



Cabinet Economic Growth and Infrastructure Committee

Summary

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.

First 2017 Omnibus Tax Bill: Miscellaneous Items

Portfolio	Revenue
Purpose	This paper seeks agreement to several miscellaneous amendments to tax legislation for inclusion in the next omnibus tax Bill.
Previous Consideration	On 15 June 2016, EGI made a number of decisions relating to pay period reporting and the due date for filing PAYE information [EGI-16-MIN-0136].
Summary	Amendments to tax legislation are proposed to: <ul style="list-style-type: none"> ■ Out of scope ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED]

Following further consultation with stakeholders, agreement is also sought to rescind earlier decisions relating to pay period reporting and the due date for filing PAYE information. Specifically, it is proposed that:

- rather than being required to file on a pay period basis, employers should be required to provide PAYE information on a payday basis;
- the due date for PAYE information above the electronic filing threshold for payroll intermediaries and for employers using payroll software should be the second working day, rather than the first day, after payday.

Out of scope

Regulatory Impact Analysis

Two Regulatory Impact Statements (RIS) are attached. Inland Revenue considers that both RISs meet the quality assurance criteria.

Baseline Implications

Out of scope

The other proposals are expected to be fiscally neutral.

Legislative Implications

Changes will be required to the Income Tax Act 2007, the Tax Administration Act 1994, and the Goods and Services Tax Act 1985.

Timing Issues

The next omnibus taxation Bill is scheduled for introduction in early 2017. The proposed changes will take effect from 1 April 2017 or 1 April 2018.

Announcement

The Minister of Revenue will mention the PAYE administration changes at the New Zealand Payroll Practitioners Association in early November 2016.

The Minister will make an announcement when the Bill is introduced. A commentary on the Bill will be released at that time, and Inland Revenue will publish details on its website once the Bill is enacted.

Proactive Release

None.

Consultation

Paper prepared by Inland Revenue. Out of scope Treasury were consulted.

The Minister of Revenue indicates that discussion is not required with the government caucus, or with other parties represented in Parliament.

The Minister of Revenue recommends that the Committee:**Proposed amendments to tax legislation**

Out of scope



Out of scope



[REDACTED]



[REDACTED]



[REDACTED]

Out of scope



Pay period reporting and due date for filing PAYE information

7 note that on 15 June 2016, the Cabinet Economic Growth and Infrastructure Committee:

- 7.1 agreed that all employers be required to provide PAYE information on a pay period basis, with a minimum pay period of once a week, as follows:
 - 7.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, be required to submit that information digitally on the day following the payday;
 - 7.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 7.2 agreed that payroll software include the requirement that PAYE information is provided on the day following payday;

[EGI-16-MIN-0136, paragraphs 3 and 5.1]

8 agree to recommend that Cabinet rescind the decisions referred to in paragraph 7 above; and instead

- 8.1 agree that all employers be required to provide PAYE information on a payday basis, as follows:

- 8.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, are required to submit that information digitally by the second working day following the payday;
 - 8.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 8.2 agree that payroll specifications include the requirement that PAYE information is provided by the second working day following payday;

Financial implications

Out of scope



- 10 note that the other changes proposed in the paper under EGI-16-SUB-0297 do not have a fiscal effect;

Legislative implications

- 11 agree to include the above proposals in the next omnibus taxation Bill, which is scheduled for introduction in early 2017;
- 12 invite the Minister of Revenue to issue drafting instructions to Inland Revenue to draft the necessary amendments to give effect to the above paragraphs.

Janine Harvey
Committee Secretary

Hard-copy distribution:

Cabinet Economic Growth and Infrastructure Committee
Deputy Chief Executive, Policy, DPMC
Melleny Black, PAG, DPMC
Minister of Foreign Affairs

In confidence
Office of the Minister of Revenue

Chair
Cabinet Economic Growth and Infrastructure Committee

MISCELLANEOUS ITEMS FOR INCLUSION IN THE FIRST 2017 OMNIBUS TAXATION BILL

Proposal

1 This paper seeks the Cabinet Economic Growth and Infrastructure Committee's agreement to several miscellaneous measures that require changes to tax legislation.

2 Earlier decisions by Cabinet [CAB-16-MIN-0283 refers] relating to pay period reporting and the due date for filing PAYE information should be rescinded and replaced.

3 If approved, I propose including the necessary legislative amendments in the next omnibus taxation bill, scheduled for introduction in early 2017.

Executive summary

Out of scope



6 Following further consultation by Inland Revenue with stakeholders on its Business Transformation programme (*Better administration of PAYE and GST*), I am also recommending that earlier decisions by Cabinet [CAB-16-MIN-0283 refers] in June relating to pay period reporting and the due date for filing PAYE information be rescinded and replaced:

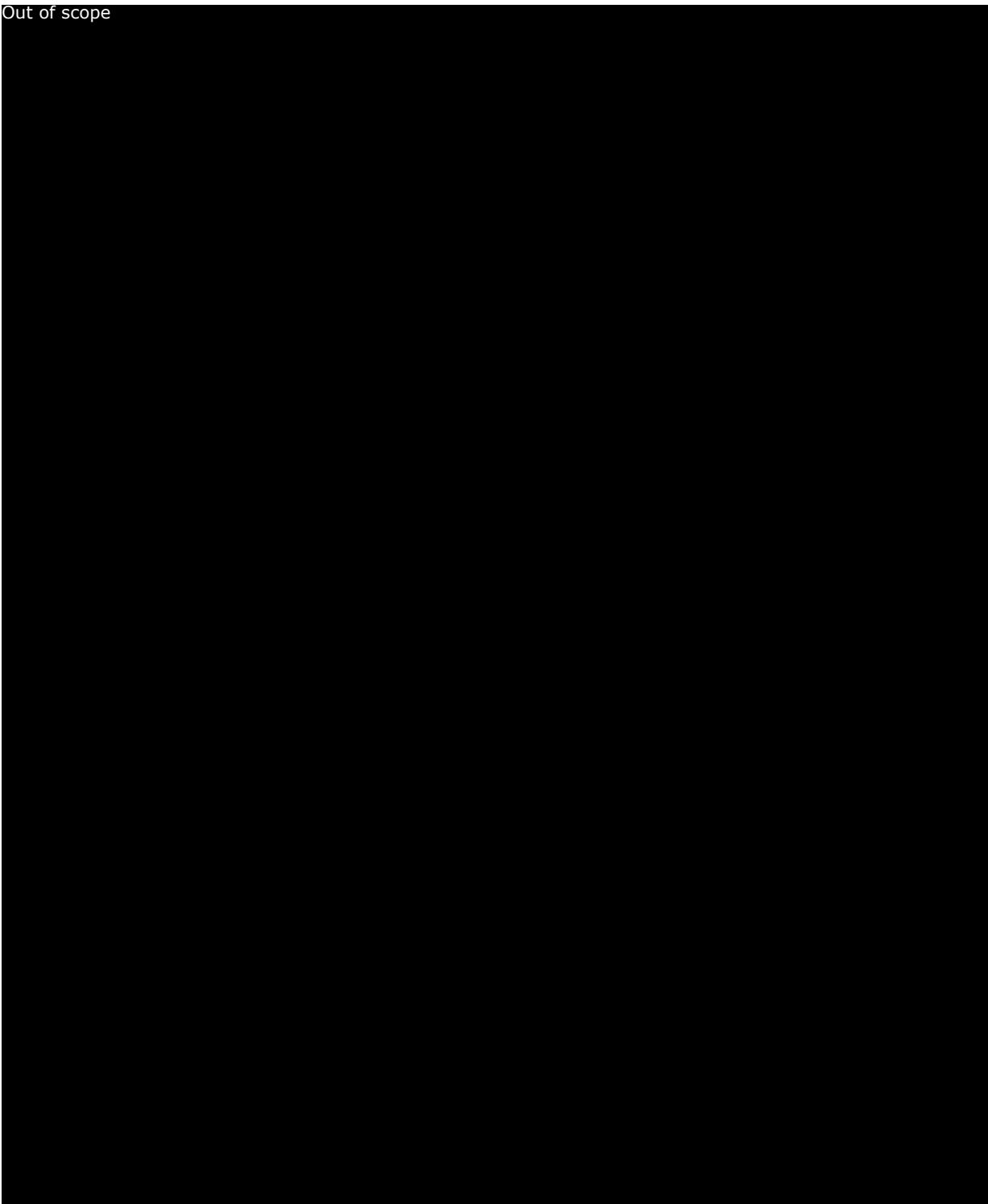
- Rather than being required to file on a pay period basis, employers should be required to provide PAYE information on a payday basis.

