Connecting you to the topical tax issues

Tax Alert

February 2018

US tax reform – what does it mean for New Zealand?

by Bruce Wallace & Emma Marr

The US has recently enacted some of the most radical tax reforms it has seen in decades. This will have a significant impact on New Zealand companies doing business in the United States. The Tax Cuts and Jobs Act bill was signed into law by President Trump on 22 December 2017, and generally has effect for tax years beginning after 31 December 2017.

New Zealand companies should consider the impact on their businesses, including current organisational structures, supply chains, transfer pricing, debt structuring, profit repatriation, intellectual property (IP) ownership, and planning opportunities that may result. This article highlights some of the most relevant issues for New Zealand businesses to consider. More detail can be found in a report published by Deloitte US.

Corporate income tax

One of the most attention grabbing reforms is the reduction in the Federal corporate income tax rate from 35% to 21% beginning January 1, 2018.

In this issue:

Compared to the OECD average of 24.18%, this is a major reform, and is likely to prompt a re-examination of existing cross-border transactions. As the tax rate is significantly lower than New Zealand's 28% corporate tax rate, and many other tax rates around the world, there may be an incentive for businesses to allocate profits to the US, although state income taxes also need to be considered. Businesses should consider whether this presents an opportunity to revisit their operating model.

The corporate tax reduction is partially offset by some broadening of the tax base, for example the elimination or limitation of certain deductions, discussed further below, however there is no doubt that this tax cut will be a significant boost to most US companies.

Corporate AMT

Currently the US has an "alternative minimum tax", which acts to ensure that taxpayers who are entitled to reduce their taxable income via various deductions or incentives do pay a specified minimum amount of tax. The tax reforms repeal the AMT for corporations. This is to some extent counterbalanced by limitations to newly generated net operating loss carry-forward amounts, discussed below.

NOLs

The rules allowing a net operating loss (NOL) to be carried forwards or backwards have been tightened. Previously a NOL could be carried forward 20 years and carried back two years. Under the tax reforms, the deduction for NOLs arising in taxable years beginning after December 31, 2017 is limited to 80% of taxable income and the two-year carry-back for NOLs is repealed. NOLs generated from tax years beginning after December 31, 2017 for most business taxpayers will not expire. NOLs existing at December 31, 2017 still expire in 20 years and are not limited by the 80% reduction. These changes create a cash tax cost for taxpayers traditionally sheltered by NOLs.

Interest Limitation

Corporate interest deductions will be subject to greater limitations under the new legislation. Interest deductions are now limited to the total of business interest income and 30% of adjusted taxable income (ATI). Interest deductions that are disallowed may be carried forward indefinitely.

The 30% limitation applies to all net interest expense, not just interest paid to, or guaranteed by, a foreign-related party like the former rules did. The definition of ATI is detailed, and is closely linked to earnings before interest, taxes, depreciation and amortization (EBITDA) until 2022, after which ATI more closely resembles earnings before interest and taxes (EBIT).

Current asset expensing

Another significant reform is the ability for businesses to immediately deduct 100% of qualified capital expenditure. This will apply to all tangible assets, including second hand assets. As with a number of other tax reforms, this is subject to a sunset clause and begins to be phased out after 2022.

International tax reforms

A number of international tax reforms could be relevant for New Zealand companies with US resident shareholders, or New Zealand companies with operations in the US.

Dividends received deduction

The treatment of foreign dividends derived by US companies is fundamentally reformed by giving corporations a 100% deduction (i.e. exemption) for dividends received from a controlled foreign corporation (CFC) in which the US shareholder owns 10% or more. The former rules taxed profits of foreign subsidiaries only on repatriation to the US. Transition rules will prevent the non-taxation of deferred foreign income by imposing a one-off transition tax on un-repatriated earnings. This change is expected to lead to a substantial repatriation of capital by US corporations from abroad.

