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Legislative Statement – Taxation (Annual Rates 2020-21, Feasibility Expenditure, and Remedial Matters) Bill *(Second Reading)*

This legislative statement supports the second reading of the Taxation (Annual Rates 2020-21, Feasibility Expenditure, and Remedial Matters) Bill. The Bill has been reported back from the Finance and Expenditure Committee. A number of changes have been made to the Bill as part of their consideration, including incorporating the amendments in Supplementary Order Paper No. 510.

This taxation omnibus bill introduces amendments to the following legislation:

- Income Tax Act 2007;
- Tax Administration Act 1994;
- Goods and Services Tax Act 1985;
- Student Loan Scheme Act 2011;
- Unclaimed Money Act 1971;
- KiwiSaver Act 2006;
- Companies Act 1993;
- Land Transfer Act 2017;
- Social Security Act 2018;
- Accident Compensation Act 2001;
- Taxation (Disclosure of Information to Approved Credit Reporting Agencies) Regulations 2017; and
- Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018.

Policy background

Broadly, the policy proposals in this Bill fall into 3 categories. The first category sets the annual rates of income tax for the 2020–21 tax year.

The second category comprises proposals aimed at improving current tax settings within a broad-base, low-rate framework. This framework helps ensure that taxes are fair and efficient, and that they impede economic growth as little as possible. It also helps keep compliance costs low and minimises opportunities for avoidance and evasion. The framework underpins the Government's Revenue Strategy and helps maintain confidence that the tax system is fair, which is crucial to encouraging voluntary compliance. Proposals in this category include amendments to the income tax treatment of unsuccessful feasibility expenditure and land.

The third category relates to proposals aimed at modernising and improving the settings for tax administration, the goods and services tax regime, KiwiSaver and social policy rules administered by Inland Revenue. As well, the third category contains remedial amendments

to other legislation such as the Companies Act 1993 and the Taxation (Disclosure of Information to Approved Credit Reporting Agencies) Regulations 2017.

The main policy measures within this Bill have been developed in accordance with the Generic Tax Policy Process. It is a very open and interactive engagement process between the public and private sectors, which helps ensure that tax and social policy changes are well thought through. This process is designed to ensure better, more effective policy development through early consideration of all aspects, and likely impacts, of proposals, and increased opportunities for public consultation.

Details of changes in the Bill

The main items in the Bill are:

- the annual rates of income tax for the 2020-21 tax year;
- proposals to allow businesses to deduct feasibility expenditure related to completing, creating, or acquiring property, where the project is abandoned prior to the completion, creation or acquisition of that property;
- proposals to improve the taxation rules for land; and
- proposals to improve the integrity of the income tax rules for the allocation of purchase price for vendors and purchasers involved in significant transactions.

The Bill also contains these other items that:

- modernise the Unclaimed Money Act 1971 and enable a more efficient administration of the unclaimed money regime for both holders of unclaimed money;
- update the taxation rules for certain commercial leases, to more closely align with New Zealand International Financial Reporting Standard 16;
- enable the direct transfer of New Zealanders' Australian unclaimed superannuation funds from the Australian Tax Office, to their KiwiSaver scheme;
- grant the following three charities overseas donee status: Active Hearts Foundation; Kiwilink; and Shimshal Trust;
- provide new rules to allow taxpayers to spread their taxable income over a six-year period, where that income relates to the culling of Mycoplasma bovis affected livestock;
- introduce GST on outbound mobile roaming services to align New Zealand's policy settings with new international guidance of best practice;
- improve the rules to for correcting mistakes in previous GST returns and align time limit for issuing a credit note for a supply made in an earlier period with existing time limit for GST refunds;
- allow for a temporary increase in the individual tax write-off threshold from \$50 to \$200 for the 2019-20 income year; and
- make a number of other minor technical and remedial changes to the tax legislation. These include changes to the trust rules and the research and development tax credit regime.