

Government's Tax Policy Work Programme 2009–10
Updated 25 September 2009

Project	Description	Next steps
Tax rate alignment at 30 percent	Supporting confidence and supply agreements to align personal, company and trustee tax rates at a maximum of 30 percent as a “desirable medium term goal”.	Overarching goal of the tax policy work programme.
Income splitting	The confidence and supply agreement between National and United Future included supporting legislation to the first reading stage.	Income splitting bill in late 2010.
Approved issuer levy (AIL) and non- resident withholding tax (NRWT)	Designing a possible exemption from AIL and NRWT for New Zealand bonds issued to non-residents.	Release issues paper and potential progress to a bill in the first half of 2010.
Base broadening	Base broadening measures are being explored by officials and coverage is expected from the Victoria University Tax Working Group.	Continuing to explore options with coverage expected from the Victoria University Tax Working Group.
Base maintenance	Some items in the work programme relate to base maintenance issues. Further base maintenance issues will continue to be explored by officials as resources allow.	Continuing to explore options, which will be discussed with Ministers on a case by case basis.
External forums: <ul style="list-style-type: none"> • Victoria University Tax Working Group • Capital Market Development Taskforce • Productivity Taskforce • Job Summit 	Supporting the work of the Tax Working Group, Capital Market Development Taskforce, Job Summit, Productivity Taskforce and other forums that cover tax issues.	The Tax Working Group streams of work have been added to the work programme. (See new projects). Job Summit issues have been added to the tax policy work programme. (See new projects).
Charitable giving	Preliminary work on a range of further tax incentives to encourage a culture of charitable giving in New Zealand.	Release issues paper in 2010 and progress to a bill in the second half of 2010.
Child support – shared care	Continuing 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.	Release discussion document in 2009 (dependant on “cost of children” research and analysis being undertaken internally) and progress to a Child Support Bill early 2010.

Double taxation agreements (DTAs)	Negotiating a number of double tax agreements with various countries.	DTA work programme was provided on 20 April 2009 Finalising the Singapore DTA, bringing the Australian and USA treaties into force, and a number to tax information exchange agreements.
Imputation	Reviewing current rules on the use of imputation credits and whether companies should be able to stream imputation credits. The review also covers refundability of unused imputation credits, particularly to charities.	Awaiting the outcome of the Australian tax review and no work is being progressed on this project at the moment.
International tax review	Phase II is progressing proposals such as extending the active income exemption to non-portfolio FIF branches and entities, relieving NRWT on dividends paid to non-residents from active income and the limitation of foreign income tax credits to portfolio investments.	Active income exemption for non- portfolio FIFs Issues paper in 2009.
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.	Awaiting the outcome of the Australian tax review.
Transforming Inland Revenue	Operational projects in the areas of PAYE, Employer Monthly Schedule (EMS), Student Loans and Working for Families (WFF) that require policy support.	Consultation for Student Loans has been completed. Planning for a bill in November 2009. Remaining proposals are likely for inclusion in a bill in the second half of 2010.
Annuities and home equity	Considering possible alternative treatments for annuities and home equity release products.	This project has been deferred and an issues paper is recommended for early 2011.
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, tax evasion and avoidance.	Overseeing to determine any likely impacts to the Revenue Acts and Operations. This could lead to the establishment of a central database of large financial transactions.
Bank liquidity – further issues	Considering further tax implications associated with bank liquidity and their cross-border lending. This will consider similar issues to those under the AIL and NRWT project.	Scoping and initial work.

