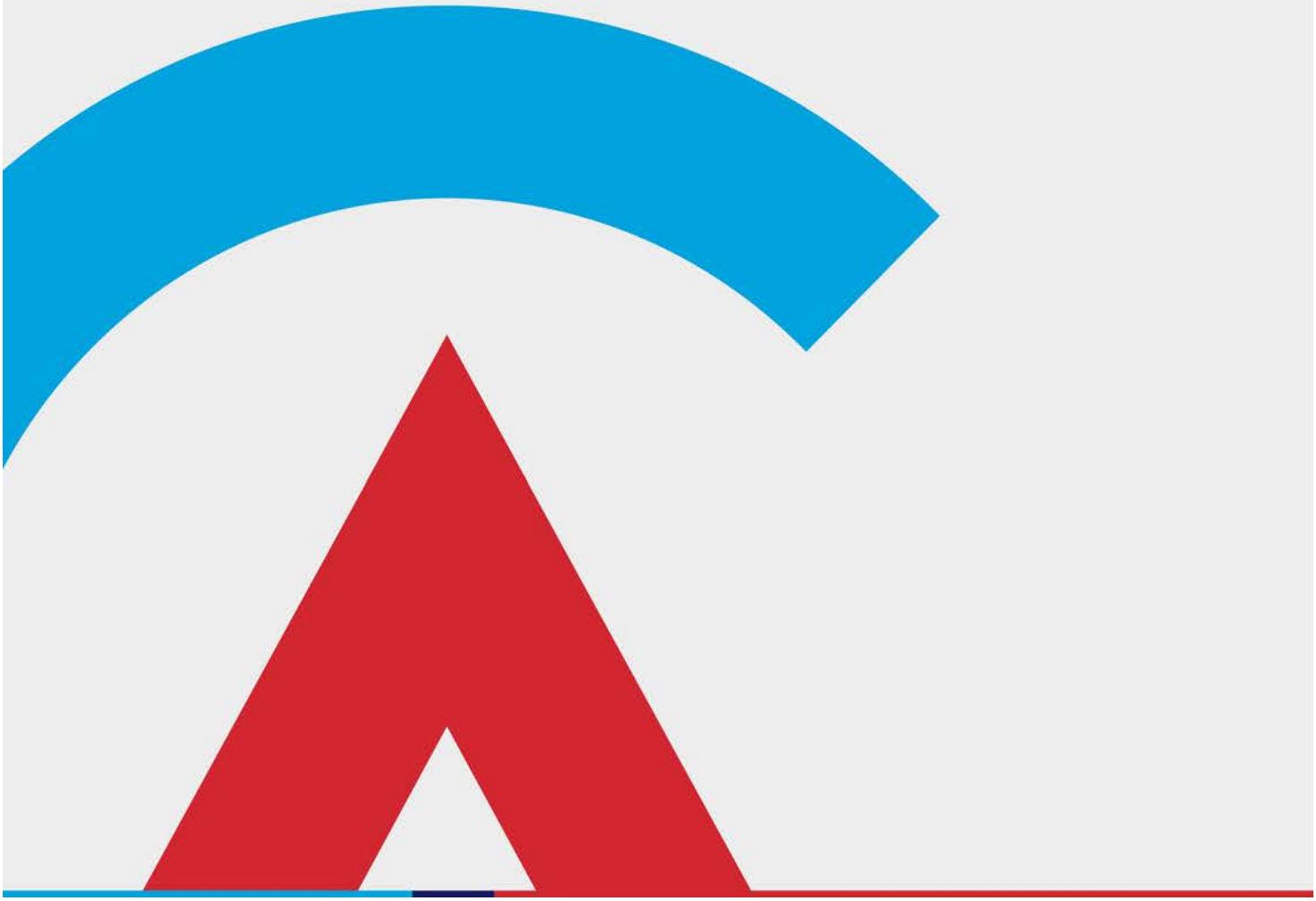
Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill

Chartered Accountants ANZ 4 September 2019



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General Position

In formulating its submissions, Chartered Accountants Australia and New Zealand takes a best practice, public policy perspective. That is, we endeavour to provide comment on a "what is best for New Zealand" basis.

We recognise Government's legitimate right to set tax policy direction. We comment on those policies, and also make comment on their practical implementation. Our public policy perspective means we endeavour to provide comment free from self-interest or sectorial bias.

Research confirms that in practice the best tax system is one with a broad tax base and low tax rates. Such an approach restricts the conditions that make tax avoidance attractive.

Our guiding principles in formulating this submission are that New Zealand's tax system must not impede New Zealand's international competitiveness; growth of the New Zealand economy; and innovation and entrepreneurship.

Recognising there are judgments and trade-offs, taxes should, as far as possible:

- be simple in their application;
- provide certainty in their application;
- be perceived as broadly fair;
- minimise the costs of compliance and administration;
- minimise distortions to the economic behaviour of individuals and businesses;
- utilise businesses' own accounting systems as the data source for calculation;
- align the obligations with the businesses' own cash flows; and
- be imposed at an overall rate which allows adequate retention of investment funds within businesses.

We believe one of the pillars of an effective and efficient tax system is taxpayer certainty. This will increase voluntary compliance, decrease administration costs, and deliver positive economic benefits. Tax legislation must be as clear in its policy intent and application. Further, any identified errors post-enactment should be corrected without delay.

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In Chartered Accountants Australia and New Zealand's view tax legislation should not be retrospective unless it corrects an anomaly to ensure taxpayers pay no more tax than Parliament intended. Retrospective application dates undermine the principle of taxpayer certainty and the Generic Tax Policy Process.

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4 September 2019

The Chair

Finance and Expenditure Committee

Parliament

Wellington

Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill

Thank you for the opportunity to submit on the Taxation (KiwiSaver, Student Loans, and Remedial Matters) Bill. We would like to appear before the Finance and Expenditure Committee to discuss our submission. Chartered Accountants Australia New Zealand (CA ANZ) broadly supports the Bill except in a few areas which are covered in our submission.

Our principle comments relate to the:

- R&D payroll tax-based cap;
- R&D tax exempt entities;
- widening of the Commissioner's powers to put investors on the correct prescribed investor rate;
- removal of a taxpayer's ability to choose the provisional tax instalment to which a payment is applied; and
- the trust amendments that should have been subject to the Generic Tax Policy Process (GTPP).

Research and Development

Payroll tax-based cap

CA ANZ welcomes the changes that will make refundable R&D tax credits available to more organisations but believes that the use of a payroll tax-based cap to limit refundability is not appropriate.

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Start-up businesses commonly do not have employees. The owners carry out the R&D activities for no remuneration or secure the services of contractors, for whom there is no requirement to withhold tax. The payroll tax-based cap will exclude many start-up businesses from an R&D tax credit refund. This is a particularly harsh outcome when the R&D tax credit regime is intended to have a broad reach across the economy from start-ups to established R&D performers.

Given that the expenditure eligible for the credit is largely on work performed in New Zealand, CAANZ does not see a need for such a cap.

Tax exempt entities

From 2020-21 the R&D tax credit regime will exclude organisations that receive exempt income (other than levy bodies or entities that only receive exempt dividend income from foreign companies or from within a New Zealand wholly owned group).

