

Regulatory Impact Statement: A reporting framework informed by tax principles

Coversheet

Purpose of Document	
Decision sought:	The repeal of the Taxation Principles Reporting Act 2023
Advising agencies:	Inland Revenue
Proposing Ministers:	Minister of Revenue
Date finalised:	7 December 2023
Problem Definition	
<p>The Government wishes to remove unnecessary legislation, reduce compliance costs for business, and ensure government departments are operating efficiently and focused on their core roles.</p>	
Executive Summary	
<p>The Government has indicated some problems with the potential effect and operation of the Taxation Principles Reporting Act 2023 and considers non-regulatory and existing reporting may be more appropriate. The Government is, therefore, considering the repeal of the Taxation Principles Reporting Act 2023.</p> <p>During the Select Committee consideration of the Bill that became the Taxation Principles Reporting Act 2023, a number of submitters put forward arguments that the legislation was unnecessary and could lead to increases in compliance costs for taxpayers and administrative costs for Inland Revenue.</p> <p>Some of the language in the description of the principles did not have broad support. As a consequence, any benefits from informing the public and improving the public debate could be limited to the extent that the debate is not based on a common understanding of the principles.</p> <p>Other submitters supported the Bill, especially the improvement in public information and the requirement to report regularly and over time, but raised concerns with some aspects of the reporting framework and the impact information collection powers would have on businesses.</p>	
Possible options	
<p>The options reflect those considered in the original Regulatory Impact Statement. Two options have been identified in addition to the status quo:</p> <ol style="list-style-type: none">Option 1: Repeal the Taxation Principles Reporting Act 2023Option 2: Retain and amend the Taxation Principles Reporting Act 2023 to reduce compliance and administrative costs.	

This assessment focuses mainly on the possible repeal of the Taxation Principles Reporting Act 2023.

Inland Revenue's preferred option

Inland Revenue previously, on balance, supported the enactment of a statutory reporting framework informed by tax principles on the basis that it would increase the amount of information available on the tax system and improve the public's understanding of tax policy. This would require an enduring reporting framework that would build information and knowledge over time. Inland Revenue's view was premised on the emergence of broad support for the establishment of a statutory reporting framework informed by accepted tax principles. This would ensure the information which Inland Revenue produced under the Act would be viewed as independent and grow over time.

However, following the Select Committee and Bill process it became apparent that the final reporting framework did not have broad support. It is, therefore, unlikely that the framework will prove enduring, or that the information which it will produce will lead to debates based on a common understanding of the principles of the tax system. The Act, therefore, is unlikely to be effective in achieving its purposes. In Inland Revenue's view, this indicates the anticipated benefits of the Act are unlikely to be fully realised.

Amending the current Act is an option and would address some of the issues raised but would not fully address the compliance and administrative cost concerns of the Government and may still not achieve broad consensus. To reduce the additional administration costs arising from the Act, the repeal would need to occur before the first report is due to be presented, which is 31 December 2023.

Inland Revenue intends to consider means of improving its current reporting under the Tax Administration Act 1994, subject to internal resourcing and government priorities. Inland Revenue will continue to meet its stewardship requirements under the Public Service Act 2020.

Views from consultation with stakeholders and the general public

Views of the general public

Due to time constraints, no consultation with stakeholders was undertaken on the repeal of the Taxation Principles Reporting Act 2023.

Submissions on the initial Bill included the view that the Bill was unnecessary and should not proceed. Other submissions favoured the enactment of the reporting framework but raised concerns with the Bill's content.

The submissions are available on the Parliament website and a summary of submissions is included on the Inland Revenue tax policy website.

Responsible Manager(s) (completed by relevant manager)

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7 December 2023

Quality Assurance (completed by QA panel)

Reviewing Agency:	Inland Revenue
Panel Assessment & Comment:	<p>The Quality Assurance reviewer at Inland Revenue has reviewed the coversheet prepared by Inland Revenue. The reviewer considers the information and analysis partially meets the quality assurance criteria.</p> <p>However, the lack of time and public consultation on the repeal has limited the opportunities for consultation and limited the depth of the analysis.</p>