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TUESDAY, 26 MARCH 2024

The Speaker took the Chair at 2 p.m.

KARAKIA/PRAYERS

SPEAKER: Almighty God, we give thanks for the blessings which have been bestowed on us. Laying aside all personal interests, we acknowledge the King and pray for guidance in our deliberations that we may conduct the affairs of this House with wisdom, justice, mercy, and humility for the welfare and peace of New Zealand. Amen.

LIST MEMBER ELECTED**New Zealand Labour—Glen Thomas Bennett**

SPEAKER: Members, I have received from the Electoral Commission a return declaring Glen Thomas Bennett to be elected a member of Parliament to fill the vacancy created by the resignation of the Hon Grant Robertson from his list seat. I understand that Glen Bennett is present and wishes to make an affirmation. Would he approach the Chair?

MEMBERS SWORN

GLEN BENNETT (Labour): Ko ahau, ko Glen Thomas Bennett, e oati ana ka noho pūmau taku pono ki a Kīngi Tiāre te Tuatoru me tōna kāhui whakaheke, e ai ki te ture. Ko te Atua nei hoki taku pou.

[I, Glen Thomas Bennett, swear that I will be faithful and bear true allegiance to His Majesty King Charles III, His heirs and successors, according to law. So help me God.]

VISITORS**Tokelau—Head of Government**

SPEAKER: I'm sure that members would wish to welcome the Hon Alapati Tavite, head of the Government of Tokelau, and his accompanying delegation, who are present in the gallery.

URGENT DEBATES DECLINED**Israel-Hamas Ceasefire—United Nations Security Council Resolution**

SPEAKER: Members, I have received applications for an urgent debate. I have received a letter from Teanau Tuiono seeking to debate under Standing Order 399 a resolution of the United Nations Security Council calling for an immediate ceasefire between Israel and Hamas in the Gaza Strip, and the release of all hostages.

For there to be an urgent debate, there must be administrative or ministerial responsibility for the case of recent occurrence; Speakers' ruling 216/4. There is no ministerial or administrative responsibility for a resolution of the United Nations. The Government cannot answer to the House about a body for which it is not responsible. The application is therefore declined.

URGENT DEBATES**Gaza Crisis—Government Response**

SPEAKER: I've also received a letter from Rt Hon Chris Hipkins seeking to debate the Government's response to the Gaza crisis. An urgent debate is a way of holding the Government to account for its actions. The application does not provide all the authentication for any recent Government action but it is a matter that has had Government action reported on. This is a particular case of recent occurrence for which there is ministerial responsibility. The situation in Gaza warrants New Zealanders being

aware of the views of this House. I therefore call on the Rt Hon Chris Hipkins to move that the House take note of a matter of public importance immediately at the conclusion of oral questions.

PAPERS, PETITIONS, SELECT COMMITTEE REPORTS, AND INTRODUCTION OF BILLS

SPEAKER: We come now to petitions.

CLERK: Petition of Barnaby Todd requesting that the House require schools to review rules and revise if necessary to avoid students smoking or vaping.

SPEAKER: Ministers have delivered papers.

CLERK:

- 2022-23 annual reports of:
 - Kiwi Group Capital Ltd and Subsidiaries
 - New Zealand Railways Corporation
 - Air New Zealand Ltd
 - Te Aratuku Whakaata Irirangi Māori, Māori Television Service
- Government response to a report of the Petitions Committee on the petition of Andrew Wilson.

SPEAKER: Those papers are published under the authority of the House. Select committee reports have been delivered for presentation.

CLERK:

- Report of the Environment Committee on the 2022-23 annual review of the Environmental Protection Authority
- reports of the Finance and Expenditure Committee on the 2022-23 annual reviews of the Inland Revenue Department and of the Reserve Bank of New Zealand
- reports of the Foreign Affairs, Defence and Trade Committee on the 2022-23 annual reviews of the New Zealand Antarctic Institute and of the New Zealand Customs Service and the Border Executive Board
- reports of the Health Committee on the 2022-23 annual reviews of the Health and Disability Commissioner and the Mental Health and Wellbeing Commission and of the Cancer Control Agency, the Health Quality and Safety Commission, and the Health Research Council of New Zealand
- reports of the Justice Committee on the 2022-23 annual review of the New Zealand Police and the annual review of the Public Trust, and the Child Protection (Child Sex Offender Government Agency Registration) (Overseas Travel Reporting) Amendment Bill
- reports of the Māori Affairs Committee on the Ngāti Tara Tokanui Claims Settlement Bill and on the petition of Seann Paurini
- reports of the Petitions Committee on the petition of Free Fares NZ and the petition of Hāpai Te Hauora
- report of the Primary Production Committee on 2022-23 annual review of Animal Control Products Ltd
- report of the Social Services and Community Committee on the 2022-23 annual review of the Ministry for Pacific Peoples.

SPEAKER: Those bills are set down for second reading. There are no bills for introduction.

ORAL QUESTIONS**QUESTIONS TO MINISTERS****Question No. 1—Prime Minister**

1. CHLÖE SWARBRICK (Co-Leader—Green) to the **Prime Minister**: Does he stand by all his Government's statements and actions?

Rt Hon CHRISTOPHER LUXON (Prime Minister): Yes, and especially our announcement yesterday that the Government is taking action to support young families with the cost of living crisis. FamilyBoost will help to reduce pressure from the cost of early childcare education (ECE) and support families to be able to get ahead, and from 1 July, parents of young children can get back up to 25 percent of their weekly fees, up to a maximum of \$75 per week. We also want to support families who face financial challenges returning to the workforce, and ECE fees are a big barrier parents face when they head back to work. I'm telling you FamilyBoost is going to help them with that, and that's what this Government is about doing.

Chlöe Swarbrick: Does he stand by his statement that tax deductibility changes will reduce rents, or would he like to revise that in light of advice that his Government has received that rents are primarily driven by household income and relative supply and demand for housing?

Rt Hon CHRISTOPHER LUXON: Across housing in New Zealand, we have a supply challenge. We have a supply challenge whether you want to own a house, whether you want to rent a house, or whether you want to secure one in social State housing. What we're doing is making sure that we can ensure that, actually, as downward pressure on rents is passing costs on to landlords that end up leading to higher rents is not an acceptable answer.

Chlöe Swarbrick: What is a better use of \$2.9 billion: tax cuts for landlords, or retention of food in schools, expanding fees-free tertiary education, and retaining free prescriptions, with money left over?

Rt Hon CHRISTOPHER LUXON: Well, what I can say is I've seen a lot of commentary about school lunches. School lunches will continue to be funded; we just want to make sure that the system is more effective and that wastage is removed, and if there's a better way to deliver it at lower cost, we'll look to do that.

Hon David Seymour: Is the Prime Minister aware that the advice the member alluded to about the effects of mortgage interest deductibility on rental housing continued on to say that in the long run, reductions in rents could be expected, and would he advise members, as a matter of general practice, to read all the evidence instead of selectively quoting some?

Rt Hon CHRISTOPHER LUXON: Well, what I can say is that when the previous Government actually removed interest deductibility, they received advice to say that that would likely put upward pressure. It puts downward pressure on rents. Passing costs on to landlords that only get passed through to renters with higher rents isn't the way forward.

Chlöe Swarbrick: What's the better use—[*Interruption*]

SPEAKER: Wait, wait—just wait. Some people on your side of the House were offering comment. Now that that's over, please continue.

Chlöe Swarbrick: Thank you, Mr Speaker—and my colleagues in Labour. What is a better use of \$2.9 billion: tax cuts for landlords, or maintaining Jobs for Nature, which provides investment in conservation projects and jobs in rural communities, and doubling the funding for the Department of Conservation?

Rt Hon CHRISTOPHER LUXON: Well, look, I can tell you we're a Government that's going to rebuild this economy, and that means that we are going to make sure—

Chlöe Swarbrick: How—how?

Rt Hon CHRISTOPHER LUXON: Well, listen to what I'm about to say. We're going to make sure that we actually make sure Government spending is very effective so that we actually protect our front-line services, we are going to give low and middle income working people tax relief—that's something that the Labour Party and the Green Party used to believe in; they were people that they used to support, but they don't seem to care about it anymore—and, ultimately, we're going to work out how to grow this economy. We have a great future ahead of us, and that's what we're going to balance in our Budget.

Chlöe Swarbrick: Has his Government wound down the Ministry of Business, Innovation and Employment's just transitions unit, and, if so, how many more climate change jobs are on the chopping block?

Rt Hon CHRISTOPHER LUXON: Well, what we are interested in is actually delivering on our climate change goals—that's actually what matters here. The means by which we deliver those goals may differ from the previous administration, but our commitment is incredibly strong to deliver those commitments.

Chlöe Swarbrick: Does he stand by the statements from his Minister for Regulation that risks to endangered native dolphins' lives are the equivalent to driving a car, and, if so, are we to expect that this Government will wind back marine protection in line with their war on nature?

Rt Hon CHRISTOPHER LUXON: I reject the premise of that question and the way that it was characterised.

Hon David Seymour: Point of order, Mr Speaker. I just want to be clear to the House that I've made no such statement. However, some people are unable to understand the point of an analogy about risk, rather than literally suggesting dolphins would drive cars.

SPEAKER: OK, thank you for that. We'll have the question again, but bear in mind that what has just been—it now must be taken as the word of the House.

Chlöe Swarbrick: Does he stand by the statements of his Minister for Regulation making equivalences between the risks to endangered native dolphins' lives and driving a car, and, if so, are we to expect that this Government is going to wind back marine protection in line with their war on nature?

Rt Hon Winston Peters: Point of order. Mr Speaker, a question must be substantiated, and that last statement is utterly outside of parliamentary order and will lead to disorder if she's allowed to get away with it.

Chlöe Swarbrick: Speaking to the point of order, Mr Speaker. I can very happily table the likes of the Environmental Defence Society's many press releases which speak to this Government's agenda being a war on nature.

SPEAKER: Yes, but the member is not here as an advocate for anybody other than those who voted for her. I think, the question, in the first place, was borderline, and has now gone over that. So try again with another question.

Hon Member: Taking another question?

SPEAKER: No, I'm giving you an extra one.

Chlöe Swarbrick: An extra one? Thank you, Mr Speaker.

SPEAKER: Yeah, unbelievable generosity, given the circumstances!

Chlöe Swarbrick: What, then, is a better use of \$2.9 billion: is it tax breaks for landlords, or half-price public transport fares which ease cost for struggling families and help us to meet our climate-emission goals?

Rt Hon CHRISTOPHER LUXON: We make no apologies for being on the side of renters in New Zealand. We care deeply about folk in New Zealand who are renting

properties. The previous administration loaded costs up on landlords and they got passed through to renters with higher rents—\$170 more on average every single week. We're on the side of renters. We're taking action to make sure we can do something about it.

Question No. 2—Prime Minister

2. Rt Hon CHRIS HIPKINS (Leader of the Opposition) to the Prime Minister: Does he stand by all his Government's statements and actions?

Rt Hon CHRISTOPHER LUXON (Prime Minister): Yes. In particular, our commitment to deliver tax relief for hard-working New Zealanders; in stark contrast to that member, who's embarking on yet another campaign to raise taxes, because it seems that no matter the circumstances, the solution offered by that member's party is always more tax—

Rt Hon Chris Hipkins: Point of order, Mr Speaker. Following the precedent set by David Seymour, the statement the Prime Minister has just made is incorrect. I therefore ask that he desist from making it.

SPEAKER: That's right. The Prime Minister can withdraw that part but continue with his answer.

Rt Hon CHRISTOPHER LUXON: I withdraw and apologise. What I'd say to you very clearly is that member's policy is to increase taxes. We know what the economic agenda of the Labour Party is: it's spend more, borrow more, tax more. That's something—

Rt Hon Chris Hipkins: Point of order, Mr Speaker. That is also incorrect.

SPEAKER: Look—[*Interruption*]

Rt Hon Chris Hipkins: If it's good enough for David Seymour, it's got to be good—

SPEAKER: Yeah, I know, and I'm trying to come up with a wise ruling. Give me a minute! It's well known that the Government can't use the questions opportunity to attack Opposition policy. That's not how it works. So an answer that leaves that out, I think, is not beyond the bounds of the Prime Minister's capability to address the House.

Rt Hon CHRISTOPHER LUXON: Look, yes, I am incredibly proud of our commitment to deliver tax relief to hard-working low and middle income working New Zealanders, unlike the other side.

Rt Hon Chris Hipkins: On what date did he first become aware that his Government had cut entitlements to disability support services and respite care?

Rt Hon CHRISTOPHER LUXON: Well, that's just not true. There has been no reduction in the funding in the disabilities budget compared to what the previous Government funded in the year before, and, further, we have made a commitment to increase funding this year, and as we go through a Budget process, there will be further increases as well.

Rt Hon Chris Hipkins: Did Penny Simmonds request a pre-Budget commitment to boost disability support funding to Whaikaha?

Rt Hon CHRISTOPHER LUXON: As I said, we've been working to the previous Government's budget. There has been an overspend and an overrun. There has been more money put into the ministry for this year, and there will also be more money put into the Budget 2024 process as well.

Rt Hon Chris Hipkins: Point of order, Mr Speaker. The question was very specific as to whether or not a pre-Budget commitment had been sought, and the Prime Minister hasn't addressed that.

SPEAKER: Well, I think he did when he said that they have a Budget process and were working to the—pre-Budget, working to the previous Government's budget. I think that's a reasonable addressing of the question.

Rt Hon Chris Hipkins: Did Penny Simmonds or her office advise his office of the changes to entitlements to disability support services and respite care prior to Whaikaha's announcement on 18 March; if so, when did they advise him?

Rt Hon CHRISTOPHER LUXON: Well, what I'd say firstly in response to that is that the Minister and the ministry have actually apologised for the anxiety that they caused through what was a poor communication of changes to the policy settings. We also have ensured that any future front-line changes to policy settings in the ministry of disabled services will actually be brought before Cabinet as well.

Rt Hon Chris Hipkins: Point of order, Mr Speaker. The question was whether the Prime Minister or his office was told about it before the announcement was made, and again the Prime Minister hasn't come even close to addressing it.

SPEAKER: Well, it's one of those questions that's got a yes or no answer—hasn't it?—which you can't ask, essentially, in this House.

Hon Willow-Jean Prime: No, it was "on what date".

SPEAKER: Hang on.

Rt Hon Chris Hipkins: It was also on what date he was asked. I mean, some indication addressing the question—he's talked about what the Government are doing going forward, not actually what the question was about, which was whether or not he knew about it before the announcement was made.

SPEAKER: I think the Prime Minister could elucidate a bit on that.

Rt Hon CHRISTOPHER LUXON: Look, as I've said before, the ministry made changes to the policy settings. They were poorly communicated, and that did not go through Cabinet. That is why it caused unnecessary anxiety and confusion, for which we apologise. The Minister and the ministry have subsequently apologised for that.

Rt Hon Chris Hipkins: Point of order, Mr Speaker. The Prime Minister has indicated the decision didn't go through Cabinet. He hasn't indicated whether or not he knew about it before it was announced.

SPEAKER: Well, given that the agenda of Cabinet—the member, more than many others in this House, would know—is set by the Prime Minister, I would assume that you've got the answer that you need.

Rt Hon Chris Hipkins: Point of order, Mr Speaker. Prime Ministers don't receive only information that goes to Cabinet; they receive information on decisions Ministers are making every day. I'm asking the Prime Minister whether he knew about this decision before it was announced. It shouldn't be a difficult question.

SPEAKER: That's a fair question. Given that's the nature of it, the Prime Minister could answer that.

Rt Hon CHRISTOPHER LUXON: I was unaware of that, and it did not go through Cabinet.

Rt Hon Chris Hipkins: Does he agree with Penny Simmonds' decision to reduce entitlements for disability support, respite care, insulin pumps, and glucose monitors for disability communities; if not, why not?

Rt Hon CHRISTOPHER LUXON: Well, what I'd say is very important to the community: they need to know we have been working to the previous Government's budget. We are putting more money in this year to make sure that any cost overruns are actually being able to be managed, and, importantly, there is further increases in the budget coming in Budget 2024. What I've also ensured is that any future changes to front-line services are actually brought forward to Cabinet, and, importantly, we also need to make sure that there is ongoing money, but also an ongoing review to make sure that that money is being spent appropriately and that it actually gets to people who are disabled and actually need those core support services.

Rt Hon Chris Hipkins: What does it say about his confidence in his Minister that he is now stopping her from making any decisions in this portfolio without taking them to Cabinet first?

Rt Hon CHRISTOPHER LUXON: I have complete confidence in the Minister. By her own admission and that of her ministry, she's apologised for the confusion and the anxiety—that those changes were poorly communicated and poorly consulted on—but we've made changes to the process going forward, and that's a good thing.

Question No. 3—Workplace Relations and Safety

3. Dr PARMJEET PARMAR (ACT) to the Minister for Workplace Relations and Safety: What recent announcements has she made in her portfolio?

Hon BROOKE VAN VELDEN (Minister for Workplace Relations and Safety): I recently announced my priorities, which are intended to restore business confidence and certainty. That is the way businesses are able to create more and better jobs, which is better for Kiwi workers. My priorities are related to the Holidays Act, contractors' arrangements, health and safety law and reform, and performance metrics for public services. Over the last six years, employers would be forgiven for feeling like they have been pitted against workers, but I believe that the frustrations both employers and workers are facing are connected. Labour market regulations are becoming increasingly complex, making it harder for employers and workers to reach the solutions that work for both of them. Flexible labour markets are the best environment for businesses to grow. When businesses thrive, the economy thrives.

Dr Parmjeet Parmar: What is she planning to do to improve certainty in contracting relationships?

Hon BROOKE VAN VELDEN: An important change I intend on making comes from the ACT-National coalition agreement. It includes the commitment to better protect choice and freedom to contract for workers and businesses. I've asked my officials for advice on how to achieve certainty for contracting parties, so that their intent, when entering into a contract for services, is upheld. Many New Zealand businesses use contractors in situations where engaging an employee to do the work would be inappropriate, or not as effective. I understand that 90 percent of contractors report that they are satisfied, or very satisfied, with their jobs, and that they would prefer to continue being self-employed, rather than to have a paid job working for someone else.

Dr Parmjeet Parmar: Is the Minister planning to make changes to the Holidays Act?

Hon BROOKE VAN VELDEN: I want to confirm that delivering improvements to the Holidays Act to simplify and clarify the law is one of my top priorities. I understand that change has been a long time coming. The previous Government's Holidays Act Taskforce began work in 2018, but were not able to deliver on changes by the end of their term in Government. I've heard from many a small business who spends a lot of time trying to comply with the Holidays Act rather than getting on with their core business. The first action that I'm going to take is to make sure that any changes to the Act are workable, that they are a material improvement on the status quo. One of the reasons why it has taken so long to deliver change is that the previous Government's proposals were so complex that it was very difficult to get draft legislation. If the draft legislation is hard, then it is going to be very difficult to implement—

SPEAKER: Just an answer, thank you.

Camilla Belich: Will the Minister guarantee that no employee will have a reduction in entitlements due to her proposed Holidays Act changes?

Hon BROOKE VAN VELDEN: I am intending on consulting widely about the Holidays Act changes, and I look forward to the member being part of that consultation.

Dr Parmjeet Parmar: What reforms to health and safety is she planning?

Hon BROOKE VAN VELDEN: The Health and Safety at Work Act is now almost 10 years old. I think it is an appropriate time that we take a step back and assess whether the health and safety system is fit for purpose. Businesses want to keep people safe and healthy at work, and workers want to keep themselves and their colleagues safe and healthy at work. But one of the things I hear consistently is that businesses and workers alike either struggle to understand the reason for some of the costly health and safety regulations, or they are struggling to know what to do in order to comply. So we want to simplify and clarify the law for both workers and businesses. Before we embark on that reform, I want to hear from workers, I want to hear from businesses, and I want to hear from people who know how to keep workers safe at work. So we will be starting public consultation.

Question No. 4—Finance

4. TIM COSTLEY (National—Ōtaki) to the Minister of Finance: What announcements has she made recently about supporting low- and middle-income families?

Hon NICOLA WILLIS (Minister of Finance): Yesterday, we announced that from 1 July, low to middle income parents with early childhood education costs will be able to claim back up to 25 percent of their early childhood education (ECE) fees to a maximum of \$75 a week. Families who qualify for the maximum reimbursement will receive \$975 in their bank accounts from October and another \$975 every three months thereafter. This new FamilyBoost initiative will provide real relief for families struggling with the cost of living.

Tim Costley: How many families and children will benefit from FamilyBoost?

