



Cabinet Economic Development Committee

Minute of Decision

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Global Anti-Base Erosion Tax Rules for New Zealand

Portfolios **Finance / Revenue**

On 29 March 2023, the Cabinet Economic Development Committee:

- 1 **agreed** to adopt Global Anti-base Erosion Rules (GloBE rules) for New Zealand;
- 2 **agreed** that the GloBE rules be incorporated into New Zealand law by reference to the Organisation for Economic Co-operation and Development (OECD) Model Rules, Commentary and administrative guidance;
- 3 **agreed** that amendments to the OECD Model Rules, Commentary, and administrative guidance be incorporated automatically into New Zealand law;
- 4 **agreed** that no imputation credits be provided for GloBE top-up tax;
- 5 **agreed** that GloBE top-up tax allocated to New Zealand by the Under-Taxed Profits Rule be charged as a separate tax liability;
- 6 **agreed** to adopt a Domestic Minimum Tax for New Zealand-headquartered multinational enterprises (MNEs);
- 7 **agreed** that taxpayers be denied a foreign tax credit or deduction for GloBE top- up tax paid in another country;
- 8 **agreed** that the decisions in paragraphs 1 to 7 above should apply from a date to be specified by Order in Council;
- 9 **authorised** the Minister of Finance and the Minister of Revenue to make additional joint decisions on any policy and drafting issues relating to the above decisions, as appropriate;

Financial and operational implications

- 10 **noted** the following forecast changes to tax revenue resulting from the decisions in paragraphs 1-8 above, with a corresponding impact on the operating balance and net debt:

Vote Revenue Minister of Revenue	\$m – increase / (decrease)				
	2022/23	2023/23	2024/25	2025/26	2026/27 & outyears
Crown Revenue and Receipts: Tax revenue	-	-	-	-	25.000
Total operating	-	-	-	-	(25.000)

- 11 **noted** that after a critical mass of countries adopt the GLoBE rules, forecast revenue will increase by around \$16 million a year, regardless of whether New Zealand adopts the GLoBE rules;
- 12 **agreed** that the additional tax revenue referred to above should be managed as a positive impact against the 2023 Budget operating allowance;
- 13 **noted** that the estimated costs of the up-front build and on-going administration of the GloBE proposal and the associated country-by-country reporting changes is \$17.300 million, being \$8.700 million capital and \$8.600 million operating over the forecast period (2022/23 to 2026/27), with an on-going administration cost of \$3.100 million a year from 2025/26 onwards;
- 14 **authorised** the Minister of Revenue and the Budget Ministers to approve up to \$17.300 million funding for this initiative, and to agree the mix of funding from Budget 2023 allowances and Vote Revenue as part of the Budget 2023 process;

Legislative implications

- 15 **agreed** that the changes referred to above be included in the next available omnibus tax bill;
- 16 **invited** the Minister of Revenue to issue drafting instructions to give effect to the above paragraphs.

Jenny Vickers
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon Dr Ayesha Verrall
Hon Willie Jackson
Hon Kiri Allan
Hon Damien O'Connor
Hon David Parker
Hon Peeni Henare
Hon Priyanca Radhakrishnan
Hon Dr Duncan Webb
Hon Rino Tirikatene
Hon Dr Deborah Russell

Officials present from:

Office of the Prime Minister
Officials Committee for DEV