

# Departmental Disclosure Statement

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Taxation Principles Reporting Bill
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The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by Inland Revenue.

Inland Revenue certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

04 May 2023

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## **Part One: General Policy Statement**

This Bill proposes a statutory framework for the reporting of tax information based on core tax principles.

The reporting framework is intended to increase the availability of information about the operation of the tax system and contribute to an improved understanding of tax policy among the general public. The requirement for regular reporting would allow for the observation of trends and provide insights into how the tax system is developing and responding to external challenges.

Reporting would be required annually, with a more comprehensive report produced every three years.

The reporting of tax information based on core tax principles would supplement other statutory reporting on the administration of the tax system and the Government's revenue strategy.

## Part Two: Background Material and Policy Information

### Published reviews or evaluations

<b>2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?</b>	<b>YES</b>
A commentary on the Bill is available at: <a href="https://www.taxpolicy.ird.govt.nz/publications/2023/2023-commentary-tax-principles-bill">https://www.taxpolicy.ird.govt.nz/publications/2023/2023-commentary-tax-principles-bill</a> . The commentary provides a more detailed explanation of the main proposed legislative changes in the Bill.	

### Relevant international treaties

<b>2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?</b>	<b>NO</b>
<b>2.2.1. If so, was a National Interest Analysis report prepared to inform a Parliamentary examination of the proposed New Zealand action in relation to the treaty?</b>	<b>N/A</b>

### Regulatory impact analysis

<b>2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?</b>	<b>YES</b>
A regulatory impact assessment (A reporting framework informed by tax principles, Inland Revenue, April 2023) was prepared and is available at: <a href="https://www.taxpolicy.ird.govt.nz/publications/2023/2023-ria-pack-tax-principles-bill">https://www.taxpolicy.ird.govt.nz/publications/2023/2023-ria-pack-tax-principles-bill</a>	
<b>2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?</b>	<b>NO</b>
<b>2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?</b>	<b>NO</b>

### Extent of impact analysis available

<b>2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?</b>	<b>NO</b>
No significant further impact analysis has become available for any aspects of the policy to be given effect by the Bill. Therefore, for the purposes of this statement, the answer is “No” as per the scope of this question explained in page 29 of the <i>Disclosure Statements for Government Legislation: Technical Guide for Departments</i> (June 2013).  However, the commentary on the Bill, available at <a href="https://www.taxpolicy.ird.govt.nz/publications">https://www.taxpolicy.ird.govt.nz/publications</a> contains analysis of the proposal in the Bill. This may supplement existing published analysis.	

<b>2.5. For the policy to be given effect by this Bill, is there analysis available on:</b>	
<b>(a) the size of the potential costs and benefits?</b>	<b>YES</b>
<b>(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?</b>	<b>YES</b>
<p><b>2.5(a) Size of potential costs and benefits</b></p> <p>The regulatory impact assessment listed under 2.3 provides analysis on the potential costs and benefits for the policy proposal in the Bill. The benefits are qualitative in nature.</p> <p>The annual cost of the reporting framework is likely to average 2.5 full time equivalents (FTE). However, this could fluctuate due to a range of factors, including whether additional data collection is required to complete the reporting, how the report is published and level of official engagement with the public.</p> <p><b>2.5(b) potential for any group of persons to suffer a substantial unavoidable loss of income or wealth</b></p> <p>Although this Bill would be listed among the Inland Revenue Acts, the proposal is solely to report information. Therefore there is no potential that any group of persons would suffer a substantial unavoidable loss of income or wealth because of the policy proposal.</p>	

<b>2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:</b>	
<b>(a) the level of effective compliance or non-compliance with applicable obligations or standards?</b>	<b>NO</b>
<b>(b) the nature and level of regulator effort put into encouraging or securing compliance?</b>	<b>NO</b>
<p>The effectiveness of taxation legislation is, by its nature, reliant on effective and voluntary compliance. The level of effective compliance or non-compliance with specific applicable obligations or standards, and the nature of regulator effort, may have an impact on the potential costs or benefits for some policy items to be given effect by the Bill. This may be discussed in more detail in the regulatory impact assessment listed under 2.3 or, where appropriate in the commentary on the Bill.</p>	

## Part Three: Testing of Legislative Content

### Consistency with New Zealand's international obligations

<b>3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?</b>
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There have been no formal steps to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations.
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### Consistency with the government's Treaty of Waitangi obligations

<b>3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?</b>
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Consultation with Inland Revenue's Māori Advisory Panel occurred during the policy development process and the resulting analysis did not indicate anything in the reporting framework that would be inconsistent with the rights and interests protected by the Treaty of Waitangi.
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### Consistency with the New Zealand Bill of Rights Act 1990

<b>3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?</b>	<b>YES</b>
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Advice provided to the Attorney-General by the Ministry of Justice, or a section 7 report of the Attorney-General, is expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be available on the Ministry's website at <a href="https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/">https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/</a>
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### Offences, penalties and court jurisdictions