- The due date for PAYE information employers above the electronic filing threshold, for payroll intermediaries and for employers using payroll software should be the second working day, rather than the first day, after payday.

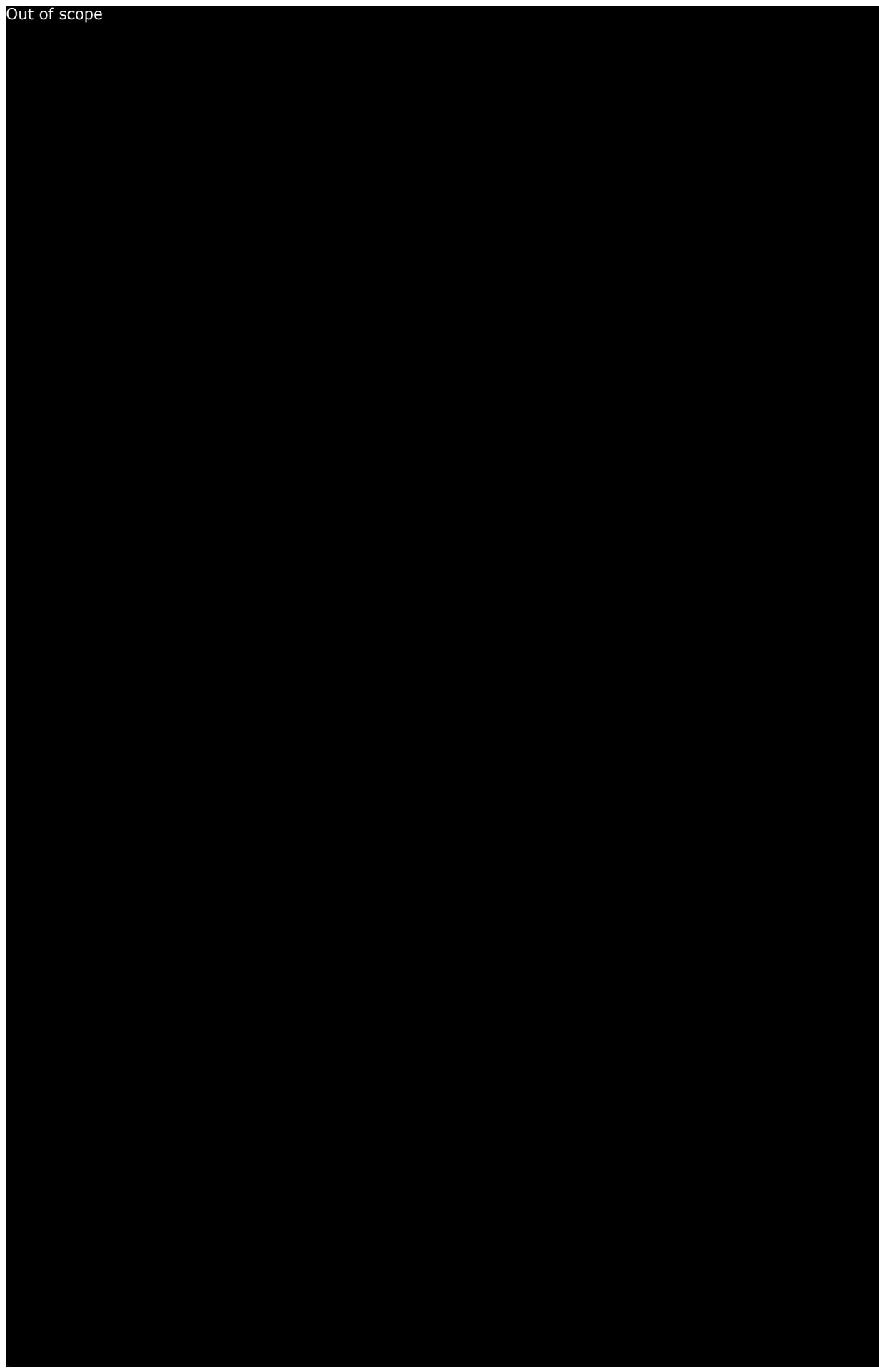
7 These changes to the PAYE rules should allow for better integration with payroll software and should improve the accuracy of the information sent to Inland Revenue. Amendments to the Tax Administration Act 1994 are necessary to implement this change.

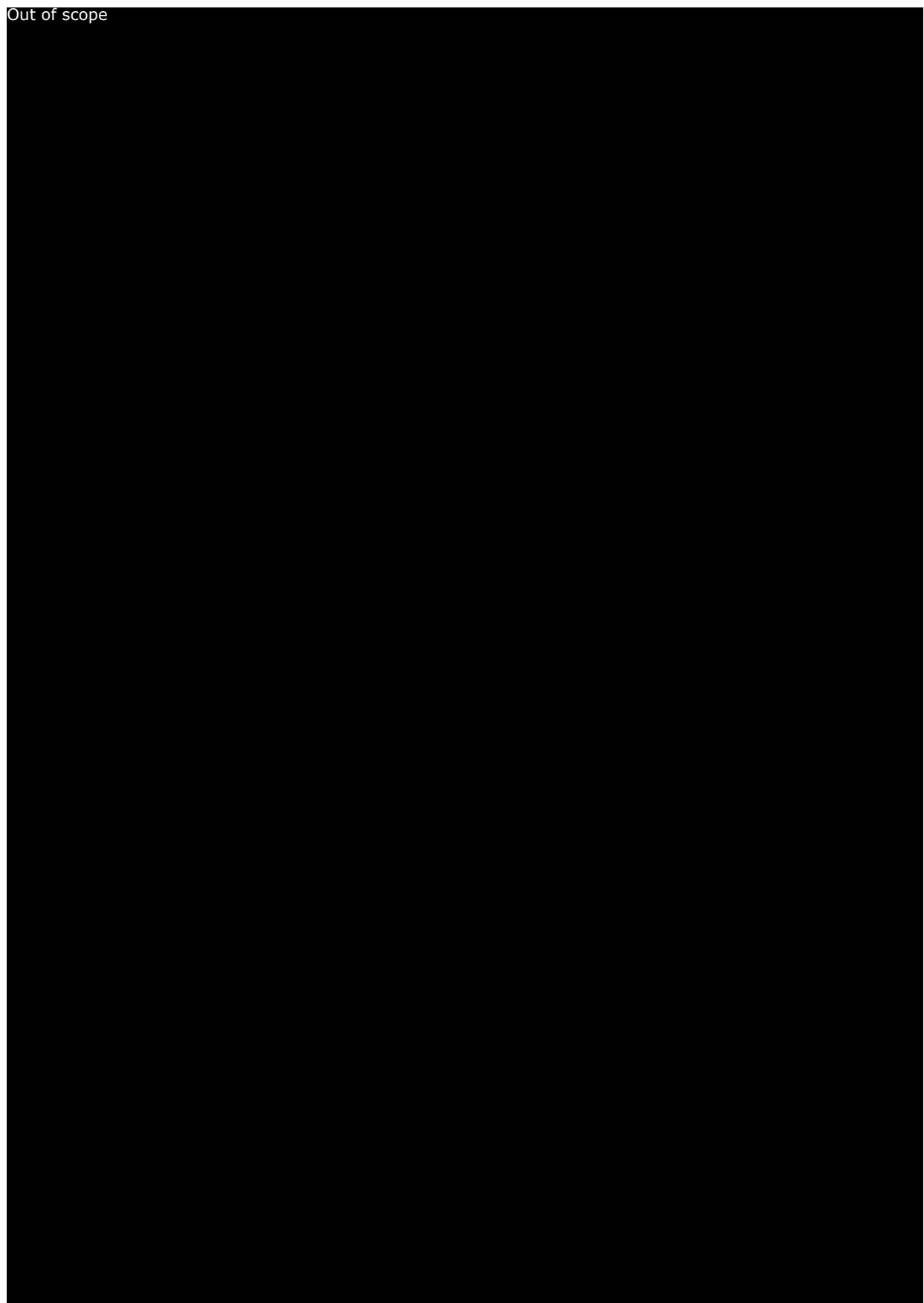
8 I recommend these miscellaneous changes to tax legislation be included in an omnibus taxation bill, scheduled for introduction in early 2017.

