EGI-16-SUB-0105

Cabinet Economic Growth and Infrastructure Committee

Summary

Making Tax Simpler: Investment Income Information: Release of Discussion Document

Portfolio	**Revenue**
Purpose	This paper seeks agreement to the release of the attached discussion document *Making Tax Simpler: Investment Income Information* (the discussion document) and to the launch of accompanying online consultation.
Previous Consideration	On 21 October 2015, EGI noted that the submissions received on two earlier consultation documents relating to *A Government Green Paper on Tax Administration* (the Green Paper) and *Better Digital Services* will be used to shape the detailed discussion documents proposed for release in the future [EGI-15-MIN-0108].

Summary

A number of discussion documents in the *Making Tax Simpler* series have previously been released. The attached discussion document builds on the concepts set out the Green Paper and on the submissions received in the earlier discussion documents.

This discussion document includes proposals to improve the collection of information about investment income. Investment income includes interest, dividends, portfolio investment entity (PIE) income, and royalties. In addition, income distributed by Maori Authorities to their members, while not investment income, is subject to Resident Withholding Tax (RWT) and has been included in the scope of the discussion document. No changes are proposed for royalties.

The proposals would give Inland Revenue a more accurate picture of an individual's income during a year, allowing tax returns to be pre-populated with more information. This in turn should increase voluntary compliance by making it easier for people to get their tax right.

The proposals include:

- requiring payers of investment income to provide Inland Revenue with taxpayer specific withholding information on a monthly basis (or in line with the business process of paying the income if that occurs less often than monthly);
- removing the need for payers of withholding tax to provide end of year tax certificates to their customers who have provided their IRD number;

- increasing the "non-declaration rate" for RWT on interest, and for tax on PIEs to 45 percent;
- creating a database of taxpayers holding certificates of exemption from withholding tax;
- requiring all taxpayers seeking to receive their investment income not subject to withholding tax to obtain a certificate of exemption.

The discussion document does not include the possibility of withholding systems being used to more efficiently to collect underpayments of tax, eg through variable withholding rates – it is considered that the compliance costs required to implement this proposal would far outweigh any gains.

Agency and sector comments are in paragraphs 37-45.

Regulatory Impact Analysis	Not required.
Baseline Implications	None from this paper.
Legislative Implications	None from this paper.
Timing Issues	The discussion document will be released in early June 2016 for a six-week consultation period.
Announcement	The Minister of Revenue will issue a media release. The release of the discussion document will be accompanied by the launch of online public consultation. The material will be published on the *Making Tax Simpler* website and on the standard Tax Policy website.
Proactive Release	None.
Consultation	Paper prepared by Inland Revenue. Treasury, the Privacy Commissioner, DIA and TPK were consulted. DPMC, MBIE, Justice and SSC were informed. Corporate taxpayers group, large banks, share registries, some investment companies, Te Tumu Paeroa (a Maori Authority service provider), a custodian business, and some accountants servicing SMEs were also consulted. The Minister of Revenue indicates that the Minister of Finance was consulted, and that discussion is not required with the government caucus, or with other parties represented in Parliament.

The Minister of Revenue recommends that the Committee:

1 note the contents of the government discussion document, *Making Tax Simpler: Investment Income Information* (the discussion document), attached to the submission under EGI-16-SUB-0105, which will consult on proposals to:

1.1 require payers of investment income to provide Inland Revenue with taxpayer specific withholding information on a monthly basis (or in line with the business process of paying the income if that occurs less often than monthly);

1.2 require payers of investment income to provide Inland Revenue with information on each owner of joint investments;

1.3 require payers of investment income to provide information about customers who are subject to approved issuer levy;

1.4 require payers of investment income to provide information about customers who receive income that is exempt from withholding tax;

1.5 remove the need for payers of withholding tax to provide end of year tax certificates to their customers who have provided their IRD number;

1.6 increase the "non-declaration rate" for resident withholding tax on interest, and for tax on portfolio investment entities to 45 percent;

1.7 create a database of taxpayers holding certificates of exemption from withholding tax;

1.8 require all taxpayers seeking to receive their investment income not subject to withholding tax to obtain a certificate of exemption;

2 agree to the release of the discussion document and to the launch of accompanying online consultation on its contents;

3 authorise the Minister of Revenue to approve any editorial, presentational and other minor changes to the discussion document before its release;

4 invite the Minister of Revenue to report back to the Cabinet Economic Growth and Infrastructure Committee on the outcome of consultation and with final policy recommendations.

