

Government tax policy work programme: 2021-22

Tax policy

Maintaining the tax system

Tax legislation needs to be regularly maintained and updated in response to changing technology, business practices, jurisprudence or other factors. The Government's Revenue Strategy reflects the need for fairness and certainty in tax legislation. Our remedial work programme will focus on priorities in this area.

Taxation of residential investment property

The Government is committed to laying the foundations for a better future through addressing housing affordability. This includes making changes to tax settings to improve affordability for first home buyers by dampening investor demand for existing property. This area will include:

- The 'new build' exemption to the extended bright line test and interest limitation.
- Limiting deductions for interest expenses on residential investment property.

The final policy design of the interest limitation rules and the legislation will be released publicly before 1 October 2021 and enacted into law by 31 March 2022.

Integrity of the tax system

The Government's Revenue Strategy focuses on a fair tax system. This area will include:

- Integrity measures to support the 39% tax rate and data collection of trust information.
- Tax Principles Act – establishing a reporting framework against a set of principles to measure fairness of the system.

Stewardship

Regulatory stewardship

A focus on whether legislation administered by Inland Revenue is fit for purpose from an operational and policy perspective with the next review being fringe benefit tax. This will help to inform the need for future policy/legislation changes and is particularly important for the wider consideration of the taxation of labour.

Tax policy stewardship

Research work by Inland Revenue involving the collection of information on the level of tax paid by high wealth individuals.

Long term insights briefings (LTIB)

This is a Public Service Act requirement for all agencies. Treasury's LTIB includes work on medium to long term revenue sustainability. Inland Revenue's work on its LTIB will cover the cost of capital.

International tax

People and businesses must pay their fair share of tax, including multinational companies. The international tax framework needs to adapt to shifts in the global economy, including increased cross-border activity and digitalisation. This area will include:

- Work to find a multilateral solution to the challenges the digital economy poses to international taxation (OECD Pillar 1 and Pillar 2 work), and consideration of a digital services tax.
- Taxation of the gig and sharing economy.
- Double tax agreement negotiations.
- Cross-border workers review.

Related policy

Tax administration

The Government expects Inland Revenue to maintain public confidence by administering the tax system in a fair and efficient manner. To give effect to this, it is important for Inland Revenue to leverage the assets developed through its Business Transformation (BT) programme. This area includes:

- Tax Administration Green Paper: Exploring what tax administration will look like in the future and how to effectively leverage the BT assets.
- AIM overhaul: Explore any options to improve and simplify the Accounting Income Method of calculating provisional tax.

Sustainable economy and the environment

The Government is committed to improving the environment, and tax settings that promote a sustainable economy are a key part of that. This area will include:

- Developing an agreed inter-agency framework on when to use pricing instruments for environmental and resource issues (building on the Tax Working Group's work in this area);
- Neutrality: reviewing existing tax provisions to ensure they are not biased against environmentally-friendly investment and behaviour; and
- Contributing to advice on environmental proposals in the Government's work programme (on tax policy and related issues).

Social policy

The Government is committed to laying the foundations for a better future through continuing to overhaul the welfare system. Inland Revenue has a significant role in delivering social policy. This area will include:

- Welfare reform: This work programme will be led by MSD and will include initiatives delivered by Inland Revenue (such as a review of Working for Families tax credits).
- A social unemployment insurance scheme that would support workers to retain about 80 percent of their income for a period after they lose their jobs.

COVID-19 response

The Government is committed to accelerating the recovery and rebuilding from the impacts of COVID-19. This area will include:

- Working with other agencies on any changes or activation required to a range of COVID response measures including the Wage Subsidy, Leave Support Payment, Resurgence Support Payment and Small Business Cashflow Scheme. Inland Revenue has a key role in the delivery of these response measures.

Non-discretionary other agency work

Non-discretionary other agency work that is aligned with Government priorities that may have tax consequences or Inland Revenue delivery implications. This area includes:

- Local government reform
- Three waters project
- R&D tax credit
- Free trade agreements
- Tax consequences of Deposit Takers Act
- Charities review