Banks – regulatory changes	Changes to the regulatory rules for banks operating in New Zealand have possible tax implications.	Scoping.
Binding rulings	A number of remedial issues have been identified, including dealing with the uncertainty about what constitutes a question of fact on which the Commissioner cannot rule.	An issues paper was released in August 2009 and a November 2009 Bill is planned to incorporate these changes.
Cross-agency projects	Liase with a number of government agencies to progress policy where there are tax implications.	Ongoing.
Disputes	Addressing the submission by NZICA and the NZLS which sets out a wide range of concerns with the dispute resolution and challenge procedures.	Release issues paper in late 2009 and planning for a bill in the first half of 2010.
Emissions trading scheme (ETS)	The ETS introduced by the previous Government was being reviewed by a special select committee. We are monitoring the potential tax consequences.	Ongoing.
Gift duty	A number of requests for legislative exemptions to gift duty are being considered.	Reporting to Ministers in 2009 on proposed approach. Probable project for a bill in the first half of 2010.
GST – Business to business	Considering further proposals aimed at protecting the tax base and improving the GST rules.	Release discussion document in 2009. Planning for a bill in the first half of 2010.
Cross border leases (previously finance leases)	Considering proposals to remove gaps in the rules relating to finance leases.	This project has been deferred and an issues paper is planned for late 2010. Planning for a 2011 tax bill.
Hybrid financial arrangements	The extent of the project is being scoped.	Developing a concept paper to determine approach.
International Financial Reporting Standards (IFRS) – financial arrangement issues	The IFRS financial arrangement interface has proven to be much more complicated than what was originally envisaged and a refocusing of the amendments made to date is necessary to ensure clarity and simplification.	Release issues paper as soon as practicable.
KiwiSaver issues (including remedial items)	Progressing a number of refinements which include: <ul style="list-style-type: none"> • Opting out rules • Enrolment of under 18 year olds • Electronic information provision. 	Planning to progress in a November 2009 tax bill.
Key remedial matters	This covers remedial changes across a range of policy, including rewrite of the Income Tax Act, compliance and penalties.	Ongoing.

Mutuality and non-profit bodies	Review of the transaction rules between an association and members and an association and non-members.	Reporting to Minister in 2009 on proposed approach and planning to release a consultation paper in 2010, and progress in a bill in the second half of 2010.
Personal tax statements	Potential simplification options are being considered.	Considering consultation approach for 2010. Planning for inclusion in a bill in the second half of 2010.
Review of secrecy provisions	Developing a more coherent approach to secrecy rules.	Planning to release a discussion document early 2010 and planning for inclusion in a bill in the second half of 2010.
Review of use-of-money interest (UOMI) and provisional tax rules (including UOMI deductibility)	Options to improve the UOMI rules, and, in the longer term, whether complementary changes can be made to the provisional tax rules.	Planning to release a discussion document in 2010.
Rewrite Advisory Panel	Remedial changes.	Ongoing.
Small and medium enterprises (SMEs) – Phase 2	Considering further tax simplification policies.	Planning to release a discussion document in late 2010. Planning for inclusion in a tax bill in 2011.
Trans-Tasman retirement savings portability with Australia	Progressing a memorandum of understanding with Australia regarding retirement savings portability.	Memorandum of Understanding was signed on 16 July 2009. Plan to progress in a November 2009 bill.
Social policy integrity	Addressing behaviour that undermines the government's social assistance programmes.	Policy options being considered through Tax Working Group.
Non resident investors in PIEs	Tax relief for non-resident PIE investors on foreign-sourced PIE income earned. It is considered that the imposition of tax in this situation was potentially acting as a barrier to the development of New Zealand's fund management industry as it discouraged non-residents from investing outside New Zealand via PIEs.	Planning to release issues paper in 2010.
Black hole expenditure	The capital loss deduction project has been subsumed into this wider project.	Planning to consult in 2010.
Session 1 – Fiscal framework	Considering the consequences of the current economic situation on medium-term fiscal outlook.	Resources have been allocated to support this work.

Session 2 – Structure of the personal income tax and GST systems	Considering options.	Resources have been allocated to support this work.
Session 3 – Revenue raising options	Considering options.	Resources have been allocated to support this work.
Session 4 – Corporate taxes and tax integrity	Considering the implications of the Henry review on NZ company tax system.	Resources have been allocated to support this work.
Session 5 – Wrap-up		Resources have been allocated to support this work.
Profit distribution plans (PDPs)	The Government announced on 16 April that it intended to clarify the law to ensure that bonus issues of shares distributed under PDPs are taxed in the same way as shares issued under other dividend reinvestment plans. A consultative document was issued on 25 June 2009.	Submissions closed on 25 August 2009 for inclusion in the November 2009 tax bill.
Local authorities – Auckland super city	Providing advice on the tax implications of the legislation required to give effect to the Government’s decisions on reforming Auckland local governance structures.	Consulting with the Department of Internal Affairs.
July 2009 Tax Bill	This bill was introduced in late July.	Move through parliamentary process by December 2009.