Out of scope

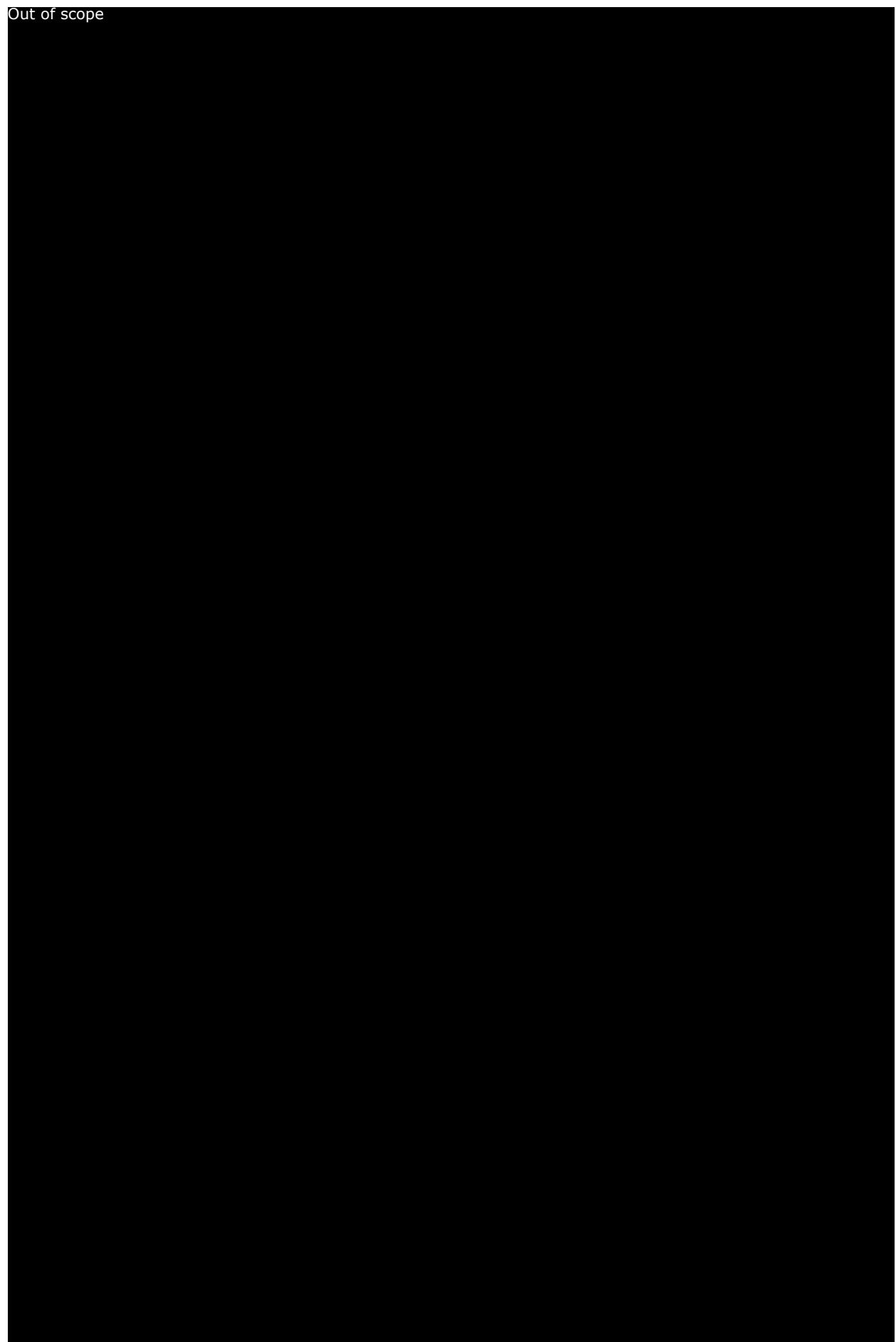


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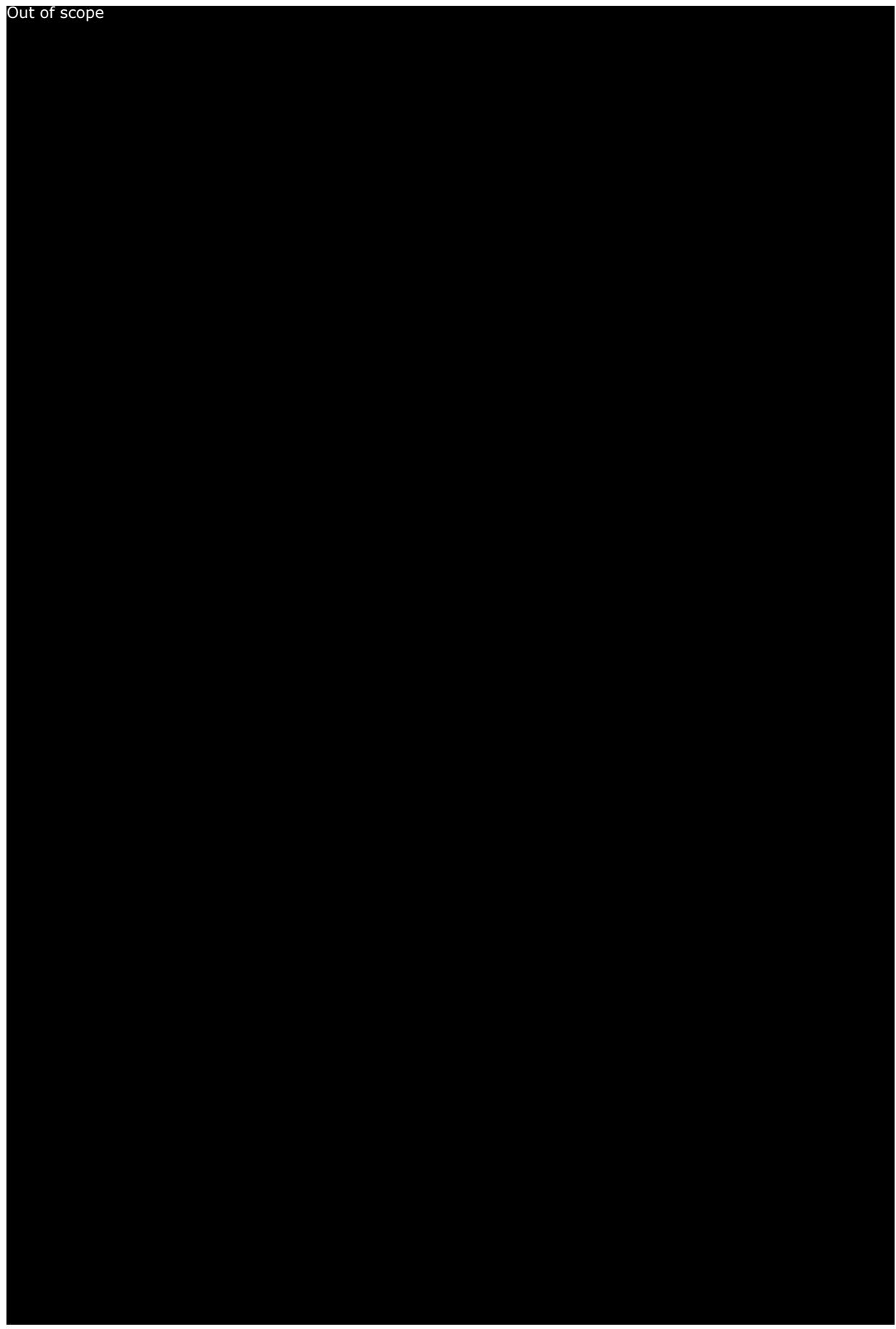




