NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

Submission of the New Zealand Council of Trade Unions Te Kauae Kaimahi

to the

Inland Revenue Department

on the

Proposals to strengthen New Zealand's rules for taxing large multinationals (BEPS)

P O Box 6645
Wellington
18 April 2017

1.1. This submission is made on behalf of the 30 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.

1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.

1.3. Thank you for the opportunity to comment on the three discussion papers on "Base erosion and profit shifting" (BEPS):[1]

- BEPS – Transfer pricing and permanent establishment avoidance
- BEPS – Strengthening our interest limitation rules
- New Zealand's implementation of the multilateral convention to implement tax treaty related measures to prevent BEPS.

1.4. We have read these and support their general directions. We make this brief submission in order to indicate our ongoing interest in these matters and our wish to be consulted as this area of policy progresses.

1.5. The loss of revenue from tax avoidance and evasion has a direct impact on our members in loss of revenue for public services which we value, and in higher taxes than otherwise necessary on working people.

1.6. One area is of special concern: the avoidance of tax by multinational internet-based corporations such as Google and Facebook puts local carriers of advertising such as newspapers and broadcast television and radio at a competitive disadvantage. The business model of conventional news media is already severely weakened by changes in technology brought largely through the internet and other forms of digital media and communications. The advertising revenue on which the conventional media depend is undermined by these new technologies, which they are struggling to respond to. It makes it even more difficult if their competition can lower their costs by avoiding paying tax on their activities.

[1] http://taxpolicy.ird.govt.nz/consultation

1.7. This is a matter of public interest: the conventional media are still the principal originators of the content on which we largely depend for reliable news, and particularly for news about New Zealand. The steady loss of capacity through lay-offs of journalists and other media staff is creating a major failure in the news media market.

1.8. There is therefore a strong public interest case to ensure that provision of advertising services and platforms is tax neutral. We are gravely disappointed that the proposals do not address the tax avoidance of Google, Facebook and others. We urge IRD to address this.

1.9. The only other matter we would like to comment on is that it would be very valuable for IRD to regularly publish summary information on the taxation of multinationals in the New Zealand. This would give the public the information that is necessary and sufficient for informed discussion of such matters and to judge whether measures such as those discussed in the present documents are effective. We urge IRD to do so.