

A hand holding a magnifying glass is positioned on the right side of the image. The magnifying glass is held over a large, circular area of the red background. The text 'BDO's Eyes on Tax webinar' is centered within this magnified area.

BDO's Eyes on Tax webinar

Pre-election special

Presented by



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BDO's Eye on Tax



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Agenda

- ▶ Recent GST changes
- ▶ Tax and ESG
- ▶ BDO Global survey on tax and ESG
- ▶ Foreign income and disclosure
- ▶ Foreign trusts
- ▶ Pre-election tax policy comparison

Recent GST changes



Recent GST changes



Principal purpose
makes a comeback



Electronic marketplace
rules



Director's fees



Change of use timing

Tax and ESG



Tax and ESG

What is ESG?



Environmental

- Climate change
- Biodiversity
- Reducing waste & pollution
- Forest preservation
- Energy efficiency
- Natural resource management



Social

- Diversity, inclusion, & equity
- Human rights
- Health and safety
- Opportunity creation
- Privacy protection



Governance

- Governing purpose
- Board composition
- Effective & ethical leadership
- Risk and opportunity oversight
- Stakeholder engagement

Tax and ESG



Tax in Environmental >>

- Net Zero
- Environmental taxes: carbon, plastic, etc.
- Green subsidies and incentives
- Compliance and reporting requirements
- Carbon adjustment mechanism



Tax in Social >>

- Flexible workforce and global mobility
- Equal pay, living wages and remuneration
- Supply chain ethics
- Ethical investments and purposeful business
- Philanthropy
- Paying a fair tax share
- Transparency and disclosures



Tax in Governance >>

- Aligning ESG policy with Tax behaviour
- Tax reporting
- Stakeholder communication
- Process controls and compliance assurance program
- Total tax contribution


BDO Global survey - environmental

Initial observations - questions asked

Environmental

Has/does your jurisdiction.....

1. Set a “Net Zero” Target?
2. Introduced any new “green” tax measures during 2022?
3. Withdrawn any new “green” tax measures during 2022?
4. Impose an explicit tax on carbon (ie a tax measure that sets a price on carbon emissions)?
5. Have any tax measures that penalise or incentivise certain types of behaviour?
6. Have any tax measures that penalise or incentivise behaviour of employees?
7. Introduced any tax measures in response to the “energy” crisis?



Tax in Environmental >>

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Environmental

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BDO Global survey - environmental

Sample of the results

Any new green tax measures during 2022?	Number	%
No	50	68.50%
Yes, 1-3 new measures	20	27.40%
Yes, 4-6 new measures	3	4.10%

Impose an explicit tax on carbon (that is, a tax measure that sets a price on carbon emissions)?	Number	%
No	32	43.80%
Yes - a carbon tax (price on CO2 emissions)	19	26%
Yes - an ETS	8	11%
Yes - fuel duties	12	16.40%
Yes - other	5	6.90%

Tax measures to incentivise certain types of behaviours?	Number	%
No	31	42.5%
Yes - enhanced and /or accelerated tax allowances	10	13.70%
Yes - reduced GST/duties on "green" consumption	22	30.10%
Yes - tax credits on "green" R&D	8	11.00%
Yes - other	12	16.40%



BDO Global survey - social

Initial observations - questions asked



Tax in Social >>

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Social

- Diversity, inclusion, & equity
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Social

Has/does your jurisdiction.....

1. Operate a tax disclosure programme?
2. Operate a tax amnesty programme?
3. Operate any registers of beneficial ownership for individuals?
4. Exchange tax information with other countries?
5. Have a formal mechanism facilitating the making of voluntary tax payments over and above the legal minimum tax due?
6. Have any tax measures that penalise socially irresponsible or incentivise socially responsible behaviour of individuals?
7. Propose to make any changes in the next two years in respect of tax transparency by individuals?

BDO Global survey - social

Sample of results

Incentivise Socially Responsible Behaviour	%
No	17.10%
Yes, tax advantaged "healthy" foods	7.30%
Yes, tax advantaged charitable donations	80.50%
Yes, tax advantaged ethical investments	14.60%
Yes, other	12.20%

Penalise Socially Irresponsible Behaviour	%
No	22.00%
Yes, tax-disadvantaged food (eg sugar and salt taxes)	17.10%
Yes, tax-disadvantaged addictions (eg tobacco and alcohol taxes)	70.70%
Yes, gambling taxes	41.50%
Yes, tax-disadvantaged unethical investments	9.80%
Yes - other	7.30%

Mechanism to voluntarily pay more tax than is due	%
No	87.2%
Yes, for private individuals (incl trusts and family offices)	10.30%
Yes - for corporate entities (incl partnerships)	10.30%
Yes - other	2.60%



