Inland Revenue
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Tax Policy

IRD, 2018

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BEPS Bill passes third reading

27 June 2018

The Taxation (Neutralising Base Erosion and Profit Shifting) Bill passed its third reading in the House last night. The Bill contains measures to prevent multinational companies from avoiding tax by shifting profits out of New Zealand. For more information see the Minister of Revenue's media statement.

Hon Stuart Nash
ister of Revenue

26 June 2018

Media statement

New measures to ensure multinational companies pay their fair share of tax will come into force next week.

The Taxation (Neutralising Base Erosion and Profit Shifting) Bill tonight passed its third reading in Parliament. Revenue Minister Stuart Nash says it takes effect from 1 July and will considerably improve the integrity of the tax system.

"Companies should ideally pay tax in the right country," says Mr Nash. "This legislation will ensure that multinationals pay tax based on the actual economic activity they carry out in New Zealand.

"It is not in the interest of New Zealand taxpayers if multinational companies avoid paying taxes here. The changes address the problem of companies operating cross-border and using aggressive tax structuring to reduce the tax they pay.

"Estimates from Inland Revenue are that these measures could result in an extra $200 million of tax revenue each year, once fully phased in. This will contribute to other Government priority areas like health, housing, education and policing.

"imately however this is a matter of fairness – multinationals paying their fair share. Most multinationals operating here pay the tax they should and are compliant. But some adopt base erosion or profit shifting [BEPS] strategies to minimise their tax obligations.

"The BEPS strategies distort investment and threaten the integrity of tax systems all over the world. It also means Governments lose out on tax revenue. Unlike smaller domestic companies and individuals, large companies with cross-border structures can exploit opportunities to get around tax rules.

Mr Nash says the BEPS legislation is a first step, and he has asked Inland Revenue officials to work closely with international agencies like the OECD and G20 to consider whether further measures are required.

"These changes enjoy the unanimous support of Parliament and are possible thanks to the work of MPs from all political parties, as well as valuable advice from tax professionals and useful submissions from members of the public.

"We will have a better, fairer tax system as a result of these changes," Mr Nash said.

The changes will prevent multinationals from using BEPS strategies, including:

- artificially high interest rates on loans from related parties to shift profits out of New Zealand
- related-party transactions which are intended to shift profits to offshore group members in a manner that does not reflect the actual economic activities undertaken in New Zealand and offshore

- hybrid mismatch arrangements that exploit differences between countries' tax rules to achieve an advantageous tax position
- artificial arrangements to avoid having a taxable presence or a permanent establishment in New Zealand
- tactics to stymie an Inland Revenue investigation, such as withholding relevant information that is held by an offshore group member.