Excise/base erosion tax

The tax reforms include base erosion measures in the form of a "minimum tax" to offset the benefit of "base erosion payments" – certain payments to foreign related parties. The US payer will have to

Bruce Wallace
Partner
Tel: +64 9 303 0724
Email: brwallace@deloitte.co.nz

Emma Marr
Associate Director
Tel: +64 4 470 3786
Email: emarr@deloitte.co.nz

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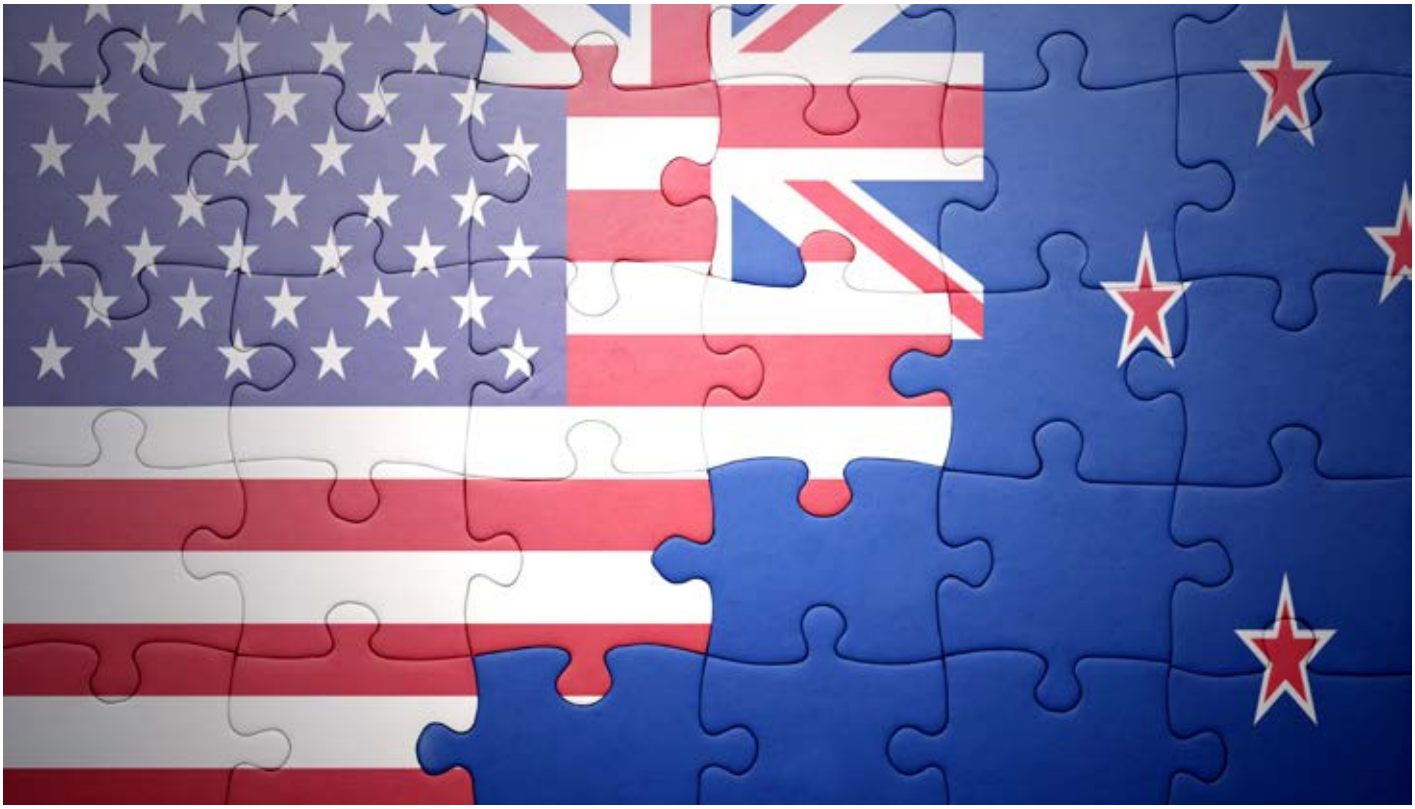

pay a tax of at least 10% (5% for 2018 under certain transition rules) on taxable income, computed without regard to the related party payment. Base erosion payments will include many deductible payments to foreign related parties. The rule will apply to corporate groups with an average of $500 million annual revenue in the US for the last three years, and a base erosion percentage of more than 3%.

