

Annex B: Revised draft tax policy work programme

Government priorities and coalition and confidence and supply agreement items

‘()’ denotes a quantified negative fiscal impact

Shaded projects are those we propose are redacted when the work programme is published

Project	Description	Source	Status	Fiscal impact
Supporting the Tax Working Group		Government	Underway	N/A
Supporting the Welfare Working Group		Government	Underway	N/A
Research and development tax credit	Consideration of a regime that incentivises business research and development.	Government	Research	Not Vote Revenue, but fiscal cost of \$1.02 billion over the 4 year forecast period
Ring fencing rental losses	This is to stop losses from rental housing being offset against other personal income tax.	Government	Considered by DEV on 21 March	\$325m in the first three years
Penalties for corporate fraud and evasion	Developing an optimal penalties regime that minimises fraud and evasion.	Government	Development	Possible positive impact
Bloodstock initiative	Initiative is looking at when a bloodstock breeding business commences. This initiative applies to new investors acquiring interests in stand-out yearlings.	Government	Development	(\$4m) per year
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.	Government	Underway	N/A
Small business tax issues including compliance costs	A range of compliance cost reduction measures.	Government	Research	Unknown – possibly negative

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

Project	Description	Source	Status	Fiscal impact
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.	Stakeholders	In Development	Unknown – possibly positive
Non-resident oil rig exemption	Government is to review the current tax exemption for non-resident oil rigs and seismic exploration	Government	Due to be considered by DEV on 4 April	Neutral
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	Government	Due to be considered by DEV on 4 April	\$53m in the first year, rising to \$87m in the third year
GST discussion document	A discussion document containing proposals on key GST policy issues is proposed for release mid-year.	Inland Revenue	A report on issues that we propose to consult on is about to be sent to you	Unknown
Feasibility and black hole expenditure	Reviewing the rules on deductions for the costs related to undertaking feasibility studies and other possible black hole expenditures.	Stakeholders	In development	s9(2)(f)(iv), s9(2)(g)(i)
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.	Stakeholders	Being considered by Ministers (IR2018/124 T2018/537 refers)	s9(2)(f)(iv), s9(2)(g)(i)
Charities and not-for-profit organisations	Reviewing the appropriateness of the tax exemption for businesses run by charities, and reducing the compliance costs experienced by small charities.	Government	In development	s9(2)(f)(iv), s9(2)(g)(i)

Project	Description	Source	Status	Fiscal impact
Tax compliance for the self-employed	Options to address the underreporting of income and therefore under taxation of the self-employed.	Government	Research	Likely increase
§ 81 TAA	§ 81 TAA	§ 81 TAA	§ 81 TAA	§ 81 TAA
Treatment of losses	To consider the tax treatment of carrying forward losses when business ownership changes.	Stakeholders	Scoping	Likely reduction
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 is not achieved.	Government	Scoping	§9(2)(f)(iv), §9(2)(g)(i)
Cross border employment	This is to reduce the compliance costs generated from the rules/ requirements for employees going across borders.	Stakeholders	Scoping	Not known
Review of donee status applications	Dealing with applications by organisations for donee status under schedule 32.	Stakeholders	As required	N/A
Treaty of Waitangi settlements	Tax implications of Treaty settlements are addressed as required.	Government	As required	Unknown

International tax and base erosion and profit shifting (BEPS)

Project	Description	Source	Status	Fiscal impact
Base Erosion and Profit	Implementing decisions on interest limitation, transfer pricing and permanent establishment and hybrid entities.	Government	In a Bill	(\$3 m) per annum – impact on scorecard from changes to bill
Digital economy	Consideration of measures NZ may look at in response to concerns with the expansion of the digital economy.	Government	Watching brief/scoping	Not known
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.	Government	Varying	China DTA – \$1.8m per annum
Automatic exchange of information consequential to Double Taxation Agreements	Updating double taxation agreements to comply with the automatic exchange of financial bank account information with treaty partners.	Government	In development	Not known
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.	Government	Ratification in progress	Not known

Business Transformation and Better Public Services

Business Transformation

Project	Description	Source	Status	Fiscal impact
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.	Government	In a Bill	N/A
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 proposals around addressing fairness concerns with taxation of lump sum payments and other matters identified in submissions that require further analysis and consultation.	Government	Final Cabinet decisions being sought on main proposals	Reflected in BT business case benefits
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.	Government	Scoping/in development	Unknown
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.	Government	In development	Unknown

Project	Description	Source	Status	Fiscal impact
Design	Supporting Business Transformation with design and implementation.	Government	As required	Unknown

Information sharing

Project	Description	Source	Status	Fiscal impact
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.	Government	In development	N/A

Social policy

Project	Description	Source	Status	Fiscal impact
Student loans	This work includes reviewing the repayment settings and considering measures to address the overdue debt of overseas-based borrowers.	Government	In development	Unknown
Paid parental leave	This work involves working with MBIE on any policy changes such as on shared entitlements.	Government	As required	N/A
Child support	This work includes establishing effective international reciprocal collection arrangements.	Government	In development	N/A

Projects that are on the work programme and are on hold

Project	Description	Source	Status
Income protection insurance: a review	The Financial Services Council is seeking a review of the income tax treatment of income protection insurance. There is a lack of clarity about the tax treatment of this form of insurance and inconsistencies across products offering similar benefits.	Stakeholders	On hold
Deductibility of holding costs for revenue account property	Considering the deductibility of holding costs for property.	Government	On hold
Employee share schemes – deferral regime for start-up companies	Design of a deferral regime, whereby start-up companies may defer the payment of tax on employee share schemes to a future point in time when the valuation and liquidity problems are not as pronounced.	Inland Revenue	On hold

Projects that we won't list as they are now in the First 2018 Bill

Project	Description	Source	Status	Fiscal impact
Trust beneficiaries as settlors	There are instances when beneficiaries of trusts who leave their beneficiary income in the current accounts with the trust become inadvertent settlors. This is not in accordance with the policy intent.	Inland Revenue	In first 2018 Bill	Neutral
Taxation of non-bank securitisation vehicles	Extending the current securitisation regime to beyond banks.	Stakeholders	In first 2018 Bill	Neutral
Repeal adverse events income equalisation deposit regime	This regime is, in practice, little used, because the main scheme offers more flexibility. However, its existence can cause some confusion.	Inland Revenue	In first 2018 Bill	N/A
KiwiSaver	A range of reforms to implement the Retirement Commissioner's recent recommendations.	Government	In first 2018 Bill	Neutral
Crown controlled companies	Clarifying whether crown controlled companies with a profit making objective should be tax exempt.	Government	In first 2018 Bill	Neutral