Tax Alert

A focus on topical tax issues – October 2014

Land tax myths

Greg Harris and Dave Jordan

In this issue

Despite misconceptions to the contrary, New Zealand's tax legislation taxes the proceeds from land sales in certain circumstances.

So widespread are these misconceptions, Inland Revenue has a specialist team devoted to investigating property sales and educating the public on the rules. The Inland Revenue's property compliance programme ("PCP") was set up in 2007 and given additional government funding to investigate property transactions. This initial funding has now been made permanent.

The current rules tax the proceeds of a sale where the property was acquired with an intention of resale. Where a taxpayer purchases a property with a mind to selling it for a profit, the proceeds will be taxable. However there are a number of common myths and misinformation circulating in this regard.

For example, some taxpayers believe that they will not be taxable on property sales where they restrict the number of deals done in a year. The truth is that there is no absolute number of property deals after which a taxpayer will be treated as a dealer.

Others believe that living in a house will automatically provide an exemption from the land taxing rules. There is a general exemption from the land taxing rules for family homes. However this exemption does not apply where a taxpayer has engaged in a regular pattern of buying and selling houses.

Another common myth is that holding the property for a certain period of time (usually 10 years) will mean the sale will not be taxable. For tax purposes the intention at the time of purchasing the property is significant, regardless of the passage of time between buying and selling. >>

Continued on page 2...

Greg Harris
Partner
+64 (7) 838 4805
gharris@deloitte.co.nz

Dave Jordan
Senior Consultant
+64 (7) 834 7898
email@deloitte.com

Generally speaking, gains on properties genuinely acquired for investment purposes (i.e. to receive a rental return) will not be subject to tax on ultimate sale, but actions speak louder than words in this regard. Some taxpayers think that simply renting out the property will suffice to classify it as an "investment property" so that gains won't be taxable on sale. However if the rental property was nonetheless acquired with the purpose of selling it to make a profit, the gains on sale will be taxable. Inland Revenue is watching the sale of any so-called "investment properties", particularly those held for short periods or where a regular pattern of buying and selling investment properties is emerging. This may indicate that a person's intention is really dealing rather than investment.

Regardless of intention, the rules treat any property sale by a land dealer or developer as taxable where the property is sold within 10 years of acquiring it. Builders are similarly taxed on property sales where they sell a property within 10 years of completing improvements to it, unless the residential exemption applies.

A few probing questions often unravel an argument that a property sale should not be taxed

Inland Revenue is very active in investigating land transactions where it believes the proceeds may be taxable for income tax purposes. It accesses information held by Land Information New Zealand and has at its disposal various tools and methodologies for identifying speculative and trading activity.

GST zero-rating rules

The PCP team is also investigating the GST treatment of land transactions and compulsory GST zero-rating rules that apply between GST registered persons.

While the compulsory GST zero-rating of land rules were introduced to prevent developers utilising "phoenix companies" to avoid their GST liabilities[1], these rules still cause practical issues for a much wider group of taxpayers involved in land transactions.

In order for the compulsory GST zero-rating of land rules to apply, the purchaser must be GST registered and intend to use the property to make at least some GST taxable supplies, and to not live in the property themselves. It is not enough for a purchaser who happens to have a "GST number" to get the purchase of their family home GST zero rated, all the tests need to be satisfied. >>

[1] Phoenix schemes involved Inland Revenue refunding GST to a registered purchaser when there was no corresponding GST payment made by the supplier of the transaction because they have been deliberately wound up to avoid paying the GST.

However because a land transaction has been treated as being GST zero-rated, doesn't mean that the purchaser won't have to pay any GST at all. The purchaser is liable for any adjustments required due to incorrectly applying the GST zero rating rules for land or if the land is not being used 100% for GST taxable purposes. Many purchasers aren't aware that the purchaser must pay any applicable GST adjustments to Inland Revenue. So if a land sale agreement has been entered into on the basis that it is GST zero-rated, but then the purchaser changes their mind on settlement and now wishes to use the property as a family home, the purchaser will have another 15% GST on top of the purchase price to pay directly to Inland Revenue.