Janine Harvey
Committee Secretary

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Cabinet Economic Growth and Infrastructure Committee
Office of the Prime Minister
Deputy Chief Executive, Policy, DPMC
  Melleny Black, PAG, DPMC

In Confidence
Office of the Minister of Revenue

Chair
Cabinet Economic Growth and Infrastructure Committee

Release of discussion document – *Making Tax Simpler: Investment Income Information*

Proposal

1. This paper seeks the agreement of the Cabinet Economic Growth and Infrastructure Committee to the release of the Government discussion document, *Making Tax Simpler: Investment Income Information*, and the launch of accompanying online consultation. These discuss potential changes to the timing and quantum of information that payers of investment income (such as interest and dividends) are required to provide to Inland Revenue and are part of Inland Revenue's Business Transformation programme.

Executive summary

2. Ultimately the *Making Tax Simpler* proposals are about making it easier for people to get their tax right, and harder to get things wrong. To achieve that the *Making Tax Simpler* series of consultation papers make a number of proposals, with these main underlying principles:

    - Improve information flows to Inland Revenue and use the information received to prepopulate information for taxpayers to simplify the requirements for those taxpayers that have to, or choose to, file a tax return;
    - Increase the use of digital services to bring that information together;
    - Use the information to help ensure that people are on an appropriate tax rate and therefore that the tax deducted during the year does not result in large end of year debts or refunds.

3. The discussion document *Making Tax Simpler: Investment Income Information* proposes:

    - requiring payers of investment income to provide Inland Revenue with taxpayer specific withholding information on a monthly basis (or in line with the business process of paying the income if that occurs less often than monthly);
        - taxpayer specific information would include:
            - the amount of income paid to the customer;
            - the amount of tax withheld (if any), or imputation credits attached;
            - the customer's IRD number (if held);
            - the customer's name;
            - the customer's address;
            - the customer's date of birth (if held);
            - if the investment is a joint investment, information on each owner of the investment;
            - if the payer is paying approved issuer levy, details of the relevant customers;
            - if the payer is paying interest that is exempt from withholding tax, details of the relevant customers;
    - removing the need for payers of withholding tax to provide end of year tax certificates to their customers who have provided their IRD number;

- increasing the "non-declaration rate"[1] for resident withholding tax (RWT) on interest, and for tax on portfolio investment entities (PIEs) to 45%;

- creating a database of taxpayers holding certificates of exemption from withholding tax; and

- requiring all taxpayers seeking to receive their investment income not subject to withholding tax to obtain a certificate of exemption.

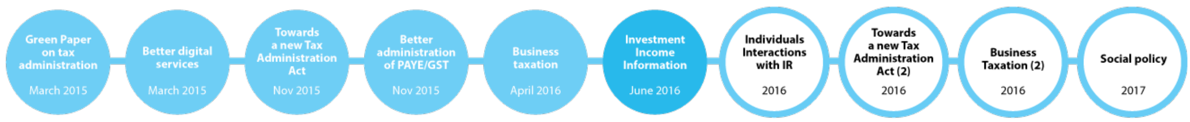
4. The proposals in this document will affect a wide range of payers of investment income including banks, all companies that pay dividends, PIEs, Māori Authorities and individuals paying withholding income such as interest.

5. The key trade-off underlying the proposals is the benefits to customers in being able to access pre-populated information about their income from investments, to Inland Revenue in receiving better information sooner, and to the Government in being able to redesign social policy programmes to take advantage of more detailed and frequent information about investment income, versus the increased compliance costs on payers (albeit partly offset by benefits to those payers).

