typically compare ourselves to. Therefore, at the very least we would expect the TWG to take this into account when making its final recommendations.</p> <p>In relation to the point above, paragraphs 13 and 14 in Chapter 13 discuss the issue of bracket creep. In particular, paragraph 14 states that <i>"The Group believes that bracket creep is best dealt with through the periodic review of the rates and thresholds of income tax to ensure they remain appropriate rather than some form of indexation"</i>. While in principle we would want to see a regular review of tax rates/brackets, we accept there are compliance costs involved. As a second best, we would strongly encourage the TWG to recommend:</p> <p>a) An initial adjustment of all personal tax brackets for the full impact of inflation since 2010, and b) A timeframe for future periodic reviews of both tax rates and brackets (say every 4 years).</p> <p>In association with the points above, we believe it is important the TWG is cognisant that any increase in tax thresholds would have flow-on effects for other potential changes. The outlined recommendations on retirement savings discussed above are one example.</p>
Supports Inland Revenue's efforts to increase the compliance of the self-employed, particularly an expansion of the use of withholding tax as far as practicable, including to platform providers such as ride sharing companies.	BusinessNZ generally supports this recommendation, insofar as it does not lead to a net compliance cost increase for SMEs.
Supports the facilitation of technology platforms to assist the self-employed meet their tax obligations through the use of smart accounts or other technology based solutions.	BusinessNZ supports this recommendation.
Inland Revenue continues to use data analytics and matching information to specific taxpayers to identify underreporting of income.	BusinessNZ supports this recommendation.
A review of the current GST requirements for contractors who are akin to employees.	BusinessNZ supports this recommendation.
Government seek to align the definition of employee and dependent contractor for tax and employment purposes.	BusinessNZ supports these recommendations.
Recommends additional Government support for childcare costs, but believes this support is best provided outside the tax system.	

The Taxation of Business

Recommendation	BusinessNZ Comment
<p>Retain the imputation system.</p> <p>Not reduce the company tax rate at the present time.</p>	<p>BusinessNZ supports the recommendation relating to the retention of the imputation system.</p> <p>However, we are <u>very disappointed</u> the TWG is not recommending a reduction in the company tax rate. In conjunction with personal tax rates/thresholds discussed below, changes in this area provide the most efficient and cross-business means of reducing costs and improving economic growth.</p>

	<p>Also, the TWG should be very aware of company tax rate moves offshore. While table 14.2 shows the overall tax rate on dividend income, the headline rate is still the first port of call for businesses when deciding where to invest.</p> <p>We are somewhat perplexed by the views expressed by the TWG that on the one hand the general consensus for reducing the company tax rate is low, yet paragraph 26 in chapter 14 recognises the fact that a move downwards may be required if Australia adjusts its rate. We would argue that in some respects this has already begun via a gradual shift towards a 25% rate by 2026-27 for those with an aggregated turnover threshold of AUS\$50 million. While BusinessNZ would not argue for a similar arrangement (as evidenced by our support below for not introducing a progressive company tax rate), Australia is still establishing a pathway for a lower rate for a large proportion of businesses, which will become more stark as the difference between New Zealand's 28% rate and Australia's 25% rate kicks in.</p>
Not introduce a progressive company tax.	<p><u>BusinessNZ strongly supports this recommendation.</u> A progressive company tax would move New Zealand away from the BBLR system we support, and in our view would create the unintended consequences outlined by the TWG. Any change in the company tax rate should be a decrease that benefits all business.</p>
Not introduce an alternative basis of taxation for smaller businesses, such as cashflow or turnover taxes.	<p>BusinessNZ has some sympathy for an alternative basis for taxation for smaller businesses, exemplified by the work CAANZ has undertaken over a number of years. While not recommended by the TWG's report, alternatives should not simply be ignored if they provide SMEs with real compliance cost savings.</p>
<p>Consider other measures to reduce compliance costs. Depending on the fiscal position, these measures could include:</p> <ul style="list-style-type: none"> • Increasing the \$2,500 threshold for paying provisional tax to \$5,000-\$10,000. • Increasing the \$10,000 year-end closing stock adjustment to \$20,000-\$30,000. • Increasing the \$10,000 limit for the automatic deduction for legal fees, and potentially expanding the automatic deduction to other types of expenditure. 	<p>BusinessNZ generally supports these recommendations.</p> <p>Over time, compliance around provisional tax has historically been one of the main tax compliance headaches for SMEs. Therefore, an increase in its threshold is welcome, although we would argue the final threshold figure should be closer to \$10,000, than \$5,000.</p> <p>In terms of other steps that could be taken to reduce the effective tax rate and compliance costs, BusinessNZ would welcome recommendations that sought to simplify various elements of the tax regime, including entertainment, fringe benefits and depreciation. For the latter, accelerated depreciation or changes to their thresholds would also be a positive step.</p>
Not change the thresholds around fixed assets.	<p>BusinessNZ also notes that the TWG is to provide recommendations on black hole expenditure and building depreciation deductions in its final report.</p> <p>As we pointed out in our initial submission, we support the reintroduction of depreciation deductions for commercial and industrial buildings, as these depreciate faster than residential buildings. It was an unwise policy decision to remove this provision in 2012, and we welcome its restoration as part of good tax policy. We also note that issues around earthquake strengthening have not been addressed. As we noted in our previous submission, if the</p>

