



31 May 2018

Megan Jamieson
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Dear Megan

PUB00344: Income tax – salary and wages paid in cryptocurrency and bonuses paid in cryptocurrency

Thank you for the opportunity to review the two items and provide feedback.

We agree that the conclusion is not free from doubt. However, over all we believe that the items are sensible and well written, we agree with the conclusion reached.

Valid salary sacrifice

One key issue from the previous Issues Paper was the existence of a valid salary sacrifice. We agree with the decision to limit the rulings to the situation where there is a valid salary sacrifice.

This of course leaves open the question as to the treatment where there is not a valid salary sacrifice. We assume that this is a topic for a later public statement.

Characteristics of cryptocurrencies

We understand that there are over 1,000 different cryptocurrencies. As you are aware, they have a range of characteristics – with some of them functioning like a currency and many not.

We agree with the decision to specify the characteristics of the cryptocurrency used to make the payments. Our earlier submission raised concerns that certain types of cryptocurrencies would be best taxed under the FBT or employee share scheme rules. We believe that the draft items' description of the sorts of cryptocurrency payments that could be subject to the PAYE rules is sensible and logical.

Practical implications

We have not received any formal feedback from our members regarding the practical implications of the conclusion. We anticipate however that the partial payment of employee salaries in cryptocurrency will be relatively limited both in the context of the employers providing payment and frequency.

In our view the decision to subject cryptocurrency payments, which have characteristics akin to currency, to the PAYE rules, should assist employer payroll compliance. The outcome reached is practical in that the total salary or wage payment will be subject to PAYE, removing the requirement for separate calculations and the payment of different tax types.

We would be happy to discuss our submission with you. Please contact Jolayne Trim in the first instance.

Yours sincerely



John Cuthbertson
NZ Tax & Financial Services Leader



Jolayne Trim
Senior Tax Advocate