6. A copy of the discussion document is attached.

Background

7. *Making Tax Simpler: Investment Income Information* is one in a series of consultation documents setting out the Government's proposals for the transformation of tax administration in New Zealand. The components of the Business Transformation consultation timeline are set out below:



8. This discussion document builds on the concepts set out in the *Making Tax Simpler: A Government Green Paper on tax administration* (the *Green Paper*) which outlined the likely scope of the review of tax and social policy administration. Most but not all of the issues relating to investment income information raised in the *Green Paper* are addressed in this discussion document. The one item mentioned in the *Green Paper* which is not included in this discussion document is the possibility of withholding systems being used to more efficiently collect underpayments of tax, for example through variable withholding rates. This is not included in the discussion document as officials think the compliance costs to implement such a proposal would far outweigh any gains. Inland Revenue already has the ability to issue deduction notices to banks and others to collect tax debts.

9. Submissions received on the *Green Paper* and the *Making Tax Simpler: Better Digital Services* discussion document have informed the discussion and proposals in *Making Tax Simpler: Investment Income Information.*

Comment

1 The "non-declaration rate" is applied when a customer does not provide the payer with their IRD number.

10. New Zealand has an aging population and as people move further into their working lives and on into retirement they typically earn a greater proportion of their income from the investment of capital that they have built up. Income from the investment of capital such as interest and dividends is therefore expected to form a greater proportion of the income that the average person earns in the future and means that having efficient and effective withholding tax systems for these types of income is vital to the integrity of the tax system.

11. Investment income can take a number of different forms, for example:
    - interest;
    - dividends;
    - royalties; and
    - income derived by PIEs.

    In addition, income distributed by Māori Authorities to their members, while not investment income, is subject to RWT and has been included in the scope of the discussion document. No changes are proposed for royalties.

12. The discussion document proposes that payers of investment income provide more information more often on income from the investment of capital so that Inland Revenue can use that information to provide better services to people, and can ensure taxpayers are complying with the law. To reduce the compliance cost impact of this approach, the document contains options for providing information more easily and removing some types of payer obligations.

13. It is necessary for Inland Revenue to obtain withholding information on a timelier basis to enable the pre-population of that information onto tax statements, which will mean that taxpayers will be able to access their PAYE (currently pre-populated) and withholding tax information from one source. This will make it easier for people to get an accurate understanding of their tax position.

14. Payers of RWT are currently required to provide end of year tax certificates to the recipients of the income. These certificates set out the amounts and types of income and the amounts of RWT deducted. Taxpayers currently need to gather various pieces of correspondence about interest, dividends, Māori Authority distributions and any other income and add the relevant amounts to their PAYE income that is shown on their Summary of Earnings ("SOE"), Personal Tax Summary ("PTS") or online IR3 tax return. Unless taxpayers are relatively well organised this process can be seen as being too hard or alternatively relevant information can be missed and an incorrect return can be filed. By increasing the amount of information that is pre-populated Inland Revenue will be saving taxpayers' time and reducing the risk that they will file incorrect returns. Incorrect filing can expose a taxpayer to risk of penalties.

15. If this information was able to be pre-populated into tax returns by Inland Revenue it would be appropriate to remove the requirement for the payers to send out the end of year certificates. This would only be appropriate for recipients who had provided their IRD numbers to the payer of the income (as Inland Revenue would not be able to prepopulate information that could not be matched to an individual).

16. Obtaining withholding information during the tax year would also make it possible for Inland Revenue to advise payers of errors in the information they are providing or the rate choices that have been made by their customers. There would then be an opportunity for the payers to remediate these errors during the tax year and avoid creating taxpayer debt.

17. Better withholding information would enable Inland Revenue to construct a more complete picture of an individual's income and the time at which it is earned. This would allow for a more accurate determination of the social assistance a taxpayer is entitled to during the income year and create options for more timely government assistance. It is considered that

this would in turn reduce issues relating to end-of-year square-ups and debt, as Inland Revenue would be able to adjust an individual's entitlements during the year rather than undertaking one square-up at year-end.

