

Tax Working Group Public Submissions Information Release

Release Document

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

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

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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.

From: Lucy Elwood [1]
Sent: Thursday, 1 November 2018 12:05 PM
To: TWG Submissions
Subject: Future of Tax Interim Report

Dear Working Group

Thanks for the opportunity to submit on the Future of Tax Interim Report. I've included some comments below on aspects with relevance to Trade Me's operations.

Independent contractors

We support the suggestion on page 96 that there is further investigation into technology platforms to assist self-employed contractors to meet their tax obligations. We believe this is preferable to extending the withholding tax obligation to payers. We regularly engage contractors (of varying scale). We think it's important that any policies that are considered in respect of payers to independent contractors are simple enough for an accounts payable officer to easily interpret and implement.

GST

We support a broad GST regime with few exceptions. We support the the status quo being continued in respect to fees for financial services and fresh fruit and vegetables. We see a huge range of goods traded over our site and have experience interpreting product requirements in respect of these goods. It would be very complicated to apply a different GST regime to different types of food.

Retirement savings

We have concerns regarding the option discussed on page 50 re the removal of ESCT from all employer matching contributions for employees earning up to \$48k per year. How would employers administer this? For example, if an employee changed their employer within a year, we wouldn't know whether or not that employee's total remuneration for the year exceeded the \$48k threshold. Additionally, an annual bonus payment could push an employee unexpectedly over the threshold which would create practical issues. Rather than requiring businesses to implement this change, we'd support the IRD crediting back to the relevant employee's KiwiSaver fund any ESCT deductions where an employee did earn under \$48k in a particular financial year.

Capital gains tax

We have two main areas of concern - maintaining the liquidity of capital markets and lock-in risks.

Liquidity of capital markets

If there is a shift to taxing the capital gains on shares in New Zealand companies but no change to the tax treatment of shares held in overseas companies, this could dis-incentivise kiwis from investing in New Zealand shares and increase investment in foreign shares. As a result, we support further consideration into what a capital gains tax would do to capital markets, and ensuring any new regime doesn't have an adverse impact on the liquidity of New Zealand capital markets.

Lock-in risks

We're concerned that if a capital gains tax is introduced and it applies to capital gains of business assets or shares, companies will sit on under-performing assets rather than shift their capital into higher performing assets. It's important that the tax regime encourages productivity, and that businesses can respond quickly and efficiently to changes in the economic environment.

We operate within a group environment, and support that there should be no capital gains tax on internal corporate restructures.

We consider that there should be no capital gains tax on payments for goodwill (on the basis these payments can conceptually be considered as a pre-payment of future taxable income).

In a residential property context, we support a sensible rollover relief policy. It's crucial that any framework for a capital gains tax ensures the residential property market remains fluid and competitive. If the policy settings are inappropriate then this will further exacerbate current issues with housing affordability.

Kind regards
Lucy

Lucy Elwood

Head of Legal & Regulatory | Trade Me



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