The stated intention was to exclude entities that do not pay any income tax from the R&D regime[1] but unfortunately, we expect the proposed changes will exclude far more organisations. This is because many organisations that sit inside the tax system still derive tax exempt income. For example, organisations that receive a distribution from Vector receive tax exempt beneficiary income (a non-taxable distribution). Being excluded from the R&D tax credit regime is a disproportionate response for a minute amount of exempt income.

Widening the Commissioner's power to put investors on the correct Prescribed Investor Rate

The proposed change to the PIE rules will allow Inland Revenue to amend an investor's PIE tax rate down to a lower rate where the investor has been incorrectly placed on the top default rate.

We believe that Inland Revenue should also notify the investor that they have changed the investor's PIE tax rate. It should not be the responsibility of the fund manager to provide the notification.

[1] Commentary on the Bill page 30

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In addition, Inland Revenue should put in place a process for investors who believe that Inland Revenue's recommendation to place them on the default rate was wrong.

Provisional Tax

Current law allows a taxpayer to allocate their provisional tax payments to particular instalments. The proposed amendment will remove taxpayers' ability to choose the provisional tax instalment to which a particular payment is applied, and the Commissioner will be required to allocate payments to the oldest outstanding provisional tax instalment.

CA ANZ does not support the proposed change. The amendment may unfairly penalise taxpayers by exposing them to additional late payment penalties even though the payment intended for a particular instalment is made on time. There could be valid reasons for why the taxpayer choose to allocate a payment to a particular instalment.

Taxation of trusts

The proposed amendments to the trust tax rules are in response to work carried out by Inland Revenue.

Only the proposed changes which are genuine clarifications should proceed. Any amendments to the current rules should be subject to full consultation by way of Officials Issues Paper or Discussion Document prior to inclusion in draft legislation.

Yours sincerely

John Cuthbertson, CA

NZ Tax and Financial Services Leader

Greg Haddon, FCA

Chair, CA ANZ Tax Advisory Group

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Summary of key submissions

Student Loans	
Limiting the ability to reopen repayment obligations prior to 1 April 2013	We do not support the proposed changes. A student loan is not income tax. When a student enters into a loan contract he or she agrees to the obligations imposed under the loan. Inland Revenue's role is to manage the collection of current and overdue loan repayments and provide loan account information.

Research and Development	
Refundability and payroll tax-based cap	A payroll tax-based cap will exclude start-up businesses who commonly do not have employees.
Year 1 carried forward R&D tax credits	It is not clear whether an unused Year 1 R&D tax credit can be refunded in year 2. This should be clarified.
Exempt tax entity exclusion	The proposed amendment is too broad and will result in many entities being excluded as a result of receiving a very minor amount of exempt income.

Employee share schemes	
Allow employees to keep shares if they leave employment	Proposed section CW 26C(8) that allows companies to choose whether employees who leave the company are permitted to keep their shares or have the company buy them back at the lesser of cost or market value is unclear and should be rewritten.

Prescribed investor rate	
Widening the Commissioner's powers to put investors on the correct PIR	The Commissioner should also be required to notify the investor of the alternative tax rate.

Provisional tax	
Clarifying the lesser of calculation of interest for standard uplift taxpayers	The proposed amendment should be located in the Tax Administration Act.
	Inland Revenue should publish some comprehensive examples of how UOMI and late payment penalties will be applied so taxpayers and agents can be confident when allocating payments to meet provisional tax liabilities.
Removing the ability for taxpayers to choose the provisional tax instalment to which a particular payment is applied	CA ANZ does not support the proposal. The change may unfairly penalise taxpayers.
Underpaid provisional tax by a small amount	Negative consequences can arise when an instalment is short-paid by a small amount (e.g. less than $1). For example, taxpayers are no longer considered to have met the requirements of being a safe harbour or interest concessional taxpayer and are subject to UOMI from the first provisional tax

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	instalment. We recommend that the legislation be altered to prevent this occurring.

Taxation of trusts	
Generic Tax Policy Process	The proposed amendments to the trust rules should have been consulted on prior to the inclusion in draft legislation.
Corpus of a trust	It is unclear how the proposed rule will work in a debt forgiveness scenario. The issue should be given further consideration.
Election to be a complying trust	The proposed rule should allow an election to be retrospective.
Taxable distributions from foreign trusts and non-complying trusts	It is not clear how section YD 4 applies to capital losses. The application of section YD 4 should be clarified.
Who is a settlor – direct or indirect settlements	The proposed amendment should only apply where the person has influence or control over the actions of the associate.
Valuation for transfer of values by deferral or non-exercise of right to demand payment	If a loan is repayable on demand but interest is charged at a market rate, there is no value in not exercising the demand. The proposed amendment should only apply where the interest paid is less than a market rate.

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KiwiSaver

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
On-payment of KiwiSaver employer contribution			
Clause 4(1)	4	Definition of "employer contribution".	Support
Clause 16, 17	71, 73	Unexplained remittances, unremitted deductions and employer contributions entered in and paid out of holding account.	Support
Clause 18, 20	74, 76	Section 76 repealed; section 74 no longer subject to section 76. Section 76 required employer contributions to stay in holding account until deducted contributions were paid.	Support
Clause 21	78	Treatment of certain unremitted deductions and employer contributions in holding account – the Commissioner must pay the amount out of a Crown Bank Account.	Support
Clause 26	95B to 95D	Unremitted employer contributions and unexplained remittance of employer contributions.	Support
Clause 27 to 30	96, 98, 98A, 99	Repeals procedures for short payments by employers of Kiwisaver contributions, as a consequence of authorising the Commissioner to pay unremitted amount of employer contributions out of a Crown Bank Account.	Support
Clause 31	101	Provider must refund employer contribution to Commissioner if employee opts out after payment.	Support
Clause 32	101AA	What Commissioner must do with employer contribution refunded by provider.	Support
Clause 36	221B	Commissioner may assume that amounts included in employment income information have been deducted from salary or wages on the payday date.	Support

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Other KiwiSaver administrative refinements			
Clause 4(2) and (4), 5, 33, 34, 35	4(1) and 4(3), 18, 104, 108, 112B	Aligning definition of "payday" and "3 months" for tax and Kiwisaver purposes.	Support
Clause 8, 9	56, 57	Notification and requirement to transfer now within 10 working days.	Support
Clause 6, 7(2) and (3), 10, 14, 19, 22, 24, 37	48, 51(4)(a) and (b), 59B(2)(ab), 64, 75, 81, 88, 226	Reducing the Kiwisaver provisional period and initial holding period.	Support
	4, 6, 69, 78, 85, 95B and 221B and schedule 1, clause 8	Aligning the date Kiwisaver contributions are received with member's payday.	Support
Clause 8 and 9	56 and 57	All Kiwisaver schemes will be required to complete transfer of member's information and funds to a new scheme provider within 10 working days.	Support
Clause 14	64	An employee may change their contribution rate by contacting Inland Revenue or their scheme provider, in addition to their employer.	Support
Clause 13, 25 and 132	63B, 93 and Schedule 4 TAA	Specifies the Kiwisaver income and ESCT rate information that must be provided by employers to Inland Revenue; will be considered employment income information.	Support
Clauses 10-12	59B, 59C, 59D	Removal of the three-month grace period for an invalid enrolment due to the individual being non-resident.	Support