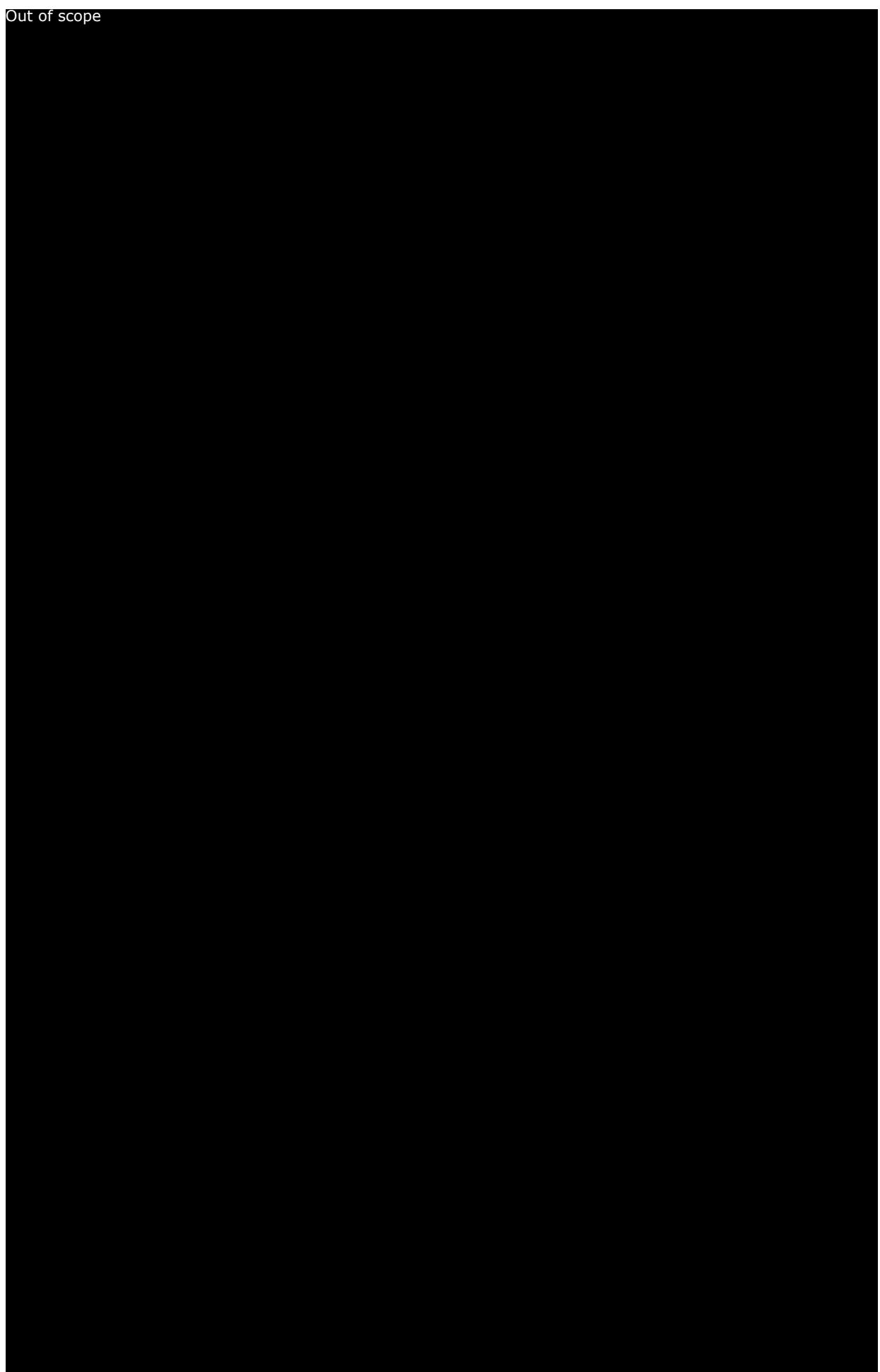
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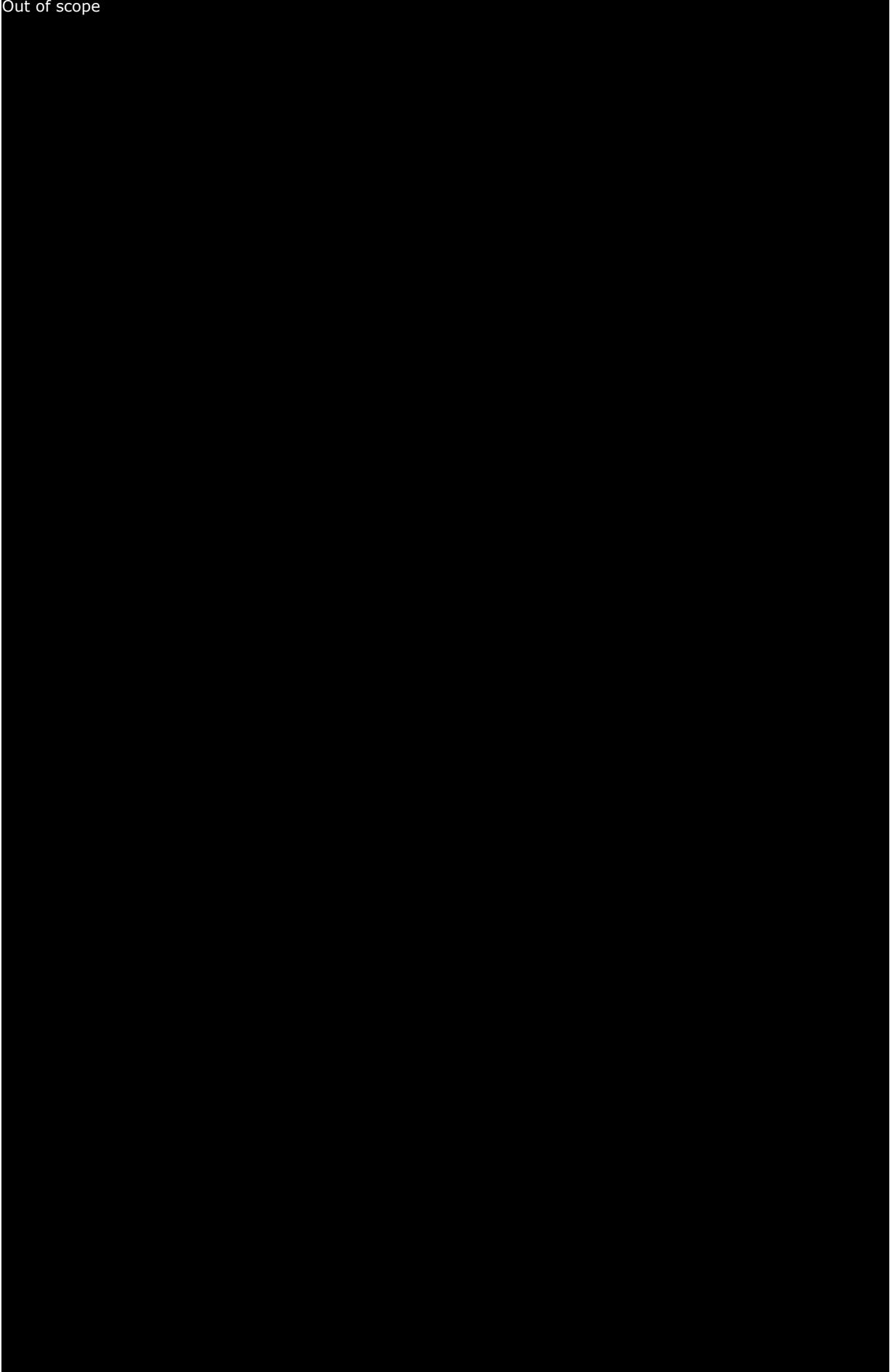
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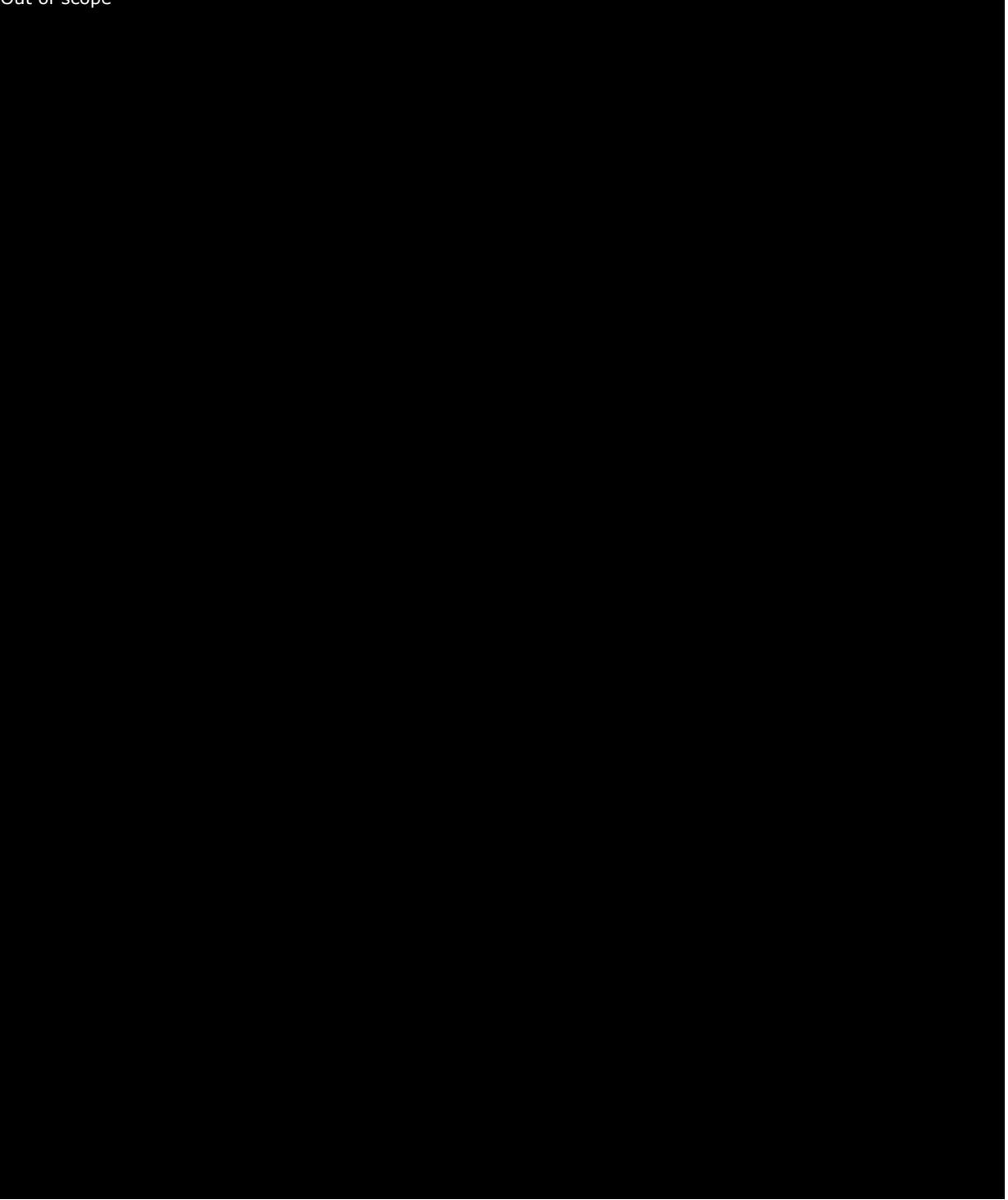
Out of scope



