

New Zealand Government release Tax Working Group Terms of Reference November 2017

On Thursday 23 November 2017 Finance Minister Grant Robertson and Revenue Minister Stuart Nash announced the Terms of Reference for the Tax Working Group, the establishment of which is part of the Ardern Government's 100-Day Plan.

The Group will be tasked with investigating the structure, fairness and balance of the tax system. It will be expected to engage with the public in developing its recommendations.

This Paper will outline the reporting timeframes and composition of the group, as well as detail the scope of its inquiry.

Composition

The Group will be chaired by Sir Michael Cullen, New Zealand's Minister of Finance between 1999-2008. Other appointees to the Group will be made prior to Christmas, as per the Government's 100-Day Plan.

Timeframe

The Group's first meeting will occur no later than February 2018.

An interim report will be delivered to the Minister of Finance and Minister of Revenue no later than September 2018, with final recommendations by February 2019. Any significant changes legislated that arise from the Group's final report will not come into force until the 2021 fiscal year.

Recommendations made by the Group will not be binding. The Government will make final decisions on all recommendations, determining whether further advice or work by Treasury or Inland Revenue Department officials is required.

Terms of Reference

The Terms of Reference enunciate the following objectives for the tax system:

- A tax system that is efficient, fair, simple and collected;
- A system that promotes the long-term sustainability and productivity of the economy;
- A system that supports a sustainable revenue base to fund government operating expenditure around its historical level of 30 per cent of GDP;
- A system that treats all income and assets in a fair, balanced and efficient manner, having special regard to housing affordability;
- A progressive tax and transfer system for individuals and families; and
- An overall tax system that operates in a simple and coherent manner.

The Group should report to the Government on:

- Whether the tax system operates fairly in relation to taxpayers, income, assets and wealth;
- Whether the tax system promotes the right balance between supporting the productive economy and the speculative economy;
- Whether there are changes to the tax system which would make it more fair, balanced and efficient; and



- Whether there are other changes which would support the integrity of the income tax system, having regard to the interaction of the systems for taxing companies, trusts, and individuals.

Particular regard should be given to the following matters by the Group:

- The economic environment that will apply over the next 5-10 years, taking into account demographic change, and the impact of changes in technology and employment practices, and how these are driving different business models;
- Whether a system of taxing capital gains or land (not applying to the family home or the land under it), or other housing tax measures, would improve the tax system;
- Whether a progressive company tax (with a lower rate for small companies) would improve the tax system and the business environment; and
- What role the taxation system can play in delivering positive environmental and ecological outcomes, especially over the longer term.

The following matters will not be considered by the Group:

- Increasing any income tax rate or the rate of GST;
- Inheritance tax;
- Any other changes that would apply to the taxation of the family home or the land under it; and
- The adequacy of the personal tax system and its interaction with the transfer system (this will be considered as part of a separate review of Working for Families).

The Group's focus should not be on technical matters already under review as part of the Tax Policy Work Programme, including:

- International tax reform under the Base Erosion and Profit Shifting agenda; and
- Policy changes as part of Inland Revenue's Business Transformation programme.

Further information

Hawker Britton's Occasional Paper on NZ Labour's election policies is available [here](#).

For more information, please contact Hawker Britton consultant [Neale Jones](#) on +64 27 529 1079 or [Simon Banks](#) on +61 419 638 587.