18. The proposals in this discussion document will increase the amount of information that Inland Revenue will be able to pre-populate for taxpayers and for large numbers of taxpayers will mean that all of their taxable income information is available in one place. Taxpayers that receive income from a number of other sources that will not be able to be pre-populated such as foreign sourced income and rental income will still need to provide information on that income to Inland Revenue. To the extent that income is not able to be allocated to individual taxpayers due to limitations in the information reported (such as where people have not provided their IRD numbers to the interest payers) there will also be gaps in what Inland Revenue can pre-populate.

19. A later policy project in the *Making Tax Simpler* series will look at social policy entitlements and obligations. Making changes to how Inland Revenue could administer the social policy programmes, in a way that has a real beneficial impact on people, will require Inland Revenue obtaining more information during the year.

20. The discussion document includes a section on payment dates and the possibility of linking these to the dates on which payments of withholding income are made in some circumstances. This is most likely to be useful in situations where the payments are infrequent such as annual or six monthly distributions. Changes to the monthly RWT payment obligations for regular interest payers are not proposed.

21. The discussion document includes a proposal for Inland Revenue to provide a live certificate of exemption list or a searchable database to enable payers of withholding income to confirm on a regular basis that recipients have a valid certificate of exemption. Recipients of withholding income who are exempt from income tax under Acts other than tax Acts are also able to receive their investment income without tax being deducted, but are not required to obtain a certificate of exemption. The discussion document contains a proposal which would require all taxpayers seeking to receive their investment income that is not subject to withholding tax to obtain a certificate of exemption. This would mean that all exempt taxpayers would be included on the certificate of exemption list or database, which would enable payers of investment income to use this to confirm all exemptions in their systems are valid.

22. The proposals in this discussion document will potentially have an impact on all companies (big and small), PIEs, Māori Authorities and any other individuals and entities that pay withholding income such as interest. While banks are the largest withholding tax payers, a wide range of organisations have withholding obligations. The range of organisations involved means a one size fits all approach will not be appropriate. Instead, a range of return requirements and possible information transfer methods will need to be provided to suit the capability of the different types of withholding tax payers[2].

23. Inland Revenue's Business Transformation computer system upgrade will include changes to how information can be received. This will make it easier for payers of investment income to file information with Inland Revenue electronically. A key change for RWT, Non Resident Withholding Tax ("NRWT") and Approved Issuer Levy ("AIL") will be a gateway to upload information (similar to that used by PIEs to file returns).

24. In addition to the electronic gateway, there will be an option of an online form. Inland Revenue's new computer system will be able to accept attachments filed with the online forms. This option may be particularly useful for smaller withholding taxpayers as it would

2 97% of the 16,601 interest payers in 2015 who filed interest withholding tax certificates filed detailed information for 10 or less recipients, while 10 filed more than 50,000 certificates. Similarly, more than 99% of companies have 10 or less shareholders whereas some listed companies will have more than more than 50,000 shareholders.

enable them to attach calculations that are done in a format that does not meet the electronic gateway criteria.

25. Investment income payers of different types and sizes will have different levels of ability to file information electronically (whether by data transfer through a gateway or via online forms). The administrative impact for Inland Revenue will vary by how much information is provided to it electronically. The key risk of allowing all information to be provided by paper channels would be the significant disruption to the pre-population of investment income information if Inland Revenue received significant numbers of records in paper form and had to manually enter them into its computer system.

26. The document sets out a range of options relating to potentially requiring some or all payers to file information electronically. These include:
    - Continuing to allow all payers the option of filing electronically or on paper:
        - subject to a review after a period of time; or
        - until a given future date.
    - Requiring some payers to file electronically straight away based on the number of recipients they pay investment income;
    - Require most payers to file electronically straight away, with some exceptions (e.g. for those with no internet access).

27. Requiring some investment income payers to file electronically based on the number of recipients they pay investment income to would ensure that large and reasonably large payers would be required to file electronically while most payers of investment income would still be able to choose their option. Over 80% of interest certificates are filed by interest payers who file more than 10 certificates.