Out of scope



Out of scope



Better Administration of PAYE and GST

63 In June 2016, Cabinet approved a number of decisions arising out of the Inland Revenue's Business Transformation project *Making Tax Simpler - Better Administration of PAYE and GST*. The decisions were made by the Cabinet Economic Growth and Infrastructure Committee on 15 June 2016 [EGI -16-Min-0136 and CAB-16-MIN-0283].

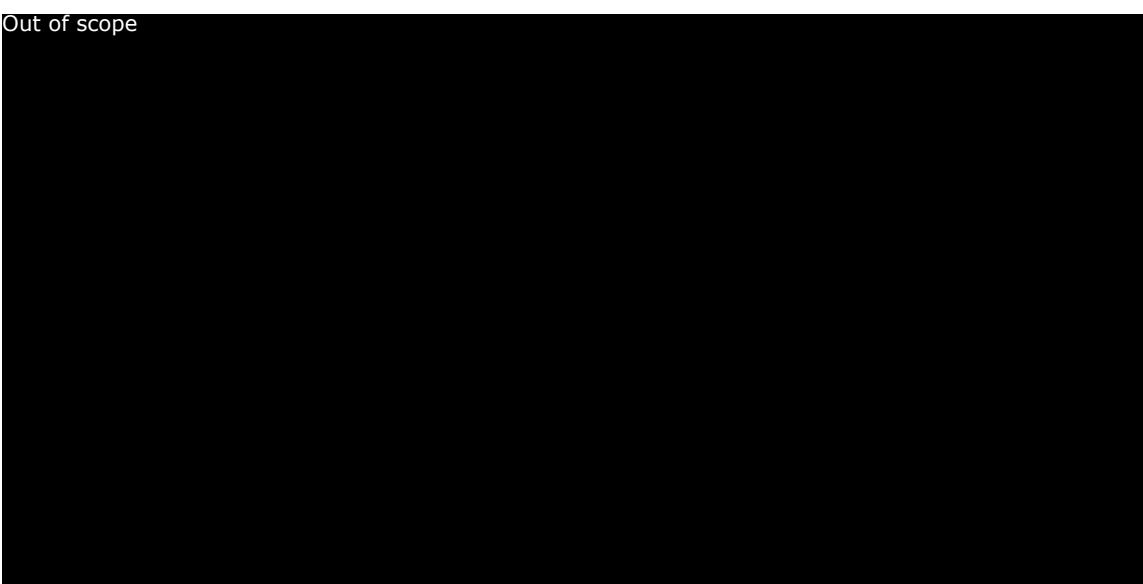
64 Following further consultation by Inland Revenue with stakeholders, I am now recommending the changes below:

- I recommend that the requirement that employers provide PAYE information on a pay period basis with a minimum period of a week, should be rescinded and replaced with a requirement that employers provide such information on a payday basis. Large employers frequently do ‘ad-hoc pays’ and the proposed change would require information from these payments to be provided at the time the payment was made rather than being held over and included with the next regular payroll. The recommended change would eliminate a minimum reporting period, allow for better integration with payroll software, and simplify the process of reconciling PAYE information and payments. It may be necessary to make special arrangements for some taxpayers who pay on a daily basis such as the Ministry of Social Development; such variation is permissible under current law.
- I further recommended that the due date for PAYE information, from payroll intermediaries, employers at or above the electronic filing threshold and employers using payroll software, should be changed from one day following payday to the second working day following payday. This change would better allow employers and payroll intermediaries with complex payrolls to update their payroll systems for errors and adjustments arising from the pay and as a consequence would improve the accuracy of the information sent to Inland Revenue. It is not considered necessary to change the filing due date for employers below the electronic filing threshold and not using payroll software as these employers are unlikely to deal with complex payrolls.

65 The effect of these changes to the PAYE rules should reduce compliance costs on employers and PAYE intermediaries as the timing of the requirement better integrates with payroll software and should improve the accuracy of the information sent to Inland Revenue.