The new base erosion tax will be an important factor for multinational taxpayers to consider in evaluating their supply chain and transfer pricing policies, and cross-border interest and royalty payments.

Hybrid structures

As with other countries around the world, the US has introduced special provisions to deal with hybrid structures and transactions. Hybrids exploit differences in tax regimes, for example by allowing a deduction in one country, where the amount is not treated as income in another, or by treating an entity as transparent in one country, but not another, so that it isn't taxed in either country. The new rules are significantly more limited than the OECD proposals that are proposed to be adopted in New Zealand and will deny a deduction for disqualified related party amounts (interest or royalties) paid or accrued under a hybrid transaction or to a hybrid entity.

As New Zealand taxpayers will be subject to New Zealand's own new anti-hybrid rules when they are enacted later in 2018, the US reforms mean there is even greater incentive for New Zealand companies operating in the US to evaluate all cross-border transactions and address any that will give rise to denial of deductions.

State tax reform

It should be remembered that the US has state as well as federal taxes, and individual states have the ability to either decouple from select provisions or choose to confirm with the reforms on a date preceding the new legislation. Likewise, states may piggyback on some proposals such as the proposed base erosion tax to create new tax revenues.

Businesses should be careful to keep an eye on state tax reforms as they get underway early in 2018.

Next Steps

The US tax reforms are significant and New Zealand companies operating in the US, investing in the US, or owned by US shareholders should consider how these changes may impact their businesses, and identify any new planning opportunities now available. Contact your Deloitte advisor to discuss the impact of these potential changes on your business, and how you can prepare for them.

If you found a Bitcoin under the Christmas tree, should you be worried about a tax bill?

By Ian Fay

If you found a bitcoin under the Christmas tree, should you be worried about tax a bill? If you don't know, you are not alone, as even Inland Revenue hasn't yet provided any guidance on how the tax rules apply to cryptocurrencies, although we understand they are working on it and expect to publish a Q&A shortly.

Bitcoin experienced explosive growth in value in the period leading up to Christmas followed by a quick and large loss of value (almost two thirds) in the early part of 2018, and this naturally raises questions of how revenue authorities should be taxing cryptocurrencies generally.

A cryptocurrency is a digital "currency" in which encryption techniques are used to regulate the generation of units and verify the transfer of ownership, operating independently of a central bank. When you buy cryptocurrency it is held in a 'digital wallet', and can then be used to buy goods or services from anyone willing to accept it. Cryptocurrencies can be bought and sold on cryptocurrency exchanges (and you won't actually find one under the Christmas tree, since they're all just lines of code).

In terms of legal status, the Financial Markets Authority considers that cryptocurrencies are not legal tender (and this is the same around the world). Rather, most cryptocurrencies are intrinsic tokens (i.e. they are not pegged to a dollar or paying any sort of dividend).

The correct tax treatment will depend on the characteristics of the currency. The most likely is that they would be treated as property, which means that any gains (or losses) on sale would be taxable (or deductible) – again, this isn't certain, as the rules on property sales depend on the reason the property was acquired. Inland Revenue have indicated that it is likely to take the view that

Ian Fay
Partner
Tel: +64 4 470 3579
Email: ifay@deloitte.co.nz

intrinsic token type cryptocurrencies are property and should be treated in the same way as gold bullion – ie, in almost all circumstances it will be acquired for the purpose of disposal (refer to our October Tax Alert for a brief summary of the Inland Revenue view on gold bullion). The holder of a cryptocurrency would have to demonstrate that it wasn't held for sale to convince Inland Revenue of any other outcome – for example if it provides an income stream during the period of ownership (like the dividend payable on a share). The alternative way of taxing cryptocurrency would be to treat it as a financial arrangement, akin to currency, which, depending on the value of the cryptocurrency held, could mean that unrealised gains are taxable.

