

The Treasury

Briefing for Incoming Ministers

Information Release

Release Document

February 2017

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[2]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[3]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[4]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[5]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[6]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[7]	that the information requested is or will soon be publicly available	18(d)
[8]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[9]	to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by any international organisation	6(b)(ii)

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9, section 6 and section 18 of the Official Information Act.

20 December 2016

Hon Judith Collins
Minister of Revenue
Private Bag 18041
Parliament Buildings
Wellington

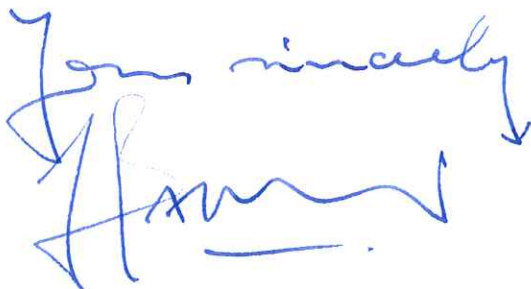


Congratulations on your appointment. We look forward to supporting you as Minister of Revenue.

As Minister for Revenue, you are jointly responsible for tax policy with the Minister of Finance. Treasury officials have also previously attended your predecessor's weekly meetings with IRD policy officials.

There is a lot going on in tax policy at the moment, not least New Zealand's response to the OECD's recommendations on tackling international tax avoidance. Business Transformation is bringing significant change to Inland Revenue, in terms of service, structure and policy design. The plan is to issue discussion documents next year on two policy areas and the first switch over of GST to the new system or 'Go Live' will occur early in the year.

Attached to this letter is a briefing on the revenue portfolio. We are, of course, keen to meet with you to better understand your priorities and how we can best support you.



Gabriel Makhlouf

Briefing for Revenue Portfolio

Tax Strategy	
Secretary , Gabriel Makhlouf Deputy Secretary , Cath Atkins	[1]
Director , Economic System, James Beard, Team Leader , Tax strategy – Suzy Morrissey,	

Purpose

This note briefs you on the role of the Treasury in the Revenue portfolio. It is intended to supplement the briefing and associated material Inland Revenue will provide. Officials would welcome the opportunity to meet to discuss this with you.

Tax Policy

The Treasury and Inland Revenue jointly develop tax policy. The closeness of the policy and implementation functions within Inland Revenue allows policy to be readily informed by the implementation impacts of change. However, given the implications for the Minister of Finance if tax revenue changes materially, it is essential that tax policy is developed with a close link to the Minister of Finance. Accordingly, regular tax policy meetings between the Minister of Revenue and officials have generally been attended by the Treasury.

Work on specific policy changes is based on the Government's tax policy work programme, which is agreed by the Minister of Finance and the Minister of Revenue. The work programme is updated regularly, with the next update scheduled for 2018.

Key Upcoming Items

The Treasury considers the key upcoming tax policy items are as follows.

Base Erosion and Profit Shifting (BEPS). New Zealand has been working with the OECD and G20 to develop a coordinated global solution to address international tax avoidance strategies. Submissions on countering hybrid mismatch arrangements have recently closed. Consultations on transfer pricing and permanent establishment avoidance, interest limitation reforms and implementing the Multilateral Instrument are planned for early 2017.



Business Transformation Policy. Inland Revenue's new IT system provides opportunities to update the tax system to boost compliance and reduce compliance costs. Submissions on proposals for modernising the Tax Administration Act close in late February. Discussion documents on individuals' interactions with Inland Revenue and social policy payments are also planned for release in 2017.

Corporate Tax Issues. Stakeholders recently wrote to the Minister of Economic Development (now Minister of Finance) raising concerns about New Zealand's loss limitation provisions. Officials intend to report to Ministers in the New Year. In addition, following the Trustpower decision by the Supreme Court, officials have begun preliminary consultation on feasibility "black hole" expenditure.

Vote Revenue

Vote Revenue comprises appropriations totalling \$1.1 billion in departmental expenditure and a further \$5.6 billion in non-departmental expenditure. It also covers Crown revenue and receipts totalling \$70 billion. The Minister of Revenue is responsible for all appropriations, revenue and receipts in the Vote.

The Treasury advises the Minister of Finance on value for money in the Vote, in particular through the annual Budget process.

Business Transformation (Investment)

Inland Revenue's change programme is complex, high-risk and fiscally significant. As such, it is one of the major projects monitored by the Treasury. The monitoring role is jointly held by two teams: Tax Strategy and Investment Monitoring and Asset Performance. Through the Minister of Finance, we advise the Government on the status of significant programmes, and provide support and guidance to help programmes succeed.

Along with other Corporate Centre agencies, the Treasury also provides independent advice to Ministers on delivery confidence. Our assessment is informed by a set of key performance indicators, considerations such as the quality of governance, and independent assurance reviews.

A key event in 2017 will be the first 'switch over' to the new system, which will occur early in the New Year, when GST will 'Go Live'.