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Student loans

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
Limiting ability to reopen repayment obligations prior to 1 April 2013			
Clause 57	Amends Schedule 6 Student Loan Scheme Act 2011	To limit amending a borrower's repayment obligations for the tax year ending 31 March 2012 and earlier tax years to situations described in new Schedule 5.	Refer to Submission 1
Clause 57(4)	Inserts Part 5 into Schedule 6 Student Loan Scheme Act 2011	Describes the circumstances in which a borrower's repayment obligation can be reopened where: there has been a change in the borrower's residency status; fraud has been committed; or no return or information has been provided to the CIR when required and it is cost effective for the CIR to reopen the repayment obligation. It also introduces a simplified set of rules that will apply.	Refer to Submission 1
Overseas- based borrowers with serious illness or disabilities			
Clause 40 to 44	Amends sections 22, 23, 25, 26, 27	To enable borrowers with a serious illness who are unable to meet their overseas-based repayment obligations to be treated as physically in New Zealand for the purposes of determining whether they are New Zealand based or overseas based.	Support
Clause 53	Amends section 176(a)	Allows these borrowers to challenge a decision by the Commissioner.	Support
Clause 56	Amends schedule 1	Requires these borrowers to notify the Commissioner of their worldwide income each tax year.	Support

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Notifying employers when student loans are close to being repaid			
Clause 45	Inserts new section 62A	Allows the Commissioner to (1) notify employers of a borrower's remaining loan balance when it is close to being fully repaid; and (2) instruct the employer to reduce the amount of the final deduction to an amount equal to the remaining loan balance.	Support

Renaming the student loan repayment holiday			
Clause 46 to 52	Amends sections 106, 107, 107Bm 108, 110, 115(1)	Changes the name of the Student Loan Repayment Holiday to Student Loan Temporary Repayment Suspension. The change in name should send a better signal to borrowers their repayment obligations are only on hold.	Support

Writing off historic fraudulent loans			
Clause 57(4) and Schedule	Inserts new Part 5 into Schedule 6 Clause 28	Allows the Commissioner to write off loans that were transferred before 1 April 2000 where she is satisfied that the person who has been allocated the loan did not take it out, and the correct borrower cannot be identified.	Support

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Limiting ability to reopen repayment obligations prior to 1 April 2013

Clause 57 (Inserts Part 5 into Schedule 6 Student Loan Scheme Act 2011)

Proposal

To limit the situation where a borrower's repayment obligations for tax years prior to 1 April 2013 can be reopened to where the borrower has a change of residency; or has committed fraud; or has not filed information to the Commissioner when required to do so. In addition, a simplified set of rules will apply for the period from 1992 to 1 April 2013 where:

- a borrower goes from New Zealand based to overseas based, no overseas based borrower repayment obligation for the period will be imposed;
- a borrower goes from overseas based to New Zealand based, overseas-based repayments would not be collected. Any payments already collected would go against the loan balance;
- fraud is involved, or a borrower has failed to provide a return or information to the Commissioner, a simplified calculation would be used to calculate the borrower's repayment obligation. A one-off penalty may also apply. Late payment interest will not be imposed; and
- a borrower considers they are worse off because of these changes, they can apply to the Commissioner and if the Commissioner agrees then their repayment obligation will be corrected.

Submission 1 Do not limit reopening a borrower's repayment obligations; and do not introduce simplified rules for the period from 1992 to 1 April 2013.

Omit Clause 57 and Schedule 6 Part 5: clauses 21-27.

Comment

CA ANZ does not support the proposed changes.

It is important to remember that the student loan scheme was introduced in 1992 to offset the potentially negative impacts of higher course fees (e.g. fewer enrolments) and to ensure financial barriers did not deter participation in tertiary education. The Student Loan Scheme Act 1992, administered by the Ministry of Education, provided bulk loans to students at lower-than-market interest rates for course fees, course-

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related costs, and living costs. Students could defer paying their share of tertiary education costs until after graduation [2].

It is inappropriate to limit the situations where either the Commissioner or the borrower can reopen a borrower's repayment obligation. This effectively introduces a statute bar for a student loan repayment obligation. A student loan is not a tax. It is a loan that must be repaid**.**

Changing the student loan rules for loans taken out before 1 April 2013 to reduce complexity is unprincipled and works against the equity objectives. As noted in the Commentary, there have been many rule changes since they were first introduced in 1992. None of the changes applied retrospectively. The increased complexity that arose as part of those earlier changes was not considered to be a reason to change the rules retrospectively.

Inland Revenue's role is to manage the collection of current and overdue loan repayments and provide loan account information. When a student enters into a loan contract he or she agrees to the obligations imposed under the loan. The proposed changes break existing loan contracts and reward students who have failed to meet their loan obligations. Failure by a borrower to meet their loan obligations because of a lack of understanding of the complex rules is not acceptable. To improve compliance Inland Revenue has run numerous student loan marketing campaigns and has published guidance on a borrower's rights and obligations **[3]**.

[2] Decade of Debt The Cost of Interest Free Student Loans: Khyaati Acharya with Eric Crampton; The New Zealand Initiative; 2016
[3] https://www.classic.ird.govt.nz/studentloans/manage/student-loan-borrower-rights-responsibilities.html

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Research and development

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
Refundability and new tax-exempt entity exclusion			
Clause 101	Amends section LA 5	To increase the refundability of the R&D tax credits subject to a payroll-based cap. The cap does not apply to levy bodies or to R&D tax credits arising from eligible expenditure on approved research providers.	Refer to Submission 2 and Submission 3
Clause 106	Amends section LY 3	Ensures tax exempt entities generally cannot claim R&D tax credits	Refer to Submission 4
Clause 107(1),(2)	Amends section LY 8	Ensures tax exempt entities generally cannot carry-forward R&D tax credits.	Support
Clause 107(3)		Applies for the 2019-20 and later income years.	Support
Clause 113	Amends section YA 1	Inserts/amends definitions.	Support
Timeframe for completing disputes process			
Clause 122	Amends section 108 TAA	To clarify the time-bar for amending assessments in relation to an R&D tax credit must be made within a year after the income tax return due date unless: the dispute was initiated within the earlier of 1 year after the tax return due date; or 4 months after the tax return was filed.	Support
Clause 123	Amends section 113E TAA	To clarify that a notice of proposed adjustment in respect of an R&D tax credit must be filed before the earlier of 4 months after filing the tax return and 1 year after the tax return due date.	Support[4]
Declining R&D certifier applications			

[4] http://taxpolicy.ird.govt.nz/sites/default/files/2019-or-rdtc-bill.pdf page 108

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Clause 127(1)	Amends section 124ZI TAA	To clarify R&D certifier status will be declined where the Commissioner's approval would adversely affect the integrity of the tax system.	Support
Clause 127(3)		Applies for the 2020-21 and later income years.	Support

Revoking R&D certifier approvals			
Clause 127(2)	Amends section 124ZI(7)(b) TAA	To extend the circumstances in which the Commissioner can revoke a person's approval as an R&D certifier where they have provided an R&D certificate to another person in the last two years who has entered into a tax avoidance arrangement for R&D tax credits or where allowing the person to retain their status would adversely affect the integrity of the tax system.	Support
Clause 127(3)		Applies for the 2020-21 and later income years.	Support

Challenging the Commissioner's decision			
Clause 128	Amends section 138E TAA	To prevent a person from challenging the Commissioner's decisions made for the pilot approval scheme and exceeding the $120 million cap. Applies for the 2019-20 and later income years.	Support[5]
Clause 145	Repeals section 46(2) Taxation (Research and Development Tax Credits Act) 2019	Minor consequential amendment.	Support

Allocating credits to join venture members			
Clause 105(1)	Amends section LY 1(4)	To correct allocation of R&D tax credits claimed by joint ventures so that credits are allocated in accordance with members' interests in the joint venture rather than their interest in the income of the joint venture.	Support[6].
Clause 105(2)		Applies for the 2019-20 and later income years.	Support.