Other countries are also grappling with the right way to tax cryptocurrencies. In the United States, the IRS has released guidance that cryptocurrency is property when held on capital account, and gains are subject to capital gains tax. Miners of currency should pay tax on the value of the currency they receive. Similarly, both the UK and Australia tax gains from the sale of cryptocurrencies under their capital gains tax rules.

However, the more immediate concern is that the GST treatment of cryptocurrencies is more complex, and this requires prompt movement by Inland Revenue to provide certainty and, ideally, simplicity. Currently buying cryptocurrencies and then using them to buy other goods and services could result in double tax. The purchase of the unit of cryptocurrency from a New Zealand GST registered business would be subject to GST, and then any subsequent purchases from a New Zealand GST registered business with the cryptocurrency would also be subject to GST. Deeming cryptocurrencies to be currency for GST purposes would remove GST from the sale or purchase of any units, solving the double tax problem. Australia is moving to treat cryptocurrencies like a currency for GST purposes (from 1 July 2017) for this reason. It would be useful if Inland Revenue moved quickly to adopt the same position in New Zealand.

For more information please contact your usual Deloitte advisor.

High Court not satisfied that power to issue section 17 notices was lawfully exercised

By Campbell Rose and Virag Singh

On 22 December 2017, the High Court delivered its judgment in *Chatfield & Co Limited v CIR* [2017] NZHC 3289. The decision is significant in confirming that, although section 17 of the Tax Administration Act 1994 (TAA) confers a broad information-gathering power on the Commissioner of Inland Revenue (CIR), a "hard-edged" review applies to the CIR's decision-making under section 17 – and the courts will not simply take an official's word for it in examining whether the power has been lawfully exercised.

This was the most recent judgment in a series of cases involving the accounting firm Chatfield & Co Limited (Chatfield) in relation to a request for exchange of information under the New Zealand and South Korea Double Tax Agreement (DTA). Specifically, information had been requested by the Korean National Tax Service (KNTS) from the CIR under Article 25 of the DTA relating to 21 New Zealand taxpayers, for 15 of whom Chatfield was the tax agent. In order to comply with that request, the CIR issued 15 notices (Notices) under section 17 to Chatfield.

Chatfield commenced proceedings in the High Court challenging on various grounds the CIR's decision to issue the Notices. Chatfield lost in the High Court, and in subsequent appeals to the Court of Appeal and Supreme Court. This most recent judgment arose from Chatfield having filed an amended statement of claim in the High Court. The primary issues for consideration were summarised by Wylie J as follows:

- Was the CIR's decision to issue the Notices susceptible to judicial review;
- If judicial review is available, what is the appropriate standard/intensity of the review; and
- In respect of the request by the KNTS, did the competent authority (Mr John Nash) for New Zealand satisfy himself that:
  - the request involved taxes covered by the DTA;
  - the information sought under the request was "necessary" under the DTA; and
  - the exceptions to the provision of the information under the DTA did not apply.

Judicial review and intensity of review

The CIR argued that the subject of the Notices involved relations between sovereign states, which were at the apex of "executive responsibility" and "inherently unsuitable for resolution by the Courts". The CIR claimed that the proceedings brought by Chatfield "undermined New Zealand's reputation internationally by delaying the provision of the requested information", and that this was contrary to the provisions of the DTA.

