

**Version  
as at 23 December 2023**



## **Taxation Principles Reporting Act 2023**

Public Act 2023 No 55

Date of assent 30 August 2023

Commencement see section 2

Taxation Principles Reporting Act 2023: repealed, on 23 December 2023, by section 4 of the Taxation Principles Reporting Act Repeal Act 2023 (2023 No 70).

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### **Note**

The Parliamentary Counsel Office has made editorial and format changes to this version using the powers under subpart 2 of Part 3 of the Legislation Act 2019.

Note 4 at the end of this version provides a list of the amendments included in it.

**This Act is administered by the Inland Revenue Department.**

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the Taxation Principles Reporting Act 2023.

**2 Commencement**

This Act comes into force on the day after the date on which it receives the Royal assent.

**Part 1**  
**Preliminary provisions**

**3 Purpose**

The purpose of this Act is to oblige the Commissioner to report on New Zealand's current taxation settings.

**4 Interpretation**

In this Act, unless the context otherwise requires,—

**approved taxation principles measurements** means measurements described in section 12 or approved in accordance with section 13

**Commissioner** means the Commissioner of Inland Revenue

**Commissioner's report** means a report, prepared by the Commissioner, on New Zealand's current taxation settings in relation to the taxation principles in this Act, as measured using the approved taxation principles measurements

**Minister** means the Minister of Revenue or, if there is no Minister of Revenue, the Minister responsible for the Inland Revenue Department

**revenue Act** means an Act listed in schedule 1 of the Tax Administration Act 1994, including this Act

**tax year** has the same meaning as in the Income Tax Act 2007

**taxation principles** means the tax system principles provided in schedule 1 of this Act.

## **5 Act binds the Crown**

This Act binds the Crown.

## **6 No effect on revenue**

- (1) Despite this Act being a revenue Act, the Commissioner's duty, under section 6A(2) of the Tax Administration Act 1994, to collect over time the highest net revenue that is practicable within the law does not apply to the Commissioner's duties under this Act.
- (2) This Act does not affect quantification of a taxpayer's liability under a revenue Act or in legal proceedings (*see* section 7).

## **7 Justiciability**

- (1) Commissioner's reports and this Act (including the taxation principles) may not be used as evidence as to any matter of law or fact in legal proceedings other than in judicial review proceedings as to the Commissioner's duties in preparing a Commissioner's report.
- (2) Commissioner's reports and this Act (including the taxation principles) may not be used in the interpretation of any matter of law or fact in legal proceedings other than in judicial review proceedings as to the Commissioner's duties in preparing a Commissioner's report.

## **8 Information and privacy**

In performing the Commissioner's obligations under this Act,—

- (a) the Commissioner may use any information the Commissioner holds if the information was gathered and is held, lawfully, for any purpose, including if the information was gathered lawfully and specifically to help the Commissioner perform the Commissioner's obligations under this Act; and
- (b) the Commissioner must ensure that all information in a Commissioner's report is anonymised and aggregated.

## **9 Consequential amendments**

Schedule 2 provides consequential amendments to other Acts.

# **Part 2**

## **Taxation principles reporting**

## **10 Duty to report: annual interim and triennial full**

- (1) The Commissioner must give the Minister an interim Commissioner's report annually, before the end of a calendar year, for the tax year that ends in the calendar year, using the best information that the Commissioner has on hand at that time.

- (2) Once every 3 calendar years, starting with the 2025 calendar year, the Commissioner must give the Minister a full Commissioner's report, before the end of the calendar year, for the 3 previous tax years that end in the calendar year, using the best information that the Commissioner has on hand at that time.
- (3) The Commissioner must not prepare an interim Commissioner's report in a calendar year in which the Commissioner prepares a full Commissioner's report.
- (4) A Commissioner's report must take into account the impact of the tax system on different communities of taxpayers within New Zealand.

## **11 Presentation and publication**

- (1) The Commissioner must publish a copy of the interim Commissioner's report at the Commissioner's expense as soon as it is reasonably practicable after the Commissioner gives the Minister the report.
- (2) The Minister must present a copy of the full Commissioner's report to the House of Representatives as soon as it is reasonably practicable after the Commissioner gives the Minister the report. The Commissioner must publish a copy of the full Commissioner's report at the Commissioner's expense as soon as it is reasonably practicable after the Minister presents a copy of it to the House of Representatives.

