

20 March 2009

Government Tax Policy Work Programme 2009–10

High Priority Projects	
Project	Description
Tax rate alignment at 30 percent	Support alignment of personal, company and trustee tax rates at a maximum of 30% as a desirable medium term goal.
Income splitting	The confidence and supply agreement between National and United Future includes the development of this policy and its support to first reading.
Completion of post-election action plan	The Government included tax and student loan measures in its post-election action plan. Most of the tax issues were addressed in the Taxation (Urgent Measures and Annual Rates) Act 2008.
Taxation (Business Tax Measures) Bill	The bill gives effect to tax changes announced as part of the Government’s package of assistance measures for small and medium businesses.
Taxation (International Taxation, Life Insurance and Remedial Matters) Bill	The omnibus taxation bill introduced in July 2008 is with the Finance and Expenditure Committee.
Approved Issuer Levy (AIL) and non- resident withholding tax (NRWT)	Design a possible exemption from AIL and NRWT for New Zealand bonds issued to non-residents.
Base maintenance and broadening	Various items in the work programme relate to base maintenance issues. Further base maintenance and base broadening issues will continue to arise and be considered by tax policy officials.
Capital Market Development Task Force, Job Summit and other forums	Support the work of the Capital Market Development Task Force, the Job Summit and other forums that cover tax issues.
Charitable giving	Continue work on a range of further tax incentives to encourage a culture of charitable giving in New Zealand.
Child support – shared care	Continue work on the better recognition of shared care in the child support formula and work with the Families Commission on patterns of parenting and costs of children.
Double taxation agreements	Negotiate a number of double tax agreements and updates with various countries.

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Imputation	Review current rules on the use of imputation credits and whether companies should be able to stream imputation credits. The review also covers refundability of imputation credits, particularly to charities.
International tax review	Phase II is progressing proposals such as extending the active income exemption to non-portfolio FIFs, branches and financial institutions, and relieving NRWT on dividends paid to non-residents from offshore active income.
Mutual recognition and the Australian tax review	Responding to the invitation from the Australian Treasurer, tax policy officials made a submission in October 2008 to the review, "Australia's Future Tax System", making a case for mutual recognition of imputation/franking credits.
Transforming Inland Revenue	Operational projects that require policy support.

Other Projects	
Project	Description
Annuities and home equity	Consider possible alternative treatments for annuities and home equity release products.
Anti-money laundering (AML) and Countering the Financing of Terrorism (CFT)	An inter-agency group, led by the Ministry of Justice, is working on establishing an AML/CFT regulatory framework. The framework will help to improve New Zealand's ability to detect and deter financial crime and tax evasion and avoidance.
Bank liquidity	Consider the tax implications associated with bank liquidity.
Banks – regulatory changes	Consider changes to the regulatory rules for banks operating in New Zealand where there are possible tax implications.
Binding rulings	Consider a number of remedial issues that have been identified.
Cross-agency projects	Liaise with a number of government agencies to progress policy where there are tax implications.
Capital loss deductions	Project currently being scoped to develop options to address business concerns about the lack of deductibility of capital losses in certain circumstances. This may include considering depreciation deductions for dealers in land, deductibility of losses on buildings and black hole expenditure.
Disputes	Consider representations by NZICA and the Law Society relating to the dispute resolution and challenge procedures.

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Emissions trading scheme (ETS)	The ETS introduced by the previous government is being reviewed by a special select committee (expected report due in April 2009). Officials are monitoring the tax consequences.
Finance leases	Develop proposals to remove gaps in the rules relating to finance leases.
Further issues arising from the recent tax cuts	Following enactment of the Taxation (Urgent Measures and Annual Rates) Act 2008, there is further work on aligning resident withholding tax and PIE rates with the new personal tax rate structure.
Gift Duty	A number of requests for legislative exemptions to gift duty are being considered.
GST – Business to business transactions	A further consultative document will be issued, with proposals aimed at protecting the tax base and improving the GST rules.
Hybrid financial arrangements	The extent of the project is being scoped.
International Financial Reporting Standards (IFRS) – tax consequences	The advent of IFRS raises tax consequences for businesses where tax rules rely on accounting rules. Officials will continue to monitor and assess issues as they arise.
Key remedial matters	This covers remedial changes across a range of policy, including KiwiSaver, share lending and compliance and penalties.
Mutuality and non-profit bodies	Review the transaction rules between an association and members and an association and non-members.
Parental tax credit	The parental tax credit level is reviewed every three years.
Personal tax summaries	Potential simplification options are being considered.
R&D tax credit	There are a number of amendments to the R&D tax credit rules that are still to be made.
Review of secrecy provisions	Develop a more coherent approach to secrecy rules.
Review of UOMI and provisional tax rules	Undertake wider review of the UOMI and provisional tax rules. Also provide certainty on deductibility of UOMI.
Rewrite Advisory Panel	Continue with remedial changes.
Small and Medium Enterprises (SMEs) – Phase 2	Develop further tax simplification policies.
Trans-Tasman retirement savings portability with Australia	Enter a memorandum of understanding with Australia on the portability of retirement savings and make necessary tax changes.
Social policy integrity	Consider options to address behaviour that undermines the government's social assistance programmes.