

The Treasury

Budget 2015 Information Release

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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] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
- [4] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [6] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
- [7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Tax and property: IRD numbers and bank accounts

Proposal

1. I seek the agreement of Cabinet to:
 - amend the decisions documented in paragraphs 2 to 5 of CAB Min 15 (15/10);
 - amend paragraph 7 of that minute; and
 - note a decision made pursuant to paragraph 9 of that minute.

Background

On 11 May 2015 (CAB Min (15) 15/10 refers), Cabinet (using the numbering recoded in that minute):

- 2 **approved** a requirement for IRD numbers and Tax Identification Numbers (TIN) to be provided by purchasers and vendors of real property when land is transferred, with effect from 1 September 2015;
- 3 **agreed** that New Zealand residents have the option, if they do not wish to provide their IRD number, of making a statutory declaration that the property will be their principal place of residence;
- 4 **agreed** that non-residents be required to open a New Zealand bank account as a prerequisite to obtaining an IRD number so that the anti-money laundering (AML) provisions apply;
- 5 **invited** the Minister of Revenue and Minister for Land Information to issue drafting instructions for amendments to the Land Transfer Act 1952 and the Tax Administration Act 1994 to give effect to the proposals in paragraphs 2 to 4 above, and to report back to Cabinet on 18 May seeking approval to the proposed amendments;
- ...
- 7 **agreed** that the proposed amendments be passed through all stages under urgency on Budget Day (21 May 2015);
- ...
- 9 **authorised** a group of Ministers comprising the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Steven Joyce), the Minister of Revenue and the Minister for Land Information to take final decisions on the application date of the bright-line test;

Comment

2. I seek the agreement of Cabinet to amend the decisions documented in paragraphs 2 to 5 (above), to also amend paragraph 7 and to note a decision made pursuant to paragraph 9. Specifically:

- *Paragraph 2* – I seek agreement to amend the effective date for the proposed policy from 1 September 2015 to 1 October 2015. This will align the effective date with that agreed for the package of property tax initiatives to be announced as part of Budget 2015.
- *Paragraph 3* – I seek agreement that the option of New Zealand residents being able to provide a statutory declaration that the property will be their principal place of residence be rescinded. This would allow Ministers to fully consider other options for bringing rules into effect that would exclude New Zealand residents from having to provide their IRD numbers when they are purchasing their principal place of residence.
- *Paragraph 4* – I seek agreement that the underlying policy (that non-residents be required to open a New Zealand bank account as a prerequisite to obtaining an IRD number) be noted as continuing to reflect Government policy.
- *Paragraph 5* – I seek agreement that the paragraph be amended to invite the Minister of Revenue and the Minister of Land Information to agree a consultation process with key stakeholders on the details of the proposals in paragraphs 2 to 4 and to report back to Cabinet following that consultation with final policy recommendations.
- *Paragraph 7* – I seek agreement that paragraph 7 be rescinded. The future report-back by the Minister of Revenue and the Minister for Land Information will include proposals regarding suitable legislative vehicles for any amendments.
- *Paragraph 9* – I ask Cabinet to note that the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Steven Joyce), the Minister of Revenue and the Minister for Land Information have agreed that the application date for the bright-line test will be 1 October 2015.

Consultation

3. Officials from Inland Revenue, Treasury and Land Information New Zealand agree with the proposals in this paper.

Financial implications

4. Not applicable.

Human rights

5. Not applicable.

Legislative implications

6. Legislative provisions that were to be included in Budget legislation will be withdrawn. Parliamentary Counsel Office has been informed.

Regulatory impact analysis

7. No regulatory impact statement is necessary for this paper.

Publicity

8. Budget 2015 will still foreshadow the policies set out in this paper.

Recommendations

The Minister of Revenue recommends that, Cabinet:

1. **Note** that, on 11 May 2015 (CAB Min (15) 15/10 (the minute) refers), Cabinet, using the numbering recoded in the minute:
 - 2 **approved** a requirement for IRD numbers and Tax Identification Numbers (TIN) to be provided by purchasers and vendors of real property when land is transferred, with effect from 1 September 2015;
 - 3 **agreed** that New Zealand residents have the option, if they do not wish to provide their IRD number, of making a statutory declaration that the property will be their principal place of residence;
 - 4 **agreed** that non-residents be required to open a New Zealand bank account as a prerequisite to obtaining an IRD number so that the anti-money laundering (AML) provisions apply;
 - 5 **invited** the Minister of Revenue and Minister for Land Information to issue drafting instructions for amendments to the Land Transfer Act 1952 and the Tax Administration Act 1994 to give effect to the proposals in paragraphs 2 to 4 above, and to report back to Cabinet on 18 May seeking approval to the proposed amendments;

...

- 7 **agreed** that the proposed amendments be passed through all stages under urgency on Budget Day (21 May 2015);

...

- 9 **authorised** a group of Ministers comprising the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Steven Joyce), the Minister of Revenue and the Minister for Land Information to take final decisions on the application date of the bright-line test;

2. **Agree** to amend the effective date recoded in paragraph 2 of the minute from 1 September 2015 to 1 October 2015;
3. **Agree** to rescind paragraph 3 of the minute so that Ministers can fully consider other options for bringing rules into effect that would exclude New Zealand residents from having to provide their IRD numbers when they are purchasing their principal place of residence;
4. **Note** that the policy set out in paragraph 4 of the minute remains Government policy;
5. **Agree** that further work be carried out on how to bring the proposal in paragraph 4 of the minute into effect;
6. **Agree** that paragraph 5 of the minute be amended to read “**invited** the Minister of Revenue and the Minister of Land Information to agree a consultation process with key stakeholders on the details of the proposals in paragraphs 2 to 4 and to report back to Cabinet following that consultation with final policy recommendations;
7. **Agree** to rescind the decision in paragraph 7 of the minute;
8. **Note**, with regard to paragraph 9 of the minute, that the Prime Minister, the Minister of Finance, the Associate Minister of Finance (Hon Steven Joyce), the Minister of Revenue and the Minister for Land Information have agreed that the application date for the bright-line test will be 1 October 2015.



Hon Todd McClay
Minister of Revenue

17 / 5 / 15
Date