



Inland Revenue
Te Tari Taake

POLICY AND STRATEGY



THE TREASURY
Kaitohutohu Kaupapa Rawa

Tax policy report: Cabinet paper - foreign hybrid entity double deductions and BEPS reforms

Date:	6 April 2017	Priority:	High
Security level:	Sensitive - Budget	Report no:	T2017/949 IR2017/237

Action sought

	Action sought	Deadline
Minister of Finance	<p>Agree to the recommendations of this report.</p> <p>Authorise the lodgement of the attached Cabinet paper.</p>	<p>Either:</p> <ul style="list-style-type: none"> • 10:00 am Wednesday 12 April 2017 for Cabinet on 18 April 2017; or • As soon as possible as a late paper for EGI on 12 April 2017.
Minister of Revenue	<p>Agree to the recommendations of this report.</p> <p>Authorise the lodgement of the attached Cabinet paper.</p>	<p>Either:</p> <ul style="list-style-type: none"> • 10:00 am Wednesday 12 April 2017 for Cabinet on 18 April 2017; or • As soon as possible as a late paper for EGI on 12 April 2017.

Contact for telephone discussion (if required)

Name	Position	Telephone
Steve Mack	Principal Advisor, The Treasury	Withheld under section 9(2)(a) of the Official Information Act 1982
Paul Kilford	Policy Manager, Inland Revenue	

6 April 2017

Minister of Finance
Minister of Revenue

Cabinet paper - foreign hybrid entity double deductions and BEPS reforms

1. This report asks you to refer the attached Cabinet paper to Cabinet Office so that it may be considered either by:
 - The Economic Growth and Infrastructure Committee (EGI) at its meeting on 12 April 2017; or
 - Cabinet at its meeting on 18 April 2017.

2. The paper proposes that Cabinet:
 - Agree to tax law changes to restrict the ability of New Zealand businesses to use double deductions of foreign hybrid entities, particularly Australian Limited Partnerships, to reduce their tax liabilities in New Zealand; and
 - Note the progression of proposals contained in three BEPS discussion documents (*Addressing hybrid mismatch arrangements*, *BEPS – transfer pricing and permanent establishment avoidance*, and *BEPS - strengthening our interest limitation rules*), subject to modification in consultation.

3. If Cabinet agrees to these recommendations, the Budget 2017 revenue forecasts will be adjusted by \$100 million per year from 2019/20 (with \$50 million forecast in the preceding year).

Recommended action

We recommend that you:

Authorise lodgement of the attached Cabinet paper either:

- a. by 10:00 am, Wednesday 12 April 2017 for Cabinet on 18 April 2017.

Authorised/Not authorised

Authorised/Not authorised

OR

- b. as soon as possible as a late paper for EGI on 12 April 2017.

Authorised/Not authorised

Authorised/Not authorised

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