Campbell Rose
Partner
Tel: +64 9 303 0990
Email: camrose@deloitte.co.nz

Virag Singh
Director
Tel: +64 9 952 4208
Email: vsingh@deloitte.co.nz

Wylie J did not agree. His Honour held that the decision to issue the Notices were justiciable (subject to judicial review), and made an order quashing the Notices. In particular he noted that:

- The issue is the exercise of the power by the CIR to issue the Notices under domestic law (i.e. under the TAA).
- The DTA is part of New Zealand law, and the New Zealand courts are responsible for determining questions of domestic law.
- The matters in issue are not those of high policy or politically fraught. It is a simple case of assessing whether the statutory requirements under domestic law have been met.
- The issue of notices under section 17 of the TAA can be the subject of judicial review if, for example, the CIR exceeds or abuses her powers.
- Checks and balances in the DTA and the OECD's peer review regime do not focus on and do not give remedies to individual taxpayers.

With respect to the intensity of the court's review of the CIR's decision to issue the Notices, Wylie J also dismissed the CIR's argument that intervention by the courts should be limited to instances where the information sought could not possibly be necessary for an investigation in respect of one or more of the taxes which come within Article 2 of the DTA.

Wylie J said that the power to make administrative decisions, including those made by the CIR and her delegates under section 17, must be exercised "properly, and in accordance with the law". He went on to find that the review of the CIR's decision should be "hard-edged" and a "correctness standard" should apply. Based on the facts before him, Wylie J said that the court could not be satisfied that the competent authority had correctly interpreted or applied the DTA and the request made by KNTS under the DTA.

Actions of the competent authority – were they lawful

Wylie J held that he was not satisfied that appropriate inquiries were made by Mr Nash to ensure compliance with the requirements under the DTA for an exchange of information.

His Honour was particularly surprised by the approach of the CIR refusing to share (on a confidential basis) with both him and counsel for Chatfield relevant background documents, including the request from KNTS, file notes that Mr Nash might have and any other correspondence between Mr Nash and KNTS (but the CIR was prepared to share this with the judge only). Wylie J also noted that this was contrary to the rules of natural justice.

Wylie J made some key observations in finding for Chatfield:

- The processes followed by Mr Nash were vague and suggested that no hard inquiry had been undertaken into the necessity for the exchange of information.
- Wylie J queried Mr Nash's assumption that, given the KNTS has trusted partner status and a good reputation, when a request is received under the DTA there is generally no reason to believe that the request has been made in an unorthodox manner. His Honour said there was no warrant for the "hands-off" approach taken by Mr Nash and that any request under any DTA should receive the same high level of scrutiny.
- There was nothing in the evidence before the Court, other than Mr Nash's say-so, that the request made by the KNTS complied with the DTA. In this respect Wylie J stated that "the days when a Court will accept an official's simple assertion that a power has been exercised lawfully are long over".
- An applicant for judicial review bears the burden of proof, on the balance of probabilities, but the evidential burden is relatively low where the facts are within the knowledge of the other party - and particularly where the Court has to determine whether the relevant facts on which the exercise of the power in issue turns, did or did not exist.

Deloitte comment

A section 17 notice is a powerful tool through which the CIR' can obtain information from a taxpayer (or, as in Chatfield, from a third party). Complying with a section 17 notice can entail material business disruption and compliance costs. Non-compliance can result in significant penalties and truncation of the tax disputes process.

It is therefore critical to perceptions of integrity of the tax system, that taxpayers can have confidence in the lawfulness of the CIR's decision to issue such notices. It is heartening to see that, despite a number of unsuccessful steps along the way, the exercise of the CIR's power in this case was ultimately subjected to rigorous and impartial scrutiny by the Court. Fundamental to the exercise of the power was the CIR being able to demonstrate that the requirements under the DTA were fully satisfied. The CIR failed to do so on the evidence in this case.