Hon NICOLA WILLIS: Many families are struggling with high housing, childcare, and daily living costs. An estimated 21,000 low to middle income families will qualify for the maximum reimbursement of \$975 every three months, and, in total, FamilyBoost will help support more than 140,000 children and their families. I am very proud that this Government is able to provide extra assistance to support so many hard-working New Zealand families.

Tim Costley: How can Kiwi families access this support?

Hon NICOLA WILLIS: To ensure the repayment goes swiftly and accurately to eligible parents and their caregivers, early childhood invoices are submitted directly through Inland Revenue's online system, myIR, which I am advised can be used from a phone. Parents and caregivers will be able to submit ECE invoices every three months, with FamilyBoost refunded as a lump sum. Inland Revenue is currently talking to the early childhood sector about the best way to make this as simple as possible. Overnight, I am advised that early childhood services are already considering measures to make this as easy as possible for the parents they serve, including talking to their IT providers about issuing three-monthly invoices and assisting parents to upload these to the IRD.

Tim Costley: What are the other benefits of FamilyBoost?

Hon NICOLA WILLIS: Well, childcare is one of the biggest costs for families, and members of this House who have had young children will know that full well. According to the OECD, childcare costs in New Zealand are among the highest in the world—at 37 percent of household income. Being able to afford early childhood education fees can be a barrier to entering the workforce, particularly for a second earner in a household. FamilyBoost will make it easier and more worthwhile for families with young children to work, by directly assisting them to pay those ECE fees.

Hon Jan Tinetti: Does she agree the announcement made yesterday is hundreds of millions of dollars' less support to families than the previous Government's early childhood education Budget '23 support package, which she scrapped?

Hon NICOLA WILLIS: I'd reject that as a false analogy because, actually, it's hypothetical. The reason for that is there were serious questions raised by early childhood providers and others about where the commitments made by the previous Government were even deliverable at all. It was a phantom policy, and I tell you a really big difference: this money—this cold, hard cash—goes direct into the bank accounts of parents. There is no middleman or -woman; this is real cost of living relief for New Zealand families.

Hon David Seymour: Will the Government actually allow for the FamilyBoost policy in the costings it does in its Budget, and is that a general policy of the Government—to actually put aside money to fund the things it promises the public—or will this Government simply make it up and hope to lose the election so someone else can inherit the problem?

Hon NICOLA WILLIS: Well, the Minister makes a very good point—

Hon Kieran McAnulty: Point of order. How on earth was that fitting with the requirements in Speakers' rulings and Standing Orders, given that it was clearly designed to make a political point?

SPEAKER: Well, the point is that every question is designed to make a political point. The second part of it is that there was no mention of other Governments' or previous Governments' policies: it was as much, I suppose, on the edge of Standing Orders as the question in the first place. So, on that basis, it's not out.

Hon Kieran McAnulty: Point of order.

SPEAKER: A different point of order?

Hon Kieran McAnulty: Yes, it is. On that basis, speaking generally, if a question involves a hypothetical scenario, then that, too, should be ruled out.

SPEAKER: That is the case in Standing Orders; it can be. But that would leave us with a very, very bland question time, and given that today there are actually four questions that I think are the ultimate blandness, that's not looking good for the House and the public information that's supposed to come from it. So that won't always be the case, but I appreciate that you're pointing out what is currently in Standing Orders.

Hon Chris Bishop: I just wonder if, for the House's elucidation, you could outline what the four sort of bland questions you're referring to are.

SPEAKER: Oh, no, no. I think members of Parliament are well and truly capable of working out what is bland and what's not. Can we then progress with the balance of that answer, which I'm sure will be brief.

Hon NICOLA WILLIS: The Minister makes a very good point, and yes, our Government has learnt the lessons of history. Where previous Governments announced poorly costed, funded, and poorly consulted early childhood education policies, we—

SPEAKER: Yeah, I think—

Hon NICOLA WILLIS: —have chosen—

SPEAKER: No—stop there. Stop there. Stop there, otherwise I'll get a barrage of points of order over here, and they would be right.

Hon David Seymour: Point of order, Mr Speaker. I'm a member of this House and I'd like my question addressed. Is the Government intending to put aside the money to actually allow this policy to be funded?

SPEAKER: Then you should have asked that simple question, rather than the bits that elicited the balance of the argument.

Hon David Seymour: It's precisely the question I asked, and it hasn't been addressed.

SPEAKER: Well, I'll tell you what. Because I'm a reasonable person, if you can ask the question again without the sideswipe, that would be great.

Hon David Seymour: Seeking a clarification: that's an extra supplementary question for ACT?

SPEAKER: No; it simply replaces the one that you've got, not adding to your list. You're not going to eat into your total by asking again. Get on with it, please—the House is impatient.

Hon David Seymour: Well, I'd like the Minister of Finance to tell the House: has the Government set aside, in its budgeting, adequate funds to show that the statements of the Government coming out at Budget time will actually indicate enough money is available to fund this FamilyBoost policy?

Hon NICOLA WILLIS: Yes. This policy has been fully funded, with \$723 million provided over the forecast period, and the Budget will reflect that. I think it's really important that members of this House understand this fact: we have costed this policy based on 100 percent uptake, because we want every single family in New Zealand who qualifies for this policy to know that the funding is there for them. So get out there, members opposite; tell the people in your electorate—

SPEAKER: Thank you. No, no; we don't need that. We don't need that. It's very helpful, I'm sure, but—

Tim Costley: Has the Minister seen any reaction to the FamilyBoost announcement?

Hon NICOLA WILLIS: I've seen a lot of very positive reactions to yesterday's announcement, many from mums and dads who really need this cash. I've also seen reaction from those in the early childhood education sector. For example, the New Shoots Children's Centre's director said, "Parents are definitely doing it tough, like everybody in New Zealand, so I think any support for parents is going to be brilliant". And the Early Childhood Education Council chief executive said, "It will be just such a welcome relief for parents who have been facing such high child care costs." They are right, and it is a shame that some people opposite have sour grapes about relief for working parents.

Question No. 5—Finance

5. Hon BARBARA EDMONDS (Labour—Mana) to the Minister of Finance: Does she stand by her commitment not to cut frontline services?

Hon NICOLA WILLIS (Minister of Finance): Yes. I stand by the full text of that commitment, which I spoke to at the Finance and Expenditure Committee, and where I went on to say, "In committing to front-line service, we are not committing to doing things the way they have always been done necessarily because, actually, we think there's a strong case for improving the delivery of front-line services." In some cases, it may be that the services that New Zealanders are receiving, whether it's from their hospital or their school, aren't actually delivering the results they want. So we are not going to ban ourselves from looking at other ways we could do things better, differently, so that we can ensure the resources we are deploying have a bigger impact for the people we are seeking to serve.

Hon Barbara Edmonds: Does she consider the additional staff at the IRD processing over 7 million invoices a year for her early childhood education tax credit a back-office function; if so, how fast can parents expect their childcare rebate to be paid into their bank account?

Hon NICOLA WILLIS: I would consider it a back-office function, and I think it's important that all back-office functions are as efficient as possible. We are currently in consultation with the early childhood sector to work out how we make the delivery of this policy as efficient as possible. It's our expectation that this rebate be delivered as quickly as possible, and that's why we're consulting.

Hon Barbara Edmonds: Will she reverse her Government's decision to remove eligibility for funding for diabetes monitors that allow carers to sleep through the night without having to worry about sudden death from a slump in glucose levels?

Hon NICOLA WILLIS: If the member wishes to ask questions about the disability services portfolio, she should put them on notice to that Minister.

Hon Barbara Edmonds: Is she confident that none of the changes proposed in the recent restructuring documents released by the Ministry of Health, Ministry for Primary Industries, Ministry for Ethnic Communities, Ministry for Pacific Peoples, Customs, and other ministries will impact front-line services?

Hon NICOLA WILLIS: That is the expectation we have conveyed to chief executives.

Hon Barbara Edmonds: Does she agree with John Key that her commitment to fully fund her tax changes through Public Service cuts is too hard and risks plunging the country into discontent, as reported by the *New Zealand Herald*?

Hon NICOLA WILLIS: John Key would be very unhappy to hear the member opposite mischaracterise his comments in that way. And I would put to her that we should have honour in this House with comments that we make and how we represent others.

Hon Kieran McAnulty: Point of order, Mr Speaker. As has been referred to in this House a number of times, and as was used in reference to your response to the Hon David Seymour earlier, we take members by their word. Barbara Edmonds was quoting John Key. If the Minister disagrees with that, she should say so. She should not be questioning the honour of members in this House in order to respond to a fair question.

SPEAKER: Yeah, all members elected to this House are considered honourable members, and so that is a reference that is not best made. Would the Minister like to say further on that?

Hon NICOLA WILLIS: I think it is very important that when members represent others by way of paraphrase, they take care to be very accurate.

SPEAKER: I think a withdrawal and apology for the dishonourable point would be helpful.

Hon NICOLA WILLIS: Sorry?

SPEAKER: I think a statement of withdrawal and apology for the reference to the dishonourable nature of members would be helpful to the whole House.

Hon NICOLA WILLIS: I withdraw and apologise.

SPEAKER: Thank you.

Hon Barbara Edmonds: Is she committed to meeting the \$2.8 billion Treasury estimates is required to maintain the level of existing services for the impact for forecasted inflation and wage growth?

Hon NICOLA WILLIS: We have previously made clear our commitment to ensure that there is more funding available for front-line services.

Question No. 6—Infrastructure

6. DANA KIRKPATRICK (National—East Coast) to the Minister for Infrastructure: What steps is the Government taking to address New Zealand's infrastructure deficit?

Hon CHRIS BISHOP (Minister for Infrastructure): This morning, I laid out the steps the Government is taking to close New Zealand's infrastructure deficit. Estimates vary on the size, but let's call it \$100 billion or more—that's 80 Transmission Gully motorways. We have outlined a plan to fix this deficit: firstly, doing a better job of maintaining our existing assets; secondly, a credible pipeline of infrastructure projects—as part of that, developing a national infrastructure plan over 30 years—thirdly, reducing the barriers that are holding back infrastructure delivery, such as the Resource Management Act; fourthly, improving value for money; and, fifthly, new ways of funding and financing infrastructure.

Dana Kirkpatrick: What will the 30-year national infrastructure plan involve?

Hon CHRIS BISHOP: I've asked the Infrastructure Commission to develop a 30-year national infrastructure plan by the end of next year. This will include a national view of infrastructure projects that are planned and are being planned, an assessment of infrastructure priorities, and an analysis of long-term infrastructure needs. The purpose of the plan is to demonstrate a pipeline of major projects that make New Zealand a place worth doing business. We need the talent and the capital in this country, and part of that is to demonstrate the scale of the opportunities in the coming decade. The 30-year plan will help get our infrastructure system humming again.

Dana Kirkpatrick: What did the Minister say about the Government's proposal to establish a national infrastructure agency?

Hon CHRIS BISHOP: We'll be establishing a new national infrastructure agency by 2025 to connect offshore capital with New Zealand domestic infrastructure opportunities, amongst other jobs. The public sector infrastructure landscape is a crowded one and there are overlapping roles and functions, so rather than rushing into establishing a new agency, I've commissioned a piece of work to fully understand what the Crown wants and needs from a high-performing infrastructure system and who's doing what in the system and what needs to change. Treasury's leading this work alongside the Infrastructure Commission, and I'll have more to say on that very soon.

Dana Kirkpatrick: How does the Government intend to improve and increase the use of infrastructure funding and financing tools?

Hon CHRIS BISHOP: The coalition Government's very open to opportunities for the private sector to invest its capital to deliver high-quality infrastructure for New Zealand. These projects leveraging private finance obviously need to stack up based on cost-benefit analysis and the public good. To pave the way for more projects that leverage private finance, I'm asking officials to modernise the Crown's infrastructure governance, procurement, funding and financing, and asset management policies and frameworks. Solving New Zealand's infrastructure challenges will be hard, but with a good plan and a clear target, we can do it—and this Government will deliver.

Question No. 7—Seniors

7. TANYA UNKOVICH (NZ First) to the Minister for Seniors: What recent reports has she seen regarding the aged-care sector?

Hon CASEY COSTELLO (Minister for Seniors): On 7 March, the Aged Care Commissioner released her first report, titled *Amplifying the voices of older people across Aotearoa New Zealand*. The report has drawn on engagement with thousands of people from our important older communities alongside their families, whānau, carers, and service providers. The report is consistent with and aligns to what I've been hearing from the older New Zealanders and advice I have received around opportunities to better support aged-care services going forward.

Tanya Unkovich: Is the Minister aware of any ongoing work to address opportunities to improve aged-care services?

Hon CASEY COSTELLO: A review into aged-care funding and service models is under way, and I expect it will create a pathway to deliver better care for older people. The review will emphasise some key points, among these a stronger focus on supporting New Zealanders to receive the support they need at home. Additionally, we must ensure more efficient transitions through aged-care services, as well as greater capacity to support those with complex needs. I've asked for advice on immediate vulnerabilities and what is needed to sustain capacity while this work is being completed.

Tanya Unkovich: What other initiatives are under way to better support the lives of older New Zealanders?

Hon CASEY COSTELLO: This Government knows that supporting seniors across all aspects of their lives is critical for safeguarding their health and wellbeing. That's why improving the lives of seniors is stated as a priority for the Government in our coalition agreements. The Office for Seniors, in collaboration with other departments, has been progressing work on coalition priorities, including upgrading the benefits of the SuperGold and Veteran SuperGold Card, building on the local government rates rebate scheme, and making it easier to build subsidiary dwellings that can be used to support multigenerational living. I have been meeting with key stakeholders across the sector, who have been open about the opportunities to better support seniors across New Zealand. Finally, we have a dedicated, capable, and committed workforce and NGO sector, who I applaud for their ongoing efforts to respond to the needs of our older people.

Question No. 8—Disability Issues

8. Hon PRIYANCA RADHAKRISHNAN (Labour) to the Minister for Disability Issues: Does she stand by her statement in the House, “no disabled person will lose access to funding for essential services”; if so, why are insulin pumps and diabetes monitors being excluded from Whaikaha's disability support funding?

Hon PENNY SIMMONDS (Minister for Disability Issues): Yes, I do stand by my statement. Diabetes is a serious health condition affecting many New Zealanders, and I'm advised that avenues such as Health New Zealand and Pharmac support New Zealanders to gain access to funding for insulin pumps and monitors. The expectation is that health devices to address health conditions are dealt with under Vote Health. If, however, these have previously been funded with disability funding, I am clear that continuity of service continues for those individuals while these funding services are clarified.

Hon Priyanka Radhakrishnan: What does she say to carers who are concerned that defunding these critical devices will lead to an increase in “dead in bed” syndrome?

Hon PENNY SIMMONDS: So I have sought clarification from Whaikaha whether these monitors are funded through third-party providers under the previous rules with disability funding. I am clear—absolutely clear—that we must ensure that access is available if there have been people that have received them through disability services prior to 18 March. But I will be asking Whaikaha to work with those individual families to see whether they have been accessing health support where it is appropriate. This highlights the issues that we are working with, with Whaikaha. They are working to a budget that was put in place by a previous Government that was insufficient in terms of being able to meet needs. It has also had to put in place guidelines, and so it is important that we review the systems, processes, financial management, and the policy settings so that funding is coming from the appropriate source.

Hon Priyanka Radhakrishnan: Does the Minister consider speech therapy for a 17-year-old non-verbal, severely intellectually disabled young man effective support that should be funded through Whaikaha's disability support funding; if not, why not?

Hon PENNY SIMMONDS: Again, we have asked Whaikaha to ensure that they are working with families where there are essential services needed for the disabled person to be able to function, they will be working with them to ensure those services and equipment are provided.

Hon Priyanka Radhakrishnan: Does she agree with David Seymour that her Government has gone too far in its cuts, and that “we do have a responsibility in our society to help people who genuinely have no other source of help and have no other way of changing their situation”, and, if so, will she reinstate flexibility of funding while she works with the impacted communities on a longer-term solution?

Hon PENNY SIMMONDS: It needs to be very, very clear that there has been no cut in funding. There has been additional funding given to get Whaikaha through to

the end of the year. Whaikaha has been working to a budget that was put in place by the previous Government, which was insufficient for the policy settings they were working to. We have further indicated that there will be additional funding put in place. There is no cut in funding.

Hon Priyanca Radhakrishnan: What does the Minister say to the woman who emailed to say—and I quote—“Today I found out from Enliven Disability support services and my psychologist that Government has said I cannot use my funding to pay for psychology sessions, despite it meeting the four purchasing guidelines outlined by Whaikaha. For me, it was the pathway to rehabilitation, successful social interactions and managing crippling anxiety, and I was hoping to return to work in the not too distant future. Now that has been taken away from me.”?

Hon PENNY SIMMONDS: I’m not aware of the individual case, but the member has answered the question herself, if she said that it met the guidelines of the funding. Therefore, if it meets the guidelines of the funding, it should be funded.

Question No. 9—Education

9. KATIE NIMON (National—Napier) to the Minister of Education: What recent announcements has she made on period products in schools?

Hon ERICA STANFORD (Minister of Education): I’m thrilled to announce this Government has increased funding to ensure free period products are available for all young women in intermediate, kura, and secondary schools. It’s through careful spending that this Government has redirected funding to where it matters most: learners and schools. We’re committed to ensuring that all young women have equal opportunities in education to go on to live the life they want.

Katie Nimon: What data and evidence supported this decision?

Hon ERICA STANFORD: A study by the University of Otago estimated that up to 95,000 young women could be missing school because of a lack of access to period products. This Government is committed to reducing barriers for learners. I want to be clear about the link between attendance and achievement: regular school attendance is essential for lifting student achievement. This announcement is just one of our plans to reduce barriers to attendance and lift achievement in schools.

Katie Nimon: What feedback has she received from the public?

Hon ERICA STANFORD: I’ve already received lots of positive feedback. Dignity New Zealand wrote to me, expressing their relief and appreciation upon hearing our announcement. The Children and Young People’s Commission wrote, “I’m pleased to see the Government making this investment to reduce barriers to school attendance and normalising this aspect of mokopuna health.” One member of the public reached out to write that this increase in funding has created one less concern for young women in their school. We will continue to empower our young women to fully participate in their education without the burden of period poverty.

Katie Nimon: Who is going to benefit from this announcement?

Hon ERICA STANFORD: This initiative will continue to support 200,000 young women in our schools. A lack of access to period products can be stressful, disruptive, and can impact students’ confidence and wellbeing. This is an issue of dignity. Young women should never have to miss out on their education or face the embarrassment because of something as simple as access to period products. This support will help families get their children to school feeling confident and supported so they’re ready to learn and do their best. And, yes, it is targeted at young women who have periods.

Hon Jan Tinetti: Is this policy for young women in intermediate, secondary, and kura, as stated in the PR and by the Minister today, and does that mean young people in other schools don’t menstruate?

Hon ERICA STANFORD: I think I was very clear that it's available to young women in intermediate and kura and schools. There are no changes to the policy apart from the fact that we're funding it an extra half a million dollars a year to make sure that there is equal access to as many women as possible.

Question No. 10—Prime Minister

10. Hon MARAMA DAVIDSON (Co-Leader—Green) to the Prime Minister: Does he stand by his statements and actions?

Rt Hon CHRISTOPHER LUXON (Prime Minister): Yes, and in the context they were given.

Hon Marama Davidson: Does he agree with *A People's Review of Kāinga Ora—In Defence of Public Housing* report, released today, that “The private housing market has failed to provide everyone with a decent, stable and affordable home. The state should have a stronger role in the ownership and provision of rental housing.”, and, if so, what steps will the Government take to increase the supply of publicly owned rental housing?

Rt Hon CHRISTOPHER LUXON: Well, I do agree: housing has been an abject failure in this country after six years of the previous administration. What we have to do is increase supply of private houses, increase the supply of rental properties available, and increase the supply of social and State housing available as well. We've got plans to deal with all three.

Hon Marama Davidson: Is he aware of the finding of the report that building good quality public housing at scale and pace can save Government spending in the long term through reduced need for landlord subsidies and through savings in health budgets, and, if so, does this suggest that increasing the supply of public housing is consistent with this Government's stated commitment to social investment?

Rt Hon CHRISTOPHER LUXON: As I said earlier, we want to increase the supply of houses available in the private market, we want to increase the supply of houses available in the rental market and increase the supply of houses available in the social housing part of the market, too.

Hon Marama Davidson: [Interruption] Is he concerned, then, at the ability of the private rental—

SPEAKER: No, no, wait on. Please, start again.

Hon Marama Davidson: Is he concerned, then, at the ability of the private rental market to provide New Zealanders with affordable housing when almost 350,000 people have to access the accommodation supplement because private rents are too high?