[5] http://taxpolicy.ird.govt.nz/sites/default/files/2018-commentary-rdtc-bill.pdf page 95
[6] https://www.parliament.nz/resource/en-NZ/52SCFE_ADV_80869_FE2659/6946e9dbaa10c93d2bd2cf6ae808c1c006649f49 page 33

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Internal software development expenditure			
Clause 113(5)	Amends section YA 1 definition of "internal software development expenditure"	To broaden the definition, so that it includes all software development expenditure that is not external software development or software development undertaken for internal administration.	Support
Clause 2(20)		Comes into force on 1 April 2019.	The Commentary indicates the amendment would apply from the 2019-20 income year.

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Refundability and new tax-exempt entity exclusion

Clauses 101, 106, 107 and 113(6),(9),(10) and (13)) (amends sections LA 5, LY 3, LY 8)

Proposal

Replace existing limited refundability rules that make R&D tax credits refundable to more firms from 2020-21 income year. It is proposed a payroll-tax based cap will replace the existing corporate eligibility criteria, wage intensity test and $255,000 cap.

Submission 2 Broaden refundability rules

Consider removing the payroll tax-based cap or alternatively include a cap based on the tax effect of payments to contractors (not subject to schedular tax).

Comment

We understand the rationale for adopting a payroll tax-based cap. However, a payroll cap will potentially exclude start-up organisations where the owners or contractors, rather than employees, carry out the R&D. This is an overly harsh outcome for start-up organisations particularly as these businesses are likely to help diversify and transform the economy and increase New Zealand's R&D expenditure to 2% of GDP by 2027[7]. Officials' suggested solution is for the organisation to deduct schedular tax from the contract payments (where the activity is not a listed activity for which tax must be deducted). This is only possible if the organisation employs contractors and the contractor, the payee, voluntarily elects to treat the payments as "schedular payments." Not all contractors may be willing to elect into the regime. If Government is not willing to remove the payroll cap a possible solution would be to extend the payroll cap to include a cap based on the tax effect of contractor payments (not subject to schedular tax).

Proposal

Proposed amendment to section LA 5(4B) removes the corporate eligibility criteria and brings all organisations, companies, partnerships, and trusts, provided they carry on business through a fixed establishment in New Zealand within the scope of refundability from year two.

[7] https://www.mbie.govt.nz/assets/a2bde67fad/science-and-innovation-briefings-on-rd-tax-incentive.pdf

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Submission 3 Clarify carry forward year one R&D tax credits can be refunded

Clarify unused year one R&D tax credits can be refunded in year 2 subject to the payroll cap.

Comment

It is not clear from the Commentary whether an unused year one R&D tax credit can be refunded in year 2. It would be helpful if this was clarified.

Proposal

Entities that derive tax exempt income (other than levy bodies and claimants that only receive exempt income from certain intercompany and foreign dividends) will not be eligible for the R&D tax credit regime from the 2020-21 income year (year two). Any R&D tax credits received by a tax-exempt entity in year one cannot be carried forward and will be extinguished.

Submission 4 Narrow the definition of a tax-exempt entity

Amend proposed section LY 3(2)(f) to specifically exclude a list of ineligible organisations that sit outside the tax system and only derive tax exempt income.

Comment

The proposed amendment is extremely broad, and we expect that a large number of organisations will no longer be eligible for an R&D tax credit. This is because proposed section LY 3(2)(f) excludes any organisation that derives exempt income other than exempt foreign or intercompany dividends under sections CW 9 and CW 10. Exempt income comprises many types of income that are specified in subpart CW. Exempt income is not limited to income derived by charities or foreign or intercompany dividends.

The problem is that many organisations sit inside the tax system but still derive tax exempt income. For example, unless a distribution by a complying trust is beneficiary income, the distribution will be exempt income. Organisations that pay Vector electricity lines charges as part of their power bill receive tax exempt beneficiary income (a non-taxable distribution) each year.

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Other policy and remedial changes

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
Employee share schemes – definition of market value			
Clause 69 and 71	Inserts sections CE 7CB,; and CW 26DB	Includes 5-day volume weighted average prices as a market value methodology or any other measure accepted by the CIR for employee share schemes and exempt employee share schemes.	Support
Takeovers and similar reorganisation under exempt employee share schemes			
Clause 70	Amends section CW 26C(7)	To ensure that share reorganisations do not remove exempt ESS status and to ensure that there are flexible and appropriate exit provisions in exempt ESSs.	Support
Employee share schemes – flexibility to allow employees to keep shares if they leave employment			
Clause 70	Amends section CW 26C(8)	To allow companies to provide, in the case of bad leavers, that (i) employees can choose whether to keep the shares or have them bought back for the lesser of cost or market value; or (ii) the trustee/company must buy back the shares for the lesser of cost or market value.	Refer to Submission 5

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Schedule 32 overseas donee status			
Clause 114(1)	Amends schedule 32	Adds the following four charitable organisations: (1) Little Brothers and Sisters International; (2) Partners Relief and Development – New Zealand; (3) Project Moroto; and (4) UN Women National Committee Aotearoa New Zealand Incorporated. Donors to these charities will be eligible for a donation tax credit.	Support
Clause 114(2)		Applies for the 2019-20 and later income years.	Support

Widening the Commissioner's power to put investors on the correct prescribed investor rate			
Clause 99	HM 60	Giving the Commissioner the power to notify a multi-rate PIE that a different tax rate should apply for a particular investor.	Support subject to our comments in Submission 6

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Employee share schemes – flexibility to allow employees to keep shares if they leave employment

Clause 70 (amends section CW 26C)

Proposal

Allows companies to choose, whether employees who leave the company are permitted to keep their shares or have the company buy them back for the lesser of cost or market value.

Submission 5 clarify employer's choice

Proposed section CW 26C(8) is unclear and should be rewritten.

Comment

To ensure there is no ambiguity proposed section CW 26C(8) should be rewritten. For example: When the period of restriction ends, the arrangement must provide:

if the employee is currently employed that the shares are transferred to the employee, or if the employee chooses, that the shares are purchased for the lesser of

- the cost of the shares to the employee;
- the market value of the shares on the date the period of restriction ends or:
- if the employee is not currently employed and the employer chooses, that the shares are transferred to the employee or purchased for the lesser of:
    - the cost of the shares to the employee;
    - the market value of the shares on the date the period of restriction ends.