There is also a myth out there that you can just ignore the compulsory GST zero-rating of land rules and simply agree to charge GST at 15% on the sale of the land. This is incorrect and Inland Revenue will refuse to pay out any GST refund claims for the purchaser in these situations. If the purchaser has already paid the "GST" to the vendor, then all the practical problems of unwinding the payment chain loom large. We have seen Inland Revenue force unwinds of a number of transactions where the parties had agreed for GST to apply at 15% when instead the GST rate should have been 0%.

We've seen Inland Revenue force transactions to be unwound where the parties have incorrectly agreed for GST to apply at 15%

Care also needs to be taken by vendors whenever they have previously claimed GST input deductions on a property, such as for a home office, as there are specific GST deeming rules that can impose a GST liability on the sale.

Don't fall for common misconceptions. For further information please contact your usual Deloitte advisor.

BEPS: OECD releases 7 recommendations

By Bruce Wallace and Annamaria Maclean

Bruce Wallace
Partner
+64 (9) 303 0724
brwallace@deloitte.co.nz

Annamaria Maclean
Associate Director
+64 (9) 303 0782
anmaclean@deloitte.co.nz

On 16 September 2014, the Organisation for Economic Cooperation and Development ("OECD") published seven papers as a first tranche of deliverables under the Base Erosion and Profit Shifting ("BEPS") Project. The BEPS Project has identified 15 actions as a global response to address the reported issues with multinational entities being able to minimise their global tax liabilities through exploiting differences in international tax rules, inappropriate use of international tax treaties, transfer pricing and the perceived deficiencies in the application of traditional international tax rules to the digital economy.

The deliverable reports cover over 750 pages and a lot of trees would have been sacrificed over the past week by tax specialists in the name of BEPS.

The OECD will be continuing its work on the remainder of the 15 actions on BEPS throughout 2015. It is intended that recommendations under each of the BEPS Actions will form a comprehensive and cohesive approach to the international tax framework, including domestic law recommendations, international principles under the OECD's model tax treaty, and transfer pricing guidelines. As a result, the proposed solutions in the first seven papers, while agreed, are not yet finalised and may be affected by decisions and future work on BEPS in 2015.

The OECD has noted that it will release commentary for those regimes that require changes to domestic legislation that will explain how some of the proposed rules will work in practice, with practical examples, by September 2015.

The purpose of this article is to provide high level comment on five of the seven 2014 deliverables. The other two deliverables relate to transfer pricing and are discussed in our other article in this Tax Alert, "Progress from the BEPS project on Transfer Pricing Documentation and Intangibles". >>

Overview of the deliverables

Action 1

– Tax Challenges of the Digital economy: The Action Plan originally sought to develop a framework of rules directly addressing the BEPS risks in the digital economy. The report instead recognised the pervasiveness of the digital economy and concludes that attempting to ring fence it for special tax treatment is impossible. It is considered that a lot of the issues will be addressed by the other actions which will take into account the impact of the digital economy. Further work will be undertaken on other tax matters such as GST.

Action 2

– Neutralising the effects of hybrid mismatch arrangements: The recommendations in this report are designed to neutralise mismatches which result in a deduction for one country and non-included income for another, or a double deduction for one payment as a result of differences in the tax treatment of different outcomes. The two part deliverable seeks to make recommendations on changes to countries' domestic tax laws and changes to the OECD Model Tax Convention.

Action 5

– Countering Harmful tax practices: This deliverable seeks to determine how to distinguish "good" tax incentives to encourage economic development from harmful tax regimes. The Action Plan has indicated that, to be acceptable, any preferential regime must require substantial activity in the country. There are also proposals to require the exchange of information between tax authorities on rulings issued in relation to preferential tax regimes.

Action 6

– Preventing the granting of treaty benefits in inappropriate circumstances: The OECD have proposed that tax treaties should include rules that limit the availability of treaty relief to appropriate situations. It is recommended that treaties include either a principal purpose test rule (a general rule that requires obtaining treaty relief to not be a principal purpose of the structure), a limitation of benefits rule (a specific fact based test to only allow relief if specific criteria are met), or both.

Action 15

– Developing a multilateral instrument to modify bilateral tax treaties: The report suggests that multilateral instruments that Governments collectively sign up to (with any noted reservations) are likely to be the most effective way of implementing proposed treaty changes under the BEPS project and would have the same effect as simultaneous re-negotiation of the bilateral treaties that are currently in effect.