Rt Hon CHRISTOPHER LUXON: Again, I don't know how to explain this any differently to the member but it's an “and, and, and”. We need to make sure that we have private housing made available to people who want to purchase homes, we need to make sure that we increase the rental supply of rental properties for people who need to rent them, and we need to increase the supply of social housing stock as well. It's an “and, and” so that all three aspects of the housing market are actually accelerated.

Hon Marama Davidson: Will he commit to ensuring that any changes to Kāinga Ora, following the review, are directed at creating a more efficient and effective build programme to deliver public housing at scale rather than any wind down of existing projects?

Rt Hon CHRISTOPHER LUXON: We will await the findings of the review but what we are clear about is that we want better performance from Kāinga Ora.

Rt Hon Winston Peters: Has the Prime Minister received any reports about the gulf or gap he's going to have to fill, having inherited a 100,000-homes promise that ended up with 2,000 being built by the administration that the original questioner came from?

Rt Hon CHRISTOPHER LUXON: I think it's quite well established that KiwiBuild was an utter failure.

Hon Marama Davidson: Why is he prioritising tax cuts for landlords instead of building more public housing?

Rt Hon CHRISTOPHER LUXON: We are committed to making sure that we build more houses in general in this country. That has been an absolute disaster under the previous administration. This Government takes getting houses built seriously. We do that through the private market, the rental market, and the social housing market.

Question No. 11—Ethnic Communities

11. Hon JENNY SALESA (Labour—Panmure-Ōtāhuhu) to the Minister for Ethnic Communities: Does she stand by all her statements and actions?

Hon MELISSA LEE (Minister for Ethnic Communities): Yes, in the context they were made and undertaken.

Hon Jenny Salesa: Does she stand by her statement that—and I quote—“More than a quarter of our population in 10 years' time will be from ethnic communities.”, and, if so, how does she reconcile that with the proposal to reduce the number of permanent staff at the Ministry for Ethnic Communities by 14 percent?

Hon MELISSA LEE: There are currently about 22 percent of New Zealanders who actually belong to ethnic communities. However, you know, at a time when New Zealand is facing a cost of living crisis, agencies have been asked to identify where they can make savings or make changes in order to deliver savings. Decisions related to staffing numbers at the ministry are operational and Budget sensitive.

Hon Jenny Salesa: Does she stand by her statement that the Ministry for Ethnic Communities has a budget analogous to—and I quote—“the smell of an oily rag”, and, if so, how does she justify that with the ministry staff reducing by 14 percent?

Hon MELISSA LEE: I'm not so sure if the member is actually correct in suggesting that there is actually a 14 percent cut, because anything that is related to staffing numbers is actually for the ministry to answer as it is operational. In terms of the ministry operating on the smell of an oily rag, the member should know, as the former Minister—

Hon Jenny Salesa: Point of order, Mr Speaker.

SPEAKER: Point of order, the Hon Jenny Salesa.

Hon Jenny Salesa: Speakers' ruling 182—

SPEAKER: Hang on, wait—slow down. Everyone wants to listen.

Hon Jenny Salesa: Speakers' ruling 182/3 states that Ministers have to answer on operational matters.

SPEAKER: Well, just a minute—I'll just have a quick look at that. That's one I'm not terribly familiar with. [*Seeks advice from Clerk*] Yep, OK, so ministries can't answer to the House; only a Minister can, so can I suggest that we have the question again with that in mind, and then the Speakers' ruling might apply.

Hon Jenny Salesa: Does she stand by her statement that the Ministry for Ethnic Communities has a budget analogous to—and I quote—“the smell of an oily rag”, and, if so, how does she justify the ministry staff reducing by 14 percent?

SPEAKER: Yeah, but that's the problem. She doesn't have to justify that; it's not her responsibility. There must be another way of asking that question.

Hon Jenny Salesa: How can she justify, given that she made a statement that said the ministry is operating under the smell of an oily rag, the cuts to the ministry?

SPEAKER: Well, it's the same problem, but I'll see what you can say.

Hon MELISSA LEE: Thank you, Mr Speaker. There are no cuts currently. Everything in relation to staffing numbers that the ministry are currently consulting is just that—consulting—and the decisions will be made as part of the Budget process.

Hon Jenny Salesa: Will she commit to no cuts to the Ethnic Communities Development Fund—ECDF?

Hon MELISSA LEE: As I said, the decisions on the actual funding or staffing numbers, it is actually Budget sensitive and the decisions are for the ministry to answer. Having said that, the ministry does an amazing job. As the member who actually asked the question—who was a former Minister—will well know, it is a very small ministry who works very hard to support the work of the ethnic communities, and the Ethnic Communities Development Fund does amazing work to provide for the ethnic communities.

Hon Jenny Salesa: Does she agree with her coalition partner the Hon David Seymour when he stated—and I quote—“I very seldom find someone that can point to anything concrete that they’ve done.”, when talking about the Ministry for Ethnic Communities; if so, are these cuts a step towards abolishing the Ministry for Ethnic Communities?

Hon MELISSA LEE: I don’t have responsibility for Mr Seymour’s comments. However, I feel that the Ministry for Ethnic Communities does an amazing job, and I support them 100 percent.

Question No. 12—Trade

12. CATHERINE WEDD (National—Tukituki) to the Minister for Trade: What actions has the Government taken to support trade with the Middle East?

Hon TODD McCLAY (Minister for Trade): Since taking office a few months ago, we’ve worked quickly with the United Arab Emirates (UAE) to progress exploratory discussions on a possible comprehensive economic partnership agreement (CEPA). In January, I travelled to the UAE to meet with ministerial counterparts, and again the following month to attend the 13th World Trade Organization ministerial conference. While there, and following constructive meetings with the UAE trade Minister, New Zealand announced the start of public consultations on a possible CEPA with the UAE. Exploratory discussions between our two teams are progressing well, and a decision on launching negotiations will be taken later this year.

Catherine Wedd: Why has the Government asked for the public’s view on an agreement with the UAE?

Hon TODD McCLAY: Well, we’re interested in what the public think—73 percent of New Zealand’s trade will be covered by trade agreements once the EU-NZ free-trade agreement (FTA) enters into force on 1 May. However, an important gap in our FTA coverage is the Gulf region. The launch of public consultations represents a significant next step in New Zealand’s ongoing consideration of a deal with the UAE, complemented with three rounds of exploratory discussions held to date. We’re keen to hear from civil society and businesses currently exporting to the UAE market, or with an interest in doing so—Māori exporters and all New Zealanders. Submissions are open until 31 March, and information on how to submit is available on the Ministry of Foreign Affairs and Trade website.

Catherine Wedd: How would an agreement with the UAE be important to New Zealand?

Hon TODD McCLAY: The UAE is a top-20 export market for New Zealand and our largest market in the Middle East, with exports totalling over \$1 billion last year. The UAE is also an important hub for New Zealand companies operating in the region and vital to New Zealand’s connectivity to the Middle East and beyond. Other countries are progressing trade negotiations with the UAE—including Australia, who are expected to conclude a deal by the end of this year—so the Government is committed to ensuring New Zealand exporters remain competitive in that market.

Catherine Wedd: What else has he announced to support New Zealand trade?

Hon TODD McCLAY: Well, our work towards the CEPA with the UAE will serve to further grow trade opportunities in Europe as goods and services exported to Europe transit through this busy Middle East hub and will do so more easily. Yesterday, the EU-NZ FTA gained Royal assent, confirming that the deal will enter into force on 1 May. That's great news for our horticulture industry, and, as the member asking the question will know, with the apple harvest in full swing, the onion harvest almost complete and pack houses across the Hawke's Bay, the Bay of Plenty, and the East Coast, and elsewhere packing for Europe, these industries will be able to see the immediate savings of the EU trade deal. Given the year that they've had of the cyclone recovery, this deal means a lot of our apple and onion exporters will do better.

Hon Damien O'Connor: Will the consultation process on the proposed deal between the UAE and New Zealand be undertaken on the principles of Trade for All—which includes obligation to consult with Māori, small and medium enterprises, women, and all groups across New Zealand—to ensure that whatever trade deal is arrived at will benefit all New Zealanders?

Hon TODD McCLAY: In, I think, my second answer to the second supplementary, I mentioned all of those groups. So, yes.

SITTINGS OF THE HOUSE

Hon CHRIS BISHOP (Leader of the House): Point of order. I move that the sitting of the House today be extended into tomorrow morning to complete the remaining stages—

SPEAKER: Yeah, that's right. You should move that at the end of the debate that I've previously announced. Sorry, we've got to get this procedurally—[*Interruption*] Why are you looking so upset? The House survives on procedure. As much as you may not like it, sometimes I don't, but I've got to sit here and put up with it! So, before I call on the Rt Hon Chris Hipkins to move the urgent debate, can I ask that members who have to leave the House do so as quietly as they possibly can.

URGENT DEBATES

Gaza Crisis—Government Response

Rt Hon CHRIS HIPKINS (Leader of the Opposition): I move, *That the House take note of a matter of urgent public importance.*

The humanitarian situation in Gaza is now well past crisis point. Three-quarters of Gaza's 2.2 million people are internally displaced; more than a million people are crammed into Rafah, a tiny sliver of land which now has a population five times what it was before the war. I think New Zealanders watching images of the tragedy unfolding in Gaza on a night-by-night basis could be forgiven for thinking that this is happening somewhere else in the world and that this is someone else's problem—it isn't.

To put into context what's happening, the 365 square kilometre area that makes up Gaza is roughly half the size of Lake Taupō, and it currently contains 2.2 million people, three-quarters of whom have been displaced by this conflict. There is a health system in Gaza that is clearly in crisis: 155,000 pregnant and breastfeeding women are suffering from malnutrition; over 5,000 women will give birth in the next month—they have no hospitals and no health facilities in which to deliver their babies safely. People are starving; people are dying. UNICEF has now said that Gaza is the most dangerous place in the world to be a child. They estimate there is one toilet per 700 children and their families. Diarrhoea, respiratory illness, and malnutrition are now widely spread.

There is no military solution to this tragedy and to this problem. As my colleague Phil Twyford pointed out in an earlier debate in this House, four generations of Palestinians are now living in refugee camps. We should absolutely acknowledge the atrocity that was

the Hamas attack on Israel. We should also acknowledge Israel's right to defend itself, as I did, as our Prime Minister, when that happened. But there are limits to that right to self-defence. As I pointed out, we are very concerned that the actions of the Israeli Defense Forces are disproportionate and indiscriminate. The right to self-defence is not an unlimited one. All parties have an obligation to take all possible steps to protect civilians, and it is clear that that has not been happening.

Last year, we urged Hamas to release hostages immediately and unconditionally and to work towards peace, and we restate that now. We also called on all parties to strive to restore calm and restraint and to refrain from provocative actions, incitement, and inflammatory rhetoric.

We are still concerned that basic humanitarian supplies are not reaching those who so desperately need them. New Zealand's position of encouraging all parties to work towards a two-State solution, within secure and recognised borders, where all citizens enjoy equal rights and freedoms, has been a longstanding one, and yet it feels such a long, long way away.

Labour called for a ceasefire back in November. It was the right thing to do then, and it is absolutely the right thing for us to be doing now. Thousands of Palestinians, the majority of them women and children, have been killed. The lives of the victims have been changed. Horrific scenes of lives destroyed—children whose parents, siblings, and grandparents have been killed—are on our TV screens on a nightly basis. There are no places for people to go for safety. I don't think we should ever, in this House, underestimate what it must feel like to know that your home and your community are under attack and there is literally nowhere you can go to get away from that. That is something that I hope no member of this House has ever experienced, and I hope no New Zealander will ever experience it. We should not put up with it being the situation for those in Gaza. The carnage in Gaza must end. We must support an immediate and a sustainable ceasefire and the immediate release of hostages. New Zealand must show leadership on this issue.

Overnight, the United Nations Security Council passed a resolution calling for an immediate ceasefire for the month of Ramadan. Significantly, for the first time, the United States has not exercised its veto. This House needs to understand the New Zealand Government's position, and it must go further than it has to date. Now the United Nations has called for an immediate ceasefire, there is simply no excuse for New Zealand's position to remain that we call for steps towards a ceasefire. We should have been calling for an immediate ceasefire months ago, and our Government must do so now, and it must do so immediately.

We also need to understand the New Zealand Government's position on emergency visas for Palestinians with relatives living in New Zealand. There should be no equivocation; the Government must do the right thing.

I want to quote from a Minister in a previous National Government—New Zealand, of course, has a track record of principled diplomacy in this particular area. In 2016, under the then Minister of Foreign Affairs Murray McCully, New Zealand sponsored a United Nations Security Council resolution reaffirming that Israeli settlements in the Palestinian territory, occupied by Israel since 1967, constitute a flagrant violation of international law and—I quote—"a major obstacle" to the vision of two States living side by side in peace and security within internationally recognised borders. Murray McCully said we can use our voice and it does make a difference. Now is absolutely the time for us to be using our voice.

We should be calling for an immediate, sustainable, and durable ceasefire. Waiting until the conditions for a ceasefire exist before calling for one simply lacks moral courage, and it is not consistent with the long-held principled position that New Zealand has taken.

We should not wait for more people to be displaced. We should not wait for more innocent civilians to be killed. We should not tolerate the fact that we have internationally respected and recognised agencies declaring Gaza to be the most dangerous place in the world to be a child. We should not tolerate a system where women are having to give birth with no hospitals and no health facilities. We should not tolerate a situation where people are suffering from malnutrition, from diarrhoea, from respiratory illnesses, and are unable to get the basic help that they deserve. This is more than a humanitarian crisis. The whole world can see what is unfolding in Gaza, and the very least that we can do as a country is to take a principled stance in opposition to it.

It is now well and truly time for the New Zealand Government to take a much stronger position and a much more principled stance on the crisis that has been unfolding in Gaza. This debate is their opportunity to do that. The country is waiting for them to do that, and following the United Nations Security Council resolution, it is clear that the rest of the world are waiting for New Zealand to do that as well. It should have been done months ago, but the time is now. It is now time for the Government to add its voice to the growing international call for an immediate ceasefire.

Rt Hon WINSTON PETERS (Minister of Foreign Affairs): The Labour leader's speech contained comment in the main that few could disagree with. Labour's call for a ceasefire last November is the view of nearly everyone in this Parliament. "New Zealand must show leadership on this issue," he said. And then he became, alas, inferentially accusative in insinuating powers we simply—sadly—don't have, and anyone that understood the international circumstance would know that.

I have spoken to the Secretary-General of the United Nations, someone I know and have entertained in my own home. I was able to call him and discuss the organisation he's leading and where they were going on this issue. I've spoken to Foreign Ministers all over the world. I've spoken to scores and scores of my counterparts on this issue on behalf of New Zealand. I've spoken to my counterpart in Indonesia, in person, when we visited Indonesia just recently—the biggest Muslim country in the world. She understands New Zealand's position. How come, in this House, some don't? That's the point we're making here. We're going to be, for the second time, speaking to our counterpart in Egypt—this time in person—next week. And we've spoken to the Palestinian representative. We've spoken to everyone we can about what we can do.

But at the end of the day, what is being inferred here is that somehow something's happened in the United Nations last night and we don't agree with it. Nothing could be further from the truth. New Zealand has long—this Government—advocated for an immediate humanitarian ceasefire in Gaza, leading to a lasting, sustainable peace. We welcome the UN Security Council's resolution, overnight, demanding an immediate ceasefire. We have called on all parties to immediately comply with this resolution. This information and these requests are all in the public domain. How come some people don't understand that?

There must be an immediate cessation of armed conflict. Hamas must release all hostages. But we were saying that on 8 October, not when something happened later by way of retaliation. Israel must play its part in enabling a rapid, massive, and sustained increase in aid into Gaza. There is nothing, in terms of the geography or the condition that Mr Hipkins laid out, we could disagree with. But the point is: what can we do about it? And I want to set out what we have done.

The reality is we've got 1.1 million people—half of the population—experiencing catastrophic food insecurity. A famine is imminent in Gaza. This is appalling, and it cannot be allowed to continue. This is why we continue to strongly urge Israel to do everything in its power to facilitate rapid, safe, and unimpeded humanitarian access into Gaza, including lifesaving food, medicine, and other aid. Failure to do so is clearly risking

civilian lives and risks Israel not meeting its obligations under international humanitarian law as is required by the International Court of Justice provisional measures, a judgment on which there is still progress to be made.

We remain gravely concerned by the repeated indications from senior Israel officials that it may soon launch a military offensive into Rafah, where 1.4 million displaced Palestinians are sheltering in already dire humanitarian conditions. New Zealand has been clear from the outset that the protection of civilians is paramount in a requirement of international law. Israel must not undertake this offensive, which would have catastrophic consequences, and Israel must listen to the international community and meet its obligations under international law.

There is an urgent need for an immediate humanitarian ceasefire, together with the release of all hostages and a significantly increased flow of humanitarian assistance to civilians in need. New Zealand supports critical efforts by regional partners to achieve this as soon as possible. On the UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) investigation, well, New Zealand did not suspend its aid. No. What we did was ensure that we funded the World Food Programme, the International Committee of the Red Cross, and the United Nations Children's Fund, UNICEF, and kept the funding going until the next tranche is due on 1 June.

Many of the statements that are being made by all sorts of people are simply not correct in this matter, and it's sad, looking offshore at a tragedy, that it could be politicised by some. This is not what's happening, and I would beg to ask them this one question: what would you do more than we've tried to do? What would you actually do more than we've tried to do?

Chlöe Swarbrick: Fund UNRWA.

Rt Hon WINSTON PETERS: Oh, no, chanting like that. I never saw that member, after that vicious atrocity on 7 October, say a word last year.

Chlöe Swarbrick: How dare you!

Rt Hon WINSTON PETERS: Unbelievable. How dare I? Because it's the truth. I dare because I'm not politicising a tragedy. I dare because I am concerned for innocent Palestinian citizens and I want something to be done to solve it. That's why I dare—not to politicise them, not to be one-sided about it—because there are terrorists on both sides, and this is the Government that deputed as terrorists Israeli settlers because of their behaviour, not just Hamas but Israeli settlers as well. Did those people not notice that? So, please, please, in the interests of humanity and in the interests of our concern for the Palestinian people, stop playing politics.

It is far more serious than that—[*Interruption*] No, you can sigh and groan, but the reality is we are a country that has a marvellous humanitarian record. And we'll go on helping out here, and we'll go on supporting what happened last night at the UN. That is precisely the present Government's policy, and it always has been. And there was a time when, across the political divide, we all had that feeling. As two States—

Chlöe Swarbrick: This is the man who invoked Nazi Germany.

Rt Hon WINSTON PETERS: I beg your pardon?

Chlöe Swarbrick: This is the man who invoked Nazi Germany with regards to co-governance.

Rt Hon WINSTON PETERS: No, we know who invoked Nazi Germany. The person was in the shop with her at a clothing outlet at the time. She wasn't the one that invoked Nazi Germany, and I did not hear that member call her out back then. I want to let you know, Chlöe Swarbrick, you're not getting away with this high-handed "I am more worthy than thou" attitude, because, in this business, you're required to put up the efforts and put up the time and, indeed, put up the money. And why does this Government want to be a successful Government?

Steve Abel: Point of order, Mr Speaker.

Chlöe Swarbrick: Just keep going.

Rt Hon WINSTON PETERS: Well, I'll keep going because the Speaker allows me to, not because you're running the show. With the greatest of respect—

SPEAKER: Sorry, just a minute. Has there been a call for a point of order?

Steve Abel: Yes, Mr Speaker.

SPEAKER: Stay on your feet when you make it so I can see what's happening.

Steve Abel: Thank you. The Minister asserted the presence of the member at the occurrence of an event, which is a conspiracy that's going around presently, and I just want to correct that there is no suggestion that that is correct.

SPEAKER: You can't use the point of order for that sort of purpose.

Steve Abel: Speaking to the point of order, Mr Speaker.

SPEAKER: No, no. Let's establish it. There is no point of order, because that's not a correct use of the point of order process. If there is offence taken by a member, then they may take a point of order for the matter to be withdrawn. It's not an opportunity to make a political point.

Chlöe Swarbrick: The Minister, just now, has outlined a conspiracy theory, widely circulated online, with regard to my alleged presence at allegations that are currently before the courts, and I take deep offence at that. Given that the Minister knows that what he is saying is untrue, I request him to withdraw and apologise.

SPEAKER: Well, the member has made the point. The member the Rt Hon Winston Peters may choose to withdraw and apologise for that part of his speech.

Rt Hon WINSTON PETERS: Point of order. A conspiracy is when two or more agree to break the law. I never ever made that statement, did I? So if we're going to use language, get to understand it. Therefore, Mr Speaker, I say that point of order is worthless.

SPEAKER: Yep, that's the member's response, and that's the way that it is. The member can continue with his speech.

