

# Government tax policy work programme 2015–16

<b>BUSINESS TRANSFORMATION AND BETTER PUBLIC SERVICES</b>	
<b>Business transformation</b>	
Business transformation (BT): Policy Vision (Green Paper)	Development of an overall policy vision for business transformation, setting the scene and direction of change to modernise and simplify tax administration.
Better digital services	Work to ensure that the policy and legislative framework facilitates the implementation and delivery of secure digital services.
Review of the Tax Administration Act 1994	Development of a tax administration framework that fits the direction of BT.
Streamlining the collection of GST and PAYE	Work to understand current payroll and GST processes, and develop new policy options consistent with longer-term BT thinking.
Modernisation of the current PAYE rules	Consideration of the PAYE rules to see if they reflect modern employment practices and law.
Source deduction on employment-type income	Investigate extending withholding taxes to cover employment-like income that falls outside the current rules.
Individual taxation	Improving the tax system for individuals, including comprehensive pre-population of income information, collection of information, more efficient debt collection processes and considering the degree of interaction with the tax system.
Streamlining the collection of capital income withholding taxes	Streamlining the collection of other withholding regimes information such as resident withholding tax and dividends.
Business taxation	Improving the tax system for business, including the calculation of provisional tax, collection of information and reviewing the penalties and interest rules.
Encouraging better compliance with tax obligations	<p>Review the interest, penalty and debt rules.</p> <p>Consider options to better encourage the filing of returns and the payment of tax.</p> <p>Consider the information to be provided by large corporates to assist with risk analytics.</p> <p>These matters will be considered as part of, and in conjunction with, the appropriate BT project.</p>
<b>Better public services</b>	
Social-sector information-sharing agreement between Ministry of Social Development and the Accident Compensation Corporation and Inland Revenue	Information-sharing with Ministry of Social Development and the Accident Compensation Corporation to assist in the determination of individual entitlements to benefits and services.
Sharing information about non-individuals	Information-sharing about non-individuals to enable businesses to share information for compliance reasons.
Information-sharing – Targeting serious crime: Phase 2	Information-sharing with New Zealand Police for the prevention, detection, investigation or provision of evidence of a serious crime.

<b>INTERNATIONAL TAX AND BASE EROSION AND PROFIT SHIFTING (BEPS)</b>	
Negotiation of double tax agreements	Negotiation of new double tax agreements with Samoa, Luxembourg, Portugal and Slovak Republic. Negotiations to renew existing agreements with Norway, China, Korea and Australia.
Mutual recognition of imputation credits	Working to progress mutual recognition of trans-Tasman imputation credits which would see both New Zealand and Australia recognising company tax paid in the other jurisdiction for imputation purposes.
Hybrid instruments and entities	Consideration of hybrid instruments and entities in light of the OECD's recommendations (part of the BEPS Action Plan).
Non-resident withholding tax on related-party debt	Address problems with the application of non-resident withholding tax on interest on related-party debt.
Interest limitation rules	Consideration of New Zealand's interest limitation rules in light of the OECD's recommendations (part of the BEPS Action Plan).
Automatic exchange of information	Domestic implementation of a new global standard on the automatic exchange of financial bank account information with treaty partners.
Tax Information Exchange Agreements and Multilateral Convention on Mutual Administrative Assistance in Tax Matters	On-going work to bring the Multilateral Convention on Mutual Administrative Assistance in Tax Matters into force for New Zealand.
Tax treaties and avoidance	Work to clarify the relationship between the general anti-avoidance rules and double tax agreements.
Companies becoming treaty non-resident	Work to address possible tax avoidance areas around the rules relating to companies becoming treaty non-resident.
GST on imports of services, intangibles and low-value goods	Contributing to the OECD's work on this issue and, in particular, purchases from offshore of services and intangibles such as digital downloads and low-value goods. Considering what this work means for New Zealand.
<b>ENHANCEMENTS TO TAX AND SOCIAL POLICY WITHIN BROAD-BASE, LOW-RATE (BBLR) TAX SETTINGS</b>	
<b>Tax policy</b>	
Review of tax rules for closely held companies and look-through companies	Providing an improved framework and simplifying the legislation for closely held companies.
Review of the tax framework for employee share schemes	Reviewing the policy framework for the taxation of employee share schemes.
Collection of tax at source on employee share scheme benefits	Changes to allow tax liabilities on employee share scheme benefits to be satisfied through PAYE or FBT rather than requiring the employee to file a tax return.
Interaction of loss grouping and imputation rules	Considering how to preserve the benefit of loss offsetting for shareholders of non-wholly owned groups.
Tax simplification for small to medium enterprises (SMEs)	On-going monitoring and research to ensure this topic is represented in items on the work programme.
Financial reporting for non-corporates	Developing minimum financial reporting requirements for businesses and certain other taxpayers.