Deloitte U.S. has produced a useful Tax Alert that provides a detailed summary of the above five actions, this can be found **here.** >>

New Zealand considerations

The New Zealand government has committed to the BEPS project and some of the Inland Revenue tax policy officials are part of the various BEPS action groups.

Officials have indicated that New Zealand discussion documents related to domestic legislative changes for BEPS will likely be released over the coming 12 months.

The government's tax policy work programme includes a specific section on international tax reform and addressing BEPS and we expect that discussion documents on the following areas of the work programme will be prioritised for release next year:

- Non-resident withholding tax ("NRWT") on related-party debt – Addressing the problems with the application of the NRWT regime to interest on related-party debt.

- Profit shifting using related-party debt – Examining problems with the thin capitalisation and transfer pricing rules. These rules are designed to prevent profit shifting by non-residents who fund their New Zealand investment using related-party debt that gives rise to deductible interest payments.

- Foreign hybrid instruments and entities – Exploring whether New Zealand should restrict interest deductions on hybrid instruments where the interest payment is not taxed in the foreign jurisdiction. Examining the need for an anti-arbitrage rule for offshore entities to prevent double non-taxation or double deductions.

It will be critically important that New Zealand carefully considers whether it has an issue that needs to be addressed before agreeing to or making any changes. The impact of any proposed changes should also be carefully considered given the unique characteristics of the New Zealand economy. There is also a risk in New Zealand seeking to be an early adopter if other countries are slower to respond.

Officials have indicated that the discussion documents will go through the generic tax policy process and therefore New Zealand taxpayers will have a chance to submit on the domestic proposals prior to finalisation.

Some of the BEPS recommendations will be implemented via tax treaties and OECD guidelines without domestic legislative change being required. Understanding the impact of these changes will be important for New Zealand businesses that have offshore operations.

We suggest that New Zealand companies with international connections should ensure that they have an understanding of the proposals and should consider whether the recommendations could affect their structures and arrangements.

Please contact your usual Deloitte tax advisor if you would like more detail on the proposals or to discuss the impact of the recommendations.

Progress from the BEPS project on Transfer Pricing Documentation and Intangibles

Bart de Gouw
Director
+64 (9) 303 0889
bdegouw@deloitte.co.nz

Melanie Meyer
Associate Director
+64 (4) 470 3575
melaniemeyer@deloitte.co.nz

By Bart de Gouw and Melanie Meyer

On 16 September 2014, the OECD released its first recommendations for a co-ordinated international approach to combat tax avoidance by multinational enterprises, under the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project. This release included deliverables on Action 13: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting and Action 8: Guidance on Transfer Pricing Aspects of Intangibles. It is important that multinational enterprises (MNEs) consider how the new guidance will impact their current transfer pricing policies and compliance obligations.

The full reports are lengthy documents so we summarise some important aspects of Action 13 and Action 8 below and provide links to more detailed Deloitte Alerts.

Action 13: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting

Action 13 of the BEPS Action Plan recognises the need for enhanced transparency for tax administrations through the provision of more information from MNEs. Accordingly, Action 13 contains revised transfer pricing documentation requirements. In particular, Action 13 recommends that countries should adopt the following three-tiered approach to transfer pricing documentation.

1. A master file containing standardised information relevant for all MNE group members;

2. A local file referring specifically to the material transactions of the local taxpayer; and

3. A country-by-country report containing certain information relating to the global allocation of the MNE's income and taxes paid together with specified indicators of the location of economic activity within the MNE group. >>

The country-by-country reporting has been the most controversial element of the transfer pricing actions and the guidance has addressed some concerns by reducing the amount of information to be disclosed. The information that will now need to be reported by tax jurisdiction includes:

1. Revenues (unrelated party and related party)
2. Profit before income tax
3. Cash income tax paid
4. Income tax accrued
5. Stated capital
6. Accumulated earnings
7. Number of employees
8. Tangible assets
9. Names of entities in each tax jurisdiction
10. Main business activities of each entity (from a list of 13 options)

The recommended approach will not only substantially increase the compliance burden for MNEs, but will also provide unprecedented transparency of an MNE's global operations to revenue authorities. Accordingly, it is important that MNEs turn their mind now to the procedures currently in place to set, implement, monitor and document and report their global transfer pricing policies and results. In addition, MNEs should consider whether the reporting of the country-by-country data may increase the risk profile in particular countries and what actions may mitigate that impact. Where new transfer pricing documentation is to be prepared going forward, MNEs should consider transitioning into the new approach to spread the compliance burden over the coming years.