Rt Hon WINSTON PETERS: Thank you, Mr Speaker. I just want to conclude by saying that, sadly, this was an issue across the political divide over decades. We have always been united for a two-State solution—a permanent two-State solution—and we're asking now for a ceasefire to be a permanent ceasefire and, again, for a two-State solution. That is still the Government's view, and in the meantime, we've worked hard to ensure that we play our humanitarian role, which is respected, I might say, all around the Muslim community to whom I have spoken worldwide. We continue playing our role, because that is the New Zealand way, and we intend to continue it.

Hon JUDITH COLLINS (Minister of Defence): Thank you, Mr Speaker. I rise to speak on the appalling situation in Gaza. No one can see the daily images of death and destruction and remain impassive, but nor can we overlook the truly disgusting events of 7 October, where close to 1,200 people, including babies, were murdered, where women were subjected to rape and mutilation, and the medieval attack then sparked a retaliation that has been devastating for the people of Gaza.

Both people need to come to the party. There must be an immediate ceasefire. Hamas must release all hostages—130 hostages remain unaccounted for, and they must be released—and Israel must play its part, enabling a rapid, massive, and sustained increase in aid into Gaza. The loss of life is appalling, and the humanitarian situation in Gaza is deteriorating further every day. We have been clear for months about Israel's obligations to protect civilians, and the cost of this conflict is far too high.

The images on our screens are harrowing. Safe haven and the basics for survival—food, water, and fuel—are still desperately needed. The latest reports are that famine is imminent as more than 1 million people—half the population—have little or no access to food. New

Zealand is committed to supporting the critical humanitarian response in Gaza, and to date we have channelled \$15 million through the International Committee of the Red Cross, the World Food Programme, and the United Nations Children's Fund.

The way the conflict is unfolding has the potential to make Israel less secure and will fuel the cycle of radicalisation and division, and that is why we have repeatedly said that there can be no military solution to this conflict. A lasting solution to the conflict will only be achieved by peaceful means. We continue to strongly urge Israel to do everything in its power to facilitate rapid, safe, and unimpeded humanitarian access into Gaza, including lifesaving food, medicine, and other aid.

New Zealand also remains deeply concerned by indications from senior Israeli officials that it may soon launch a military offensive into Rafah. Israel must not take this action. It must listen to the international community to meet its obligations under international law.

New Zealand has long advocated for an immediate humanitarian ceasefire in Gaza and will continue to do so. We welcome the UN Security Council's resolution overnight, demanding an immediate ceasefire. We call on all parties to immediately comply with this resolution. There must be an immediate ceasefire. Hamas must release all hostages, and Israel needs to step up and enable the aid into Gaza that is so desperately needed.

In conclusion, I would send a message out to our New Zealanders of Palestinian and Jewish descent and say that we feel for you. It is not you that has done this. It is not you that undertook the attack on 7 October. It is not you who has continued the work into Gaza. We care for you, and we worry that you yourselves are under attack from people who should know better. So this just simply has to stop.

TEANAU TUIONO (Green): Thank you, Mr Speaker. Over 32,000—that's how many people have been killed in Gaza, with 13,000 of those people being children and around 8,400 being women. We are talking about people. We are talking about people's mothers and fathers, grandparents, uncles, aunties, brothers and sisters, and sons and daughters. The scale of the death, the scale of what is happening there, and the scale of the atrocity is appalling. Of those children that have survived, more than 13,000 of them are orphans. These are the things that we need to focus on as a House. We need to focus on it to end what is happening in Gaza and end what is happening in Palestine.

I want to acknowledge the connections that many people have with our Palestinian community. I live in Palmerston North, where we have some Palestinian whānau living there with us, some of whom have approached me to try to get their children out of Gaza—to get their relatives out of Gaza. So, yes, it might be on the other side of the world, but we are all connected, and it is important for this House to remember that. I want to acknowledge the presence of Justice for Palestine, who are with us in the gallery today, and the work that they have been doing to raise awareness about the connections with the Palestinian struggle here, within Aotearoa.

The question was asked about what the Government can do, and I agree with speakers—particularly with our friends in the Labour Party—who have called on the Government to do more, because more needs to happen. We need to use all diplomatic avenues to achieve a ceasefire, but this is something that the Minister of Foreign Affairs should do, and that includes supporting UN Security Council Resolution 2728—which was passed yesterday and was accepted as legally binding on Israel—and includes reporting back to this House on what concrete steps the Government is taking to hold Israel to account under the resolution. I note that this is the resolution that even Israel's sole ally, the United States of America, did not veto and block—and acknowledging the role that the US has played, in particular, in funding the military machine in Israel.

What this House and this Government also need to do is to increase humanitarian aid, including maintaining aid for the United Nations Relief and Works Agency. That's

important. They are on the ground, and that work needs to be supported. We need to also join the case in the International Court of Justice brought by South Africa against Israel under the Genocide Convention. More countries are joining South Africa in that case, and it would be in line with our principled place in the world to also do so and to stand with South Africa in this important moment in history. We also need to use all avenues of influence to ensure breaches of international humanitarian law are prevented, investigated, and prosecuted, including by pushing for an independent and impartial investigation by the International Criminal Court to investigate the war crimes being committed in Gaza.

We also need to urgently create a special visa for Palestinian New Zealanders to bring their families to safety, and to back this up with diplomatic support to get them out of Gaza. I reflect on some of the questions that were asked in this House last week about why the Government hadn't done that, and the response was that Canada had done it and they only got 14 people out. Fourteen is better than nothing—14 is better than nothing. In our having a special visa category set up so that when people can get out and they can, that is enabled to happen. Many of these people have whānau here in Aotearoa New Zealand. They are New Zealanders—they are Palestinians, but they are New Zealanders as well.

These are important points and important initiatives that this Government can do and should do to step up—to step up—to support the Palestinians in Gaza, and the Greens will continue to bring in the voices of the people on the streets here into this House, even if this House doesn't want to hear it. This is so important, and I support this resolution by the UN, but more needs to be done by this House, and more needs to be done by this Government. Thank you, Mr Speaker.

SIMON COURT (ACT): Thank you, Mr Speaker. On 7 October 2023, Hamas attacked Israel. They killed over 1,200 people. They took hundreds hostage, of which, it is suspected, less than 100 still live in captivity, held in tunnels, held in basements, and even, we've learnt, held in the family living rooms of Hamas operatives in Gaza.

New Zealand has taken action in line with our allies and in relation to our size and scale. New Zealand accepts around 1,500 refugees per year, which is what we can accept with the resources we have available. We must reflect the humanitarian crisis in Gaza is caused by Hamas operating a terrorist State, using Gaza as a base to attack its neighbours, and using the people of Gaza as human shields since 2007. We should not accept Hamas is allowed to exist, and that is why I am proud the New Zealand coalition Government has declared not only Hamas' so-called military wing but also its fake political wing to be a terrorist entity. Hamas has no political legitimacy, and they bear sole responsibility for the terrorist attack on Gaza. The State of Israel has been forced to retaliate to try to get its citizens that are held hostage back and try to create sufficient defensive conditions so that Israel is safe from further attacks.

New Zealand has frozen the assets and the ability for New Zealanders to send funds to Hamas. Now, people would ask, "Well, who in their right mind would want to send funds to Hamas?" Well, it turns out there are New Zealanders who wanted to and, in fact, had organised to. They had organised to. The only group to oppose the New Zealand Government's decision to categorise the political wing of Hamas as a terrorist entity was a group called Palestinian Solidarity Network, led by the confused and bitter John Minto, once a freedom fighter against apartheid, now an apologist for anti-Semitic terrorists. How far that gentleman has fallen. But New Zealand has also, sadly, been slow to the party.

In terms of designating Hamas a terrorist entity, and that includes its political wing, New Zealand and Australia didn't do this until very recently—Australia in 2022; Canada in 2022; the UK in 2003—but the US recognised the problem that Hamas was causing

back in 1997. New Zealand has, and dare I say my colleagues in Labour and the Green Party, and, no doubt, Te Pāti Māori, seem to imagine we live in a world where a resolution or a declaration of ceasefire can be made and all of a sudden there are unicorns and rainbows. It doesn't work like that in the real world. Someone has to get the hostages back. Someone has to keep the people of Israel safe.

A former Labour leader—actually, a former Prime Minister—once declared in May 2001—remember that date: May 2001—New Zealand is in an incredibly benign strategic environment. In September 2001, Al Qaeda terrorists flew two aircraft into the World Trade Center buildings, another one into the Pentagon, and passengers on another flight managed to wrestle the controls away from the terrorists and it landed in a field with all being killed. That was not a benign strategic environment then, and we do not live in one now.

When the UN called for a ceasefire today, it echoes the desire of many people in Israel and Gaza's neighbours for an end to the conflict, an end to the suffering of the Palestinian people in Gaza. Only Hamas can end their suffering. They can accept the deal currently offered by Israel, return the hostages, have a ceasefire. But remember, Hamas, you are not safe; you will face justice—that is clear. The Israelis will come after you. New Zealand can do its bit by helping them and making sure that we can deliver aid to the people of Gaza as soon as we can.

DEBBIE NGAREWA-PACKER (Co-Leader—Te Pāti Māori): Kia ora. Tēnā koe e te Pīka. I arrive at this debate for urgency with a different context, having come from Taranaki, where certainly people have been persecuted for who they are and what their cultural and spiritual beliefs were. So our belief, as Te Pāti Māori, is all violence—all violence—is wrong, and all hostages, everywhere and anywhere, should be returned.

This House has an opportunity before it to take seriously and make some serious recommendations that align with what a lot of our citizens across the House out in Aotearoa have been doing for some months. They have been rallying on weekends for some months. There have been tens of millions of stories and videos shared on social media. There have been petitions handed over—thousands; there have been signatures. There have been continual examples of families that have been killed and the 32,000-plus, those who have been maimed, those who have been targeted, including media—media and their families that we have seen. In fact, it has been so brutal, I can't remember any time in my life, and certainly my pāpā, who's 82, has shared the same. It's the kind of activity going on in the world that has generations within my household stunned by where the Government and this House has been. And, to be really honest, certainly from the communities that I come from, there has been a deafening silence on both sides of this House, not taking away the fact that there have been varying degrees of ceasefire called for.

This House and this Government and all Governments have the ability to trigger levers, and for some, I've been stunned by how fast that can happen. We saw it in COVID through a pandemic. This is a crisis and an urgency like humans have never seen before. And there have been analogies and references back to our history when they've seen this type of behaviour. What we have is an opportunity to really seriously talk to each other about what is it that we need to be saying to the country, to the world, to the victims, and to those who are trying to live through this revolting crisis.

And I also want to take on board that there have been—you know, we come unstuck on the basis of whether there are truly war crimes or not. We come unstuck, I think, in the House. And certainly in Aotearoa, what we are seeing is there is only one side experiencing the disproportionate scale of death and maiming, and the complete displacement. There's only one side—

Laura Trask: Have you seen the Hamas video attacks? Have you seen it?

DEBBIE NGAREWA-PACKER: —one side disproportionately. No one else is getting 32,000—and anyone that wants to heckle that really needs to have a conscience prick.

Also, what we have is—and we know that there's war crimes going on because there's been ethnic violence, there've been women and children affected, there have been people with disabilities affected, and there's been trafficking of people. Again, there's only one side that's committing that scale and that disproportionate side of violence. And there's only one side that we see now that have gone way beyond the starvation of any human peoples that we should be able to consciously go to sleep and think about.

This House has influence; it has the influence to end violence. Stop getting caught up in who's right or wrong. There is disproportionate killing of innocent women and children going on, and history will mark where we stood in this—I'm a result of that. We read what happened in Parihaka. We read how this House justified what it did. It justified the decisions it made, and it then had to err and apologise for the scale of the decisions that it turned its whole face away from. I urge that we get over ourselves and we apply some type of sanction that forces a peace and forces the end of this violence.

We have a nation's army and military force showing and humiliating victims, going into their homes. We know this because they are sharing their videos. They are sharing and promoting how proud they are of how they're humiliating, starving, and killing people in a way that we could never expect any other group of refugees to have to suffer. We are seeing it because we have one side that is so righteous and so sure of what it's doing that these other human people don't matter. I support that we do something urgently in this House.

Hon DAMIEN O'CONNOR (Labour): Thank you, Mr Speaker. Yesterday, the United Nations Security Council passed a resolution calling for a ceasefire in Gaza. My reaction: about bloody time. In this House today, we heard the Minister of Foreign Affairs' calls for a permanent ceasefire—about bloody time. Do you know why? Don't ask me; ask António Guterres; ask the growing number of Jewish people around the world who are horrified that this continues in Gaza and the West Bank under the title of “defending Jewish people”. No, it's defending Netanyahu and a right-wing Government and their Zionist agenda, not the Jewish people. If we think, or that Government thinks, that what is going on in Gaza is going to secure the rights of the Jewish State, or peace in the Middle East, they are dreaming.

The events that took place on 7 October were horrific—but they go way back before then, and they've gone on since then—events that we say are unjustified, horrific, and indeed it's not something that New Zealand has had to face. We've, in fact, had a proud history of being independent in our foreign policy, but we've sat on our hands for too long and not called for a permanent ceasefire.

I came into this place, like most people did, to build a better New Zealand, and that has to be within a better world. But there can be no prosperity without peace anywhere in the world. For some time, the Government thought that this was in the Middle East, away from us, and then we saw the actions of people in Yemen. That directly affected our trade, so we do have a direct economic interest, but that's not the reason we should stand up.

I, quite frankly, have been horrified to think that I'm in a country that can stand back and say nothing when people are being slaughtered, when people are being starved, when hospitals and schools are being bombed. We've had 25,000—or thereabouts, and I'm sure it will be today—Palestinian casualties, 61,000-plus injuries. We've had 1,200 Jewish people killed, 5,500 injured—horrific, regardless of those people, whatever State they come from, wherever they were born, through no fault of their own, whether it was on one side of the border or to one faith or another. We have seen horrific

outcomes in the Middle East that, I'm sure, unfortunately, will probably have ramifications for a long time.

We've been involved in a propaganda war. Some of the things we've heard in this House today are nothing more than propaganda from one side or from the other. Go online and look. Don't just look at one but look at many of the posted videos or statements, as I say, from Jewish people around the world, Jewish leaders around the world who do not support the actions of the Israel Defense Forces (IDF), do not support the slaughter of people in Gaza.

The proposed action in Rafah would be the final straw, the final step in what has not been deemed a genocide. So the International Court of Justice heard a case, made a ruling on 26 January, made some recommendations, and there has been some monitoring. The unfortunate reality is that many of the indications that might move actions towards a genocide, as set by the International Court of Justice, in fact have been carried out. I want to make the ruling here that I'd suggest to you that in the annals of history, those people who sat back and did nothing will be very embarrassed.

We live, we think, in a civilised world. How can we be civilised and not speak out when we see in front of us the slaughter of women and children who have had no role in the actions of Hamas, which also we must condemn but the disproportionate and the indiscriminate reaction by the IDF in reaction to 7 October is outrageous. This must stop. A ceasefire must be permanent.

RACHEL BOYACK (Labour—Nelson): Thank you, Mr Speaker. It is not a pleasure to take a call on this matter, but as my colleague the Hon Damien O'Connor has put so succinctly today, it is our duty—it is our duty as parliamentarians—to speak out on this important matter of the continued killing and slaughter that we are seeing in Gaza.

The UN Security Council has finally—finally—called for an immediate ceasefire in Gaza, because, finally, the United States has stopped using the veto power that it has used before to stop that from happening. That is a good thing, but we need to go further, and the point I wish to make is that language matters. When language matters—I actually want to talk first and foremost about the language of the Government at the moment, because the Government has been calling for “steps towards a ceasefire” and “for the conditions to be met for a ceasefire.”

Now, in what part of thousands of children killed in Gaza are not the conditions met for a ceasefire? This is an extremely serious matter for the world and for so many reasons, and I want to speak firstly to the conditions that have led to the UN Security Council finally calling for the ceasefire—because it is the month of Ramadan. So I acknowledge, for our Muslim community, it is the month of Ramadan. For our Christian community, of which I am a member, it is Holy Week; it is the end of Lent as we approach Good Friday and Easter Sunday this weekend. For our Jewish communities, we are approaching Passover at the end of April.

But this is not a religious war. Too often we call this a “religious war”, and we allow people to hide behind religion to kill other people. This is a war about land, it is a war about power, and ultimately it's about people, and the death of thousands and thousands of innocent people being used behind religion as an excuse to kill other people. As a Christian, as a member of one of the three great Abrahamic faiths, I say no to that.

One of the things that has really bothered me in the last few weeks is around the need for us to have a humanitarian visa coming into New Zealand. I've heard last week in the House the Minister of Immigration talk about why we cannot have that visa, and that is because it is so difficult to get people out of Rafah. The Labour Government put in place visas for Ukraine and Afghanistan, and members of my community—people who I helped, on Zoom calls in the middle of night, get out of Afghanistan and families I supported to get their family members out of Ukraine—had visas and it took months to

get out. We did not use the excuse—that it would take months to get people out—for not issuing the visa in the first place.

It was that Minister of Immigration who called on us for the Ukrainian visa, even though we knew it would take a very long time. So I call on this Government to do the right thing and to give the people of Gaza and the people in the region the hope—and their families in New Zealand whose families are struggling—that they could get to New Zealand. It is not a matter for Immigration to get people out; that's actually for other agencies like Defence. So I call again on this Government to actually do the right thing, as we did.

The other thing I'm calling on this Government to do is to join the International Court of Justice case that South Africa are taking against Israel in the court. They have issued an interim measure, and one of the things they have stated is that Israel must take all steps in its power to prevent the commission of all acts under article 2 of the UN's 1948 genocide convention. Actually, it's also for member States to follow that ruling too. We, as New Zealand, are required to uphold that ruling; we must take all steps. We must use the proud, strong, independent, small but mighty international voice that we have to put the pressure needed on Israel to end this war once and for all.

Of course we call for Hamas to release the hostages—of course we do. No matter where you were born, no matter your religion, no matter the colour of your skin, no matter your ethnicity or who your parents are, every person in this world has the right to live in freedom and safety, and we need an urgent, lasting, permanent ceasefire now.

SPEAKER: This debate is concluded.

The debate having concluded, the motion lapsed.

SITTINGS OF THE HOUSE

Hon SIMON WATTS (Minister of Revenue): I move, *That the sitting of the House today be extended into tomorrow morning to complete the remaining stages of the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill.*

A party vote was called for on the question, *That the motion be agreed to.*

Ayes 102

New Zealand National 49; New Zealand Labour 34; ACT New Zealand 11; New Zealand First 8.

Noes 21

Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Motion agreed to.

APPROPRIATION (2022/23 CONFIRMATION AND VALIDATION) BILL

Second Reading

Hon SIMON WATTS (Minister of Revenue) on behalf of the **Minister of Finance:** I move, *That the Appropriation (2022/23 Confirmation and Validation) Bill be now read a second time.*

Motion agreed to.

Bill read a second time.

SPEAKER: I declare the House in committee for further consideration of the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill.

**TAXATION (ANNUAL RATES FOR 2023-24, MULTINATIONAL TAX, AND
REMEDIAL MATTERS) BILL**

In Committee

Debate resumed from 21 March.

Part 1 Annual rates of income tax (*continued*)

CHAIRPERSON (Barbara Kuriger): Members, the House is in committee on the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. When we were last debating this bill, we were debating Part 1, the debate on clause 3, “Annual rates of income tax”. This is where the debate on tax rates should take place, but the vote on any proposed amendments to the tax rates will take place in Part 2, which amends the Income Tax Act 2007. Standing Order 352 requires that the annual taxing provision be considered separately. The question is that Part 1 stand part.

Hon Dr DEBORAH RUSSELL (Labour): We started this debate the other day—Thursday, 21 March—where we had only a very short time discussing some of the matters relating to Part 1 of the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. That part is, of course, the annual rates debate, which, after a bit of discussion, I went back and looked at the previous *Hansards*, and it is supposed to be a pretty free-flowing debate on tax rates and on taxation in general. Obviously not every single little detail of taxation, but taxation in general.

I did look at what the Minister himself said on Thursday, 21 March, which he said that he was “Looking forward to the opportunity to have a good, free-flowing dialogue and debate in regards to the tax bill.” So I’m pleased to hear that from the Minister. It’s always—

Hon Barbara Edmonds: Taking up that challenge.

Hon Dr DEBORAH RUSSELL: Yes, happy to take that on board, Minister, and go with the flow on this one, and perhaps add to it a little bit.

Also, because there had been a wee bit of a discussion as to how long this debate should go on for, I did check what happened back in 2022-23 with this debate, and I noted that there is quite a number of calls from Opposition members—an extended amount of calls from Opposition members—on what looks like a very small clause but, actually, has quite a deal to do with our annual tax rates. In particular, I saw someone raised a point of order about whether something was relevant. In fact, that someone was me and the speaker in the Chair at the time said it was a very broad-ranging part of the legislation and she did feel some anxiety as we were going over questions again and again, but then she said about how, “I have given members some leeway considering it is a very broad part of the legislation.” And just for clarity, that particular ruling came from Poto Williams, who was in the Chair at the time.