Given the frequency with which the section 17 power is exercised by the CIR, and its impact on taxpayers as noted above, the outcome in Chatfield is to be welcomed as it ensures that the CIR must properly exercise that power. It is hoped that this judgment will result in a re-examination of the CIR's decision-making processes in issuing section 17 notices (and the equally intrusive related request for tax contextual information). This is particularly the case given that not many taxpayers have the resources or wherewithal to challenge the CIR's decision-making by way of judicial review in the High Court – and also given the imminent extension of the CIR's section 17 powers in a transfer pricing context under the BEPS-related reforms introduced into Parliament in December 2017.

New Zealand has an extensive tax treaty network and, with increased focus on transparency between jurisdictions on the affairs of taxpayers, it is expected that there will be increased requests for exchange of information (and therefore a potential increase in the number of section 17 notices being issued). Taxpayers and their agents will need to be vigilant and prepared to request that the CIR confirm the grounds on which there has been a proper exercise of her power to issue such notices.

Challenging the validity of a section 17 notice in a domestic context may still prove difficult for taxpayers. In the present case, the exercise of the power to issue section 17 notices was clearly referable to compliance with the relevant requirements under the DTA. In a domestic setting, as part of an investigation, review or audit, when the CIR issues a section 17 notice to a taxpayer, the taxpayer has a very limited ability to challenge that notice – it simply needs to be necessary or relevant for the purpose of administering or enforcing the relevant tax legislation; but the courts have previously held that the power must still be exercised for a proper purpose (*Green v Housden* (1993) 15 NZTC 10,053). The only additional guidance that a taxpayer may have regard to (but cannot rely upon) is the Commissioner's own operational statement (OS13/02), which Inland Revenue investigators regularly do not comply with (the Court of Appeal confirmed in one of the Chatfield-related procedural decisions that the statement is not binding on the CIR).

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Results of Inland Revenue binding rulings survey

By Virag Singh and Jeremy Beckham

Every year Inland Revenue seeks feedback from different customer groups on how the binding rulings regime is performing. Last year, Deloitte submitted a request for information under the Official Information Act (OIA) for the full results of the 2017 survey. Inland Revenue has now made these results available.

The 2017 questionnaire was emailed to a representative of Chartered Accountants Australia and New Zealand, the Tax Panel of the New Zealand Law Society and The Corporate Taxpayers Group. These professional tax bodies then circulated it to their respective members. However, only 6 responses to the questionnaire were received.

Helpfully, because of the limited level of response to the 2017 survey, Inland Revenue decided to also make available the full results of its 2016 survey. The 2016 questionnaire was circulated to 48 tax professionals who regularly use Inland Revenue's binding rulings service. 29 responses to the 2016 questionnaire were received.

Virag Singh
Director
Tel: +64 9 952 4208
Email: vsingh@deloitte.co.nz

Jeremy Beckham
Manager
Tel: +64 9 303 0929
Email: jbeckham@deloitte.co.nz

The full results from the May 2016 and July 2017 surveys are as follows

2016 / 2017 survey results

Questions asked	Not applicable	Not useful	Slightly useful	Useful	Very useful
If you have had pre-lodgement meetings, how useful were they?	3.4% / 17%	6.9% / 0%	6.9% / 0%	34.5% / 50%	48.3% / 33%
Have our rulings been useful in clarifying tax positions for you or your clients?	0% / 0%	0% / 0%	10.3% / 0%	37.9% / 50%	51.7% / 50%
	Not applicable	**No**	**Sometimes**	**Most of the time**	**Always**
In your experience, have the timeframes for providing rulings been reasonable?	0% / 17%	0% / 0%	0% / 0%	62.1% / 33%	37.9% / 50%
Did the rulings you received in the last year provide value for money given the issues considered and arrangements entered into?	0% / 17%	3.4% / 0%	10.3% / 0%	51.7% / 33%	34.5% / 50%
	Not applicable	**Not satisfied**	**Slightly satisfied**	**Satisfied**	**Very Satisfied**
For the staff working on ruling applications, how satisfied were you with:					
their competence?	0% / 17%	7% / 0%	0% / 0%	31% / 50%	62% / 33%
their professionalism?	0% / 17%	0% / 0%	0% / 0%	34% / 50%	66% / 33%
When we communicated our reasons for decisions (for example, in a contrary view letter) were you satisfied that the reason was:					
comprehensive	14% / 50%	0% / 0%	10% / 0%	52% / 33%	24% / 17%
clearly explained	14% / 50%	0% / 0%	3% / 17%	59% / 33%	24% / 0%
Overall, how satisfied were you with the operation of the rulings regime and the service provided?	0% / 17%	0% / 0%	3.4% / 0%	44.8% / 33%	51.7% / 50%