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Widening the Commissioner's power to put investors on the correct prescribed investor rate

Clause 99 (amends section HM 60)

Proposal

To enable Inland Revenue to notify a multi-rate PIE of an alternative tax rate to apply for an investor in that PIE where an investor's notified investor rate is different from their PIR or where the investor has been defaulted onto the top 28% rate.

Submission 6 Commissioner should notify investor

That the Commissioner should also be required to notify the investor of the alternative tax rate.

Comment

The investor should also be notified that they are being placed on an alternative tax rate. The Commissioner is the best person to notify the investor, rather than the fund provider, because the Commissioner has made the recommendation.

If the investor disagrees with the recommendation they can contact the fund provider to have the rate changed. Inland Revenue should also implement a process that allows the investor to notify Inland Revenue if the rate is incorrect, in order to avoid the same change being made year on year.

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Clarification and remedials

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
Eliminating the requirements to estimate at the final instalment date for provisional tax			
Clause 110	Amends section RC 10	To allow a standard method taxpayer to estimate their last instalment without changing from the standard uplift method.	Support
Clause 125(4)	Deletes section 120KBB(4)(ii)	Removes the ability to use the estimation method from the interest concession rules.	Support
Clarifying the "lesser of "calculation of interest for standard "uplift" taxpayers			
Clause 109(2)	New section RC 5(4B)	To clarify that if an interest concessional provisional taxpayer under pays a provisional tax instalment, UOMI and late payment penalties are based on the lesser of the standard method instalment and the actual RIT divided by the number of instalments.	Refer to Submission 8
Clarifying the application of late payment penalties applicable from the final provisional tax instalment date			
Clause 124	Amends section 120K TAA	To clarify the relationship between current year RIT and the calculation in section RC 10.	Support
Clause 130	Amends section 139C TAA	To clarify a late payment penalty is calculated on the lower of the instalment amount or the taxpayer's RIT divided by the number of provisional tax instalments.	Support

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Removing the ability for taxpayers to choose the provisional tax instalment to which a particular payment is applied			
Clause 126	Amends section 120L TAA	To remove the ability of taxpayers to choose the particular instalment to allocate a provisional tax payment to.	Refer to Submission 9

Clarifying the way in which provisional tax is truncated to whole dollars			
Clause 110	Amends section RC 10	To confirm where IR systems truncate provisional tax amounts to whole numbers, payment of whole dollar amounts will be considered to meet the requirements.	Refer to Submission 10 and Submission 11

Non-standard provisional tax instalments			
Clause 129	Amends section 139B(b)(bb) TAA	Consequential change as a result of the introduction of the interest concession rules (2017) to deal with taxpayers who had more or less than three instalments of provisional tax.	Refer to Submission 12

Taxation of trusts			
Clause 59	BB 2(5)	Amendment to section BB 2(5) to include ancillary tax, to clarify that there should be consistency in terminology between sections BB 2(5) and BF 1.	Support
Clause 87	HC 2	Trustee treated as a notional single person, will be resident if at least one of the co-trustees is resident.	Refer to Submission 15 Submission 14 and Submission 15
Clause 88	HC 4(1)	A settlement not capable of being distributed to beneficiaries may not be included in the corpus of the trust.	Refer to Submission 16
Clause 89	HC 7(3)	A settlement excluded from corpus is treated as trustee income in that income year unless distributed to a beneficiary.	Support
Clause 90	HC 10(1)	A trust may elect to alter its status from a foreign trust or a non-complying trust to become a complying trust (but cannot back date the election).	Refer to Submission 17
Clause 91	HC 15(5C), HC 15(6)	Non-resident beneficiary will not be taxed on a capital gain included in a taxable distribution if that capital gain is not sourced in New Zealand; provision of services by the trust to beneficiaries at	Refer to Submission 18

		less than market value is a taxable distribution not subject to the ordering rule.	
Clauses 92(1) to (5)	HC 16(2)	Ordering rule adds amount that is beneficiary income in the previous income year.	Support
Clauses 92(6) and (7)	HC 16(5)	Removes the requirement that a distribution be placed beyond the control of the trustees.	Support
Clause 93	HC 26	Foreign source income derived by a resident trustee of a trust with a foreign settlor will be exempt income only if it is retained as trustee income.	Support
Clause 94	HC 27	For an indirect transfer of value to a trust, a person may be a settlor only if they have some influence or control over the transaction.	Refer to Submission 19
Clause 95	HC 28	If a CFC has settled a trust, a shareholder of the CFC with an interest of 10% or greater will be treated as a settlor of that trust.	Support
Clause 96	HC 31B	Valuation for transfer of value by deferral or non-exercise of right to demand payment.	Refer to Submission 20
Clause 97	HC 33(1B), HC 33(1C), HC 33(3)	A notification of complying trust status in a return of income will be deemed an election to pay New Zealand tax on the trustee's worldwide income.	Support
Clauses 113(16) to (18)	YA 1	Definition of "transfer of value" relating to the meaning of the definitions of "settlor" and "distribution".	Support
Clause 113(19) and (20)	YA 1	Clarification that "trust rules" includes section BD 1(4)(c) and CV 13, CW 53 and 54, and CX 59.	Support

Tax credits for beneficiaries of trusts			
Clause 104	LO 2	Maori Authority Tax Credits attached to a distribution from a trust should be apportioned by reference to all distributions and all tax credits distributed from that trust.	Support

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Income attribution rule and foreign tax credits			
Clause 84	Amends section GB 29	Clarifies how the calculation of the associated entity's net income, attributed to the working person, interacts with the definition of net income in the Income Tax Act.	Support
Clause 103	Amends section LJ 2	Ensures the working person receives a foreign tax credit for foreign income tax paid by an associated entity on an amount attributed to the working person.	Support

Income attribution rule and treatment of dividends			
Clause 83	Amends section GB 27	Clarifies a dividend, paid by a company that has previously attributed income to a shareholder, will only be exempt if the company can show the dividend has been paid out of income that has already been attributed to and taxed in the hands of the shareholder (working person).	Support[8]

Date withdrawal takes effect for binding rulings on matters not involving arrangements			
Clause 119	Amends s 91EI TAA(1994)	Specifies the period for which a taxpayer can continue to rely on a private ruling that does not relate to an arrangement if the ruling is withdrawn.	Support
Clause121	Amends s 91FJ TAA(1994)	Specifies the period for which taxpayers can continue to rely on a product ruling that does not relate to an arrangement if the ruling is withdrawn.	Support
Clause 2(19)		Applies from 18 March 2019 which is the date the Commissioner can issue binding rulings on a broader range of matters without the need for an arrangement.	Support

[8] http://taxpolicy.ird.govt.nz/sites/default/files/2007-or-arbtkrm-volume-3.pdf

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Ability to withdraw short – process rulings			
Clause 120	Inserts new s 91ESB TAA	Provides the Commissioner with the ability to withdraw short-process rulings. The amendment mirrors the existing rule which allows the Commission to withdraw private rulings.	Support
Clause 120(2)		Applies to a short-process ruling issued on or after 1 October 2019.	Support