28. Companies do not currently provide detailed information about their shareholders to Inland Revenue. The information that companies would be required to provide to Inland Revenue is information it must already hold in order to pay dividends and send shareholder dividend statements to its shareholders.

Potential challenges

Challenges relating to the recipients of the income

Joint accounts

29. Currently Inland Revenue only gets one IRD number in relation to each joint investment. To pre-populate return information for individuals Inland Revenue needs to allocate income earned on jointly owned investments to the individual owners. Allocating the income could potentially be done on a pro-rata basis provided there was a mechanism to allow the individual owners to re-allocate the income if the investment ownership was not equally distributed among the owners.

Challenges relating to the payers of withholding income

Non-filing payers

30. To the extent that payers of withholding income fail to file returns and pay tax Inland Revenue will be unable to pre-populate that income. As a result there will inevitably be some

gaps in the information for some taxpayers and they will be likely to still need to provide that information themselves.

Payers who file returns on paper

31. Some payers of withholding income will not have the technological capability to file electronically or may be unwilling to do so. For payers that continue to file paper returns it will not be possible to make efficiency gains to offset potentially increased compliance costs.

Increasing the non-declaration rate

32. The document proposes to increase the non-declaration tax rate for RWT and PIE investments to 45% (from 33 and 28% respectively), aligning it with the non-declaration rate for PAYE. The non-declaration rate is the tax rate used when a taxpayer does not provide their IRD number to the payer of investment income. Associating income information with the right taxpayers is vital for pre-population of tax statements, and ensuring that taxpayers are receiving or paying the correct amount of social policy entitlements or obligations.

Impact on compliance costs

33. Requiring payers to provide more information, more often, is likely to result in an increase in compliance costs for payers (with a potential reduction in compliance costs for recipients of withholding income). This increase for payers could, however, be offset by making the interaction between payers and Inland Revenue more efficient. With the exception of the PIE tax regime, the processes currently in place for the transfer of information between withholding tax payers and Inland Revenue are very manual, requiring physical transmissions of information and a number of interactions between RWT payers and Inland Revenue. It is envisaged that improved technology and greater digitalisation will enable payers to transfer information and make payments to Inland Revenue more easily.

34. To the extent that payers use the electronic gateway, there will be some initial set up cost to ensure that their system is producing the appropriate reports to feed into the Inland Revenue system but officials do not expect the ongoing costs to be significant. If, however, payers do not use the electronic gateway, and file either electronically (by completing an online form), or by paper then officials expect that the initial set up costs would be smaller but there would be an ongoing increase in the cost to comply.

35. If, after consultation, Cabinet agrees to proceed with these proposals it will be important to ensure that timeframes for changes to reporting requirements are realistic, as payers of withholding income will not be confident to make system changes until the requirements have been enacted. The discussion document seeks feedback on timeframes that would be sufficient to make any system changes.

36. A number of other regulatory changes will also require system development, including the international Automatic Exchange of Information which is expected to require financial institutions to begin conducting due diligence and meeting reporting requirements on all new accounts from 1 July 2017.

Consultation

37. Officials have consulted with the Treasury, the Department of Prime Minister and Cabinet, the Ministry of Business, Innovation and Employment, the Department of Internal Affairs, the

State Services Commission, the Ministry of Justice, the Office of the Privacy Commissioner and Te Puni Kōkiri.

38. Te Puni Kōkiri raised concerns regarding the impact of the changes on Māori Authorities, particularly smaller Māori Authorities, and their potential lack of capacity and systems to provide the detailed information. They have also raised concerns regarding the ability to provide beneficiary information where the ownership is held through whānau trusts. Officials are continuing to work with Te Puni Kōkiri to resolve these concerns.

39. The New Zealand Debt Management Office ("DMO") has provided initial feedback regarding the potential impact of the possible changes on their operations. It was noted that it uses Computershare as its registry and that Computershare will have some system change costs. It also raised the potential for the additional disclosure requirements to affect investor demand where investors are investing through nominee companies. Officials will work through these points as they develop the proposals further.