So, having sort of laid out all that groundwork, there is material that I do think we still need to think about in terms of the annual rates. Oh, again, just one last point. I sort of had a look at some of the topics that had been raised. Andrew Bayly had quite a good outing in that previous debate.

Hon Barbara Edmonds: He’s always got a lot to say, Andrew Bayly.

Hon Dr DEBORAH RUSSELL: He has. He talked about tax thresholds, trust rates, how tax is used to raise money for roads and education etc., the changes to specific thresholds, the best approach for the economy in terms of cutting services or shifting tax thresholds, tax as a proportion of the economy, the issue is “how do we grow the economy”—so I thought that opened it up quite nicely—and, actually, the hidden economy. Anyway, let’s see where we get to in actually debating this today. I realise I’ve taken three minutes now and I will get to something that’s right on point. Ha, ha!

CHAIRPERSON (Barbara Kuriger): That's OK. The member's largely in line with the comments made. We have to be careful about the expenditure of the tax. It is about the tax and the tax rates and the tax types, rather than the expenditure of the tax.

Hon Dr DEBORAH RUSSELL: Thank you. I'm pretty happy to take that on board, Madam Chair. I did see the look that you were giving me, so I am—Ha, ha!

CHAIRPERSON (Barbara Kuriger): No, I was listening to you.

Hon Dr DEBORAH RUSSELL: It was a very speaking look.

CHAIRPERSON (Barbara Kuriger): I was intent to be listening.

Hon Dr DEBORAH RUSSELL: Ha, ha! So I do just want to traverse a particular point, and it comes from the IMF report on the New Zealand economy. The Minister and I spoke about this a little the other day, but I do want to just touch on it a bit again. The report said that New Zealand would benefit from a more efficient, equitable, and sustainable tax system. So I want to direct the Minister's direction to the tax thresholds in particular, and to get his opinion on whether or not he thinks that they are equitable.

Now, of course, equitable is an interesting word in tax. It's interpreted in terms of both horizontal equity and in terms of vertical equity. So I'd like to hear what the Minister says about whether or not our current tax thresholds do actually exemplify some form of equity, and particularly in terms of both vertical equity and horizontal equity. Especially given that the IMF has directed us to have a look at that.

INGRID LEARY (Labour—Taieri): Thank you, Madam Chair. Great to be able to continue the call that I took last week, when, I do note, there was quite a lot of interruption from the Government members, who were clearly very keen to debate taxation. I'd like to also pick up where my colleague the Hon Dr Deborah Russell has asked a question about equity, because my question for the Minister, the Hon Simon Watts, is about fairness. It's a word that we use a lot in relation to taxation. I think all New Zealanders, and certainly all members from across the House, would agree that having a fair tax system is what we're all after. And certainly knowing that the taxation rates are fair and proportionate to how much people are earning, what their circumstances are, how many dependants they have, and so on, would be really helpful.

Mr Chair, you'd be aware that there was a way that we could have perhaps more transparently looked at the question of fairness, with the Taxation Principles Reporting Act that was introduced by the last Government. Not only did it have the elements of equity, as alluded to by my colleague, but it really broke fairness down into six elements. Again, I'm directing these comments to the Minister because I would like to know if any of these elements have been on his mind when he's been looking at the rates. Those are things like the efficiency of the collection of tax, compliance, and administration—clearly, when the Government is collecting taxation, it needs to be able to do so in a way that minimises the compliance burden for business. We've heard a lot about that. I certainly knew about that when I had my own small business. There needs to be integrity of the tax system, and certainty and predictability. And that's a really fundamental principle—of course, universally accepted—that it would be most unfair for people to embark on business ventures and enterprise without understanding with some certainty the level of compliance they need, but also the level of taxation that they would be likely to expect to contribute.

So there's an element of predictability, but also to be flexible, because there are often, as we know, unusual circumstances, perhaps natural disasters in countries like ours or things that happen offshore to currencies and so on, that require quick and nimble changes to the taxation system. So there does have to be a degree of flexibility, and also to understand the nuances of different groups of people within different tax bands—so taking into account that not everybody earning the same amount of money is in the same context, so therefore there needs to be some flexibility around that, and, of course,

adaptability, so that the tax system can move with the times. Clearly, we've seen even, for example, last year with GST collection, there was a streamlining of the way businesses were able to produce their invoices, which meant that they were more able to be done easily by the digital invoicing systems that were available.

So, when I look at these six tax principles, they seem like a really good, fair way of shining a light on what the Government's priorities are when it is setting its taxation rates. Certainly, if that statute had stayed in, there would have been a requirement for the Commissioner of Inland Revenue to aggregate the data and to report on it, so that all New Zealanders would be able to understand what is meant by tax fairness—that fundamental question—because we know that, when people know the tax system is fair, they are much more likely to comply with it, and they're much less likely to try and evade or avoid tax. But, sadly, that Act was repealed. So now we really just have these notions of equity that Dr Deborah Russell referred to, and now my questions around efficiency, compliance and administration, integrity, certainty and predictability, horizontal and vertical equity.

Which of these different principles has the Minister turned his mind to? And how has he been able to make those assessments in the absence of having some kind of written data on them? It would seem, to me, that would have been a really helpful thing to have. I'm sure that the Minister is concerned with fairness, and so, as we look at these tax rates, I'd like to know, in the absence of that, how he was able to address those questions. And a broader question, really, to enlighten us: what does he think of when he thinks about tax fairness in the system? It is a really relevant question at the moment. There's been a lot of commentary on it in the media. There's been a lot of political discourse.

Certainly, as we move into questions like interest deductibility and brightline tests, I think having a baseline understanding of what the Minister calls to mind and the criteria that he thinks of when he is looking at fairness in the taxation system—what is it that he bases that on, and what advice has he had from officials and from other groups as to how to make determinations around fairness? Has he taken advice on any one of these particular six universally accepted criteria?

Also, has he considered the report that came out prior to that legislation that was eventually repealed, which was the high-wealth individuals research project, because that revealed a startling disparity between the effective tax rates by the super-wealthy compared with other New Zealanders. And so, if I recall, there is a discrepancy of most New Zealanders paying an average tax rate of something like around 22 percent versus around 8 percent for those who are super-rich.

So my third question to the Minister is: has he actually read that report? It would be really good to know if he has read the high-wealth individuals research project, which did lead in part to the legislation and to bringing those six principles of fairness into our legislative system. If he did read that report, what are his views about that report, and did that have any influence on the attitude and approach that he has now to the taxation rates? Did it cause him to stop and think perhaps maybe there should be adjustments? And does he see any merit in being able to get more concrete data? Because we know that taxation information, in the absence of having real data, is done through a series of assumptions about up taxation. What assumptions does he rely on in order to be able to make these value judgments about what's fair?

So I'll leave my questions there for the Minister. I'm very keen to get an answer on each one of them.

CHLÖE SWARBRICK (Co-Leader—Green): Thank you, Mr Chair. What we're dealing with in this part of the debate, just for those following along at home, is Part 1 of the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. We're dealing particularly with clause 3, which pertains to income tax rates. This is really important to lay out, because the substantive part of the debate and discussion will come

in at Part 2, where we are dealing with the interest deductibility changes for landlords that have been in the headlines recently.

With that context, as laid out, I have a few questions which I'd love to get the Minister of Revenue's response on, particularly because what we're seeing with the Amendment Papers in the Minister's name are amendments primarily to Part 2 of this legislation with regard to the commitments that were made throughout the election process and that we'll obviously see reflected in the upcoming Budget in May. But my question to the Minister is: why is it that an Amendment Paper was used to manifest those commitments from the election as a precursor to the Budget with regard to tax deductibility, but not those changes that relate to income tax changes? This is a really salient and important point, because, obviously, an Amendment Paper, particularly one that proposes quite substantive changes, has not been before a select committee process, and this bill largely operates retrospectively because, of course, for those, again, following along at home, it was introduced by the last Government subsequent to the last Budget.

So what we're dealing with here is a vehicle, a piece of legislation which was supposed to operationalise the changes in Budget 2023, but what we're seeing is that the Minister now, at committee of the whole House stage, is making amendments through a Supplementary Order Paper—now titled an Amendment Paper per Standing Orders changes—which are primarily related to those interest deductibility changes, I note, but why is it the case that the Minister is picking and choosing where he'd like to see those changes made, as Minister of Revenue?

So that direct question to the Minister is: why is it that the Government chose to use the vehicle of this Amendment Paper and this committee stage on this bill to make those changes to interest deductibility per Part 2, but are not going through the committed to income tax changes in Part 1, which we are, again, likely to see reflected in the Budget, which again we'll also see be the case with the \$2.9 billion-odd that this tax deductibility for landlords change will bring about?

Hon SIMON WATTS (Minister of Revenue): Thank you very much for those questions. I'll work my way backwards in order.

The first one from Chlöe Swarbrick in regards to the Supplementary Order Papers. I mean, the reality is that we have a very busy programme within the coalition Government, in the large number of actions that we are working our way through, and the decision around the way in which we wanted to proceed those through the House is a decision that we have made. The personal income tax changes that we have signalled very clearly that we are going to make are subject to the Budget process, and hence will be coming through that process. The other aspects from our assessment were appropriate to go through this bill, and we're comfortable with that.

The first question from the Hon Dr Deborah Russell in regards to the IMF report: we last had a discussion in the committee of the whole House around this report quite extensively, and there's not much more I want to say in regards to that report, other than the report did indicate that there needs to be a significant focus around Government expenditure, and ensuring that the Government expenditure is appropriate and that's the something that the coalition Government are working through.

A question from the member Ingrid Leary in regards to fairness, compliance tax principles, and also the high-wealth individuals research project—have I reviewed that report? Well, the member will be aware that in the prior Government, when that report came out, there was a lot of questions about that. In my capacity as a MP, I requested the Government of the day to actually get the IRD in to explain that report, and the methodology and ideology that was used to prepare it, and that was voted down and declined by the Labour Government. So, I think, for me to—sort of—have more questions

around that report, that maybe gives you a sense of where the prior Government thought the quality of the report was.

In regards to fairness and other aspects around tax principles: again, if you look at my *Hansard* from the Taxation Principles Reporting Bill, which is in the context of the conversation we are having today; again, my *Hansard* in regards to views around tax principles are well documented. In regards to the compliance aspects, one of the clear priorities that Inland Revenue are working on under this coalition Government is a focus on ensuring that the reduction of taxpayer compliance costs, and the burden of compliance that faces tax payers and reducing that burden is a key area of focus for this coalition Government; I'm looking forward to seeing that coming through.

CHAIRPERSON (Greg O'Connor): Just before I take the next call, I'll just optimistically remind members of the change in the way we do business. Certainly, while I'm in the Chair, I'm very happy to accommodate short, sharp questions to the Minister, aware that it takes two to tango—if we can try it, and see how it works. Otherwise, the members are free to do their own calls. The Hon Barbara Edmonds.

Hon BARBARA EDMONDS (Labour—Mana): Mr Chair, I will try and heed to that by providing the question first, and then going through the analysis as to why I need that clarification, if I can indulge the committee.

So, for members of the committee, we are speaking in relation to clause 3, Part 1 of this particular bill. My question that I want to clarify is that clause 3 provides a cross-reference to Schedule 1. So, if you look at Schedule 1, as part of this bill, it doesn't actually set out the income tax rates, because it provides a reference to another part of the Income Tax Act. But I just want to clarify that it was a purposeful intention by the Minister of Revenue and instructions to his drafters that it was not to include the different tables in Schedule 1 of this amendment bill. The reason why I need to ask that—and while the Minister is seeking advice on that—is that it is actually illegal for the Crown to levy money on its subjects without Parliament's authority. It must be done either by primary legislation or regulation, which is how we've gotten to this point here in the House.

As many of the members of this House know, revenue is the income earned by the Government, basically, as a reporting entity, as defined in the Public Finance Act. Revenue can be derived from a number of sources. For taxation purposes, that includes income tax, goods and services, excise duties, ACC levies, other levies, and miscellaneous payments, like child support payments. That's unless the Income Tax Act actually excludes that within the definition of "income tax" for the purposes of the legislation.

I just want to point the committee to the Regulations Review Committee, which had actually endorsed the Australian courts' definition of a "tax" as any levy that is compulsory for public purposes and is legally enforceable. That's why I ask: why was the Schedule not repeated in this particular amendment bill?

If we go back to the history of when income tax was actually introduced, it was introduced in New Zealand around 1 April 1892. The technology of the time was refrigeration. Basically, we had just got the technology of being able to export goods through refrigeration. So it is quite a longstanding provision, since the late-1890s, that the Parliament needs to be able to approve that particular schedule.

Many members will know an income tax year runs from 1 April to 31 March. So, therefore, that's why we are going to be sitting in extended hours to try and pass this bill, because it has to be done before 1 April, and that's in order for the Government to, basically, receive its revenue for the past income tax year of 23-24.

So that's why I wanted to just set out a little bit of the history, just to clarify that, for drafting purposes, it is intentional by this Government—and, I'm sure, probably other Governments have done it; I just want to make sure that they have excluded the

Schedule 1, they've excluded the table of what the actual tax rates are from this particular bill, because I can't find it in the revised track version that's been reported back from the committee.

Apologies to the Minister if it is actually in the Minister's Amendment Paper; I haven't had a good chance to be able to have a look. I'll quickly have a look now, clause—nope, nope; still not in the Schedule in there. So I just want to ask the Minister if he can just clarify that it is usual or it is a normal drafting approach to not include the Schedule in the annual rates bill, and, rather, that it is more of a cross-reference to where it actually is in the greater Act, given that there is no particular change to it. So if the Minister can provide a clarifying answer for that, I would be very grateful.

Hon Dr DEBORAH RUSSELL (Labour): Mr Chair, thank you. It's great to be able to take another call on this, because there is a lot to discuss in this rather small part of the bill. Look, I'm just going to endorse what my colleague the Hon Barbara Edmonds has said, and I just want to pick up on something the Minister was saying, which was that the Government has had a very busy legislative programme, which was why this particular bill has been left pretty much to the last moment.

But it does worry me, because we do need to have this debate on the tax rates—it's an important constitutional part of our process—but it has been left to the last moment. Now, the Minister of Revenue has said that it's because of the busy legislative schedule, but I'm curious as to why, given that this is a constitutional necessity that we have this debate on Part 1, on the annual tax rates, the Minister didn't consider splitting that out into a separate bill. It could have been done. It could have been done as a separate debate entirely on its own, as a bill that was just the annual rates bill for 2023-24. Instead—and this has been a pretty usual practice—that particular clause has been included in another tax bill.

So if there was a real urgent need, and there is now an urgent need, to get those annual rates through—and it's on that Government if it doesn't happen. If it does—you know, perhaps we're all going to be here through until Thursday night, between us.

Hon Member: We can't sit on a Friday.

Hon Dr DEBORAH RUSSELL: We can't sit on Friday. So I want to know why the Minister hasn't considered taking the very sensible and reasonable precaution of splitting out the annual rates clause—just one clause—putting it in a separate bill, and at least being sure that that particular bill would get through. Of course, that would have enabled us to have added quite a bit more time to look at some of the changes in the other parts of this bill. So, Minister, if you could clarify why you didn't just take that rather sensible course of action?

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. My questions for the Minister of Revenue are about clause 3, in Part 1. There are 10 of them, and I will ask him the first two now. What proportion of all taxes will be levied from the taxes imposed by section BB 1, "Imposition of income tax", of the tax Act 2007? And the second question is: what proportion of all taxes will be levied from personal income tax, corporate tax, and goods and services tax for the 12 months to June 2024 period? My reason for asking those two questions to the Minister now is that I need the answers to those before I can ask the next five questions.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. It's probably a much briefer question, this particular question. It's around actually how much tax the Minister is forecasting to collect for the 2023-24 year. Again, the reason why we're here for this bill was to be able to confirm those tax rates. I note from—I think it's from—the Inland Revenue annual report that—I think it was the 2022-23 year—we were looking at around \$56 billion through individuals, \$18 billion through companies, \$3 billion through resident withholding tax, \$28 billion through GST, and \$7 billion through other. So just to make the point that individuals have paid \$56 billion worth of tax, which has been

confirmed by previous annual tax rate bills. So my question is a really brief question to the Minister: can he please provide a breakdown for what the forecast amounts of tax that will be collected for the 2023-24 year, which this bill seeks to confirm?

ARENA WILLIAMS (Labour—Manurewa): Thank you very much. Following on from that question from Barbara Edmonds, because it fits neatly within my line of questioning to the Minister of Revenue, I would seek to ask the Minister another question before I ask the next five questions, which is: how much, as a proportion of what the Government is forecast to spend in that period which my colleague Barbara Edmonds spoke to, will go to health, education, social security, and welfare payments, of which the largest cost is the New Zealand Superannuation Fund? I ask that because I'm seeking to understand, of a proportion of the taxes levied under those three major taxes, how much will go to core Crown spending.

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Mr Chair. I'll work my way through the questions that have been asked. In regards to the question, firstly, by Arena Williams, in regards to how much tax was collected, if you just bear with me, I'll give you the overview—and this is for the year ended 30 June 2023. Core tax revenue was \$112 billion, or 28.4 percent of GDP, made up of individual tax of \$58 billion, which is 52 percent; GST of \$28 billion; corporate tax of \$20 billion; and customs and excise of \$7 billion.

In regards to the question from the Hon Barbara Edmonds in regards to clause 3, in terms of the whether Schedule 1 is normal, and the point of clarification. I can reassure the member that this is a normal process. Clause 3 is correct in setting out the rates for 2023-24, in line with those currently in Schedule 1. As the member will no doubt remember—those very heavy income-tax legislation books that one used to carry around when in practice—the annual rates are set out in Schedule 1 of the Income Tax Act 2007. So we can have a look at that if we wish.

In regards to the question from the Hon Dr Deborah Russell, in regards to the idea around maybe doing a separate bill, we have to disappoint the member to say that we won't be doing a separate bill for that portion. As said, we've taken a decision around including interest deductibility as part of this bill. It was something that was well signalled and well campaigned on. It's actually just simply a reversal of the decision made by the prior Government. I won't get into the rationale, or that around that, it's simply that this coalition Government campaigned on reversing that, and we have delivered that—that is, in effect, simplistically, going through this piece of legislation. There will, obviously, be a further piece of legislation as part of the Budget process, which will deal with the other components that I discussed with the other questions that I noted around the personal income tax rates.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. A brief question to the Minister of Revenue, given his answer, about confirming that for the 12-month period to June 2024, it is forecast to raise \$112 billion: why is that different to the forecast to raise \$122 billion, and what is the difference between the forecast and the number he has just given the committee, and why is it different?

CHLÖE SWARBRICK (Co-Leader—Green): I appreciate the ability to, potentially, pick back up the line of questioning that I previously had with the Minister of Revenue here.

So we've just heard that the Minister was saying that the reason as to which we have the Supplementary Order Paper—or, rather the Amendment Paper, as it's now titled—in his name, with regard to tax deductibility is that these promises were well campaigned on and well signalled early on. Yet we're still left with a situation whereby we know that the promises as were made at the campaign have blown out, in reality, to the tune of a better part of a billion dollars. So I think that the question remains outstanding to the Minister:

why is it the case that these changes to tax deductibility are not due public scrutiny, meanwhile the well-signalled and well-campaigned-on signalled changes to income tax rates are not also included with an Amendment Paper?

I'm just here trying to tease out the lack of logical consistency from the Minister, because we're hearing, on one account, that the changes to tax deductibility were campaigned upon and, therefore, they deserved to be in this Amendment Paper and bypass the opportunity for a select committee process and public participation in legislative processes, but changes to income tax rates, which the National Party, the ACT Party, and New Zealand First also campaigned on, somehow are not due the same level of bypassing that legislative process and, therefore, the public scrutiny as due.

So, I guess, I just have a few things to unpick there. The first is that question to the Minister: what's up with the lack of logical consistency? The second question to the Minister is that he just said that—and he's aware—the tax changes per clause 3 in this bill as we're currently debating under Part 1 are subject to Budget processes. But why is it the case that the tax deductibility changes for landlords are not subject to those Budget processes? Again, a secondary point to this one of logical consistency. Why is it the case that these interest deductibility changes are considered to be able to bypass the select committee process, while it's the fact that income tax changes are going to be subjected to the next iteration of this legislation, following the May Budget?

The second sphere of questions that I'd like to probe is a very specific one about whether the Minister received any advice whatsoever from officials that progressing in the way that he has chosen to with this Amendment Paper has meant that he has received advice from officials that there is a degraded quality of legislative standard.