Related-parties debt remission	Analysis of the outcome of current law on related-parties debt remission. An officials' issues paper was released for consultation in February 2015.
Local/regional promotion bodies' exemption – application to trusts	Review of the possible inclusion of trusts in the definition of "association or society". Bodies of these types currently receive a tax exemption for certain work.
Aircraft maintenance reserves	Reviewing the timing of deductibility of aircraft maintenance expenditure.
Remission income, insolvency and bankruptcy	Addressing issues relating to the remission of debts in insolvency situations.
Lessees' structural improvements to buildings	Research to consider whether there is a case for allowing depreciation for lessees' structural improvements to buildings.
GST technical issues	Keeping the GST law up to date. Issues include capital-raising costs, fine metals, and the apportionment of input tax by retirement villages. An officials' issues paper is scheduled for release in mid-2015.
Abusive tax position penalty	Review the scope of the abusive tax position penalty.
Application of time bar to ancillary taxes	Clarifying that the time bar on the Commissioner amending assessments to increase the amount of income tax payable also applies to ancillary taxes such as NRWT.
Base maintenance in line with coherent BBLR principles	Review of whether there are sensible base maintenance measures that could be added to the work programme.
Remedial work programme	<p>Considering remedial matters arising from recently enacted legislation as well as other priority tax law coherence and maintenance issues, for example:</p> <ul style="list-style-type: none"> <li>• Controlled foreign companies</li> <li>• Mixed-use asset rules</li> <li>• GST – on-going remedial issues</li> <li>• Life insurance</li> <li>• Financial arrangements</li> <li>• Student Loan Scheme Act</li> <li>• Working for Families tax credits</li> </ul>
<b>Social policy</b>	
Child support legacy debt	Consideration of child support debt analytics and development of further policy options to address child support debt.
Student loans – reciprocal agreement on cooperation between Australia and New Zealand	Development of an information-sharing agreement between New Zealand and Australia for exchanging student loan borrower contact information to aid in the recovery of student loan debt.
Simplifying the tax and transfer system	Consideration of whether the tax and transfer system can be amended either legislatively or operationally to reduce complexity for individuals as part of the first stage of Business transformation work.
KiwiSaver HomeStart	To extend the current KiwiSaver withdrawal rules for first-home buyers from 1 April 2015. This is part of the "HomeStart" package announced by the Government in August 2014.

## **BUDGET**

Developing and implementing any Budget initiatives as appropriate.

## **NON DISCRETIONARY WORK**

**Supporting other policy areas, committees and agencies** – Providing support for tax issues that arise out of non-tax Government priorities, such as Maori language strategy and Treaty of Waitangi settlements.

**Supporting Ministers** – Dealing with issues as they are raised by Ministers.

**Donee status for overseas-focussed organisations** – Considering applications for overseas-focussed organisations to be included on schedule 32 of the Income Tax Act 2007.

### **Managing bills in Parliament, including in 2015–16:**

- Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Bill
- Taxation (KiwiSaver HomeStart and Remedial Matters) Bill
- Taxation (Income-sharing Tax Credit) Bill