Bright-line main home exclusion			
Clause 60	CB 16A	Test for use of main home will apply for the bright-line period, not for the period of ownership.	Support

Consideration for grant of an easement			
Clause 61, 62	CC 1(2C), CC 1B	A one-off payment for grant of a permanent easement will be non-taxable, all other payments for a grant of an easement will be taxable.	Support

Maori authority tax credits attached to distributions			
Clause 108	OK 19	Maori Authority Tax Credits may be attached retrospectively to a distribution only if the Commissioner has made an assessment under the transfer pricing rules to change the effect of a transaction.	Support

Reciprocal exemption for income from inbound international air transportation			
Clause 75, 137, 143, 144	CW 56, CW 45, CB 14, 64A	Exemption for non-resident aircraft operators includes inbound air transport, as required by New Zealand's international treaty obligations.	Support
Clause 113(2), 139	YA 1, OB 1	Inserts definition of "air transport to New Zealand".	Support

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Amend the date a goods and services tax credit becomes available for a taxpayer to use			
Clause 131	173L	If a taxpayer files their GST return on a date other than a due date, any resulting credit is available from the day the return is filed rather than the day after the return is filed.	Support

Inbound thin capitalisation de minimis			
Clause 81	Amends section FE 6(3)(ac)(i)	To restrict access to the de minimis in the inbound thin capitalisation rules (no adjustments when interest is up to $1m and reduced adjustments up to $2m), so it is not available when the borrower has related party debt from a non-resident.	Support[9]

Disclosure of information about representatives			
Clause 134	Amends Schedule 7	Allows Inland Revenue to provide information about representatives to associations or groups that represent them. Mirrors an existing provision that allows Inland Revenue to disclose information about tax agents to associations or groups that represent them[10].	Support

[9] http://taxpolicy.ird.govt.nz/sites/default/files/2018-other-note-nbeps-bill.pdf; http://taxpolicy.ird.govt.nz/sites/default/files/2018-or-nbeps-bill.pdf;
[10] http://legislation.govt.nz/act/public/1994/0166/latest/LMS185719.html#LMS185618

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Eliminating the requirement to estimate at the final instalment date for provisional tax

Clause 110 (amends section RC 10)

Proposal

The proposed amendment to section RC 10 will allow taxpayers to pay what they consider the amount remaining at the final instalment date without changing from the standard uplift method.

Submission 7 Practical implications of standard method taxpayer estimating their last instalment

The practical implications of allowing a taxpayer to vary their final instalment payment should be canvassed and addressed.

Comment

Potentially there may be some practical issues around debt demands issued automatically by START if a taxpayer pays less than the amount calculated under the standard method. We understand no formal estimate will be required so it is not clear how START will know that a payment has been made under section RC 10(4) as opposed to a taxpayer short-paying their provisional tax. Given the short time frame between balance date and the final instalment date it is possible that the accounts will not be finalised and that the RIT, upon which the payment is based, will only be an approximation. Therefore, it is conceivable that a taxpayer's final instalment may not cover the actual RIT.

We recommend the practical implications be fully canvased and the necessary changes (if any) are made to START to prevent any unnecessary angst for taxpayers.

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Clarifying the “lesser of” calculation of interest for standard “uplift” taxpayers

Clause 109 (proposed new section RC 5(4B))

Proposal

Proposed new section RC 5(4B) clarifies that if an interest concessional provisional taxpayer under pays a provisional tax instalment, UOMI and late payment penalties are based on the lesser of the standard method instalment and the actual RIT divided by the number of instalments.

Submission 8 Clause 109 should be in the Tax Administration Act 1994

The proposed amendment should be located in the Tax Administration Act 1994.

Comment

We understand that this change is to clarify the legislation and ensure it is consistent with the calculation of UOMI in START.

The inclusion of a provision clarifying the application of the UOMI in section RC 5(4B) of the Income Tax Act 2007 is contrary to the objectives of the Rewrite (refer below). The Tax Administration Act 1994 is the appropriate place for legislation dealing with the calculation of UOMI.

In 1992 in its Final Report the Valabh Committee noted that the organisation of the Income Tax Act 1976 did not adequately reflect its various roles of quantifying taxable income, imposing a tax liability in respect of that income, and the mechanical assessment and collection of tax. In addition, many of the provisions of the Act were repetitive and could be more easily dealt with in a single provision.

It recommended splitting the income tax legislation into two distinct parts:

- Income Tax Act dealing with the quantification of, liability to and payment of tax;
- Tax Administration Act dealing with compliance requirements such as assessments, objections and penalties.[11]

[11] Taxation Education Office, Newsletter No 48, 12 December 1991

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The major changes to provisional tax and UOMI have caused confusion for taxpayers. This has been compounded by errors in Inland Revenue systems calculating UOMI which have had to be remediated by Inland Revenue.

We strongly recommend that Inland Revenue publish some comprehensive examples of how UOMI and late payment penalties will be applied so that taxpayers and advisors can be confident when allocating payments to meet provisional tax liabilities.

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Removing the ability for taxpayers to choose the provisional tax instalment to which a particular payment is applied

Clause 126 (amends section 120L(2))

Proposal

To remove a taxpayer's ability to choose the particular instalment to which a provisional tax payment is allocated and require the Commissioner to allocate the particular payment to the oldest debt first.

Submission 9 Omit proposed amendment; customise START

This amendment should be omitted. START should be customised so that payments can be allocated towards an instalment specified by the taxpayer.

Comment

Removing the ability for taxpayers to choose the provisional tax instalment to which a particular payment is applied is unacceptable and unprincipled. This amendment may unfairly penalise taxpayers by exposing them to additional late payment penalties even though the payment is made on time. Incremental late payment penalties were removed because they were seen as ineffective[12], and can act as a disincentive. UOMI compensates the Government for unpaid tax.

Take Example 13 in the commentary: by allocating the second provisional tax payment to the first instalment Grouchy Limited is exposed to a late payment penalty of $1320 for the second instalment when in fact this instalment was paid on time. Grouchy has already suffered a late payment penalty of $1250 for the first instalment and (ignoring UOMI) the imposition of another late payment penalty could act as a disincentive to pay the second instalment on time.

We note, the non-payment of the first instalment means Grouchy Limited does not qualify as an interest concession provisional taxpayer and is subject to UOMI from the first instalment date. UOMI compensates the Government for the unpaid $25,000 first instalment.

[12] http://taxpolicy.ird.govt.nz/publications/2016-ip-mts-better-business-tax/chapter-5

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In a practical sense, we are concerned that whenever there is a small underpayment of provisional tax at the first or second instalment dates, the system will start reallocating payments and cause further interest and penalty costs. The new system does not detail these calculations, which will make it very difficult for agents and taxpayers to reconcile accounts and determine whether interest and penalties are properly calculated. The compliance costs will increase. This is the antithesis of simplification.

If the amendment does stand, Inland Revenue should publish a practice statement allowing tax pool balances to be used to meet shortfalls in provisional tax at each instalment date, even if the correct amount of tax has been paid in the year.

Taxpayers must modify their own accounting systems to comply with the law. It is not best practice to modify tax law so that it fits within the capabilities of the START system.