The recommended approach will provide unprecedented transparency of an MNE's global operations to revenue authorities

The OECD continues to work on the important implementation issues of how to collect the information from taxpayers and disseminate it to the relevant tax authorities while protecting the confidential nature of the information.

A more detailed Deloitte Alert on this matter can be found **here**.

The full version of the Action 13 report can be found **here**. >>

Action 8: Guidance on Transfer Pricing Aspects of Intangibles

The OECD's release of Action 8 remains a work in progress, with several important sections remaining in draft. However, the revised guidance clarifies the definition of intangibles, adopting a broad definition that is not dependent on accounting or legal definitions.

The release also contains revised guidance on the transfer pricing treatment of factors such as location savings and corporate synergies which may impact on the comparability of transactions and results. While these comparability factors are not considered to be intangibles by the OECD, they should be taken into account in a transfer pricing analysis. In respect of location savings, the revised guidelines indicate that comparability adjustments are required only to the extent that reliable market comparables are not available. Any adjustment should be driven by a full analysis of the underlying facts and circumstances. In the case of corporate synergies, the revised guidelines state that benefits derived from 'deliberate and concerted group actions', should be shared in proportion to the group members' contribution to the benefit.

Based on our experience both the location savings and the synergy impacts can have widespread consequences when considering transactions that may otherwise be considered routine in nature. We are already seeing revenue authorities in some of the most heavily impacted countries (parts of Asia and India in particular) raising these arguments in audits. The additional guidance is likely to raise the profile of these matters and will increase the number of instances where revenue authorities may consider the need for comparability adjustments. Accordingly, it is important that New Zealand based MNEs consider their global business operations and the potential implications the revised guidance may have on these operations.

A more detailed Deloitte Alert on this matter can be found **here**

The full version of the Action 8 report can be found **here**.

For more information in relation to the issues raised in this article, or to speak with someone about your business' needs, please contact **Bart de Gouw** or **Melanie Meyer**.

Virag Singh
Associate Director
+64 (9) 303 0789
vsingh@deloitte.co.nz

Taxpayer wins in capital vs. revenue tax case

By Virag Singh

The High Court recently delivered its judgement in the case, *Vector Limited v Commissioner of Inland Revenue (2014) 26 NZTC*. The case concerned the assessability of payments received by Vector from Transpower New Zealand Limited (Transpower) for easements and access rights granted by Vector to Transpower.

Background

Vector is an electricity distribution company (or commonly referred to as a "lines company"). It owns two electricity distribution networks and a range of assets including land, plant and equipment. It derives its income (line charges) by making its assets available to electricity retailers. The assets include an underground tunnel (the Tunnel) and the North Shore Transmission Corridor (NSTC).

The Tunnel, which is 3m in diameter and approximately 60m below the ground, has a number of cable circuits installed in it by Vector and is a major part of Vector's transmission electricity network supplying power to the Auckland CBD. Vector holds a series of leases of the subsoil through which the Tunnel runs.

The NSTC is a series of land rights owned by Vector which consists of legal and equitable instruments joined to make a corridor and includes easements granted by the North Shore City Council. Vector's cable circuits also run through this corridor.

It was noted that the Tunnel and the NSTC form part of Vector's electricity distribution network and Vector derived its income from this network. It was also noted as a matter of fact that the Tunnel and the NSTC had capacity constraints which arise from both a physical and heat perspective. >>

Were payments received by Vector for easement and access rights granted to Transpower taxable?

