



Tax policy report: Tax policy work programme refresh – options on possible packages

Date:	17 May 2019	Priority:	Medium
Security level:	In Confidence	Report number:	IR2019/277 T2019/1464

Action sought

	Action sought	Deadline
Minister of Finance	Agree to recommendations	24 May 2019
Minister of Revenue	Agree to recommendations	24 May 2019

Contact for telephone discussion (if required)

Name	Position	Telephone
Emma Grigg	Policy Director, Inland Revenue	s 9(2)(a)
Mark Vink	Manager, Tax Strategy, The Treasury	

17 May 2019

Minister of Finance
Minister of Revenue

Tax policy work programme refresh – options on possible packages

Purpose and background

1. At the joint-Ministers' meeting on 13 May 2019, you indicated that you were interested in advancing certain items on the refreshed tax policy work programme (TPWP) particularly around land, businesses and small businesses.
2. Given the time it takes to implement policy changes, we would like to check in with you on what your expectations are for implementing changes in these areas by 2020. This report therefore outlines the possible deliverables in the areas of land, businesses and small businesses over the next 12-months, and provides examples of the items that could be considered under each area. We are interested in your views on our proposed approach, including the proposed deliverables and timing under each of the packages.

Potential packages of work to be progressed within the next 12 months


3. In our last discussion, we outlined some overarching objectives for the refreshed TPWP and the possible items which could be included that would contribute to or support these objectives. While you were broadly comfortable with this general approach, it was accepted that there is fluidity between the objectives and certain items of work may cross-over several objectives. Further, while the TPWP is set for 18-months, you were interested in progressing certain items of work (particularly the high priority items indicated in your Tax Working Group (TWG) response) on a faster track.
4. This has led us to consider another way of organising the work programme, which is to consider items as part of focused packages of work. We consider that the overarching objectives of the refreshed TPWP would remain, however, the packages proposed recognise that several items of work would contribute to or support multiple objectives.
5. Based on our discussion with you, we have packaged items up into the following key areas:

Land

6. You have indicated that you are interested in progressing a package of work on land. We consider that a focused programme of work is possible in the short-term which would cover recommendations by the TWG around:
 - Reviewing the current rules relating to speculators, land banking and vacant land (noting this could include work already underway by the Productivity Commission); and
 - Any issues around enforcement of the current rules including whether we can do anything more operationally.
7. We do not think we would be able to conduct a wider review of the land rules in the next 12 months, especially if Ministers are interested in enacting legislation. Any consultation document could, however, flag any potential issues that may warrant


further consideration in the longer term. If Ministers are comfortable with this approach, we propose the following timeline:

s 9(2)(f)(iv)




Separate packages for businesses and small businesses


8. You were also interested in a potential package for businesses and small businesses. These packages would include a mix of integrity measures as well as items which have fiscal costs. In the first instance, we consider that further scoping work is required to determine what is included in these packages. This will involve talking to stakeholders to ensure the right mix of items are included – for example, any business-friendly initiatives we are considering should not only be ones that the business community see value in us progressing but should also contribute to enhancing economic performance. s 9(2)(f)(iv)



9. s 9(2)(f)(iv)




10. s 9(2)(f)(iv)



11. A summary of our proposed approach is as follows:

s 9(2)(f)(iv)



Other packages of work to be progressed over the 18-month TPWP period

12. We consider that the remainder of the work programme (and our resources) would be committed to the following packages of work:

- Infrastructure
- Information collection

- Environment
 - Government response to WEAG recommendations
 - Tax exemptions
 - Charities
 - General maintenance and remedial matters
 - Business Transformation
13. The attached table provides Ministers with further details of the possible packages of work and the approximate timing of deliverables. We note that the list of possible items for inclusion under each package is not comprehensive, but rather is intended to provide Ministers with a general sense of what could be included.

Next steps

14. We are currently undertaking a prioritisation exercise of all the items for potential inclusion in the refreshed TPWP. We will provide you with a detailed draft work programme, taking into account any comments you may have on this report, in time for a discussion at the joint ministers' meeting on 11 June.
15. Following Ministers' approval of the refreshed work programme, we will prepare a Cabinet paper for Cabinet's noting in July. Ministers can announce the refreshed work programme following Cabinet consideration. We will discuss with you closer to the time options for announcing the TPWP.

