



**Tax policy report: Final details of the refreshed Tax Policy Work Programme 2019-20**

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|------------------------|---------------|-----------------------|--------------------------|
| <b>Date:</b>           | 6 June 2019   | <b>Priority:</b>      | Medium                   |
| <b>Security level:</b> | In Confidence | <b>Report number:</b> | IR2019/306<br>T2019/1661 |

**Action sought**

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|                     | <b>Action sought</b>  | <b>Deadline</b> |
|---------------------|---|-----------------|
| Minister of Finance | <b>Discuss</b> report at meeting on 11 June 2019.<br><b>Agree</b> to recommendations. | 11 June 2019    |
| Minister of Revenue | <b>Discuss</b> report at meeting on 11 June 2019.<br><b>Agree</b> to recommendations. | 11 June 2019    |

**Contact for telephone discussion (if required)**

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| <b>Name</b> | <b>Position</b>                     | <b>Telephone</b> |
|-------------|-------------------------------------|------------------|
| Emma Grigg  | Policy Director, Inland Revenue     | s 9(2)(a)        |
| Mark Vink   | Manager, Tax Strategy, The Treasury |                  |

6 June 2019

Minister of Finance  
Minister of Revenue

## **Final details of the refreshed Tax Policy Work Programme 2019-20**

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### **Executive summary**


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1. We previously reported to you on our proposed approach to refresh the Tax Policy Work Programme (TPWP). This included organising the next TPWP into key packages of work around which items for consideration could be arranged (*IR2019/255; T2019/1375, IR2019/277; T2019/1464 refers*). We understand that Ministers are comfortable with this approach. This report, which includes the details of the proposed refreshed TPWP, has been prepared on this basis.
2. This report provides you with a detailed draft of the items, and key areas of focus, that could sit within packages of work proposed for inclusion on the refreshed TPWP [attachment 3]. This report also provides a high-level picture of the TPWP, including how the TPWP sits alongside wider Government strategies and objectives [attachments 2 and 1 respectively].
3. We would like to discuss this report with you at the next joint meeting on 11 June 2019 and get your views on:
  - whether you are comfortable with the detailed draft of the next TPWP;
  - whether you would like us to develop land and business packages <sup>s 9(2)(f)(iv)</sup> [redacted]. We previously canvassed these packages in our last report to you (*IR2019/277; T2019/1464 refers*);
  - whether there is anything further you would like to include or remove from the proposed TPWP;
  - the proposed key products and deliverables under each package of work;
  - whether you are comfortable with us providing key stakeholders with further information on the detailed draft of the refreshed TPWP, in particular details on key deliverables and timing;
  - how you would like to announce the refresh of the TPWP and the overall presentation of the TPWP documents that we propose to publish alongside your announcement; and
  - whether you are comfortable with the proposed timetable for next steps.
4. Subject to your agreement, we will prepare a Cabinet paper of the final refreshed TPWP for noting at the Economic Development Cabinet Committee (DEV) meeting on 24 July 2019 (with Cabinet consideration the following week). We propose that the TPWP be published and announced following Cabinet consideration.

## Recommended action

We recommend that you:

- (a) **Discuss** this report at the joint-Ministers' meeting on 11 June 2019, and indicate your preferences on final details of the refreshed TPWP for 2019-20 in the following table:

| <b>Recommendation</b>  | <b>Minister of Finance</b>          | <b>Minister of Revenue</b>          |
|--|-------------------------------------|-------------------------------------|
| (1) <b>Agree</b> to the final details of the proposed refreshed TPWP for 2019-20 as outlined in this report and the associated attachments.                                      | Agreed /<br>Not agreed              | Agreed /<br>Not agreed              |
| (2) s 9(2)(f)(iv)<br>   | Yes / No                            | Yes / No                            |
| (3) <b>Agree</b> to officials providing key stakeholders with further information on the detailed TPWP, in particular details on the key deliverables and timings of packages.   | Agreed /<br>Not agreed              | Agreed /<br>Not agreed              |
| (4) <b>Indicate</b> whether there are any further items of work you would like us to include or remove from the proposed TPWP.   | Yes / No<br>If yes, please specify: | Yes / No<br>If yes, please specify: |
| (5) <b>Agree</b> to the proposed next steps in this report, which includes a paper for noting to the DEV Committee on Wednesday 24 July 2019 and Cabinet on Monday 29 July 2019. | Agreed /<br>Not agreed              | Agreed /<br>Not agreed              |
| (6) <b>Agree</b> to release the attachments to this report when you announce the release of the refreshed TPWP.  | Agreed /<br>Not agreed              | Agreed /<br>Not agreed              |

**Mark Vink**  
Manager  
The Treasury

**Emma Grigg**  
Policy Director  
Inland Revenue

**Hon Grant Robertson**  
Minister of Finance  
/ /2019

**Hon Stuart Nash**  
Minister of Revenue  
/ /2019

## **Prioritising items for the TPWP**

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5. Since our last discussion with you on 13 May 2019, we have undertaken an exercise to prioritise the items of work for possible inclusion in the TPWP. When considering whether to include an item of work on the next TPWP, we weighed up the following factors:
- What we already know are priority items or areas you wish to progress on the refreshed TPWP, in particular:
    - the Tax Working Group (TWG) recommendations that the Government has indicated are high priority items for consideration; and
    - Ministers' desire to advance a focused package of work around land and businesses (including small businesses).
  - Whether the item supports or contributes to wider Government objectives (including both social and economic objectives);
  - The fiscal cost of certain items of work and whether these items could be packaged together with other items of work (for example, integrity measures) to deliver a coherent package;
  - Feedback from stakeholders to date;
  - The need to ensure the TPWP contains a mix of items that are both responsive to the issues of today but also to any longer-term opportunities or challenges;
  - The resourcing required to deliver the packages of work; and
  - Whether we could phase the delivery of certain items of work or packages.