40. In preparing the discussion document officials have held meetings with the five largest banks: Westpac, KiwiBank, ANZ, ASB and BNZ. All of the banks mentioned that they would need time to make technology changes if reporting requirements changed but they were largely accepting of suggestions that more detailed information could be provided more often (perhaps monthly) provided that there was an ability to correct errors in future periods. One bank suggested that more detailed information could be provided 6 monthly rather than monthly and was quite resistant to monthly detailed reporting.

41. Officials also met with AMP Financial Services and Appello Services to understand the position of organisations operating in the PIE sector. Their responses were quite different and reflected their different technology platforms and their ability to attribute income to investors and calculate their tax liability on a regular basis. Further consultation will be needed in this sector to understand the technological challenges that some of the proposals could impose.

42. Officials have also met with the two largest share registries: Computershare and Link Market Services. These organisations look after dividend distributions for most large New Zealand companies and also deal with the interest payments on a number of corporate bonds. They were accepting of the suggestions and could see benefit in some of the proposed changes although both noted that they would need to do some system development work, and one of the registries asked whether the Government would be contributing to the cost of any changes required.

43. Officials consulted with the Corporate Taxpayers Group. The Group did not think that receiving information on a monthly basis was necessary for pre-populating income tax returns, nor for all forms of social policy (as they are currently designed). The discussion document notes that in order to allow social policy to be redesigned, Inland Revenue requires more information on sources of income, such as income from investment during the year.

44. To understand the current position in the small to medium sized entity ("SME") sector, officials have had discussions with accountants from two accounting practices active in the SME market.

45. In order to get some understanding of the potential effect of changes for Māori Authorities, officials met with other Inland Revenue staff members who deal with Māori Authorities on a day to day basis and also had discussions with Te Tumu Paeroa (formerly known as the Māori Trustee) and Te Awanui Huka Pak Limited (an administration service provider to a number of Māori Authorities). Māori Authorities range from very sophisticated businesses to small trusts holding small parcels of Māori land. Their administration models are also quite varied with some administering their own affairs while others use an intermediary such as Te Tumu Paeroa or Te Awanui Huka Pak Limited to provide their administrative services. Te Tumu

Paeroa and Te Awanui Huka Pak Limited have relatively sophisticated systems in order to deal with the large number of distributions they make; however, officials understand that one of the key issues in respect of a number of Māori Authorities will be their capability to provide the information (along with some reluctance in some cases).

Financial implications

46. Approving the release of the Government discussion document will not have any fiscal implications. Any fiscal implications resulting from the proposals will be included in final policy advice to Cabinet following consultation.

Human rights

47. I consider that the proposals contained in the discussion document are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

48. The release of the discussion document will not give rise to any immediate legislative implications. Legislative changes will, however, be necessary if Cabinet subsequently decides to implement the proposals. Therefore, I propose to include any resulting legislative changes in an omnibus taxation bill.

Regulatory impact analysis

49. The regulatory impact analysis requirements apply to some of the proposals in the discussion document. The substantive regulatory impact analysis elements have been included in the discussion document at a level that is appropriate given the stage of policy development. A Regulatory Impact Statement will be prepared as part of reporting back on final policy proposals.

Publicity

50. I propose to issue a media release when the discussion document is released. If approved, officials will release the issues paper in early June with submissions closing six weeks later.

51. The release of the discussion document will be accompanied by the launch of online public consultation. This will contain a summary of the proposals and seek views on questions raised in the discussion documents. The online consultation will be on the same website that was used for the consultation on the previous documents in the *Making Tax Simpler* series. The discussion document will be available from this website, as well as the standard Tax Policy website.