HELEN WHITE (Labour—Mt Albert): Thank you, Mr Chair. I just want to look at Part 1, clause 3, and talk about some of the basic assumptions in it, because this, as I understand it, is the clause that will mean that New Zealand taxpayers are compelled to pay taxes at the rate set out in the Schedule. I wanted to know from the Minister whether he considered the implications of the work that was done when we were looking at the high-wealth individuals and the amount that people were being taxed at, about the way that money churns in high-wealth individuals' accounts.

My understanding was that the findings of that inquiry were that people who had a lot of money weren't actually drawing an income at these higher levels and paying tax at these higher levels, because it didn't actually crystallise as income at any time. So they were taking the money that they were gaining—when they were buying a property, for example—and buying a business. And they were simply pushing that back into a situation where there was no income, so they were consistently reporting low profits. And so they actually don't show up as an income.

So we've got people here—say they're on \$180,000, and so they're earning really good money, but they're paying every dollar in tax that is in this section, and they are doing their bit in terms of their contribution to the economy. But you've got a whole lot of other people who are way, way wealthier, and they are actually earning money. In the same time period, the money's going up exponentially more, and yet they're not paying any money on it, because they're sinking that money straight into businesses or property, where, in fact, it's recognised as a loss, not a profit. Meanwhile, their piece of the pie grows and grows and grows, and taxpayers are not produced by that process, so the rest of us end up forking out for all the services that taxes pay for, and that group actually ends up with an effective tax rate that is so much lower than anybody else's, because they simply never crystallise an income out of it.

So I'm really interested to know—and I know somebody else asked the Minister whether the Minister had read the report, but I'd like to know what the Minister thinks about this and whether we should be settling a schedule that doesn't recognise the real

income, because, for ordinary New Zealanders, they would actually see that as income. They would see that growth—that constant growth—of the amount of wealth earned as income. If it happens in a financial year that your wealth goes from \$1 million to \$2 million or your wealth goes from \$5 billion to \$6 billion, you'd expect to pay the same rates that are in here, and yet there's nothing being paid at all. So what's the logic for doing that, and what are the Minister's thoughts about that issue in that particular report? Because I fully expect that the Minister will have read that report. So I'd really like to know what the thinking is here. Is that something that is going to be done later? Is it something that the Minister doesn't think is fair?

Actually, am I not seeing something here that there's some sort of gain our society gets that is of a different kind? What's going on here in terms of the logic behind setting rates for New Zealanders? Because some of those New Zealanders will be on those lower amounts and it will particularly matter to them, because they're paying amounts of 30 percent, for example, if they're at \$70,000 and, yet these individuals are paying—my understanding is—under 10 percent, 8.9 etc. Again, the Minister's comments are welcome on what the effective tax rate is for those people and what the learnings are from that study and whether the Minister agrees with that study and can see this, within this context, as something that's a work in progress or what's going on. Thank you. I'd value the comments.

Hon Dr DEBORAH RUSSELL (Labour): I have a number of questions now, based on things that the Minister in the chair, Chris Penk, has said, but in the spirit of keeping things a little bit short and sweet and getting an answer from the Minister, I do want to go back to this idea of splitting out the annual rates, because it strikes me that there's a real risk here. There is a substantial bill here that we need to discuss at the committee stage—a really substantial, original bill sitting here. There's a lot in here that we will want to talk about. But, on top of that, there is a really substantial Amendment Paper—it's 39 pages of Amendment Paper—so there's a lot for us to talk about. Of course, the Amendment Paper is stuff that hasn't gone through a select committee, so there is a lot that we will be wanting to talk about, as the Opposition, and getting clarification on, and that does put the annual rates bill at risk.

Now, there is a limited amount of sitting time in this House until the long weekend. You know, Monday is 1 April. Now, for this bill to go through this House, it needs to get through the committee stage, needs to get through the third reading, and it needs to get the Royal assent, all before 1 April. We've got Tuesday, Wednesday, and Thursday in this House. Now, there's a lot of work for us to get through. I know I've got about three pages' worth of questions that I want to ask during the committee stage—I'm happy to share those out with my colleagues. But, you know, I am very serious about this. We are at constitutional risk; that Government is at constitutional risk. It needs to think really hard and really quickly—now—about whether or not it ought to split out the annual rates component of this bill. If it's not prepared to do that, what is its contingency plan? The responsibility is the Government's. I'd like to hear how the Government is going to take that responsibility up.

INGRID LEARY (Labour—Taieri): Thank you, Mr Chair. I'd like to ask the Minister in the chair some questions about the average tax rate. We have heard about that in relation to high - net-worth individuals paying 8.9 percent versus an average annual tax rate of around 22 percent.

When I look at the thresholds, they seem to follow a logical sequence. So we know, for example, people earning between \$0 and \$14,000 pay 10.5 percent. At the top end, those on \$180,000 and above, they pay 39c in the dollar. And there are kind of incremental

jumps in the band, so it goes 10.5 percent, 17.5 percent, 30 percent, 33 percent, 39 percent. That will be very familiar to a lot of people, I'm sure.

We know, for example, that, sometimes, people will try to stay within a tax band, because if they earn too much money, they might want to reduce their hours, because otherwise they're going to jump up into the next tax bracket, and, actually, it sort of shoots them in the foot. So that has been one of the arguments that has been levelled against increasing wages, although it doesn't generally play out, because usually those who are needing higher wages are not anywhere near the top of their bracket.

But to the Minister, when we look at the average tax rate in those bands, it follows a different pattern. So if we look at those who are earning \$50,000, who pay an average tax rate of 16 percent, there's a 5 percent gap between them and those earning \$75,000, then a 3 percent gap between those earning \$75,000 and \$100,000, a 1 percent gap between \$150,000 and \$180,000, and then a 3 percent gap between anyone up to \$250,000.

Now, my question is: why are there incremental jumps on average tax rates of around 3 percent, 5 percent, but between \$150,000, where the average tax rate is 27 percent, we jump to \$180,000 and it only goes up to 28 percent? So how does that seem fair or equitable? Is there something in the way that this jumps incrementally that I'm missing, or is the average tax rate just a pure consequence of the application of the thresholds?

What I'm trying to fathom is whether average tax rates have actually been considered by the Minister and by officials. Have they looked at the thresholds, looked at the increments, done the maths, and extrapolated it out and realised that there is this tiny 1 percent gap in quite a significant salary gap between \$150,000 and \$180,000. It may be historical, it may be something that the Minister has inherited, yet if the Minister was diligent in looking at the average tax rates and looking at the thresholds and answering questions around fairness and equity, which have come up, because at the moment we don't have a common way of understanding what is fair and equitable, then I would like to know what is the algorithm that has produced this? Or, if the Minister is really honest, is it just that the average tax rates kind of end up like that and no further thought has been given, because that's how they've always been done? Keen to get an answer to that.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. I do want to ask a question to the Minister in relation to an answer that he provided as part of my questions around the forecasted tax collected for individuals, because, if I heard correctly, when I said I think it was \$56 billion for the previous income tax year, the Minister responded that the forecast was going to be \$50 billion. If that is correct, I want to ask the Minister how much of those individuals—because almost half of the total tax collected is actually just via the collection of individual taxes; so wages and salaries. How much is the Minister expecting tax transfers such as Working for Families—how much is he expecting Inland Revenue to be paying out to those individuals in the sum of a Working for Families entitlement, such as an in-work tax credit, the family tax credit? The reason why I am trying to just distil from the Minister is that it's quite clear that individuals do pay the bulk amount of tax in our country—individuals, through wages and salaries. I just want to understand how much of that do they actually get back through a tax transfer such as Working for Families, and then I probably will have another question to the Minister as a response to his response.

CHLÖE SWARBRICK (Co-Leader—Green): Thank you, Mr Chair. I didn't get a response to my previous line of questioning and noting that the Minister has now manifested in another form, I will try once again but perhaps articulate these as coherently as I possibly can, to lay it out for the Minister in the chair. So there's three key questions that I would really like an answer to here.

The first is the one of logical consistency. Just to foreshadow this argument, we have an Amendment Paper on the table which addresses changes to tax deductibility for

landlords. We do not see the same promises that we were signalled throughout the election campaign put in here, with regard to the income tax changes.

So we've heard from the Minister, previously, that this is because these changes around tax deductibility were signalled at the election, yet the same could be said of those promises when it comes to income tax rate changes so, again, that logical inconsistency is abundantly apparent. I'd like the Minister to address it.

The second point is that the Minister said that tax or income tax changes are subject to Budget processes. But, of course, that remains the case—if the argument is to be consistent—for these tax deductibility changes, where the Government has to find \$2.9 billion to pay for their tax deductibility changes for landlords.

So the first one is on logical consistency: why is it the case that we have an Amendment Paper that allows the bypassing of the select committee process and of democratic engagement on tax deductibility for landlords but they're deciding not to go down that route when it comes to income tax changes. I'd make the side note that the Greens think that neither of them should bypass that opportunity for public input.

The second question is: are we to take this as a signal that the Government can say, whenever it wants, that it campaigned on something and, therefore, it is able to bypass the select committee process—the democratic processes of this institution?

The third question, which I believe bears reiterating, is whether the Minister received any advice, with regard to this Amendment Paper and making amendments to this bill at this stage, when we've been through the select committee and where these are substantive changes about legislative quality? Did the Minister receive any advice whatsoever that making changes at this late stage, through an Amendment Paper, will impact legislative quality?

So just to reiterate, and hoping for responses from the Minister here—logical consistency: is this a signal about the Government choosing to not engage where it believes that it's won the mandate at the election? Thirdly, has there been any advice on legislative quality through using this Amendment Paper vehicle?

Hon CHRIS PENK (Minister for Building and Construction): Thank you very much, Mr Chair. Can I acknowledge those who have been contributing to this debate very diligently. I have had the benefit of hearing a bit of the discussion around the place. There seems to be very good and serious questions that are worth addressing.

The first and last of those, in the time that I've been in the Chamber—thank you, Ms Swarbrick—taking within your contribution that those three in the order that you've provided them. As to logical consistency, I understand the point that you're making, and I also take your point that from the Green Party perspective, you would have us do neither of those things, and you ask why the National Party does not do both of them. But I think, nevertheless, the fact that we can do a thing, and that we consider that there is a democratic mandate for doing both of them, but, nevertheless, we can only do a certain amount at one time.

I'll stay on your various points—just to acknowledge the point that the Hon Dr Deborah Russell had made about the danger of us going all the way though to Easter weekend, and, more to the point, up to or beyond 1 April. I think if we were still going on this Friday, it wouldn't be Good Friday, it would be "Great Friday" from the point of view of people who like debating tax. But I've certainly got better plans, and I hope you do too.

Hon Members: Ha, ha! Go on, go on.

Hon CHRIS PENK: I'm on my own. There are a lot of tax experts in the Chamber, and I'm not one of them. So, as to logical consistency, the fact that we could, on the basis of our argument, do both those things, but, nevertheless, we'll do one but not both, just reflects a little bit of the constraints of time. The philosophy is really that we're going to

maximise the gains for New Zealanders. We consider these to be in the best interests of New Zealand overall, and of course, we'll do what we can as quickly as we can. Noting, of course, that in the case of changes that we campaigned on as a matter of public record, and therefore democratic legitimacy, by reason as a result of the election; that's why we're going ahead with what we are.

As to the Budget processes, again, I take your point, but also, it's the case that where decisions are able to be brought forward before the end of May, again, recognising the significance of 1 April, the tax or the calendar year, and the significance for people who need to, you know, make arrangements accordingly on 1 April—that's why we're doing some things and not others by that date.

As for advice regarding the Amendment Paper: I think it generally would be acknowledged as true that legislative quality is derived from a number of different factors. Yes, time spent in the committee of the whole House stage is one of those factors. At the same time, where matters are reasonably clearly able to be articulated have been thrashed out—I'm noting that the original version of this bill dates back some time, ahead of the election, and, therefore, we can have a bit more comfort in that sense about the certainty of what is in front of us. That will enable us to focus more energy and effort on the matters within the Amendment Paper, which, of course, are narrow, as have been a part of the whole.

In terms of the comments made by Helen White, I think she is articulating the difference, of course, between wealth and income. She's asked if any work is being done on that, and if different options or discussions have been presented. Of course, in the case of her own political party, that's a process that they have signalled that they're going to do, and I wish them well with that. I look forward, greatly, to hear the outcome of those deliberations. For my Labour friends, they might want to talk to my Green friends, and see if they can't come to something—

Arena Williams: You are sitting in the chair as a Minister of the Crown.

Hon CHRIS PENK: —in the same space. But for now, sitting in the chair, representing the Crown, I would say that that's not a distinction we're keen to break down at the moment. We don't think it makes logical sense. There is a good, rational basis for regarding as different income versus net income. Obviously, in the usual way that is understood deducting expenses. I'd suggest that that high-level philosophical discussion is one that the member herself may wish to engage in, but it is not something that the Government has appetite for, and certainly not within the ambit of this bill.

As of the comments of the Hon Dr Deborah Russell, I've noted, of course, that as she rightly highlights, we're under some time constraints, but that's why the House has taken the measure that it has; by allowing additional time tomorrow morning, if need be. I'm personally confident, based on, you know, the history of these things, in terms of how long it takes to thrash out these arguments as fully as I think we're doing now, that we will be done in time. But, if not, I'll be eating not only Easter eggs but also humble pie come the weekend.

Finally, in terms of the comments by Ingrid Leary regarding tax rates, and, obviously, describing the progressive nature of the tax system, you know, she's articulated actually, I think, quite a good argument, if one were inclined to make it, for a flatter tax system, noting, quite rightly, that going from one bracket to another by earning more income arguably has that disincentive. I mean, there is a historical element in terms of where the rates have arrived at, but also, it is obviously true that we need to put the line in the sand somewhere. This is where the Government considers the line best be drawn. That's why these particular figures, these particular thresholds, are in the bill in front of us.

CHAIRPERSON (Greg O'Connor): I just will remind members that we did stray into Part 2 there, and it is important that we context—if we're going to go there, make sure we context in relationship to what we're talking about now.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. I have an amendment in my hand to save the Minister in the chair from eating humble pie. It is an amendment which seeks to split out the bill and ensure that this part which we are discussing now would be treated as its own separate issue. It is largely agreed, though, that this side of the House has questions, and once we have used this committee of the whole House stage to thrash those out, it would be entirely appropriate to conclude the debate if it were split out. So I will photocopy off some copies shortly and deliver them to members on the other side. That is the process part of my speech.

I'd like to use the rest of my time to ask further questions that I have for the Minister. I did my sums as he was giving out the numbers on the amount of personal income, corporate tax, and goods and services tax as levied, and, according to my calculations, over 90 percent of the total tax take would be generated by those three areas. I needed those numbers because my questions relate to whether that represents an efficient way for the Crown to levy its core revenue. My colleague Helen White has made some points around this, but there are some specific questions that I have for the Minister about the agreed sort of tax principles that, in New Zealand, tax practitioners use to talk about how efficient our tax system is, because we generally, around this House, all want our tax system to be efficient and to support broader economic outcomes, and all taxes, to some extent, influence behaviour. So we want to make sure that the compliance costs are low on those who interact with the tax system and that the compliance costs, in themselves, are not influencing behaviour in a way that we would not predict, and then the tax levies that have been set in section BB 1 of the Income Tax Act, clause 3 of the bill that we are debating now, do not create the wrong kinds of incentives for people.

So I want to ask the Minister: given that 90 percent of the tax take is generated by those three taxes, and that represents—what I presented to the Minister was \$122 billion in Crown revenue, but he counted \$112 billion, and we will ask some follow-up questions about that. But given those numbers, has the Minister considered whether over 50 percent of the tax take being from personal income, and 90 percent of the tax take being from those three taxes—the implications for horizontal equity within the system? What advice has the Minister considered about whether the level of horizontal equity in New Zealand's tax system is appropriate, given the IMF's recent findings on that and the comparison to other OECD countries where New Zealand stands out as having a reliance on taxation on personal income?

The second question within that is around the efficiency of the overall tax system. Whatever one thinks about equity within the tax system, we all agree that it should be as efficient as possible, and given that you probably could not describe that as the broadest base in New Zealand possible, is it appropriate and is it the most efficient way of levying tax? Has the Minister considered that, and what advice can he bring to the committee that he has had on that principle?

The next question I have is about the vertical equity. Has the Minister considered whether the rates proposed represent the most vertically equitable way that the taxes proposed in clause 3, Part 1 are appropriately balanced against the principle of vertical equity?

The next question is about whether the Minister has sought advice on the revenue integrity. This is about whether those costs of compliance that I spoke about earlier are appropriate, given these new rates that are being levied.

My next question is about specifically those compliance and administrative costs—whether anything will change, given these new rates.

My next question is about certainty and predictability. Does the way that this law is being introduced represent certainty and predictability for people who are being levied?

And my last question is around the principle of flexibility and adaptability, also given that the way this law is being made—has the Minister sought advice on whether it is appropriately flexible and adaptable to create the kind of tax system which works for people who are income earners and who pay GST through the goods and services that they buy within our economy? Thank you.

Hon Dr DEBORAH RUSSELL (Labour): Mr Chair, thank you. I want to thank the Minister for his good-hearted response around the contingency planning. He will be eating humble pie—he will be. So I do suggest that he takes up my colleague Arena Williams' very—you know, it's really good of her to do that work to provide the contingency that that side of the House is not prepared to. So thank you to my colleague Arena Williams for doing that.

I just want to go back to some of the issues around the income tax scale and the sources of income tax. My colleague Helen White raised some very good points about how the Income Tax Act does not tax all income. In fact, a whole lot of income is simply left out of the Income Tax Act, and I guess that points us to some name changes we might suggest for the Income Tax Act in the final stages of this debate when we get to it on, you know, Friday night. However, aside from that—

Hon Barbara Edmonds: There's a Standing Order about that; we can't sit—

Hon Dr DEBORAH RUSSELL: Oh, we can't sit—well, it'll be Saturday morning then, won't it? We'll all be back here debating tax on Saturday morning. Look, I want to go back just to reference that IMF report again, because it does point to both what Helen White talked about and just one of the issues around the Income Tax Act. It talks in the IMF report about mobilising additional revenue in response to long-term fiscal challenges. Now, the Schedule 1, as it sits at the moment, changes nothing. It changes nothing. Now, of course, the Amendment Paper does introduce some changes into Schedule 1, which we'll debate in Part 2 of this debate, but it changes nothing. Now, that leaves a consistent worry about one of the other objectives of the tax system, because one of the objectives of the tax system is to raise sufficient revenue for what the Government wants to do. It's a longstanding objective of a standard way of judging tax systems: do they do what they need to do, which is to raise sufficient revenue for Government?

So we've got sitting here in Part 1 confirming the tax rates that are sitting there, and there is no change to them. In fact, coming up in the next part is a substantial change to who pays tax in this country, but none of it is addressing those long-term fiscal challenges of where we raise revenue from. So I want to know what work the Minister has been doing with respect to ensuring the long-term sustainability of our income tax system. It's the kind of question we don't get to talk about very often, but this is the place to do it. So I would like to hear from the Minister just what advice he might've received, what queries he might've put in place, what discussions he might've been having with officials around the long-term sustainability of our tax system, as signalled in the IMF report, as signalled in the Treasury briefing to the incoming Minister this year. There is a challenge there; this Schedule doesn't address it. Where is it going to be addressed?

Hon CHRIS PENK (Minister for Building and Construction): Thank you very much, Mr Chair. Can I just acknowledge the work of Arena Williams but also the Hon Dr Deborah Russell for preparing an amendment that would split the bill. On behalf of the Government, I guess, we could do a deal, which is to say that if we need to do that and we're not finished in time for the Easter weekend, then we'll contemplate that. I'm sure that that will be given just as much consideration as Opposition Amendment Papers always have had in the committee of the whole House stage. I would just say, Easter is a time for miracles. So all the best.

As for Ms Williams' points around compliance costs, we do think that the degree of breadth is appropriate. We think that there is, you know, horizontal equity, to use her very elegant phrase, for that discussion. Of course, there are different philosophical or policy approaches in relation to tax—it's famously an area in which world views may dictate an approach, albeit that certain fundamentals, I think, are broadly agreed in this country, and we should be pleased about that. But to her point around the question of what might change and how we weigh up the sometimes competing values of certainty and predictability, on the one hand, versus flexibility and adapt—adaptability on the other. I'm just trying to adapt my tongue to that phrase. I think that the bill that's before us represents a willingness to be flexible, a willingness to adapt—specifically, to respond to the mood of the electorate, as expressed through the general election, but also to provide maximum certainty that, obviously, we need, in time for the tax year that is upcoming: a known set of circumstances, a known set of tax rates, a known set of mechanisms, such as this bill does achieve.