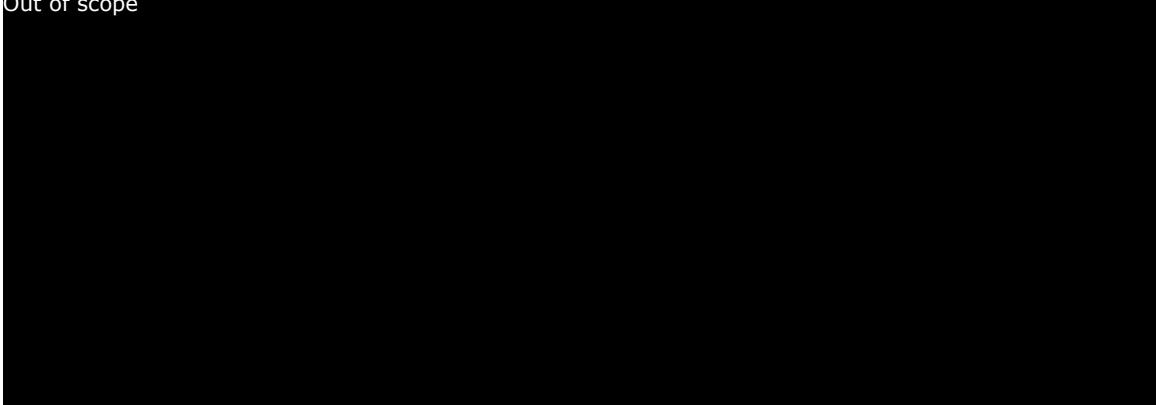
Consultation

66 The Treasury was consulted on the proposed changes recommended in this paper.



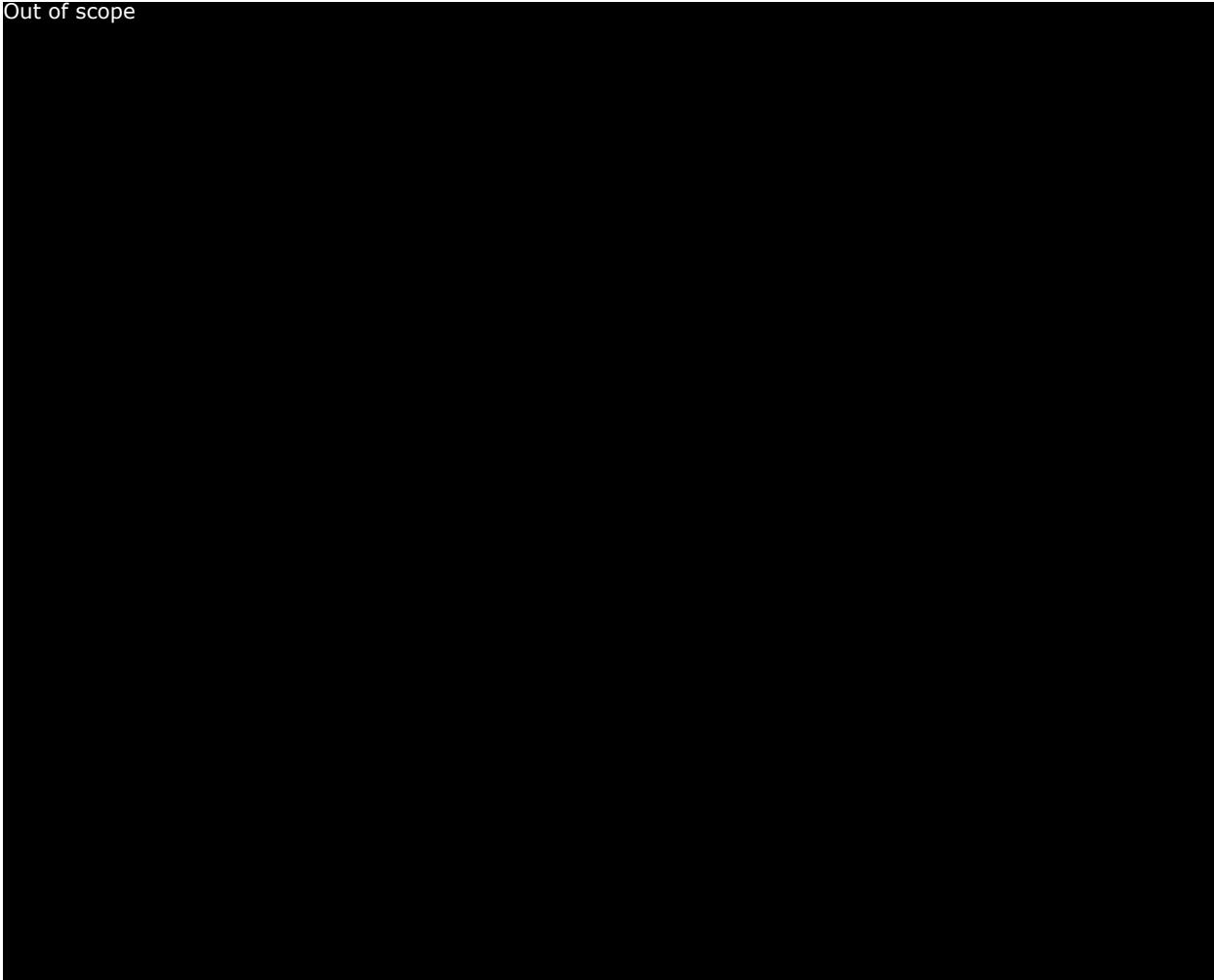
Out of scope

Out of scope



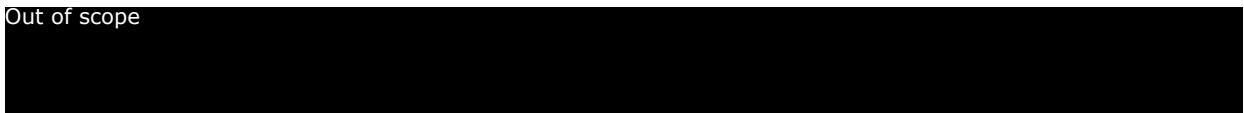
Financial implications

Out of scope



Compliance cost implications

Out of scope



Administrative cost implications

71 No material administration impacts arise from the measures I am recommending in this paper. Apart from my recommendation to change the timing when PAYE information is provided to Inland Revenue by employers and PAYE intermediaries, the measures for inclusion in the first taxation bill for 2017 do not impact on Inland Revenue's Business Transformation programme.

Out of scope



Economic impacts

72 The measures I am recommending in this paper are intended to improve the efficiency of tax legislation by reducing compliance and administration costs. No other economic impacts, apart from those already mentioned in this paper, have been identified.

Human rights

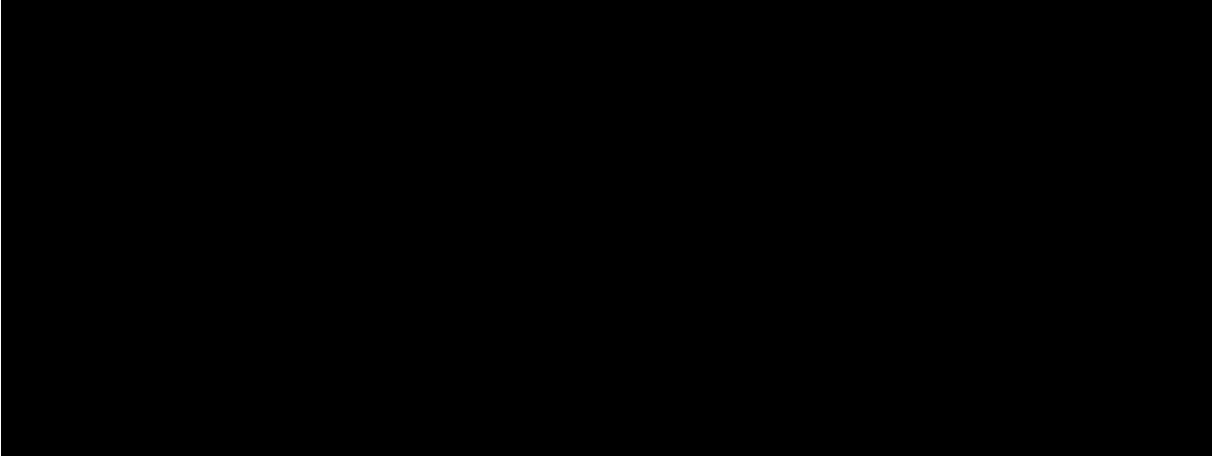
73 The changes I am recommending in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative implications

74 Implementing the changes in this paper requires changes to the Income Tax Act 2007, the Tax Administration Act 1994 and the Goods and Services Tax Act 1985. I recommend that the necessary amendments be included in the next omnibus taxation bill, which is scheduled for introduction in early 2017.

