

New Zealand

# Finance and Expenditure Committee Reports Back to Parliament on Tax Bill with Numerous Changes

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Report from our correspondent, Dr. Kevin Holmes, Wellington, New Zealand

On 1 March 2023, the Finance and Expenditure Select Committee reported back to Parliament on the [Taxation \(Annual Rates for 2022–23, Platform Economy, and Remedial Matters\) Bill \(No 2\)](#) (see [Government Introduces Wide-Ranging Tax Bill into Parliament \(1 September 2022\)](#)). The committee recommended numerous amendments to the Bill, the most significant of which are outlined below.

## International tax – digital platforms

- proceeding with the implementation of the [OECD's Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy](#), but deferring implementation of Part II of its Model Reporting Rules for Digital Platforms: International Exchange Framework and Optional Module for Sale of Goods because of the significant costs that would be imposed on digital platform operators. The latter would come into force by an Order in Council within 3 years of enactment of the Bill, within which time Inland Revenue (IR) would work with platform operators to develop methodology that imposes minimum ongoing costs on taxpayers;
- extending the reporting deadline for New Zealand-based digital platforms to report information about their sellers to IR for the December quarter from 31 January to 7 February;
- allowing IR, by regulation, to determine in NZD and to amend the OECD's "excluded seller" threshold of EUR 2,000 of goods sold through a digital platform, to reduce compliance costs associated with tracking and converting foreign currency amounts; and
- clarifying that platform operators are penalized only for offences that are serious, or unreasonable, regardless of whether a failure to meet reporting requirements arises from sustained behaviour or a single event. Non-compliance should be penalized only when the underlying behaviour is more than minor.

## International tax – cross-border workers

- making an employer primarily liable for fringe benefit tax and employer's superannuation contribution tax, regardless of the extent of their presence in New Zealand, with an option for an employee working for them in New Zealand to undertake these obligations instead;
- requiring employers to provide their employees with information to help them complete their employment income tax returns and with information on their tax compliance obligations;
- allowing fringe benefits to be treated as income taxable at the employee's marginal rate;
- permitting employers to choose whether their contributions to a cross-border worker's foreign superannuation scheme is taxed as a fringe benefit or under the PAYE scheme;
- removing the proposed non-resident contractors' tax (NRCT) reporting requirement and associated NRCT amendments to enable IR to conduct further consultation on the matter; and
- applying a 60-day grace period for employers of cross-border workers to meet or correct their tax obligations to a broader range of circumstances.

## International tax – dual resident companies

- dividends paid to a company that is resident under domestic law but a non-resident under a treaty (a treaty non-resident) requires that no non-resident withholding tax (NRWT) is withheld;
- allowing imputation credits to be attached retrospectively to dividends paid to companies that are later determined to be treaty non-residents; and
- not triggering the corporate migration rules when a company inadvertently becomes a treaty non-resident.

## Goods and services tax (GST)

- allowing underlying suppliers that sell services through electronic marketplaces of NZD 500,000 or more in a 12-month period to remain responsible for paying GST on their services without a written agreement with the marketplace operator to do so;
- applying the requirement that large accommodation providers have 2,000 nights per year available on an online market to remain responsible for paying GST on their services to only one marketplace (and not each one individually) and if they are a member of a group of companies, the group collectively satisfies the 2,000-night threshold;
- to reduce the complexity and compliance costs of administering the flat-rate credit scheme by operators of electronic marketplaces, zero-rating supplies of listed services between marketplace operators, and requiring the first operator (i.e., the one that has the relationship with the underlying supplier) to apply the flat-rate credit scheme; and
- easing GST apportionment and adjustment rules for assets acquired for NZD 10,000 or less (excluding GST) to an optional principal purpose test, enabling GST-registered persons to claim back 100% of the GST input tax where the asset was acquired primarily for selling taxable goods and services.

The Bill now proceeds to its second reading in Parliament.

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