The results indicate that users of the rulings regime are generally satisfied with the way that the service is currently being delivered. What we found more interesting were some of the optional comments that were made in the survey responses. For example:

- There are mixed opinions regarding the usefulness of pre-lodgement meetings. Where the arrangement has complex or unusual facts, then the meeting is seen as a useful way of ensuring Inland Revenue fully understands the commercial drivers behind the arrangement or structure. A few respondents did identify that pre-lodgement meetings are of limited value where the attendees from Inland Revenue are not the same personnel that will be involved in the ruling process.

- There are often delays when a factual review is requested as part of the binding ruling application. This can be a problem for some taxpayers where the factual review is considered to be integral to the ruling application.

- The competency and professionalism of the Taxpayer Rulings Unit within the Office of the Chief Tax Counsel (OCTC) is seen as excellent. However, when ruling applications are delegated to the Service Delivery group, the experience is not always as good and an "investigations mentality" is sometimes encountered.

- There has been a lot of improvement in terms of time frames for binding rulings in recent years, including good communication from Inland Revenue and an effort to meet urgent deadlines where possible. Notwithstanding, respondents have expressed interest in a "fast track" process if needed to accommodate commercial timeframes (even if this comes at a price premium).

- Binding rulings are normally viewed as a way to manage tax risk (i.e. obtaining certainty of an expected tax outcome) rather than to address an ambiguous tax issue. This is largely because of the time and costs involved in the process.

- There are varying levels of competence across Inland Revenue staff, which can impact on service. The cost can also sometimes be prohibitive (especially for SMEs).

- Officials at Inland Revenue are perceived to be taking an inconsistent approach as to the Commissioner's ability to make private rulings on certain matters, with some officials adopting a very narrow interpretation of the Commissioner's power in this regard.

Overall, Inland Revenue should be commended on these results. However, there are always areas where improvements can be made (as the above comments suggest). The number of responses to the 2017 and 2016 surveys is also relatively small. This suggests that Inland Revenue's binding rulings function is a useful but quite likely inaccessible service for many taxpayers given the cost and timing constraints.

We would expect Inland Revenue to take heed of these responses and continue to look for ways to refine its service delivery going forward. It is to be noted that the government issued a discussion document on modernising the Tax Administration Act in which it has proposed changes to the binding rulings regime, which would address some of the concerns/issues raised in the surveys. The proposed changes were discussed in our July 2017 Tax Alert article.

For more information, or if you are considering making a binding ruling application to get certainty on your tax position, please contact your usual Deloitte advisor.

Overall, Inland Revenue should be commended on these results. However, there are always areas where improvements can be made (as the above comments suggest). The number of responses to the 2017 and 2016 surveys is also relatively small. This suggests that Inland Revenue's binding rulings function is a useful but quite likely inaccessible service for many taxpayers given the cost and timing constraints.