Regulatory impact analysis

Out of scope



78 The remaining policy items recommended in this paper do not require a RIS. The changes are either machinery in nature or do not have material impacts.

Publicity

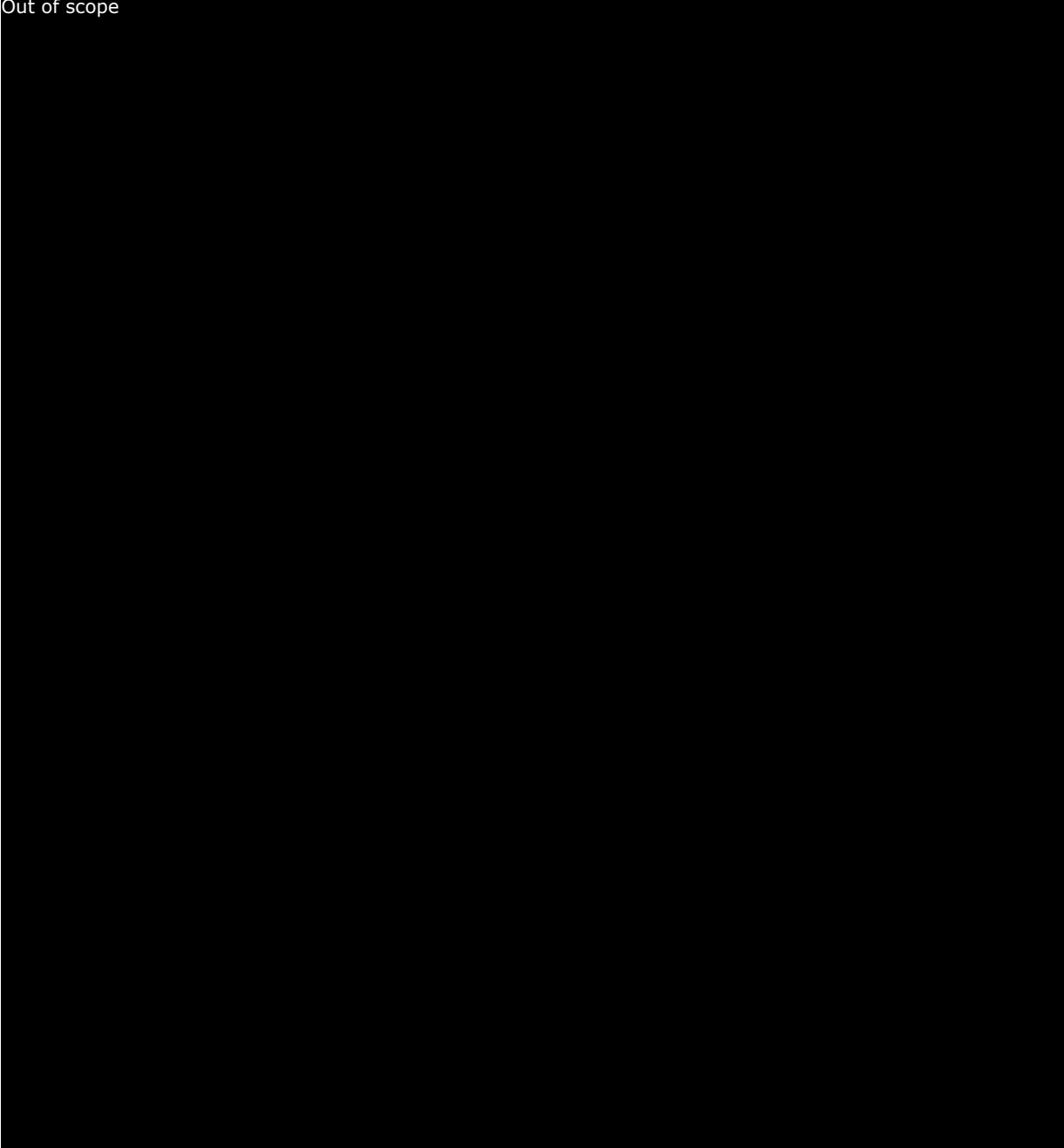
79 I propose to mention the changes to the administration of PAYE at the New Zealand Payroll Practitioners Association in early November 2016.

80 I will make an announcement on the contents of the proposed omnibus taxation bill for early 2017 when it is introduced in the House. A *Commentary* on the bill explaining the changes recommended in this paper will be released at the same time. Inland Revenue will publish details of the new legislation in its *Tax Information Bulletin* series once the bill is enacted.

Recommendations

81 I recommend that the Cabinet Economic Growth and Infrastructure Committee:

Out of scope



11. Rescind recommendations 3 and 5.1 of EGI -16-Min-0136 [CAB-16-MIN-0283]:

- 3. *agreed that all employers be required to provide PAYE information on a pay period basis, with a minimum pay period of once a week, as follows:*
 - 3.1. *payroll intermediaries, employers at or above a threshold, and those employers using payroll software, be required to submit that information digitally on the day following the payday;*
 - 3.2. *employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;*
- 5. *agreed that payroll software specifications include the following:*

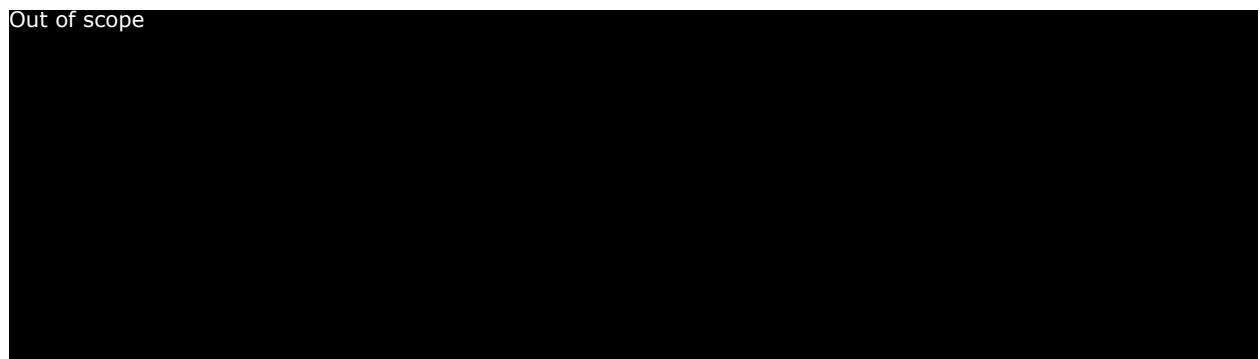
5.1 the requirement that PAYE information is provided on the day following payday.

12. Replace recommendations 3 and 5.1 of EGI -16-Min-0136 [CAB-16-MIN-0283] with:

- 3. *agree that all employers be required to provide PAYE information on a payday basis, as follows:*
 - 3.1. *payroll intermediaries, employers at or above a threshold, and those employers using payroll software, are required to submit that information digitally by the second working day following the payday;*
 - 3.2. *employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;*
- 5. *agree that payroll specifications include the following:*

5.1. the requirement that PAYE information is provided by the second working day following payday.

Out of scope



14. Note that the other changes recommended in this paper do not have a fiscal effect.

- 15. Agree** that legislation to give effect to the changes recommended in this paper be included in the next omnibus taxation bill, which is scheduled for introduction in early 2017.
- 16. Invite** the Minister of Revenue to instruct Inland Revenue to draft the necessary amendments to give effect to the changes recommended in this paper.