In relation to the other point that the Hon Dr Deborah Russell made about whether anything will change, I can do no better than to highlight the advice of noted tax specialist David Brent that everything will stay the same if nothing changes, quite literally. I think that, therefore, we can say things need to change further than what's within the bill—obviously, such changes would be outside the scope of the bill, by definition. But the objective of the tax system, as she described, is to raise sufficient revenue for Government. We believe that that is the case and are preparing a Budget accordingly, even as we speak. So fuller details will be out there and available for public consumption and consideration and scrutiny by this House in late May, in the form of the Budget.

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Madam Chair. It's quite a treat. Look, this has just intrigued me, because we've been talking about Part 1 of the bill, and Part 1 of the bill is the bit that reinstates Schedule 1 of the Income Tax Act 19 or 20—I've lost track now; the Income Tax Act 2007. So this Schedule 1 is sort of existing there somewhere. It's not in any of the pieces of legislation that are right in front of us. It's not in the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill, the bill that's sitting there, and it's not in the Amendment Paper. So, from the point of view of people who are listening at home, we keep on referring to the income tax rates and the income tax threshold and what's in Schedule 1, but there is nowhere that it can be found in the material that's actually in front of the House. It just raises the interesting point: does the Minister know what the tax rates and tax thresholds are, and could he perhaps tell everyone in the House so that people here and people at home know what we're talking about?

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Madam Chair. I do want to acknowledge the Minister the Hon Chris Penk's back and forth, in providing answers to a number of our questions. But there was one question which I had asked the Minister, around Working for Families and tax transfers, in relation to a figure that the Minister had provided—that around \$50 billion is forecasted to be collected, for individuals, which is, obviously, part of the schedule which is part of Subpart BB, which is part of the Income Tax Act, which this bill is trying to amend. So, to the Minister, if I need to kind of clarify, I just want to know how much Working for Families is forecasted to be given back out, or tax transfers given back out, to individuals. I just want to see how much individuals are being taxed through salary and wages, which, based on the figures given by the Minister, is around \$50 billion, and how much of that they get back through a tax transfer—so in-work tax credit, minimum family tax credit—which the Minister can provide.

I did actually have another question, however—to give officials a bit more time to have a look at, it. It's a particular question around some of the Minister's statements to

the member Chlöe Swarbrick, around the timing of this Amendment Paper. If I can quickly summarise, the member for the Green Party, the co-leader, had asked the Minister why this particular Amendment Paper, which contains aspects both from Part 1 and Part 2 around the interest deductibility rules and the brightline changes—why it was necessary for the Minister to include it as part of this tax bill. But there were aspects as part of the Budget, which is the income tax threshold changes which they had campaigned on—they had made a decision to do it later as part of the Budget. The Minister’s response to that is that if it could be brought forward before May, it would.

So my question to the Minister is: who actually made that decision to bring forward this Amendment Paper? Obviously, it’s in the Minister’s name, but I just want to clarify: was it the Minister of Revenue or a Minister of Finance, or a joint Ministers’ paper that went to Cabinet to approve this Amendment Paper coming through? Or, actually, it could be the Associate Minister of Finance, because David Seymour has taken claim for that particular interest deductibility rule change, which is in this Amendment Paper. So who specifically was that Cabinet paper in the name of?

Then my next question is: under what criteria did they believe that that Amendment Paper should be brought forward before the Budget? I’m really hoping that the Minister can provide some criteria that his Government, his executive, have, basically, set out as to what meets a particular threshold as to why it should be put through in this particular tax bill. Because, as other members of the committee have quite concernedly said, there are obviously time pressures for this bill. It needs to be passed this week, on Thursday; if not, if we go into Saturday, then Parliament is not allowed to collect any tax on Friday, because it’s Good Friday and we can’t sit because it’s Good Friday. And, as a result, there are some concerns on this side that this Amendment Paper, which has, basically, bulked the bill up, which has not been subject to select committee scrutiny, and yet it could actually be subject to select committee scrutiny as part of that Budget process later—just wanting to understand what the criteria were that the Minister used, or the Ministers responsible for the Cabinet paper used, that took this to Cabinet to approve it so that this Amendment Paper could be introduced, in order to make that decision that this should be brought forward before May. And those were the words used by the Minister: “brought forward before May”.

On this side of the House, we believe there are actually some other pressing types of policies that could have been brought forward before May, which we will probably discuss quite in depth as part of Part 2. But I just want to ask that specific question to the Minister as part of Part 1.

TOM RUTHERFORD (National—Bay of Plenty): I move, *That debate on this question now close.*

Dr TRACEY McLELLAN (Labour): Thank you, Madam Chair. Look, I’ll just ask a really quick question, because I think that if I’m kind of hearing this debate correctly, there are just a couple of things that I thought were interesting contributions that were made earlier on. I’m not sure that we’ve necessarily addressed it per se, and I know that my colleague the Hon Dr Deborah Russell has another suite of questions that she wants to get to. So before we do that, if I could just kind of circle back a little bit and ask this.

I heard Arena Williams mention to the Minister in the chair, Chris Penk, not that long ago the difference between the forecast revenue of \$122 billion versus \$112 billion. I’m not sure that the Minister necessarily addressed that, but it made me think about this concept of tax revenue forecasts and the fact that New Zealand, obviously, is in a technical recession and we need to think about encouraging growth. Certainly, from my perspective, I would have thought, therefore, that we have to be really mindful of not engaging in austerity measures as a means by which to deal with the potential of those drops in tax revenue, given that we’ve got this \$10 billion discrepancy sitting there.

So I just wondered if the Minister could circle back round to provide a little bit more clarity about that, or whether there was some sort of thought, advice, be it—not necessarily economic theory, tax theory, or anything along those lines, but some sort of means by which to show that there's been some contemplation of how, when revenue drops, do we make sure that we're still looking after our economic growth and not looking at austerity measures.

Hon CHRIS PENK (Minister for Building and Construction): Thank you very much, Madam Chair. Taking the last question first, I'm grateful to Tracey McLellan for posing that question as to whether the Government's contemplated how things might play out in terms of revenue if that were to fall. Obviously, you know, these are shifting sands always in terms of Government revenue and there will be factors that will be positive and factors that will be negative. Overall, however, I think we can agree—or certainly the colleagues on my right-hand side would agree, no doubt—that by growing a strong economy and increasing the opportunity for revenue, for the Government as well as well as for those businesses, community organisations, and individual households, is the way to guard against those external fluctuations as best we can.

In terms of the invitation that the Hon Dr Deborah Russell has given me to set out from memory the tax rates, I think I'm going to decline that. She's concerned that New Zealanders might not know off the tops of their heads what the tax rates are. I'm more concerned that I might not know them, and, if we think about certainty being an important principle of the tax system, the last thing we need is me making educated guesses, or even uneducated guesses, at that. So for anyone who wants to know those, I invite them to look them up. I could look them up myself—and the member herself could look them up too, for what that's worth.

The questions, actually, that the Hon Barbara Edmonds has asked—and I was remiss, by the way, in not having previously responded to that question, particularly as I've got the benefit of some really helpful advice in this space. So, please, allow me to articulate that as clearly as I can. In relation to Working for Families, in the March year 2022, some 265,000 families received a Working for Families tax credit. This amounted to an average payment of \$7,432 per family. Again, that year ending March 2022, in terms of the tax credit, cumulatively being \$1,966 million—or close as anything to \$2 billion from that Working for Families tax credit, in-work tax credit, \$502 million, or so, roughly speaking, half a billion dollars adding up to obviously \$2.5 billion, again roughly speaking. And in the spirit of helpfulness, as best that I can understand it—this may be helpful too—in the 2023 fiscal year, core Crown tax revenue was \$112 billion or 28.4 percent of GDP and comprising various proportions on a consolidated basis, of which 52 percent was from individuals. I genuinely hope that's helpful. If I've missed the mark there in terms of any of the specific questions, I'm happy to go back to those, with the indulgence of the Chair, obviously. I'd hate for her to cut off this great conversation.

But in terms of who decided the timing, well, clearly that's a Cabinet decision, and collective Cabinet decisions are entitled to remain as such. So I can't be more specific than that.

In terms of the criteria, quite simply again, from the Government's point of view in terms of what it was both willing and able to bring forward ahead of what would otherwise be a normal Budget process, it was that which was possible and desirable within the available time frame.

Hon Dr DEBORAH RUSSELL (Labour): Look, in the spirit of helping out the Minister in the chair, the Hon Chris Penk, and helping out members in the House, seeing as we are debating tax rates, and for the benefit of people at home—I'm sure there are many of them listening; it'll be "Hi, Dad.", from my point of view. But, look, the point is that the tax rates we are debating so enthusiastically, on the income tax scale, the first

\$0 to \$14,000, the tax rate is 10.5 percent; from \$14,001 to \$48,000, the tax rate is 17.5 percent; from \$48,000 to \$70,000, the tax rate is 30 percent; from \$70,000 to \$180,000, the tax rate is 33 percent; and for income over \$180,000, the tax rate is 39 percent. In addition to that, the numbers that are sitting in the schedule—that we’re obviously debating—the trustee tax rate is 33 percent, and the company tax rate is 28 percent. Now, some people might be wondering why I’m not including the GST rate in this, and that’s because GST is not part of income tax. So I’ve just given the Minister, for his benefit—and perhaps a quiz later, Minister, on those numbers. So I hope the Minister finds that helpful.

I do just want to go back to one further issue which we haven’t quite addressed yet, and that’s to do with the efficiency of the tax system and the efficiency of how we collect tax at those particular rates. “Efficiency” is usually taken to mean from the point of view of the tax-collecting authority, all right—how much money they spend collecting the tax. Ideally, obviously, we’d hope to have a highly efficient tax system, that we spend as little as possible in collecting the tax—that money doesn’t go in that direction; instead, the money that is collected is available for all the other things that Government wants to do. Now, of course, having that variety of tax rates—the more tax rates, probably the less efficient the system. So that does invite the Government to think about whether or not that particular tax scale that I’ve just quoted is actually appropriate in terms of efficiency.

The other thing that sits in that efficiency space, and we have talked about a little bit, is, of course, compliance costs. The more tax rates, the more complicated for individuals. But we have discussed that a little already, so I do want to think about it, in terms of the Government’s point of view, as to whether the different tax rates provide for an efficient system. I just invite the Minister to make some comments on that.

CATHERINE WEDD (National—Tukituki): I move, *That debate on this question now close.*

Hon KIERAN McANULTY (Labour): Thank you very much, Madam Chair. I wanted to take the opportunity to ask the Minister about the rationale for debating this Amendment Paper now, given, as many have pointed out and asked relevant questions around that—although I’m not sure the rationale is that clear to the committee and to those watching, given the changes that are made here. Is it to avoid the scrutiny that comes with such a debate around the Budget time?

Now, the Minister may think that’s a facetious question but it’s not; it’s a serious one because when we consider the measures that are taken up during a Budget period—all expenditure, all revenue coming in—that would seem the appropriate time. But the Government has chosen to do this now and do it alongside the other aspects of this bill.

There’s some pretty crucial elements in this paper, and I won’t go into them in detail because that’s Part 2 and we are committed on this side of the House to remain relevant to the debate in question. But it is fair, I think, to get an understanding as to why now, under this rushed process. We’re not actually criticising the rushed process—we get it; it’s got to be passed—and we’re not going to delay things more than they need to be. But this didn’t have to happen now. In fact, if it wasn’t here, then we could have had more opportunities to debate the substantive parts of this bill; the parts of the bill that do need to be passed by a certain date.

This side of the House has worked constructively with the Government and Business Committee. We’ve agreed to things to ensure that public servants are not unnecessarily burdened with work over the Easter break, and that is why the House is debating things in the manner in which it is, outside normal processes. So it’s not like we’re opposing the processes just for the sake of it, but I think we deserve an answer to that, at least.

Hon CHRIS PENK (Minister for Building and Construction): Thank you very much, Madam Chair. I think that deserved an answer and I’m happy to give it, but, as

efficiently as the Hon Dr Deborah Russell would want me to do in relation to tax matters, I don't think, with all due respect, it's fair to describe the Government's motivations in debating this now as a mechanism to avoid scrutiny, as compared with having a debate following the Budget. Following the Budget, famously, debates are rushed through under urgency. It would be usual, in that process, for debates to take place with one stage after another, where this is a relatively sedated, pedestrian process, so, with all due respect, I don't think I can allow that accusation to stand without at least some refuting thereof.

As to whether this is, then, the appropriate time for discussion, well, it is, because the changes are contemplated to take effect—for reasons that we've been discussing at some length—on 1 April, and that date not having yet come about, we have the opportunity to make those changes in time.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Madam Chair. I do have a new question and it's relating to the drafting of the revised track version of the bill, and it was because of a comment that the Hon Dr Deborah Russell had said around the tax trust rate as 33 percent. Now, as members will know, this particular bill is looking to increase that to 39 percent, which, remarkably, the Government is now supporting.

So my question is: given that clause 3, basically, confirms the Schedule in Subpart BB of the Income Tax Act—so that's what clause 3 does in this particular bill. When I look at the report back from the committee, it says that "We confirm that the trust tax rate is currently 33, the bill increases it to 39 percent." Obviously we talked through the submission process. And then it talks about "We recommend amending clauses 39 and 62 of the bill to insert proposed section HC 40 and update the schedule of basic tax rates in the Income Tax Act." So these amendments would mean that for the 2024-25 and later income years, they come into force. And it has a *de minimis* which the committee has agreed to.

So my question is to the Minister. Given that there is a change to a tax rate, which we've covered in Part 2, which is the way that it's been drafted within the bill, should that not be as part of Part 1, given we are confirming the annual tax rates, and, if not, can the Minister explain why it's not in Part 1? Does that leave a potential grey area? We're confirming in Part 1 the current tax rates, which are in Subpart BB of the Act, but then in Part 2 of this bill, we're saying that this is what the rates should be. It's just a clarifying question for the Minister, if he can please answer in response.

INGRID LEARY (Labour—Taieri): Thank you, Madam Chair. I'm really grateful to be able to continue the very shortened call that I took the first time we sat in committee. If you cast your mind back, Madam Chair, I believe you were in the Chair with a different Minister. So, for the benefit of this Minister in the chair, I would like to quote from the Minister of Revenue, because I want to ask a question about something that he very directly brought into this debate. If I recall correctly—and you may, Madam Chair—there was quite a reaction to this part of the debate; there was a lot of noise from both sides of the Chamber. It was clearly something that there was some contention around.

What I would like to quote is from the *Hansard* at that time, when the Minister said, "On this side of the House, this Government, and this coalition Government, are absolutely committed to reducing wasteful spending, cutting expenditure, and not taxing New Zealanders more." He went on—and I'm not going to use the committee's time to read the full quote, but just to come to the end of it and say, "the ideological point ... how we get ahead as a country is not through taxing more, it is through growing our economy and reducing wasteful spending." He brought the notion of wasteful spending into the debate, and I'm really interested to know, given that taxation and expenditure are kind of like two sides of a balance sheet—so we've got money coming in, in taxation, we've got money going out as expenditure, there needs to be some relationship between them. Yet the Minister has brought in this notion of wasteful spending without giving us any

indication about what his definition is of that. I'd like to know that because that has a direct bearing on the relationship between the expenditure and the money gathered in and what is an appropriate amount in these taxation rates.

There are questions that I have in my mind—for example, we've seen policies around school lunches potentially being cut, we've seen the Public Service's cuts to the MPI, staff to cut from the Ministry of Health. Just today, I've been dealing in my own electorate with the real prospect of two staff from the Ministry for Ethnic Communities being cut. This is relevant, Madam Chair, because, if I am reading this correctly, this is an indication from Government members that they believe that kind of expenditure is wasteful. Certainly, the Minister was talking about the relationship with wasteful spending. I cannot, for the life of me, understand why Government members would think that spending money on school lunches, for example, would be wasteful. I know we've heard an allegation that some of the food does not get eaten, but we've also seen evidence that that food often goes out into the community and goes home and that, actually, only around 6 percent of the food doesn't get used. So I don't see any wastage around that.

When I think about ethnic communities, I know that the staff in Dunedin have been supporting our ethnic communities to be able to overcome unconscious bias, to be able to get into employment in the private sector. The ethnic communities have played a very important bridging role between Government agencies and ethnic communities—that goes to productivity. If I look at the Minister's quote again, he talks about growing our economy. So, for me, having a bridging function from the Government, which helps to support growing our economy, which means getting more people from ethnic communities able to be employed in the private sector or in the public sector, overcoming unconscious bias, being able to support them to be able to have job interviews and get placements, and so on, that doesn't seem like wasteful spending.

So I'm really keen to understand what this Minister in the chair, if he can speak on behalf of the Minister of Revenue, means by wasteful spending. What is the appropriate amount of waste, or is it a zero tolerance of waste, that he would see as informing that balance sheet between money in and money out, taxation, and expenditure? And can he comment on the things that I've raised, because if they are not wasteful, as I believe they're not, then how can he justify them? Or what was the Minister who was in the chair referring to when he talking about wasteful spending, because he definitely brought it into the debate? I cannot see wasteful spending in the things I've raised, so perhaps the Minister could enlighten me as to some examples of wasteful spending, and also what that would mean for the relationship between taxation in, expenditure out, and how you sort of work out that algorithm. I'd be very keen to hear that.

Hon CHRIS PENK (Minister for Building and Construction): Thank you very much, Madam Chair. Just briefly, in relation to the question posed by the Hon Barbara Edmonds, the trustee tax rate being increased to 39 percent for the year 2024-25 exists in subsequent parts to this bill because Part 1 deals with the annual rates for the year 2023-24.

With all due respect, I don't accept the argument of the member Ingrid Leary that a passing reference to the phrase “wasteful spending” opens us up, on this bill, to every matter of Government expenditure. We've talked about the impending public holiday, which doesn't, likewise, invite a discussion about the existence of the Easter Bunny. I think, with all due respect, it's a relatively narrow debate in terms of the tax rates as set, certainly in relation to Part 1 for the current year. I'm grateful to have had this opportunity to discuss this.

HELEN WHITE (Labour—Mt Albert): Thank you, Madam Chair. This is an absolute genuine attempt to have a discussion about something that I raised and the

Minister partially answered. I have been mulling over the answer I got because it doesn't satisfy me, and I'd ask for him to take it just that one step further.

So I was talking in my contribution about the fact that we had, in this section, amounts that we were compelling New Zealanders who were on incomes to pay across the board, when there were others we knew, because of the research, who were paying very little, and we have a lot of information now about those high-wealth individuals deliberately churning money into businesses so that they never made a profit, and so they were actually increasing their wealth pie every year by exponentially more than the people who were paying these taxes. And what I understood the Minister did when he answered my question was talk about it as a kind of highfalutin philosophical approach. I wanted to challenge that and ask him to turn his mind to the fact that what we're talking about here is people's actual money in their pockets. This is real for people. This isn't philosophy; this is economics.

So what we have here is base rates that we're setting to compel New Zealanders who are on limited incomes, and we are setting them today without, what it seems to be, thought or even a plan about what we're going to do to make that system fair, when we know—we can't unpack this genie; it's come out of the bottle. We now know that there's a whole lot of people who have money to burn in comparison, who are not facing the cost of living crisis, and they are actually paying rates which are so much—dramatically—lower, and they're doing that in a way. And I'll explain a little bit about how I understand that happens.

I've had the benefit of dealing with some of these groups of high-paid individuals. They're high-wealth individuals often because of inheritance. They've come in through—and by the looks of people, people are subjective, but I would think that the research actually proves that. Often it's because they made money at times when the Government, and us rolling the settings, they set the parameters of the way we worked, which meant that people had things like a monopoly interest in jam, and they made a lot of money, or oil. And they made that money, and then they run these things called family offices.

CHAIRPERSON (Maureen Pugh): Can you bring it back to the bill, please?

HELEN WHITE: Thank you, Madam Chair. So if they are running these entities, they have got, obviously, every right to look at it logically and minimise the amount of tax they have. But I would wonder whether the Minister could answer whether that is a just system and whether there is a plan around this? We're putting into place these rates where we're actually compelling people, and I would like to know from the Minister, does he really think it's a philosophical highfalutin point that I'm making or does he accept that that's a pragmatic issue? Because we've got people on much lower amounts of money trying to make ends meet. And people on relatively high incomes, but every penny is being paid for under this particular clause—this is where they pay it. This is where the rubber hits the road. Does he consider that highfalutin philosophy or does he consider that the base economic structure that we as a Government have absolutely a need in this situation to deal with? We need to actually address that.

