

# The Government's tax policy work programme

2018–19

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*Prepared by Policy and Strategy, Inland Revenue and the Treasury*

## Tax policy work programme projects for 2018–19

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### Government priorities and coalition and confidence and supply agreement items

Project	Description
Supporting the Tax Working Group	
Supporting the Welfare Working Group	
Research and development tax credit	Consideration of a regime that incentivises business research and development.
Ring-fencing rental losses	This is to stop losses from rental housing being offset against other income.
Penalties	Developing an optimal regime to maximise compliance including addressing corporate fraud and evasion.
Bloodstock initiative	Initiative concerns when a bloodstock breeding business commences. This initiative applies to new investors acquiring interests in stand-out yearlings.
Secondary tax codes	More proactive targeting of individualised tax codes will reduce confusion and remove the risk of over or under-taxation that requires wash-ups at year-end.
Small business tax issues including compliance costs	A range of compliance cost reduction measures.

### Social policy

Project	Description
Student loans	This work includes reviewing the repayment settings and considering measures to address the overdue debt of overseas-based borrowers.
Paid parental leave	This work involves working with MBIE on any policy changes such as on shared entitlements.
Child support	This work includes establishing effective international reciprocal collection arrangements.

## Enhancing tax policy within broad-base, low-rate (BBLR) tax settings

<b>Project</b>	<b>Description</b>
Financial arrangement issues	There are a variety of financial arrangement taxation issues ranging from remedial to policy enhancements to ensure these rules work as intended.
Non-resident oil rig exemption	Government is to review the current tax exemption for non-resident oil rigs and seismic exploration
GST on imported low value goods	Working with the New Zealand Customs Service to support the development of a regime to collect GST on low value imported goods.
GST discussion document	A discussion document containing proposals on various GST policy issues is proposed for release mid-year.
Feasibility and black hole expenditure	Reviewing the rules on deductions for the costs related to undertaking feasibility studies and other possible black hole expenditures.
FBT on employment related loans	Banks and other employers in the business of lending money are required to pay fringe benefit tax (FBT) if they provide a loan to an employee at a rate below the market interest rate. However, the legislative definition of the market interest rate is out-dated and results in the over-taxation of loans to employees of banks and other money lending institutions.
Charities and not-for-profit organisations	Reviewing the appropriateness of the tax exemption for significant businesses associated with charities, and reducing the compliance costs experienced by small charities.
Tax compliance for the self-employed	Options to address the underreporting of income and therefore under taxation of the self-employed.
Treatment of losses	To consider the tax treatment of carrying forward losses when business ownership changes.
Purchase price allocation	Vendors and purchasers are adopting different valuations for the same assets in a sale. This inconsistency means that the intended tax outcome may not be achieved.
Cross-border employment	This is to reduce the compliance costs generated from the rules/requirements for employees going across borders.
Review of donee status applications	Dealing with applications by organisations for donee status under schedule 32.
Treaty of Waitangi settlements	Tax implications of Treaty settlements are addressed as required.
Remedial amendments	Amendments to tax legislation to ensure it is consistent with the policy intent.

## International tax and base erosion and profit shifting (BEPS)

Project	Description
Base Erosion and Profit Shifting	Implementing decisions on interest limitation, transfer pricing and permanent establishment and hybrid entities.
Digital economy	Consideration of measures NZ may look at in response to concerns with the expansion of the digital economy.
Double tax agreement (DTA) work programme	New Zealand is seeking to establish new and updated double tax agreements with a number of countries, including China, Hong Kong, Korea, and Fiji.
Automatic exchange of information consequentials to Double Taxation Agreements	Updating double taxation agreements to comply with the automatic exchange of financial bank account information with treaty partners.
Multilateral instrument	As part of the BEPS work, we have signed a multilateral instrument that simultaneously amends the double tax agreements of participating countries. The amendments to DTAs will address certain aspects of the BEPS project that have a treaty dimension, for example: treaty shopping and permanent establishment avoidance.

## Business Transformation and Better Public Services

### *Business Transformation*

Project	Description
Review of the Tax Administration Act	Developing a framework for tax administration with an emphasis on the key roles of the Commissioner, taxpayers and tax agents, as well as the rules around information collection and tax secrecy which underpin their interactions.
Individuals' taxation	Improving the tax system for individuals, including the comprehensive pre-population of income information, collection of information, more efficient debt collection processes and the degree of interaction with the tax system. This includes matters identified in submissions that require further analysis and consultation. Next proposals will be developed around addressing fairness concerns with taxation of lump sum payments.
Business taxation	Improving the tax system for business, including the calculation of provisional tax, the collection of information and reviewing the penalties and interest rules. Includes researching additional measures that have potential to deliver further benefits to businesses, reduce compliance costs and make the tax system simpler.
Social policy	Improving the social policy system for individuals and families, including alignment of definitions, reviewing assessment periods to improve accuracy and timeliness of payments, more efficient debt collection and prevention processes, and improving outcomes for customers with special or exceptional circumstances.

<b>Project</b>	<b>Description</b>
Design	Supporting Business Transformation with design and implementation.

***Information sharing***

<b>Project</b>	<b>Description</b>
Information sharing	A focus in the short term is to work with Police to share information that will support crime prevention and the gang strategy, to share information in relation to serious offences with the Serious Fraud Office and Customs, and to share information with the Companies Office. This work also incorporates streamlining information sharing with MSD. This will include other information sharing initiatives as required.