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Clarifying the way in which provisional tax is truncated to whole dollars

Clause 110(1) (proposed new section RC 10(7))

Proposal

To truncate amounts calculated under section RC 10 (calculating amount of instalment under standard and estimation methods) to whole dollars.

Submission 10 Underpaid provisional tax by a small amount

The legislation should be altered to deal with taxpayers who have short paid their provisional tax by a small amount, for example less than $1.

Comment

When an instalment is short paid by a small amount (for example by less than $1) it has negative consequences when assessing whether the taxpayer meets the requirements of being a safe harbour taxpayer or an interest concession provisional taxpayer. This can leave taxpayers in the position of having to pay UOMI from the first instalment date. This is unduly harsh and is seen as unfair by taxpayers who have for all intents and purposes met their provisional tax liability. Short payment can occur as a result of tax management software rounding provisional tax payments down.

To illustrate the problem: Assume John is a provisional taxpayer who uses the standard uplift method. His RIT for the 2017-18 income year was $8404.00. This makes his standard uplift amount for the 2018-19 income year $8824.20 which truncates to $8824. John's three instalments will be:

Instalment	Calculation	Amount of instalment	Paid
1	8824 / 3	$2,941	$2,940.89
2	8824 * 2/3 - 2941	$2,941	$ 2,941.11
3	8824 - 2941 - 2941	$2,942	$2,942.00
Total		$8,824	$ 8,824.00

As John short-paid his 1st instalment by 11 cents, he does not qualify as a safe harbour taxpayer and is subject to UOMI.

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Taxpayers should be considered to have met the requirements to take advantage of the concessionary regimes.

We have been advised by our members that this is a current issue that has been occurring with the change to the START system and a number of taxpayers have been charged UOMI when they have short paid their provisional tax instalments by a matter of cents.

Submission 11 the truncation example is incorrect

The truncation example in the Commentary is incorrect.

Comment

An example is included on page 66 of the Commentary to illustrate the proposed amendment which confirms provisional tax amounts will be truncated to whole dollars. The truncation calculation example is incorrect.

The instalment 1 calculation should be 130,795/3 = $43,598

The instalment 2 calculation should be 130,795 x 2/3 – 43,598 = $43,598

The instalment 3 calculation should be $130,795-43,598 – 43,598 = $43,599.

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Non-standard provisional tax instalments

Clause 129 (amends section 139B(6)(bb))

Proposal

Alters section 139B(6(bb)) to account for taxpayers who have a non-standard number of instalments of provisional tax.

Submission 12 amend the application date to apply for the 2017-18 income years

The application date should be amended to apply to the 2017-18 and later income years.

Comment

The amendment corrects an oversight that arose when the interest concession rules were introduced in the Taxation (Business Tax, Exchange of Information and Remedial Matters) Act 2017. Section 139B(6) was not updated for the inclusion of taxpayers who had more or less than three instalments of provisional tax. Other references were correctly updated and applied for the 2017-18 and later income years.

As Inland Revenue have applied the section as it was intended so taxpayers are not adversely affected it is appropriate that the amendment is retrospective and apply to the 2017-18 and later income years.

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Taxation of trusts

Proposal

To make amendments to the tax laws as they relate to trusts.

Submission 13 Generic Tax Policy Process (GTPP)

That proposed amendments should be subject to the GTPP.

Comment

The amendments to the trust rules have been proposed in response to an Inland Revenue Interpretation Statement, which has identified inconsistencies and deficiencies in the current trust rules. The amendments are intended to fix these, but some seem to go further – for example, clause 89, which is an amendment to existing rules rather than a clarification.

This is a technical area of tax law and affects a wide cross-section of taxpayers. It is important that the rules are clear and well understood. Select Committee is not the place to debate and refine many technical changes.

The amendments should have been consulted on prior to inclusion in draft legislation, particularly where they are a departure from the common law or are to align the law with administrative practice. Ideally this would have been done by way of Issues Paper or Discussion Document. In our view only matters which are genuine clarifications should proceed. Any matter of amendment should be deferred for full consultation.

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Residence of a trustee treated as a notional single person

Clause 87 (amends section HC 2)

Proposal

To treat a trust as New Zealand resident if at least one of the co-trustees is resident.

Submission 14 Should be moved to subpart YD

That the proposed amendment should be included in subpart YD.

Comment

A trust is not an entity, but rather a relationship whereby legal and beneficial ownership is split between parties. However, for tax purposes, liability will depend in part on where a person is deemed to be resident.

For a trust, the key drivers for taxation are the source of the income, the residence of the settlor and the residence of the beneficiaries. The residence of the trust itself has a more limited effect on the taxation of the income derived by the trust. Nevertheless, there are specific rules under tax law for determining the residence of a "trust". Tax law deems the trustees to be a single notional person and provides rules for determining the residence of that person.

The proposal is to include a specific rule in section HC 2 to determine the residence of the single notional person. Section HC 2 concerns obligations of joint trustees for calculating income and providing returns. The amendment concerns residence so should be included in subpart YD of the Act which concerns residence and source.

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Submission 15 Departure from common law

That the proposed amendment is a departure from the common law position and should be consulted on.

Comment

The amendment proposes that the deemed single notional person will be resident in New Zealand if one of the trustees is resident in New Zealand.

The common law determination of a trust's residence looks at the place of effective management of the trust. If the trustees are split over two or more jurisdictions, common law would require examination of where the administration costs are predominantly located.

Pulling a trust into the New Zealand jurisdiction simply because one trustee is here could have unexpected outcomes – for example, RWT rather than NRWT, application of the financial arrangements rules.

We recommend that the change be subject to full consultation so that there is time for officials and practitioners to consider whether there are any unintended consequences. If this is not done, we recommend that officials consult with trust law specialists to ensure that a departure from common law will not have any unintended consequences.

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Corpus of a trust

Clause 88 (amends section HC 4(1))

Proposal

That a settlement not capable of being distributed to beneficiaries should not be included in the corpus of the trust.

Submission 16 Debt forgiveness

That the proposal should give further consideration to the situation of debt forgiveness.

Comment

It is not clear how this proposed rule would work in a debt forgiveness scenario. Forgiveness of debt does not constitute "property capable of being distributed to a beneficiary".

For example, an asset is sold to a trust for fair market value with a debt back. Typically, the debt would be interest free, so the non-charging of market interest would be a deemed settlement, as would the ultimate remission of the debt. However, forgiveness of a debt does not constitute property capable of being distributed by a trustee.

The purchased asset would not automatically become corpus of the trust. The value which has been added by way of debt forgiveness or interest not charged does not become corpus either. Therefore, the trust would have no or minimal corpus. This does not appear to be the correct policy outcome.

In our view the implications of this change would be best considered with full consultation under GTPP – in particular, whether limiting corpus to distributable property could result in distributions being taxed inappropriately or double taxed.

We recommend that this issue be given further consideration.

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Election to be a complying trust

Clause 90 (amends section HC 10)

Proposal

To clarify the point in time from when a trust may be treated as a complying trust if an election has been made to pay New Zealand tax on worldwide trustee income.

Submission 17 Rule should permit retrospective elections

That the rule should allow an election to be retrospective.

Comment

The proposed rule would allow a trust to alter its status from a foreign trust or a non-complying trust to become a complying trust, but only from the date from which the election applies.

