

TWG decisions at a glance

Recommend to pursue

Recommendations reached by the TWG:



Retirement savings

- Modest tax savings for low income earners contributing to KiwiSaver and investing in Portfolio Investment Entities (PIEs)



Taxation of business

- Retain the 17.5% tax rate for Māori authorities and extend the tax rate to subsidiaries of Māori authorities



Administration of the tax system

- There should be more aggregated statistical information released about taxes
- Statistics should be collected about tax consequences of environmental concessions or taxes
- Establish a taxpayer advocate service to assist with tax disputes
- Add a purpose clause to the Tax Administration Act 1994



Integrity of the tax system

- Inland Revenue should get more powers to require shareholders to provide security to Inland Revenue; directors should become personally liable for arrears on employee deduction payments



Environmental and ecological outcomes

- There should be periodic reviews of the Emissions Trading Scheme to ensure it is fit for purpose

Recommend not to pursue

The TWG has ruled out pursuing some initiatives:



Capital and Wealth

- Wealth tax or land tax



GST and financial transaction taxes

- GST should remain largely unchanged and the TWG has ruled out a reduction in the rate, exemptions for certain products and changes to financial services
- The TWG has ruled out introducing a financial transactions tax



Personal taxes and the future of work

- No reduction in the top marginal tax rate of 33%



Taxation of business

Do not:

- lower the company tax rate
- introduce a progressive company tax rate
- introduce alternative methods of taxing smaller businesses
- change thresholds for depreciating fixed assets



Environmental and ecological outcomes

- Do not change the existing petroleum and mineral royalty regimes (last reviewed in 2012)

Further work required by TWG

The TWG will provide recommendations in their final report:



Capital and Wealth

- The Group is still forming its views on the best approach towards extending the taxation of capital income
- Work will be undertaken to understand the potential implications for assets held by Māori



Retirement savings

- To continue to consider the taxation of savings as a consequence of any conclusions reached about taxing capital income



Housing affordability

- Housing affordability is linked to the work on the taxation of capital
- To further consider 3 initiatives which may lead to additional housing supply



Administration of the tax system

- A review of the information and data collected by Inland Revenue
- Considering the merits of a truncated dispute resolution process for small disputes



Personal taxes and the future of work

- Recommendations about personal tax rates will be included in the final report



Taxation of business

- Consider measures to reduce compliance costs e.g. increasing thresholds for provisional tax, trading stock and deducting legal fees



Integrity of the tax system

- Further consider Departure Prohibition Orders on taxpayers with unpaid tax and aligning the standard of proof for GST and PAYE offences



Environmental and ecological outcomes

- Review existing tax concessions for agriculture which results in degrading natural capital and consider incentives for activities which generate environmental benefits

Further work required by others

Areas where the TWG believes the Government, other working groups or Inland Revenue continue undertaking work:



GST and financial transaction taxes

- International developments in relation to taxing financial services should be monitored
- There should be a review of whether contractors should be required to register for GST
- The Government should review the GST concessions offered to non for profit organisations



International income tax

- The Government should be ready to implement an equalisation tax if a critical mass of other countries move in that direction



Integrity of the tax system

- Undertake a review of loss trading and loss continuity rules
- Establish a centralised Crown debt collection agency



Corrective taxes

- Alcohol excise taxes should be reviewed and simplified; priority should be given to measures to stop smoking rather than more increases to the tobacco excise rate; and the Government should articulate its goals in relation to sugar consumption and gambling before taxes can be considered more



Personal taxes and the future of work

- The Government should look to align the definitions of employee and dependent contractor for tax and employment purposes



Environmental and ecological outcomes

- Government should consider removing FBT from employers subsidising public transport use by employees



Charities

- The Government should undertake a review of the tax treatment of the charitable sector