Recommendations

We recommend that you:

- (a) **Indicate** your preferences on the proposed packages for the next work programme in the following table:

	Minister of Finance	Minister of Revenue
(1) Agree to a focused package in relation land s 9(2)(f)(iv) [Redacted]	Agreed Not agreed	Agreed Not agreed
(2) Agree to officials developing a package for businesses s 9(2)(f)(iv) [Redacted]	Agreed Not agreed	Agreed Not agreed
(3) Agree to the general approach proposed for the remaining packages as outlined in the report	Agreed Not agreed	Agreed Not agreed
(4) Note that officials will provide you with a detailed draft of the refreshed tax policy work programme in time for discussion on 11 June	Noted	Noted

Mark Vink
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Emma Grigg
Policy Director
Policy and Strategy, Inland Revenue

Hon Grant Robertson
Minister of Finance
/ /2019

Hon Stuart Nash
Minister of Revenue
/ /2019

Proposed packages	Land	Business	Small Business	Other possible remaining packages for consideration
Proposed product(s) and timing	s 9(2)(f)(iv)			<p>Infrastructure s 9(2)(f)(iv) Report would consider how or if tax could facilitate or contribute to the Government’s wider agenda for infrastructure and include:</p> <ul style="list-style-type: none"> Working with other agencies to understand wider issues, including current issues Inland Revenue is involved in such as the infrastructure levy Understanding overseas experience
Examples of possible items that could be considered for inclusion	<ul style="list-style-type: none"> Speculators Land banking and vacant land (noting Productivity Commission work) Enforcement of current rules 	<p>TWG recommendations including:</p> <ul style="list-style-type: none"> Seismic strengthening Loss carry forwards when ownership changes Feasibility expenditure and blackhole expenditure <p>Items already underway such as:</p> <ul style="list-style-type: none"> R & D Digital economy International frameworks Purchase price allocation Cross-border employment 	<p>TWG recommendations including:</p> <ul style="list-style-type: none"> Closely-held company issues Compliance and enforcement issues Simplifying FBT Tax disputes for small taxpayers <p>Items already underway such as:</p> <ul style="list-style-type: none"> Tax compliance for self-employed (accounts payable reporting) Considering issues around the sharing economy/platforms AIM review 	<p>Environment Removing petroleum mining concessions – s 9(2)(f)(iv) Non-resident oil-rig exemption – proposed SOP to current tax bill, completed by June 2019 Other TWG recommendations relating to environment – s 9(2)(f)(iv)</p> <p>Government response to WEAG Likely Cabinet decisions on future work programme – s 9(2)(f)(iv) Potential initiatives - s 9(2)(f)(iv)</p> <ul style="list-style-type: none"> This involves cross-agency work Includes workstream on income adequacy Includes child support pass on <p>Tax exemptions Report to Ministers – s 9(2)(f)(iv) Report would include wider discussion on competitive neutrality and consider a framework for when it is appropriate to provide tax exempt status to certain entities.</p> <p>General maintenance and remedial A range of items to be included in omnibus tax bills - s 9(2)(f)(iv) Examples of items include:</p> <ul style="list-style-type: none"> GST issues canvassed in GST discussion document BEPS remedials Review of donee status applications General maintenance and remedial work as issues arise, this includes cross-agency matters and non-discretionary work Longer term work on challenges and opportunities, for example, progressivity of the tax and transfer system and economic effects of personal taxation <p>Charities Report to Ministers – s 9(2)(f)(iv) Report would cover:</p> <ul style="list-style-type: none"> the outcome of DIA review, in particular accumulation of assets Charity and not-for-profit issues Cross-agency work across the system <p>Business Transformation (BT) Changes identified in next 2 releases of BT – will be included in relevant omnibus tax bill where necessary This area of work would provide ongoing support to the BT programme. Changes that will be considered in the next 2 releases include: KiwiSaver, Student Loans, child support and possible simplification of PIE rates. This area would also consider further opportunities to leverage benefits from BT.</p>