## **Details of the refreshed TPWP**

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6. As a result of this prioritisation exercise, we have prepared three documents (attached to this report) which present an overall picture of the proposed TPWP for 2019-20.

s 9(2)(f)(iv)

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

s 9(2)(f)(iv)

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

## **Attachment 3 – Details of the refreshed TPWP**

9. This attachment provides detailed descriptions of the packages which would be progressed on the next TPWP, including the key deliverables and timings for each proposed package of work.

10. Unlike previous TPWPs, we have deliberately chosen not to provide a “shopping list of items” under each package. Instead, the focus is on outlining why we are progressing with certain areas of work (having taken into account the factors outlined above).
11. This approach would allow us, where appropriate, to consult / engage with stakeholders during the policy development process to refine the specific items or initiatives that could be considered under each package. Where we have been able to, we have outlined examples of the types of items that could be included under certain packages of work.
12. Also attached to this report is a table illustrating how the TWG recommendations are reflected on the refreshed TPWP [see attachment 4].

### ***Packages for land and business***

13. In our last report to you, we outlined a possible approach for progressing packages for land and businesses. The approach for both packages is summarised on the first page of attachment 3. We are seeking confirmation from you to begin developing these packages.

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



### **Releasing details of the TPWP**

15. We would like to discuss attachments one, two and three with you. Taken together, they represent our proposal of what should be on the Government’s refreshed TPWP. Subject to your views, we consider that these attachments could be released when Ministers announce the refresh of the TPWP. s 9(2)(f)(iv)



16. Further, we seek your views on whether there are any other items of work you would like to include on the TPWP, or any items you do not wish to include. For example, is there any particular work you would like on longer-term tax issues? This work may not necessarily end up on a publicly released TPWP given it is unclear what the deliverable or timing would be at this stage. However, it can still be factored into our wider TPWP if Ministers are interested in including it.

## High-level consultation

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17. Since our last meeting, we also consulted with the following key stakeholders:
  - New Zealand Bankers' Association;
  - Corporate Taxpayers' Group (CTG);
  - Chartered Accountants Australia New Zealand (CA ANZ); and
  - Small Business Council.
18. We note that CTG provided us with a letter outlining what their members consider should be prioritised by the Government. We were also provided with a copy of a letter to the Minister of Revenue from the Small Business Council, which covered key areas of interest for that group. Finally, CA ANZ noted that the outcome of a survey of its members (on what they consider to be priority issues) will be released later in the year.
19. Our discussions with stakeholders covered the broad direction of the next TPWP, the priority areas for the Government, and the idea of the next TPWP being organised into packages of work. While discussions covered all the proposed packages of work for the next TPWP, the general focus was around the packages you had indicated you would like prioritised – that is, the packages for land and business (including small business).
20. Discussions with stakeholders went well. We outlined that the packages (particularly for business) would have to include a mix of measures which would support a productive economy and encourage growth and innovation, while at the same time recognising the need to protect the integrity of the tax base and the overall fiscal constraints. They were generally comfortable with this approach.
21. Where stakeholders had a specific interest in progressing a particular item of work, they indicated that they would provide us with further information on why that item should be prioritised over other items. For example, CA ANZ noted that they will provide us with a list of land measures they consider should be included in the review of the land rules. CTG also indicated that they would think about providing the items they would like progressed on the TPWP within the context of the Government's wider objectives, particularly around productive investment and innovation.
22. Stakeholders also told us that understanding key deliverables and the possible timing of the different packages of work on the TPWP was important to them. To this end, we would like your permission to provide key stakeholders with further information on the detailed TPWP.

## Further consultations planned

23. The consultation we have undertaken over the last few weeks is only the first step of a wider strategy for engaging with stakeholders on the packages of work we intend to deliver under the next TPWP. As mentioned above, as we begin the policy development process for each individual item or package of work, we will engage further with stakeholders. This includes, where appropriate, involving stakeholders right from the start of each project.
24. Once the TPWP is finalised, we also expect to start engaging with a wider set of stakeholders and interested parties, including other businesses, social partners, Maori/iwi and across Government. One of the groups you had asked us to talk to at our last meeting was the Prime Minister's Business Advisory Council, chaired by Mr Christopher Luxon. We have been discussing with the Minister of Finance's office

about how best to engage with this group as we advance items relating to business on the TPWP.

## Next steps

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### Timeline

25. Subject to your agreement, we will prepare a Cabinet paper for noting by DEV, which would include all the documents attached to this report.
26. The following timetable provides you with key dates which will allow you to announce and publish the next TPWP in July:

| Item                                      | Timing                               |
|---|--------------------------------------|
| TPWP discussion with joint-Ministers      | Tuesday 11 June 2019                 |
| Draft Cabinet paper to Ministers' offices | Thursday 4 July 2019                 |
| Cabinet paper lodged in CabNet            | Thursday 18 July 2019                |
| Paper to DEV for noting                   | Wednesday 24 July 2019               |
| Paper to Cabinet                          | Monday 29 July 2019                  |
| Release of TPWP                           | Any time after Cabinet consideration |

### Communications/announcing the TPWP

27. We would like to discuss with you how you would like to announce the refresh of the TPWP. In previous years, the Minister of Revenue has announced the refresh in a keynote address at a suitable tax event or conference. At the same time, we published the details of the TPWP on Inland Revenue's Tax Policy website. If you are comfortable with this approach, we will liaise with your offices to try and find a suitable opportunity for an announcement.