Transpower (which manages and operates the national electricity transmission grid) wanted to upgrade the North Auckland and Northland power grid by installing a new cable connection and a new transformer. This would ensure that there was appropriate level of security for the supply for electricity across and north of Auckland. For this purpose it entered into an agreement with Vector in June 2010 under which it would install the cables and related equipment on, in and through Vector's infrastructure, namely the Tunnel and the NSTC. Under this agreement, Vector granted Transpower various easements and access rights to enable Transpower to undertake its upgrade work. In consideration for the grants of easements / rights by Vector, Transpower paid Vector $53,113,560.

When filing the tax returns for the relevant years, Vector treated the amounts as taxable under section CC 1 of the Income Tax Act (the Act). Using the spreading rule under section EI 7 of the Act, Vector returned one-sixth of the total amount paid (i.e. $8,852,260) as income in the 2011 and 2012 income years. However Vector later issued a notice of proposed adjustment (NOPA) to the Commissioner requesting an adjustment on the basis that the payments were non-taxable capital receipts. After the conference stage of the disputes process, both Vector and the Commissioner agreed for the matter to be referred to High Court.

Decision

The primary issue for consideration was whether the payments received by Vector constituted "other revenues" under section CC 1(2)(g) of the Act.

Broadly, under section CC 1 of the Act, an amount described is income of the owner of the land if they derive the amount from a lease, license, or easement affecting the land. Section CC 1 (2) includes a list of items - rents, fines, premiums, etc. concluding with (g) being "other revenues".

The issue boiled down to whether "other revenues" captured both items of income and capital. If it only captured income, then the issue to consider would be whether the payments received by Vector were capital or income in nature based on the tests established by case law.

After tracing through the history of the section CC 1, the Commissioner argued that "other revenues" captured both items of capital and income. The Commissioner made this argument on the basis that section CC 1(2) included other items which were inherently capital in nature but the section treated them as income and subject to taxation.

Vector, on the other hand argued that that "revenues" must be interpreted by giving effect to the plain meaning of the word and that the phrase "other revenues" captured amounts of revenue that might be derived from a lease, licence or easement which were not specifically covered by section CC 1(2)(a)-(f). >>

In dismissing the Commissioner's argument, Justice Faire said that the plain and ordinary meaning of "revenue" is income. He further observed that the purpose of the Act is to tax income which is in line with New Zealand not having a general all-purpose capital gains tax regime. An amount of capital therefore cannot be taxable under the Act unless Parliament intended the amount of capital to be taxable by including a specific provision. He stressed that if Parliament intends to tax capital it must do so with clear language. The fact that the list under section CC 1(2) included items of capital (for example, a premium, which traditionally has been considered to be capital in nature) does not mean that the section captured as taxable all items of capital. Parliament had clearly stipulated which items of capital were taxable under section CC 1 and "other revenues" did not operate to extend that stipulation. Justice Faire also agreed with Vector's submission that if "other revenues" operated to capture all capital items, this would make section CC 1(2) redundant. Justice Faire then turned to analyse whether the receipts by Vector were in fact revenue or capital in nature.

If Parliament intends to tax capital it must do so with clear language

The Tunnel and the NSTC were part of Vector's electricity network structure from which Vector derived its income and the payments made to it by Transpower were not part of its income earning process. The lump sum payments received by Vector were in consideration for Vector granting Transpower easements which would diminish the physical capacity of the Tunnel and the NSTC for Vector to utilise. Therefore Vector's ability to earn income from the network structure was significantly curtailed – it had given up a part of its income earning structure for a period of 90 years.

While Vector had not legally disposed of its rights to the Tunnel and the NSTC, its ability to use its assets was effectively permanently impaired. Based on an application of well-established case law principles it was held that the amounts derived by Vector under the agreement with Transpower were capital in nature. As such, the amounts received did not constitute "other revenues" under section CC 1(2)(g) and therefore were not taxable under section CC1.

Observations

The case provides useful guidance in how to approach statutory interpretation and a reaffirming of the principle that the Act does not tax capital receipts unless Parliament intended to do so by including a specific provision. It was then a relatively simple matter to conclude the lump sums received by Vector were in consideration for Vector giving up a part of its income earning structure for 90 years and hence were capital in nature.

The other point to note is the strategy employed by Vector in taking this case through the disputes process. Treating the amounts as income when filing the returns and then subsequently issuing a NOPA requesting an adjustment, protects against the imposition of penalties had the decision not been in Vector's favour.

