



## **Legislative statement: Taxation Principles Reporting Bill**

This legislative statement is presented to the House of Representatives in accordance with Standing Order 272.

### **Overview**

This legislative statement supports the Third Reading of the Taxation Principles Reporting Bill. The Bill has been reported back from the Committee of the Whole House.

### **Outline of the Bill**

The Bill would establish a statutory reporting framework which would come into force the day after the day of the Royal assent. The Bill would require the Commissioner of Inland Revenue to prepare and publish an annual report which considers the operation of the tax system in relation to the set of tax principles contained within Schedule 1 of the Bill.

This report would require the Commissioner to use the best information available and take one of two forms, namely:

- *Triennial full:* The Bill would require the Commissioner to provide the Minister of Revenue ("Minister") with the first full triennial version of the report by the end of 2025.
- *Annual interim:* The Bill would require the Commissioner to provide the Minister with a shorter, "interim" form of the report in each of the two years leading up to the publication of the triennial version of the report. The first annual interim report would be required by the end of 2023 if the Bill is enacted this year.

In each case, the Bill would require the Commissioner to publish a copy of the report after it has been presented to the Minister. In the case of the triennial full report, the Bill would require the Minister to take the additional step of presenting a copy of the report to Parliament. An interim report is not required in the year a full report is produced.

Schedule 1 of Bill itself contains a set of familiar tax principles used by tax working groups in New Zealand and overseas to guide the reporting of information. These principles are:

- Horizontal equity;

- efficiency;
- vertical equity;
- revenue integrity,
- compliance and administration costs;
- certainty and predictability; and
- flexibility and adaptability.

Each of the principles contains a description which is designed to provide an explanation of its meaning in a tax setting and encourage debate about its application.

The Bill also contains approved taxation principles measurements which are related to the tax principles and describe the categories of information which must be included in the Commissioner's reports. These must be included in the Commissioner's reports and would function as the minimum, or "baseline" level of reporting required under the framework.

The Commissioner may incorporate additional measurements into the annual report where it is considered appropriate but must notify the public at least two months in advance of an intention to include or exclude additional measures.

The Bill would also allow the Commissioner to use existing information provided it is anonymised and aggregated. The first report under the framework is due by the end of 2023.