Recommendations

52. I recommend that the Cabinet Economic Growth and Infrastructure:

1. **Note** the contents of the Government discussion document *Making Tax Simpler: Investment Income Information*, which will consult on proposals to:

   1.1 require payers of investment income to provide Inland Revenue with taxpayer specific withholding information on a monthly basis (or in line with the business process of paying the income if that occurs less often than monthly);

   1.2 require payers of investment income to provide Inland Revenue information on each owner of joint investments;

   1.3 require payers of investment income to provide information about customers who are subject to approved issuer levy;

   1.4 require payers of investment income to provide information about customers who receive income that is exempt from withholding tax;

   1.5 remove the need for payers of withholding tax to provide end of year tax certificates to their customers who have provided their IRD number;

   1.6 increase the "non-declaration rate" for resident withholding tax on interest, and for tax on portfolio investment entities to 45%;

   1.7 create a database of taxpayers holding certificates of exemption from withholding tax;

   1.8 require all taxpayers seeking to receive their investment income not subject to withholding tax to obtain a certificate of exemption.

2. **Agree** to the release of the Government discussion document *Making Tax Simpler: Investment Income Information* and the launch of accompanying online consultation on its contents.

3. **Authorise** the Minister of Revenue to approve editorial, presentational and other minor changes to the discussion document before its release.

4. **Invite** the Minister of Revenue to report back to the Cabinet Economic Growth and Infrastructure Committee on the outcome of consultation and final policy recommendations.

Hon Michael Woodhouse
Minister of Revenue

_____/_____/_____
Date

Released in part, information withheld under section 18(d) of the Official Information Act 1982 as it is already publically available.

- The Government discussion document *Making tax simpler - Investment income information* is available at http://taxpolicy.ird.govt.nz/publications/2016-dd-mts-6-investment-income/overview

- An archive of the Making Tax Simpler consultation sites is available at http://taxpolicy.ird.govt.nz/archived-websites

Cabinet Economic Growth and Infrastructure Committee

Minute of Decision

Making Tax Simpler: Investment Income Information: Release of Discussion Document

Portfolio **Revenue**

On 25 May 2016, the Cabinet Economic Growth and Infrastructure Committee (EGI):

1 **noted** the contents of the government discussion document, *Making Tax Simpler: Investment Income Information* (the discussion document), attached to the submission under EGI-16-SUB-0105, which will consult on proposals to:

1.1 require payers of investment income to provide Inland Revenue with taxpayer specific withholding information on a monthly basis (or in line with the business process of paying the income if that occurs less often than monthly);

1.2 require payers of investment income to provide Inland Revenue with information on each owner of joint investments;

1.3 require payers of investment income to provide information about customers who are subject to approved issuer levy;

1.4 require payers of investment income to provide information about customers who receive income that is exempt from withholding tax;

1.5 remove the need for payers of withholding tax to provide end of year tax certificates to their customers who have provided their IRD number;

1.6 increase the "non-declaration rate" for resident withholding tax on interest, and for tax on portfolio investment entities to 45 percent;

1.7 create a database of taxpayers holding certificates of exemption from withholding tax;

1.8 require all taxpayers seeking to receive their investment income not subject to withholding tax to obtain a certificate of exemption;

2 **agreed** to the release of the discussion document and to the launch of accompanying online consultation on its contents;

3 **authorised** the Minister of Revenue to approve any editorial, presentational and other minor changes to the discussion document before its release;

4 **invited** the Minister of Revenue to report back to EGI on the outcome of consultation and with final policy recommendations.

Janine Harvey
Committee Secretary

Present:
Hon Bill English (Chair)
Hon Gerry Brownlee
Hon Steven Joyce
Hon Amy Adams
Hon Michael Woodhouse
Hon Peseta Sam Lotu-Iiga
Hon Maggie Barry
Hon Nicky Wagner
Hon Louise Upston
Hon Te Ururoa Flavell

Officials present from:
Office of the Prime Minister
Officials Committee for EGI
Inland Revenue

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Melleny Black, PAG, DPMC

Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Economic Growth and Infrastructure Committee: Period Ended 27 May 2016

On 30 May 2016, Cabinet made the following decisions on the work of the Cabinet Economic Growth and Infrastructure Committee for the period ended 27 May 2016:

Out of scope	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
EGI-16-MIN-0105	**Making Tax Simpler: Investment Income Information: Release of Discussion Document** Portfolio: Revenue	CONFIRMED
Out of scope	[redacted]	

Out of scope [redacted]

Michael Webster
Secretary of the Cabinet

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