Footnote:

In the last week it has been announced that the Commissioner will appeal this decision.

Greg Haddon
Partner
+64 (9) 303 0911
ghaddon@deloitte.co.nz

Troy Andrews
Associate Director
+64 (9) 303 0729
tandrews@deloitte.co.nz

Rochelle Yeu
Manager
+64 (9) 303 0761
ryeu@deloitte.co.nz

Have you "chewed the FATCA" yet?

By Greg Haddon, Troy Andrews and Rochelle Yeu

The Foreign Account Tax Compliance Act (FATCA) is a United States (US) tax law that aims to reduce tax evasion by US Persons that might hide income around the world. If you are in the financial services industry, you will likely be well down the track of a FATCA journey to fulfil your obligations. If you are outside this industry you could still have FATCA obligations if you have a financial institution (FI) in your group. Where you are not involved in financial services you will likely still need to consider your FATCA status. FATCA is impacting most organisations around the world. If a group has US sourced income or a new bank account / facility it will likely need to disclose certain FATCA related information.

The FATCA rules have an impact from 1 July 2014. They place an obligation on foreign FIs to register with the Internal Revenue Service (IRS) by 31 December 2014. That entity then needs to collect and report certain information about its customers to the New Zealand Inland Revenue (which then reports to the IRS). The first level of reporting covers new customers, which are those that open a financial account from 1 July 2014.

Although the main impact of FATCA is on banks, the definition of an FI is very wide. There are essentially four types of financial institution, being a depository institution, custodial institution, specified insurance company and an investment entity. Each has a wide definition and a number of exemptions that can apply.

Many groups in NZ that would not normally consider themselves to be in the financial services industry may be caught. Any trust in New Zealand needs to think about FATCA and whether they have registration and reporting obligations. This isn't limited to unit trusts and collective investment vehicles. Corporates with employee share schemes, superannuation schemes or trading trusts need to work through how FATCA applies to them. Family trusts will also need to consider whether they are in the business of investing (in which case they might be an investment entity), or otherwise caught. Accountants and lawyers aren't excused, also having to understand how to apply these rules to their trust accounts. >>

Other entities in a group that are relatively common such as treasury companies and holding companies also need to work through their FATCA status. There are detailed exemptions that don't always fit. It is difficult to just apply intuition and get to the right answer and there are a number of groups trying to seek and extend exemptions for their position.

There are heavy penalties that can apply if there is sufficient non-compliance with FATCA

There are heavy penalties that can apply if there is sufficient non-compliance with FATCA. The main one being that US sourced income can suffer a 30% penalty on withholdable payments that are made to a non-compliant entity. This withholding can apply to principal cashflows as well as the traditional income flows. It is intended to be penal, compared to traditional income withholding tax.

At a practical level, most 'non-financial services industry' groups need to know their FATCA status in order to get paid US sourced income. The traditional W8-Ben E form that is well known to taxpayers that derive US sourced income has changed considerably. This form is required to be completed by all taxpayers with US sourced income, to essentially certify and declare their tax position and entitlements. The form has now morphed into an 8 page compliance monster that most taxpayers are having to seek advice to complete. Most of these changes are attributed to the detail around FATCA, and can only be completed if a classification exercise has been undertaken to know your FATCA status.

The practical implications for non-financial services industry groups extend further than just those that have US sourced income in their business. The same form (W8-Ben) or parts of it are often being used by New Zealand and Australian banks as a FATCA tool. >>