Family and commercial arrangements are by their nature subject to change. Changes in trust status may occur over a period of time, as people shift between locations. The place of administration may change gradually rather than all at once. The tax treatment of the trust will change accordingly.

The changes are not always easy to track because of the nature of trusts and the complexity of the rules. There are examples of this in Interpretation statement 18/01 (Income tax – taxation of trusts) and in draft interpretation statement PUB00345 (Income tax – distributions from foreign trusts). The changes are usually not done for tax reasons, so advisers are often not aware until after the change has occurred.

The rules should allow an election to be retrospective to the date when the change in status occurred.

A retrospective election would allow the trust to correct its New Zealand tax position by filing prior year returns (subject to appropriate interest and penalties) to correct the prior years as well as the current year. This would ensure that the tax position was genuinely correct rather than just amended from the current year.

We note that this would require consequential changes to proposed clause 97.

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Taxable distributions from foreign trusts and non-complying trusts

Clause 91 (amends section HC 15)

Proposal

To clarify that the source of a capital gain included in a taxable distribution is determined by applying the source rules in section YD 4 as though the capital gain were an amount of income.

Submission 18 Rule should specify how section YD 4 should apply

That the rule should specify how section YD 4 should apply to capital losses.

Comment

Section YD 4 sets out classes of income treated as having a New Zealand source. However, it is not clear how the section should apply to capital losses. For example, a capital loss on a debt instrument will not be interest. Thus, should it be treated as sourced from a contract made in New Zealand? What if the contract were not made in New Zealand?

The exact application of section YD 4 should be clarified.

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Who is a settlor – direct or indirect settlements

Clause 94 (amends section HC 27)

Proposal

To clarify that a person may be a settlor of a trust where an associated person settles the trust.

Submission 19 Rule should apply only when the person has influence or control

That the rule should apply only where the person has influence or control over the actions of the associate.

Comment

Interpretation Statement 18/01 states that if a person (Person A) uses an associated person (Person B) to settle a trust, Person A will also be a settlor of the trust.

However, the converse should not be true. That is, the fact that Person B settles a trust should not be sufficient for Person A to be considered a settlor. The rule should require that Person A has some influence or control over Person B's actions in settling the trust.

This could be achieved by amending draft section HC 27(4) so that both (a) and (b) are required. Another suggestion would be to enact the proposed rule in addition to section HC 27(4), so the existing section HC 27(4) remains, and the new provision is renumbered as section HC 27(4A).

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Valuation for transfer of values by deferral or non-exercise of right to demand payment

Clause 96 (inserts new section HC 31B)

Proposal

The new section provides a formula calculating the value of either a settlement or a distribution arising from a transfer of value where financial assistance is provided because there is an obligation to repay interest or principal on demand and the right to demand repayment is not exercised or is deferred.

Submission 20 Interest rate is too high

That the rule should apply only where the interest rate is less than market.

Comment

The rule should not apply if a loan is repayable on demand, but interest is charged at a market rate.

There is no additional value in a creditor not exercising a demand for repayment if the borrower is paying a market rate of interest for the use of the money. Interest is paid to compensate for the time value of money. The creditor is being appropriately compensated for lending the money and the borrower receives no additional benefit.

In our view using a fixed interest rate of 5.77% to determine whether there has been sufficient compensation is inappropriate. We acknowledge that this is the FBT rate[13]. However, the rate is too high in the current market environment. Further, using a fixed rate does not give regard to the underlying conditions of the loan – for example, an appropriate interest rate for a loan from a foreign jurisdiction should be judged by reference to the market conditions in that jurisdiction. If, for example, a US dollar denominated loan advance was made, a fair market interest rate could be 1%.

The rule should apply only where the interest paid is at less than a market rate.

[13] https://www.ird.govt.nz/topics/income-tax/fringe-benefit-tax/types-of-fringe-benefits/fringe-benefit-tax-on-low-interest-loans/prescribed-interest-rates

Maintenance items

We support the following proposals unless stated otherwise:

Clause	Section	Description	Comment
Maintenance amendments			
Clause 7(1)	s 51(1B) KiwiSaver Act	Correction of cross-reference. Commences 1 December 2014.	Support
Clause 72	s CW 38	Correction to subsection headings. Commences 1 April 2008.	Support
Clause 73	s CW 38B	Correction to subsection headings. Commences 18 March 2019.	Support
Clause 74	s CW 39	Correction to subsection heading. Commences 1 April 2008.	Support
Clause 78	s EE 47	Correction to subsection heading. Commences 28 June 2018.	Support
Clause 80	s FE 5	Improving drafting consistency. Commences 1 July 2011.	Support
Clause 85	s GC 10	Improving drafting consistency. Commences 1 April 2008.	Support
Clause 98	s HM 3	Improving drafting consistency. Commences 29 March 2018.	Support
Clause 100	s IQ 4	Improving drafting consistency. Commences 1 April 2008.	Support
Clause 102	s LD 6	Correction to defined terms list. Commences 6 January 2010.	Support
Clause 111	s RD 5	Improving drafting consistency.	Support

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Clause 112	s RZ 16	Correction of cross-reference. Commences 1 April 2008.	Support
Clause 113(3)	s YA 1 "deductible output tax"	Correcting grammar. Commences 1 April 2011.	Support
Clause 113(4)	s YA 1 "employee"	Correcting grammar. Commences 29 March 2018.	Support
Clause 113(11)	s YA 1 "premium"	Correcting grammar. Commences 1 July 2010.	Support
Clause 113(12)	s YA 1 "RWT proxy"	Correction of cross-reference. Commences 18 March 2019.	Support
Clause 113(15)	s YA 1 "services"	Correction of cross-reference. Commences 1 April 2019.	Support
Clause 116	s 22(2)(ke) TAA(1994)	Correction of cross-reference. Commences 1 April 2019.	Support
Clause 117	s 36BB TAA(1994)	Correction of cross-reference. Commences 1 April 2020.	Support
Clause 118	s 78D TAA(1994)	Improving drafting consistency. Commences 1 April 2020.	Support
Clause 133	Schedule 5 TAA(1994)	Correcting grammar. Commences 1 April 2019.	This correction does not appear to be necessary. Rows 3, 4 and 5 already contain the words "total PAYE income payments are".
Clause 135	Schedule 8 TAA(1994)	Correcting grammar. Commences 1 April 2019.	Support
Clause 138	s MD 1C Income Tax Act 2004	Correcting cross-reference. Commences 1 April 2005.	Support

Clause 141	s 34 Taxation (Annual Rates for 2018–19, Modernising Tax Administration and Remedial Matters) Act	Repeal redundant provision. Commences date of enactment.	Support
Clause 142	s 375 Taxation (Annual Rates for 2018–19, Modernising Tax Administration and Remedial Matters) Act	Omit redundant cross-reference. Commences 1 October 2019.	Support
Clause 146	s 332 Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2018	Repeal redundant provision. Commences date of enactment.	Support
Clause 148	Revocation Income Tax (Adverse Event Income Equalisation Scheme Rate of Interest) Regulations 1995	Revoke redundant regulation. Applies from beginning of income years after 18 March 2019.	Support

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