## **12 Approved taxation principles measurements**

The approved taxation principles measurements for the purpose of this Act are as follows:

- (a) income distribution and income tax paid;
- (b) distribution of exemptions from tax and of lower rates of taxation;
- (c) perceptions of integrity of the tax system;
- (d) compliance with the law by taxpayers.

## **13 Approved taxation principles measurements: approval procedure for inclusion and exclusion**

- (1) The Commissioner may include measurements beyond the minimum set described in section 12 for the purpose of this Act if—
  - (a) the Commissioner decides the new measurements are appropriate for inclusion as approved taxation principles measurements; and
  - (b) the new measurements are within the direct responsibility of the Commissioner in relation to the tax system; and
  - (c) the Commissioner publishes, in a publication of the Commissioner's choosing, a description of the new measurements 2 months or more before the Commissioner uses them in a Commissioner's report.
- (2) The Commissioner may exclude measurements that the Commissioner has included under subsection (1) but subsequently decides are inappropriate for

the purpose of this Act, if the Commissioner's decision to exclude the inappropriate measurements is published in a publication of the Commissioner's choosing 2 months or more before the Commissioner does not use them in a Commissioner's report.

## Schedule 1

### Tax system principles

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#### 1 Purpose of taxation

The main purposes of a tax system are to—

- (a) raise revenue to finance government expenditure;
- (b) correct behaviour or market failures.

#### 2 Key principles

The key principles considered for designing or changing a tax system, as measured by the approved taxation principles measurements, are set out in the following table:

Key principle	Description
Horizontal equity	<b>Horizontal equity</b> is the extent to which people with similar levels of economic income pay similar amounts of tax. In considering horizontal equity, the time value of money matters and the tax system should generally recognise the economic effect of income. In considering horizontal equity, there are important areas where exemptions to taxing economic income are justified in the pursuit of wider societal outcomes (for example, not taxing the imputed rent or gains on an owner-occupied home).
Efficiency	<b>Efficiency</b> is the extent to which tax revenue is raised in ways that minimise costs to the economy, including distortions.
Vertical equity	<b>Vertical equity</b> is the extent to which the tax system is progressive. Tax is progressive if people with higher levels of economic income pay a higher proportion of that income in tax. A progressive tax system does not mean that every tax is progressive (for example, GST is regressive relative to income) but the overall system ought to be. In practice, wealthy people should pay no lower an average rate of tax relative to their economic income than middle-income New Zealanders.
Revenue integrity	<b>Revenue integrity</b> is the extent to which the tax system is sustainable over time and minimises opportunities for tax avoidance and tax evasion.
Compliance and administrative costs	<b>Compliance and administrative costs</b> is the extent to which compliance and administrative costs for taxpayers and the Government are reasonable, but minimising costs is not justification for substantial unfairness in the tax system.
Certainty and predictability	<b>Certainty and predictability</b> is the extent to which the tax system is coherent and transparent and taxpayers are able to determine their tax obligations before they are due.
Flexibility and adaptability	<b>Flexibility and adaptability</b> is the extent to which the tax system keeps pace with changes in society, in particular technological and commercial developments, and changes in inequality or comparative wellbeing.

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**Schedule 2**  
**Consequential amendments**

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**1      Tax Administration Act 1994**

In schedule 1 of the Tax Administration Act 1994, insert, in appropriate alphabetical order, “Taxation Principles Reporting Act 2023”.

**Notes****1 General**

This is a consolidation of the Taxation Principles Reporting Act 2023 that incorporates the amendments made to the legislation so that it shows the law as at its stated date.

**2 Legal status**

A consolidation is taken to correctly state, as at its stated date, the law enacted or made by the legislation consolidated and by the amendments. This presumption applies unless the contrary is shown.

Section 78 of the Legislation Act 2019 provides that this consolidation, published as an electronic version, is an official version. A printed version of legislation that is produced directly from this official electronic version is also an official version.

**3 Editorial and format changes**

The Parliamentary Counsel Office makes editorial and format changes to consolidations using the powers under subpart 2 of Part 3 of the Legislation Act 2019. See also PCO editorial conventions for consolidations.

**4 Amendments incorporated in this consolidation**

Taxation Principles Reporting Act Repeal Act 2023 (2023 No 70): section 4