	<p>government does not compensate for the regulatory taking imposed on building-owners, then the tax system should not add a further barrier.</p> <p>Last, businesses should be able to claim a tax deduction for all business expenditure – including black hole expenditure, either immediately or over time.</p>
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The Integrity of the Tax System

Recommendation	BusinessNZ Comment
A review of loss-trading, potentially in tandem with a review of the loss continuity rules for companies.	BusinessNZ strongly supports this recommendation.
That Inland Revenue have the ability to require a shareholder to provide security to Inland Revenue if: (i) the company owes a debt to Inland Revenue; (ii) the company is owed a debt by the shareholder; and (iii) there is doubt as to the ability/and or the intention of the shareholder to repay the debt.	BusinessNZ generally supports this recommendation.
<p>Further action in relation to the hidden economy, including:</p> <ul style="list-style-type: none"> • An increase in the reporting of labour income (subject to not unreasonably increasing compliance costs on business). • A review of the measures recently adopted by Australia in relation to the hidden economy, with a view to applying them in New Zealand. • The removal of tax deductibility if a taxpayer has not followed labour income withholding or reporting rules. 	<p>BusinessNZ supports this recommendation although its support is strongly contingent on the point made in the second bullet point, that such actions do not impose unreasonable compliance costs on business.</p> <p>The overwhelming majority of businesses are law abiding and follow tax laws to the best of their abilities. We would not support heavy-handed and compliance-laden processes that produce some increase in government revenue but impose higher costs on the business community.</p>
That Inland Revenue continue to invest in the technical and investigatory skills of its staff.	BusinessNZ generally supports this recommendation, although not at the cost of opportunities to build capacity and resources for front-facing staff dealing with individuals and businesses on a daily basis.
<p>Further measures to improve collection and encourage compliance, including:</p> <ul style="list-style-type: none"> • Making directors personally liable for arrears on employee GST and PAYE obligations (as long as there is an appropriate warning system). • Departure prohibition orders. • An alignment of the standard of proof for PAYE and GST offences. 	<p>BusinessNZ believes the TWG needs to step very carefully when contemplating making directors personally liable for arrears on employee GST and PAYE obligations.</p> <p>We only have to go back to the 2010-2012 period when legislation was proposed that would have created a chilling effect on directors by criminalising breaches of certain directors' duties. Thankfully this issue was rectified, but it highlighted how increased director liability can potentially affect not only the decision-making process but also whether people opt to become directors – and in a country with a relatively small pool to choose from. Therefore, as a bare minimum, this recommendation should envisage the implementation of some type of check and warning system.</p>
The establishment of a single centralised Crown debt collection agency to achieve economies of scale and more equitable outcomes across all Crown debtors.	BusinessNZ supports this recommendation.

The Administration of the Tax System

Recommendation	BusinessNZ Comment
Strongly encourages the Government to release more statistical and aggregated information about the tax system (so long as it does not reveal data about specific individuals or corporates that is not otherwise publicly available).The Government could consider further measures to increase transparency as public attitudes change over time.	BusinessNZ supports this recommendation.
Encourages Inland Revenue to publish or make available a broader range of statistics, in consultation with potential users, either directly or (preferably) through Statistics New Zealand.	BusinessNZ supports this recommendation.
Encourages Inland Revenue to collect information on income and expenditure associated with environmental outcomes that are part of the tax calculation.	BusinessNZ's support for this recommendation is contingent on a process that does not create additional compliance costs for the business community in trying to collect income and expenditure associated with environmental outcomes.
Recommends that any further expansion of the resources available to the Ombudsman include consideration of provision for additional tax expertise within the Office, and possibly support to manage any increase in the volume of complaints relating to the new Crown debt collection agency proposed by the Group.	BusinessNZ supports this recommendation.
Recommends the establishment of a taxpayer advocate service to assist with the resolution of tax disputes.	BusinessNZ supports this recommendation.
Recommends the use of the following principles in public engagement on tax policy: <ul style="list-style-type: none"> • Good faith engagement by all participants. • Engagement with a wider range of stakeholders, particularly including greater engagement with Maori (guided by the Government's emerging engagement model for Crown/Maori Relations). • Earlier and more frequent engagement. • The use of a greater variety of engagement methods. • Greater transparency and accountability on the part of the Government. Notes the need for the Treasury to play a strong role in tax policy development, and the importance of Inland Revenue maintaining deep technical expertise and strategic policy capability.	BusinessNZ generally supports these recommendations, although we note that engagement should not simply involve the greater engagement of one particular ethnic group. Projections by StatisticsNZ show the Asian ethnic population will be the second largest group in New Zealand by 2025. Therefore, we would rather see a focus on engagement that takes into account the actual future state of New Zealand's population.
Encourages the continuing use of purpose clauses where appropriate and recommends the inclusion of an overriding purpose clause in the Tax Administration Act 1994 to specify Parliament's purpose in levying taxation.	BusinessNZ supports this recommendation.