Tax and ESG

In New Zealand

- ▶ Clean car rebate
- ▶ Scooters, bikes and electric versions
- ▶ Green bonds
- ▶ **Can we do more?**
- ▶ Food wastage - Auckland collection / Australian tax incentive
- ▶ ESG important for due diligence and for board policy
tax is an element
- ▶ Transparency is here to stay



Foreign income and disclosures



New disclosure rules for foreign income



Individual overseas income disclosure

- ▶ Overseas income disclosures (IR 1261) must be completed for individuals with respect to the 2023 and later income years.
- ▶ This form requires the disclosure of all foreign income types.
- ▶ Each amount of foreign income will be disclosed separately with the relevant jurisdiction that it was derived from.
- ▶ Any associated foreign tax credit must be identified too.
- ▶ The purpose of this is for Inland Revenue to match all foreign income received with the amounts that are identified by foreign tax authorities. This takes advantage of the automatic exchange of information between jurisdictions.
- ▶ Issues on how to disclose some types of income have been identified and Inland Revenue are looking into the best way to disclose this. In particular, there are a number of queries regarding the income from:
 - FIFs;
 - Managed portfolios; and
 - Distributions from trusts/partnerships/LTCs.

Exemption for foreign sourced trustee income

- ▶ Changes are afoot
- ▶ New Zealand trustees, foreign income, New Zealand resident - settlor or not?
- ▶ Must be a foreign trust
- ▶ Must register



Pre-election comparison



Fran O'Sullivan: Capital gains tax, land tax - which party has the guts to push for real change?

IMF calls for tax reform and more disciplined govt spending

DUNCAN DISORDERLY

Chris Hipkins needs a tax cut sweetener to stay in the race

Editorial: Parting ways on tax reform



NZ Herald
13 Jun, 2023 05:00 AM ⌚ 3 mins to read

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Election 2023: Chris Hipkins confirms he killed \$10b wealth tax, capital gains tax in Budget

Election 2023: Greens' wealth tax comes with income tax cuts and welfare overhaul

Editorial: Parties get down to brass tax



NZ Herald
2 May, 2023 05:00 AM ⌚ 3 mins to read

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Heather du Plessis-Allan: Climate tax plan as dead as Labour's hold on the farming vote



By [Heather du Plessis-Allan](#)
18 Jun, 2023 05:00 AM ⌚ 4 mins to read

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Pre-election tax policies

What we know to date

Labour

- ▶ Yet to announce - keeping their powder dry
- ▶ Ruled out CGT and a wealth tax

National

- ▶ Adjust brackets for inflation

(* PR 6 March 2022)

\$ Income	% Tax rate
0 - 15,600	10.50
15,600 - 53,500	17.50
53,500 - 78,100	30
78,100 - 180,000	33
180,000	39

- ▶ Unwind most of Labour's recent tax policies including
 - the 10-year bright-line extension
 - non-deductibility of interest on rental properties
 - income insurance scheme
- ▶ Silent on trustee tax rate at 39%

Pre-election tax policies

What we know to date

Greens

Change in Tax Rates

\$ Income	% Tax rate
0 - 10,000	0
10,000 - 50,000	17
50,000 - 75,000	30
75,000 - 120,000	33
120,000 - 180,000	39
180,000 +	45

- ▶ Wealth tax - 2.5% on net assets above \$2m for an individual and \$4m for a couple
- ▶ Wealth tax on trusts of 1.5%
- ▶ Company tax rate to 33%
- ▶ Guaranteed income of \$385 pw

ACT

Change in Tax Rates

\$ Income	% Tax rate
0 - 70,000	17.5
70,000	28

- ▶ Abolish bright-line, but continue to tax profits on land speculation
- ▶ Reverse interest non-deductibility
- ▶ Reverse income insurance scheme
- ▶ Carbon tax refund - ETS revenue earmarked for climate policies

Pre-election tax policies

What we know to date

The Opportunities Party

Phase 1 change in tax brackets

\$ Income	% Tax rate
0 - 15,000	0
15,000 - 80,000	20
80,000 - 180,000	35
180,000 - 250,000	42
250,000 +	45

- ▶ A land value tax of 0.75% on urban residential
- ▶ Universal savings boost of \$5,000 earmarked for education, training or placed in Kiwisaver for 18-year-olds who must complete a National Civic Service Program before age 23

The Opportunities Party cont.

Phase 2 universal basic income

- ▶ \$16,500 for 18 and 65 years old
- ▶ Single income tax rate 35% for personal, company and trusts
- ▶ Increase land value tax to 1.25%

NZ First

- ▶ Tax brackets to be adjusted for inflation, but no formal details

Pre-election tax planning

- ▶ Trustee Tax Rate at 39%
 - No lazy trusts
 - Declare and pay dividends
 - Invest in PIEs
 - Use Holding Companies
- ▶ Wealth Tax - spend it, give it to the kids, defer until death or pay?
- ▶ CGT - market value on start date
- ▶ ESG - integrate tax into your ESG planning

Questions



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