A snapshot of recent developments

Tax Working Group members announced

On 20 December 2017, Finance Minister Grant Robertson and Revenue Minister Stuart Nash announced the additional members that have been appointed to the Government's Tax Working Group. Along with chair Sir Michael Cullen, the Working Group members being appointed are:

- Professor Craig Elliffe, University of Auckland
- Joanne Hodge, former tax partner at Bell Gully
- Kirk Hope, Chief Executive of Business New Zealand
- Nick Malarao, senior partner at Meredith Connell
- Geof Nightingale, partner at PwC New Zealand
- Robin Oliver, former Deputy Commissioner at Inland Revenue
- Hinerangi Raumati, Chair of Parininihi ki Waitotara Inc
- Michelle Redington, Head of Group Taxation and Insurance at Air New Zealand
- Bill Rosenberg, Economist and Director of Policy at the CTU
- Marjan Van Den Belt, Assistant Vice Chancellor (Sustainability) at Victoria University of Wellington

It was also announced that Andrea Black, tax specialist and commentator has been appointed as an independent advisor to the Group.

The Group has its own website where updates will be available. Its first meeting is scheduled to be held early this year.

BEPS Bill receives first reading

The Taxation (Neutralising Base Erosion and Profit Shifting) Bill received its first reading on 12 December 2017. The Bill introduces amendments to the Income Tax Act 2007, and the Tax Administration Act 1994, and proposes measures to counter the particular BEPS strategies observed in New Zealand. It has now been referred to the Finance and Expenditure Select Committee.

Submissions are due by 8 February 2018.

Overseas Investment Amendment Bill receives first reading

On 19 December, Associate Finance Minister David Parker welcomed the first reading of the Overseas Investment Amendment Bill, which has been referred to the Finance and Expenditure Select Committee. Residential land will be brought within the category of "sensitive land" in the Overseas Investment Act 2005. The Overseas Investment Office will generally prohibit overseas persons who are not permanent resident in New Zealand or Australia from buying existing houses or other pieces of residential land without undergoing screening.

The submission period has now closed and the Select Committee Report is due 20 February 2018.

Families Package (Income Tax and Benefits) Bill receives royal assent

The Families Package (Income Tax and Benefits) Act 2017 (2017/51) received royal assent on 20 December 2017. The Act includes measures to support the Government's aim of providing more targeted assistance to low and middle income families with children and forms part of the Government's 100-day plan.

OECD Model Tax Convention 2017 released

The latest edition of the OECD Model Tax Convention has been released, incorporating significant changes developed under the OECD/G20 project to address base erosion and profit shifting (BEPS).

Tax relief for affected farmers

Revenue Minister Stuart Nash has confirmed tax relief measures will be extended to farmers in drought areas. Inland Revenue will allow farmers in

drought areas to make late income equalisation deposits for the 2016-2017 income tax year. They will also be able to apply for early refunds. This allows farmers to smooth out fluctuations in their income from year to year.

Inland Revenue – The New Zealand tax system and how it compares internationally

Inland Revenue has released a report comparing New Zealand's tax system to international standards - including comparisons of company tax, personal income tax, GST and administrative and compliance tax.

Read the full report here.

Group insurance policies – income tax and FBT treatment

The Inland Revenue has released a Question We've Been Asked (QB 17/10) on the income tax and fringe benefit tax treatment of group insurance policies taken out by an employer in respect of its employees, where the employer holds the policy on behalf of its employees (being life term cover, accident/ medical cover, or both).

Loss offset elections between group companies

Inland Revenue has released a Standard Practice Statement (SPS 17/03) on "Loss offset elections between group companies". The statement sets out how the Commissioner will exercise her discretion and what practices will be accepted when companies offset losses by election as provided for in Subpart IC of the Income Tax Act 2007. The statement applies from 14 December 2017.

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Queries or comments regarding Alert can be directed to the editor, Emma Marr, ph +64 (4) 470 3786, email address: emarr@deloitte.co.nz.

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The Editor, Private Bag 115033, Shortland Street, Auckland, 1140. Ph +64 (0) 9 303 0700. Fax +64 (0) 9 303 0701.

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
Rotorua PO Box 12003, Rotorua, 3045, Ph +64 (0) 7 343 1050, Fax +64 (0) 7 343 1051
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