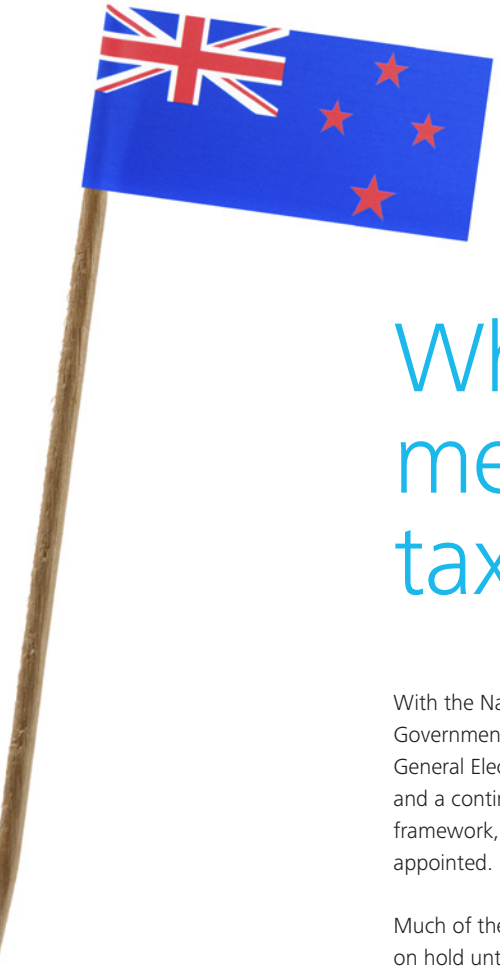
They are requiring new customers to certify their FATCA status (sometimes requiring full completion of the form), even though there is no US party or US sourced income involved. Some FIs are going so far as to not allow new customers to open accounts with them if they don't properly comply with this. We are also seeing FATCA specific language in banking / loan documents where there are obligations discussed and indemnities might be sought in relation FATCA, which all hinge on knowing what your status is, for both FIs and non-FIs.

Through FATCA, the US has instigated one of the most extensive and complex tax information reporting regimes the world has seen. It applies widely and has a potential impact for all New Zealand companies (both inside and outside the financial services industry). We recommend that all New Zealand groups should undertake an entity classification exercise to know where they stand. This will give comfort that they don't have an entity that might be considered an FI that needs to register with the IRS and undertake reporting compliance (and be collecting information now). But from a practical level, there is likely to be difficult compliance forms to complete if the taxpayer derives US sourced income, or has any interaction with a financial service provider.

FATCA is just the beginning of a new information reporting phenomenon

FATCA is just the beginning of a new information reporting phenomenon. Other countries and regions are preparing themselves to do the same. All Inter Governmental Agreements that the US has signed are likely to have reciprocal rights that the US will impose if that partner establishes a similar reporting framework. This will inevitably lead to a global information reporting phenomenon.

For more information about FATCA, please contact one of the authors.



What does a National win mean for upcoming tax policy?

With the National Party securing a third term in Government following the 2014 New Zealand General Election, this likely means business as usual and a continuation of the broad-based low rate tax framework, once a Minister of Revenue has been appointed.

Much of the previous tax policy work program was put on hold until after the General Election although we understand that Officials have been busy working on various projects behind the scenes.

Realistically there are unlikely to be any major tax policy announcements until later this year when a new tax policy work program will be released.

It is also expected that a tax bill to be introduced later this year will contain measures previously announced or consulted on such as:

- The tax treatment of some business R&D costs;
- Allowing businesses to "cash-out" an amount of their tax losses arising from qualifying R&D expenditure;
- Amendment of the tax pooling rules so that tax pooling can be used to pay any interest owed as a result of a tax dispute or an amended tax assessment; and
- Rules to clarify the GST treatment of Bodies Corporate

Another priority will no doubt be the Taxpayers Simplification Panel which was set up in August 2014 to give individuals and small to medium sized business owners the chance to have their say on Inland Revenue's processes and submit ideas about how things can be done better.

Follow us on Twitter
@DeloitteNZTax

Queries or comments regarding Alert can be directed to the editor, Veronica Harley, ph +64 (9) 303 0968, email address: vharley@deloitte.co.nz.

New Zealand Directory

Auckland Private Bag 115033, Shortland Street, Ph +64 (0) 9 303 0700, Fax +64 (0) 9 303 0701
Hamilton PO Box 17, Ph +64 (0) 7 838 4800, Fax +64 (0) 7 838 4810
Wellington PO Box 1990, Ph +64 (0) 4 472 1677, Fax +64 (0) 4 472 8023
Christchurch PO Box 248, Ph +64 (0) 3 379 7010, Fax +64 (0) 3 366 6539
Dunedin PO Box 1245, Ph +64 (0) 3 474 8630, Fax +64 (0) 3 474 8650
Internet address http://www.deloitte.co.nz