Authorised for lodgement

Hon Michael Woodhouse
Minister of Revenue

____ / ____ / 2016

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

- The regulatory impact statements are available at
<http://taxpolicy.ird.govt.nz/publications/2017-ris-areiirm-bill/overview>



Cabinet Economic Growth and Infrastructure Committee

Minute of Decision

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First 2017 Omnibus Tax Bill: Miscellaneous Items

Portfolio Revenue

On 2 November 2016, the Cabinet Economic Growth and Infrastructure Committee (EGI):

Proposed amendments to tax legislation

Out of scope

Out of scope

Pay period reporting and due date for filing PAYE information

7 noted that on 15 June 2016, EGI:

- 7.1 agreed that all employers be required to provide PAYE information on a pay period basis, with a minimum pay period of once a week, as follows:
 - 7.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, be required to submit that information digitally on the day following the payday;
 - 7.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 7.2 agreed that payroll software include the requirement that PAYE information is provided on the day following payday;

[EGI-16-MIN-0136, paragraphs 3 and 5.1]

8 agreed to recommend that Cabinet rescind the decisions referred to in paragraph 7 above; and instead

- 8.1 agree that all employers be required to provide PAYE information on a payday basis, as follows:
 - 8.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, are required to submit that information digitally by the second working day following the payday;
 - 8.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 8.2 agree that payroll specifications include the requirement that PAYE information is provided by the second working day following payday;

Financial implications

Out of scope

10 **noted** that the other changes proposed in the paper under EGI-16-SUB-0297 do not have a fiscal effect;

Legislative implications

11 **agreed** to include the above proposals in the next omnibus taxation Bill, which is scheduled for introduction in early 2017;

12 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to draft the necessary amendments to give effect to the above paragraphs.

Janine Harvey
Committee Secretary

Present:

Hon Bill English (Chair)
Hon Steven Joyce
Hon Amy Adams
Hon Simon Bridges
Hon Dr Nick Smith
Hon Nathan Guy
Hon Michael Woodhouse
Hon Maggie Barry
Hon Craig Foss
Hon Nicky Wagner
Hon Louise Upston
Hon Paul Goldsmith

Officials present from:

Officials Committee for EGI

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Cabinet Economic Growth and Infrastructure Committee
Melleny Black, PAG, DPMC
Minister of Foreign Affairs
Legislation Coordinator



Cabinet

Minute of Decision

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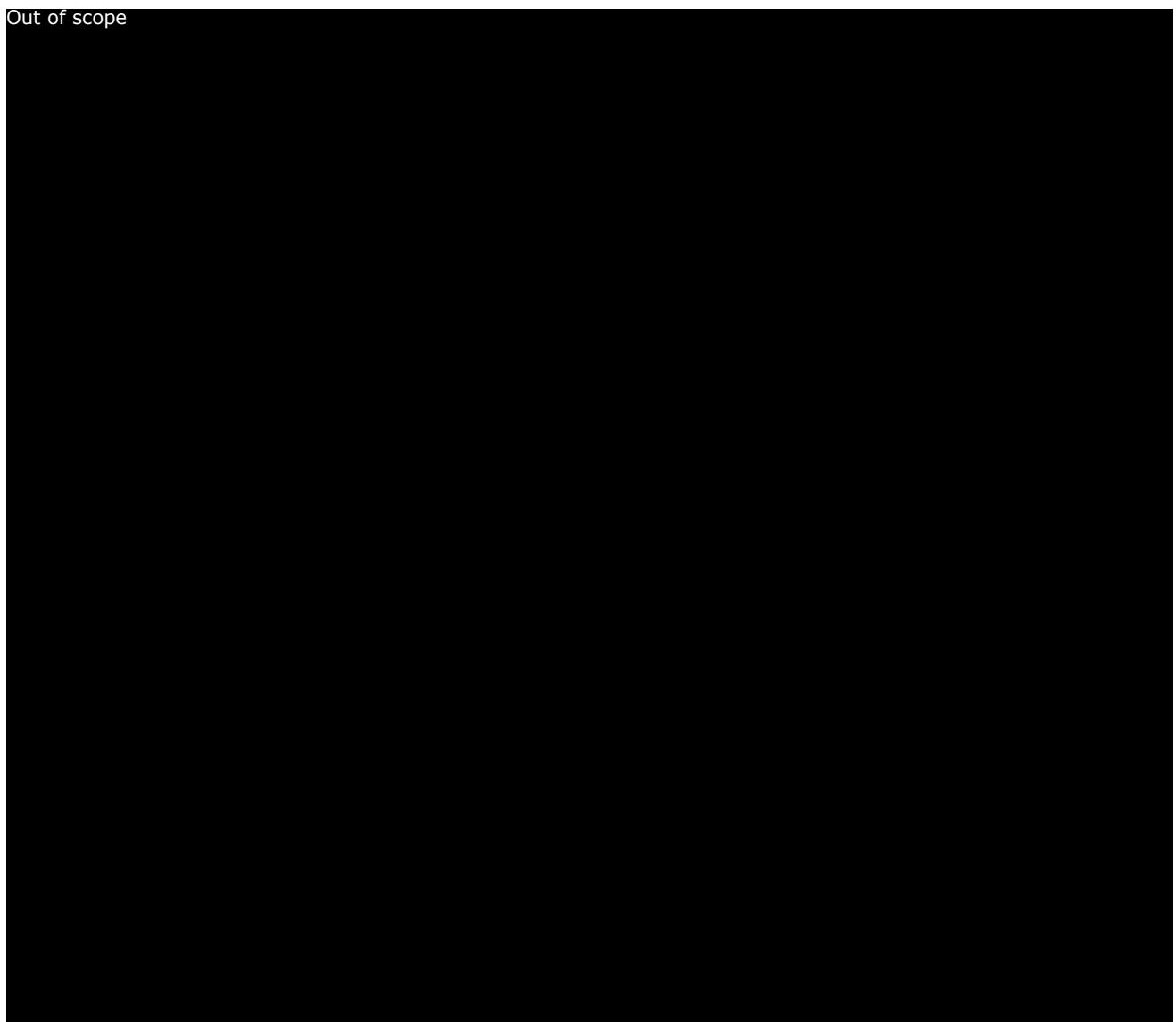
First 2017 Omnibus Tax Bill: Miscellaneous Items

Portfolio Revenue

On 7 November 2016, following reference from the Cabinet Economic Growth and Infrastructure Committee (EGI), Cabinet:

Proposed amendments to tax legislation

Out of scope



Out of scope

Pay period reporting and due date for filing PAYE information

7 **noted** that on 15 June 2016, EGI:

- 7.1 agreed that all employers be required to provide PAYE information on a pay period basis, with a minimum pay period of once a week, as follows:
 - 7.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, be required to submit that information digitally on the day following the payday;
 - 7.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 7.2 agreed that payroll software include the requirement that PAYE information is provided on the day following payday;

[EGI-16-MIN-0136, paragraphs 3 and 5.1]

8 **rescinded** the decisions referred to in paragraph 7 above; and instead

- 8.1 **agreed** that all employers be required to provide PAYE information on a payday basis, as follows:
 - 8.1.1 payroll intermediaries, employers at or above a threshold, and those employers using payroll software, are required to submit that information digitally by the second working day following the payday;
 - 8.1.2 employers below that threshold not using payroll software, and employers unable to access digital services, be required to submit that information by the 7th working day following the payday;
- 8.2 **agreed** that payroll specifications include the requirement that PAYE information is provided by the second working day following payday;

Financial implications

Out of scope

10 **noted** that the other changes proposed in the paper under EGI-16-SUB-0297 do not have a fiscal effect;

Legislative implications

11 **agreed** to include the above proposals in the next omnibus taxation Bill, which is scheduled for introduction in early 2017;

12 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to draft the necessary amendments to give effect to the above proposals.

Michael Webster
Secretary of the Cabinet

***Secretary's Note:** This minute replaces EGI-16-MIN-0297. Cabinet agreed to a recommendation from EGI to rescind an earlier Cabinet decision (paragraph 7).*

Hard-copy distribution:

Prime Minister
Minister of Finance
Minister of Energy and Resources
Minister of Foreign Affairs
Minister of Revenue
Minister for the Community and Voluntary Sector