<b>3.4. Does this Bill create, amend, or remove:</b>	
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<b>(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?</b>	<b>NO</b>
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<b>(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?</b>	<b>YES</b>
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Clause 7 of the Bill provides that reports produced under the Act and the taxation principles in the Act may not be used as evidence as to matters of law or fact, or to be used in interpretation of law.
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<b>3.4.1. Was the Ministry of Justice consulted about these provisions?</b>
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A draft copy of the Bill was provided to the Ministry of Justice in April 2023 as part of agency consultation.
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## Privacy issues

<b>3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?</b>	<b>YES</b>
<p>Clause 8 of the Bill would allow the Commissioner to use any information which the Commissioner already holds in discharging their obligations under the Act.</p> <p>Clause 8 the Bill also requires that any information used in the report be anonymised (i.e. not include personal identifying data). Accordingly, the information used in the reporting framework will be anonymised, aggregated data and will not identify individual taxpayers.</p>	

<b>3.5.1. Was the Privacy Commissioner consulted about these provisions?</b>	<b>YES</b>
<p>These changes have been discussed and no concerns were raised by the Privacy Commissioner. However, the Privacy Commissioner has commented that Inland Revenue will need to take appropriate steps to mitigate the risk of re-identification of individuals in the context of publishing anonymised, aggregated information.</p>	

## External consultation

<b>3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?</b>	<b>YES</b>
<p>There was limited discussion with some external groups on the general policy proposal which informed the development of the policy and Bill. Further information is included in the regulatory impact assessment.</p>	

## Other testing of proposals

<b>3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?</b>	<b>YES</b>
<p>All proposals in the Bill have been reviewed by internal operational subject matter experts under Inland Revenue's standard process for assessing the administrative impacts of any new policy initiatives and ensuring they are workable and complete. This involves assessing whether systems need to be changed and, if so, whether formal testing needs to be carried out. None of the measures in the Bill have required formal testing.</p>	

## Part Four: Significant Legislative Features

### Compulsory acquisition of private property

<b>4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?</b>	<b>NO</b>
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### Charges in the nature of a tax

<b>4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?</b>	<b>NO</b>
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Although this Bill is will be listed among the Inland Revenue Acts, amending tax legislation, it does not contain provisions that create or amend a power to impose a charge that is a tax.

Therefore, for the purposes of this statement, the answer is “No” as per the scope of this question explained in pages 53 and 54 of the *Disclosure Statements for Government Legislation: Technical Guide for Departments* (June 2013).

### Retrospective effect

<b>4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?</b>	<b>NO</b>
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There are no policy items in the Bill that may have a retrospective effect.

### Strict liability or reversal of the usual burden of proof for offences

<b>4.4. Does this Bill:</b>	
<b>(a) create or amend a strict or absolute liability offence?</b>	<b>NO</b>
<b>(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?</b>	<b>NO</b>

### Civil or criminal immunity

<b>4.5. Does this Bill create or amend a civil or criminal immunity for any person?</b>	<b>NO</b>
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### Significant decision-making powers

<b>4.6. Does this Bill create or amend a decision-making power to make a determination about a person’s rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?</b>	<b>NO</b>
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The Bill specifically says that decision-making and determinations are not to be impacted by the reporting under the Bill or the tax principles included in the Bill.

### Powers to make delegated legislation

<b>4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?</b>	<b>NO</b>
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<b>4.8. Does this Bill create or amend any other powers to make delegated legislation?</b>	<b>NO</b>
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### Any other unusual provisions or features

<b>4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?</b>	<b>NO</b>
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## **Appendix One: Further Information Relating to Part Two**

### **Extent of impact analysis available – question 2.5(a)**

No additional information is available.

## Appendix Two: Further Information Relating to Part Three

### Privacy issues – question 3.5

No additional information is available.

### External consultation – question 3.6

Limited external consultation on the Bill was undertaken in various forms. Information on the consultation, including the form that the consultation took, what was covered, and the nature and extent of the feedback received is available in the Regulatory Impact Assessment outlining consultation that was undertaken on the various measures contained in the Bill, which are available at <https://www.taxpolicy.ird.govt.nz/publications/2023/2023-ria-pack-tax-principles-bill>.

The following is a list of the main government bodies (including New Zealand government departments), representative organisations, and other groups, organisations and entities that have been consulted in the preparation of this Bill.

#### **Government bodies**

- Inland Revenue Māori Advisory Panel
- Office of the Privacy Commissioner
- The Treasury
- The Ministry of Justice

#### **Representative organisations**

- Chartered Accountants Australia and New Zealand
- Corporate Taxpayers Group

#### **Other parties, organisations, and entities**

### Other testing of proposals – question 3.7

No additional information is available.

## **Appendix Three: Further Information Relating to Part Four**

### **Retrospective amendments – question 4.3**

No additional information is available.

### **Significant decision-making powers - question 4.6**

No additional information is available.

### **Powers to make delegated legislation- question 4.8**

No additional information is available.