So I would genuinely love the Minister to take me there in terms of what the logic is here. What is the logic where we're doing that without thinking that or are we going to do it? What is the plan? So what's the logic? What's the plan? Is this philosophy or is this basic economics? How are we flying in the face of that information? How are we still going in this particular way? Thank you.

CHAIRPERSON (Maureen Pugh): Can I just remind members, before I take the next call, we are talking about Part 1 and the tax rates.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Madam Chair. My question is actually in relation to the response given by the Minister around why the increase

to the trustee tax rate is covered under Part 2 of this particular bill and not Part 1. And the reason that the Minister gave is because it's for a different income tax year.

So I want to take the committee back to my earlier speech where I talked about the history of why we have the taxation provisions the way that the House debates it. So the House debates that particular clause 3 as a separate point. When I look at *Parliamentary Practice in New Zealand*, it says, "When a committee of the whole House considers a bill that includes an annual taxing provision, the committee must consider this provision as a separately debatable question. The Standing Orders Committee has held that the annual taxing provision is so important that the committee of the whole House should not have the power to avoid its separate consideration. The separate debate could be dispensed with only by way of an instruction from the House to the committee."

So I do question, again—I can understand why you can put the consequential amendments to the rest of what happens in the Income Tax Act for the trustee tax rate in Part 2. But given that we are actually changing a rate of tax, regardless of whether it's the same or different income tax year, given our Standing Orders Committee and the way that review was done in 2011, given that particular outcome that had come from that Standing Orders Committee review, why then isn't just that part—the increase from 33 percent to 39 percent—not in Part 1 of the particular bill?

Again, I can appreciate there is a whole lot of consequential amendments and changes to other parts of the Income Tax Act as a result of that increased change. But given that Parliament has a very well-known history for ensuring that we debate those changes to tax rates or the confirmation of tax rates as a separate part, why is that small part—which is, it's going from 33 percent to 39 percent—not included in Part 1 but has been included in Part 2? Again, I accept there may be different consequential amendments as a result of it, but I just want to understand from the Minister the instructions that he gave to his drafters as to why it should be in Part 1. Given that it is a rate change, it is part of that taxation provision that we need to confirm the actual rate, and why it's not in the Part 1 where we are confirming and trying to debate the confirmation of those rates.

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Madam Chair. In regards to the member's questions in regards to this, so this is a standard process from a drafting perspective. Part 1 sets out the annual rates of the current year, 2023-24. And Part 2 introduces a 39 percent trustee tax rate, which would apply from 2024-25. Obviously, this can be debated as part of Part 2 of the bill, which, no doubt, will follow Part 1.

In regards to Helen White's questions, I think—and I apologise, I just heard the last part of that, but there's not much more I want to comment on that.

CATHERINE WEDD (National—Tukituki): I move, *That debate on this question now close.*

A party vote was called for on the question, *That debate on this question now close.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Motion agreed to.

CHAIRPERSON (Maureen Pugh): Arena Williams' tabled amendment to Part 1 is out of order as not being in the proper form of legislation.

A party vote was called for on the question, *That Part 1 be agreed to.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Part 1 agreed to.

Part 2 Amendments to Income Tax Act 2007

CHAIRPERSON (Maureen Pugh): Members, we now come to Part 2. This is the debate on clauses 4 to 64B, Amendments to Income Tax Act 2007; and Schedule 1, and new Schedules 1A and 1B and Part A of new Schedule 1C as proposed by Amendment Paper 20. The question is that Part 2 stand part.

Hon Dr DEBORAH RUSSELL (Labour): Much as I've enjoyed the previous debate, this is where the really interesting stuff happens, and it's heavy stuff—but thank you. So there are two sort of sets of things that we need to debate in Part 2. The first is the bill, as reported back from the Finance and Expenditure Committee. It's the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. There are a number of issues in that that we will want to go through in some detail—in part because they introduced some pretty interesting tax changes, and some which perhaps could have gone a little further. The select committee did agree with what is sitting in this version of the bill, but more could be done in that space, and we'll be bringing some of those issues to the fore during the debate on this part of the bill.

It's also important that we actually, as a committee, really understand what's in this bill. So it's a chance for the people who have been on the select committee to talk through some of the issues for the benefit of, obviously, other members. I'm looking forward to the contributions from Catherine Wedd over there, but also from other people.

But the real thing that we will want to spend a great deal of time on is the Amendment Paper that was brought to the committee, at this committee of the whole House stage, by the Minister of Revenue. It has a number of substantial amendments in it and a particular set of issues that we really do need to talk about. So I just want to start to highlight some of those issues so that people at home know why it's worth tuning in after the dinner break. So in terms of the issues that we all want to spend a great deal of time discussing, there is a set of amendments to the bill that put interest deductibility back in place for landlords. So we'll want to spend a bit of time discussing the reason for those going back and some of the technical details. This has not been through a select committee process. Those changes are substantial. In some calculations, it's going to cost the Government \$2.9 billion to do that. That's an awful lot of money. So I think this committee needs to examine that really, really closely.

The second set of changes are around restoring the brightline test to two years. That brightline test was originally introduced by the then National Government and set at two years, even though Treasury advised that it should be set at five years. The incoming Labour-led Government put it up to five years and then 10 years. There's a whole set of good reasons for doing that, so I'm going to want to examine very closely as to why the National Government has decided to reverse those changes. They're actually quite significant changes. I think there's some really good philosophical reasons as to why the brightline test should stay at a substantial length of time, in conjunction with keeping interest deductibility changes in there too—it should have stayed that way.

The third set of changes are removing depreciation deductions for buildings. This was—let's see, depreciation deductions were removed a few years ago; then, as a COVID relief measure, they were put back in place. The National Government has now decided

to take them out again. So I do want to have a think about why they should be taken back out again and have a bit of a think about that.

There's some really good changes around the disposals of trading stock at below market value. Now, that happens to be something that I think many of us on this side of the Chamber agree on—that it's actually a really good change. I'm very pleased to see that the Minister has brought this one to the committee. Nevertheless, we're going to want to have a look at the detail of that, see how it's actually going to work; we want to examine the rationale for it. So we'll be spending a bit of time on that.

Then, we've got the offshore gambling duty. Now, this is an entirely new tax. It doesn't matter that it applies to people who are offshore; it is, nevertheless, an entirely new tax. So, in an Amendment Paper to a bill, which has a constraint on it that this bill must go through by 31 March or the Government will have failed in its duty, the Government has, nevertheless, introduced an entirely new tax. We need to have a look at the detail on that. This is the one and only chance we have to examine that entirely new tax in detail. So we will be spending a bit of time doing that.

There are some other transitional rules we do want to have a look at. So there's going to be a lot to discuss in this bill, and I'm sure the Minister is looking forward to what's coming at him.

CHAIRPERSON (Maureen Pugh): I call the Hon—oh, sorry; Chlöe Swarbrick.

CHLÖE SWARBRICK (Co-Leader—Green): I'll take the "Hon". I just wanted to give this a short call, given that we soon will be hearing the maiden speech of my wonderful colleague Dr Lawrence Xu-Nan, but there are a few things that I wanted to put on the record before we get to that.

So what we're dealing with now are the substantive amendments in the Minister of Revenue's name to this piece of legislation. Part 2, of which there's many clauses, deals primarily with the issues of tax deductibility with the commercial building changes, as were alluded to by the Hon Dr Deborah Russell, and also with the brightline changes herein.

So the fundamental question that we have for the Minister, from the Green Party perspective, here is: why is it that he is progressing these substantive and costly changes? We're talking about approximately \$3 billion worth of changes here contained within this legislation, without going through the usual processes as are typically afforded to taxation (annual rates) bills. We usually have a process whereby there is a Budget produced by a Government, usually in around May, and then we have a subsequent piece of legislation—the likes of these tax bills.

Actually, what we're dealing with here is a tax bill that was introduced under the former Government after the last May Budget, but we're seeing, sweeping in at the last minute in the committee of the whole House stage, these substantive amendments, which have massive Budget implications, and, therefore, there has been no meaningful opportunity for public participation and democratic engagement at the select committee stage.

So my core question to the Minister is: why did he do this now? Why did he not wait until after the Budget was passed and we could go through proper and due process? Because the core plea from the Green Party of Aotearoa New Zealand is that winning an election and campaigning on these things does not give you carte blanche authority to institute authoritarian rule and bypass the institutions of this place. So the question to the Minister is: why did he not wait for the Budget and allow these substantive changes to go through the typical select committee process?

CHAIRPERSON (Maureen Pugh): Members, the committee is now suspended for the maiden statement of Dr Lawrence Xu-Nan, in accordance with a determination of the Business Committee.

House resumed.

MAIDEN STATEMENTS

SPEAKER: Members, following the maiden statement, the House will suspend for the dinner break. To make his maiden statement to the House, I now call on Dr Lawrence Xu-Nan.

Dr LAWRENCE XU-NAN (Green): [*Singing*]

没有花香 没有树高

我是一棵无人知道的小草

从不寂寞 从不烦恼

你看我的伙伴遍及天涯海角

春风啊春风你把我吹绿

阳光啊阳光你把我照耀

河流啊山川你哺育了我

大地啊母亲把我紧紧拥抱

Tākiri ake ngā haeata o te rā

Ka pā ki te whenua

Ki te rāwhiti

Ka ao, ka ao, ka awatea

Ka haukū a Papatūānuku

Ka ngāueue te whenua

Ko Ranginui e tū iho nei

Ko Papatūānuku e takoto ake nei

Tūturu whakamaua kia tīna, tīna

Haumi e hui e, tāike e

[*The rays of the sun break the dawn*

They touch the earth

To the east

The dawn brightens into day

The earth is humid

The land trembles

Ranginui is above

Papatūānuku lies below

Bind these words and make them real

It coalesces, it assembles, it is bound]

It is an honour for me to open my speech in my native language, Mandarin Chinese, and the first language of Aotearoa, te reo Māori. I was born in Tianjin, China, a city of only 14 million people. My home city is well known for breakfast food, or just food in

general. We are a people that love to eat, and our dialect is often used for comedy. Hearing anyone using Tianjin dialect brings me fond memories of growing up. I think there is nothing that says you're in Tianjin, when you hear someone in the marketplace who says, 姐姐, 做吗呢?

I arrived in Aotearoa in 1997, bringing with me my maternal grandparents. My mum was already here. She was a solo mum. My parents divorced when I was young, so life wasn't the easiest. Like many Asian migrants, our skills and qualifications were not recognised upon arrival. You either have to jump through hoops to obtain certification at great cost and time, or change your job, often to what has been dubbed "low-skilled" work. But do you know what? Those "low-skilled" migrants got us through the pandemic.

I remember clearly one time that I wanted to eat watermelons, and Mum got some. She didn't eat any herself, telling me that she didn't like watermelon. It wasn't until years later that I found out that Mum loves watermelon—there just wasn't enough for two.

I grew up in East Auckland and after high school I attended the University of Auckland. Now, I'm going to admit something that not many people, other than my closest friends up in the gallery, know about, which is that I disliked politics immensely while I was at uni. In fact, I didn't vote in three elections that I was eligible to vote in. I thought that academia was beyond the reach of politics, but that illusion was crushed by the drastic decrease in university funding, particularly in the arts and humanities in the early 2010s.

So to all of the politically engaged rangatahi who might be watching, do not let politicians patronise you by saying that you're just a little excited. No, you know the value of standing up for your rights, of making yourselves heard, and I am in awe of each and every one of you, particularly the Young Greens.

I would also like to thank the late Professor Matthew Trundle for the many discussions after our departmental seminars and after a few libations to Dionysus. He taught me the Athenian history behind democracy and freedom of speech. Democracy combines the Greek root *demos*, "people", and *kratos*, "power". "People power"—that's what democracy is all about. We don't get to say that we are democratic by asking the nation to tick a couple of boxes every three years; it is something that we, as parliamentarians, have to prove every day, something our people demand of us every day, and something we should empower the people to do every single day.

As an educator, I was responsible for compliance and quality assurance. In the Three Kingdoms period of the 3rd century CE China, the leader of Shu, Liu Bei Liu Xuande, once said, "夫济大事·必以人为本"—for one to accomplish great things, people must be the foundation. This was the principle that I held with my work. The goal of regulations and policies was to ensure that the people—in this case, my students—were looked after and that they are provided with the best opportunities and support to flourish.

My doctoral thesis looked at how ancient Egyptians told epic stories. In an age where we are so focused on having everything down on paper, pen on paper provides safety, but it also confines our words to a moment in time. Oral stories play an important part in our lives. Stories passed down from generation to generation, they live on through us. They shape our whakapapa and hononga. The significance of arts and humanities cannot be underestimated in our society. We speak of balance, like yin and yang, but we have now reduced humanity to numbers and statistics, rather than remembering that they are individuals with their own struggles, their own hopes and aspirations.

There are many stories that I would like to share, stories of the long and enduring friendships between Chinese people and tangata whenua. He waka eke noa—同舟共济. As the Te Tiriti party, which is what the Green Party's known for, and tangata Tiriti, we

uphold He Whakaputanga me Te Tiriti o Waitangi. We will continue to tell the stories such as Chew Chong and the Taranaki black gold—hakekakeka, or wood-ear fungus—the market gardens of Manukau Harbour, and the cooperation between hard-working Chinese farmers like Joe and Fay Gock and Pūkaki marae, and the early miners of Otago and their sharing of traditional Chinese medicine and rongoā in spite of racism. So, as a migrant, if a country cannot even respect or honour their own indigenous people and taonga, what chances do we have to have our culture and heritage accurately recognised?

Another realisation, when you have undertaken something like a doctorate, is that you have to wrestle with the idea that you know very little about anything, because wisdom and knowledge are infinite. The Maxims of Ptahhotep, dated to the 5th dynasty from Egypt, which is roughly around 2300 BCE, contain some cautionary tales around this. One of my favourite lines is this:



which roughly translates to: “As for the fool who does not listen, nothing can be accomplished by him. He sees knowledge as ignorance, the beneficial as the harmful. He makes every mistake, so he’s accused by the people each day.” See, people from 4,000 years ago were already championing evidence-based thinking. Meanwhile, some in this very room may say that they’re here for the people, but when the decisions that this Government makes, deliberately through malice or inadvertently through ignorance, have left so many of our people behind—Māori, Pasifika, migrants, disabled communities, solo parents, seniors, rainbow, our prison whānau, and those with families in Gaza—who are the people they’re referring to?

Our older brother Fa’anānā Efeso Collins said in his maiden speech, “‘E le tu fa’amauga se tagata’—‘No one stands alone, no one succeeds alone’, and, for [him], no one suffers alone.” Aotearoa has not even begun to hear our stories, what our communities can bring and the millennia of history, wisdom, and ancestors we bring with us. It is time to take back our voices, our momentum, our people power, and if it means that we are no longer referred to as the model minority, you know what, I am OK with that.

To the many amazing people in the Green Party, it has been an honour and privilege to work with and alongside you over the years. You gave me my first role in a grassroots organisation when I had no idea what a karakia was, nor the consensus decision-making process. And look at me now: I can list pretty much every single acronym the party uses. To quote a certain critically acclaimed MMORPG, which stands for massive multiplayer online role-playing game, the playable character was told to “hear, feel, think”—all great qualities I have learnt from my various roles within the party. I want to thank those of you on Kaunihera: Miriam, Alika, Vicky, Wiremu, Charlotte; the co-leaders, Marama and Chloe; and also my co-partner in crime, Alyssce. Thank you for all the good times in our meetings—and you know I genuinely mean that. To all of our volunteers in branches, provinces, and networks, thank you for everything you do for the party every day. To Team Auckland: Linda, Linda, Claire, Chris, Byronny, Simon, Lisa, Ron, as well as Miriam and Sarah, thank you for standing by me all these years as I figure myself out. You’ve truly, and now terrifyingly, seen me at my best and worst.

To my brother, Matt, I love you more than you can imagine, and I will continue to express that love in the most Chinese way possible, through excessive worry and nagging. To my mum, thank you for everything you do for us, and for being the most unapologetic, feisty, and stubborn person I know. Michelle Yeoh and Constance Wu's got nothing on you. Finally, to my partner, Kadek, thank you for your kindness, your wisdom, your presence. Thanks to you, I have now levelled up on my foraging skills and unlocked some serious plant identification achievements.

To conclude my statement, I would like to go back to the song I sang at the beginning. The song goes like this:

Ain't scented like a flower
 Ain't tall like a tree
 I'm just a blade of grass that nobody knows
 But I ain't ever lonely
 I ain't ever worried
 Look my companions are all around the globe
 Spring wind, o spring wind
 You make me greener
 Sunshine, o sunshine
 You shine your light on me
 Rivers, o valleys
 You have nourished me
 Great earth, o mother
 You embrace me tightly.

This is a song that I grew up with; it was the last song that my paternal grandmother sang to me. I share it with all of you as a reminder—a reminder of the relationship we have with each other and the relationship we have with our environment. A reminder to every single person that you are the protagonist, the hero of your own epic story, and you're never alone. And a reminder of our thriving Green grassroots movement, and that we will for ever and always be committed to our people and planet. Tēnā koutou, tēnā koutou, tēnā koutou katoa.

Waiata—“Ko Te Tiriti”

Sitting suspended from 6 p.m. to 7.30 p.m.

TAXATION (ANNUAL RATES FOR 2023-24, MULTINATIONAL TAX, AND REMEDIAL MATTERS) BILL

In Committee

Part 2 Amendments to Income Tax Act 2007 (*continued*)

CHAIRPERSON (Teana Tuiono): Members, the committee is resumed. We are resuming the debate on Part 2. Part 2 is the debate on clauses 4 to 64B, “Amendments to Income Tax Act 2007”, Schedule 1, and also Schedules 1A and 1B, and Part A in the new Schedule 1C, as proposed by Amendment Paper 20.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair, for the opportunity to take a call on Part 2. Before the dinner break, there was some good discussion of this part, but I would, in my contribution now, move straight to the amendments that I have for this part, so that we can spend some time with the Minister considering those. But I also have questions, which I'll come to later, about the effect of some of the more specific provisions.

I have four amendments here to Part 2. The first of those is around clause 8. What's difficult about these amendments is that the Minister has presented a substantial Amendment Paper to the committee which would seek to amend a number of clauses, including clause 8, which I also seek to amend. But what's difficult about this is that clause 8 as it is currently proposes to make quite a simple change to the definition of "settlor" of a trust, and makes another consequential amendment around the definition of a settlor of a trust, but the Minister's very substantial amendment then introduces a number of new issues into clause 8, which members on this side of the Chamber disagree with, which would change the nature of the brightline test and would have big policy implications.

So what I am proposing in my amendments tonight is that—you know, it is the Government's prerogative to make the sorts of changes in policy which are set out by the Minister in the amendment, but what members on this side would object to is it being done in this way, when we cannot use the select committee process and use the House's time to consider the policy implications of those changes. So what I have done is propose to delete clause 8, which would, essentially, mean that no amendment proposed by the Minister to clause 8 would be possible, and the effect of that would be that there would be no clause 8 to amend, and so the new Amendment Paper proposed by the Minister could be dealt with in a new piece of legislation. That piece of legislation might be called the "Taxation (Change to the Brightline Test) Bill", which would make it nice and easy for this House to engage with. I seek the Minister's comment on that.

The two changes that I have proposed, then, are that if the Minister does want to press ahead with making the changes to the brightline policy in this way, it's my position that an amendment to clause 8(2)—I'm referring here to page 14, after line 8—would appropriately be to section CB 6A in the Act that it's amending, essentially, to clarify that the new rules that the Minister has proposed would still apply but that they would only apply in the case where it was a 10-year brightline test, because the Minister has made some useful updates to the way that the brightline test could be applied. He's clarified some of the policy, which Inland Revenue Department already uses but is not empowered by legislation, but it would be appropriate, I think, for this House to treat such a big policy change in the ordinary way for a legislative process and to be able to step that through.

We've heard, I guess, on the campaign trail the difference between a two-year and a 10-year brightline test. Both parties have taken very political stances on the effect of that, but what hasn't happened is a reasoned debate in this House or at a select committee level about the impact on individual homeowners of the difference between two and 10 years for the brightline test to apply. So this amendment would simply allow this House to do that through another piece of legislation in the future. The kind of difference I'm talking about is that, if someone has owned a home for only two years, it doesn't avoid this ability, and certainly incentive, for homeowners to sell their homes over and over again in order to make money from what is an unrealised capital gain on those houses. The 10-year test—you know, there is a policy call to be made about the 10 years avoiding that, but it certainly does slow it down and make it harder for people to, primarily, make money on that sort of conduct of the market. We'd say that is the right balance for the policy, and it would be good for this House to be able to move through that in a systematic way. I have another amendment that I'll speak to. I'm sorry I didn't get to it in this call.

Hon SIMON WATTS (Minister of Revenue): Thanks very much to the member Arena Williams for those questions in regards to the amendment that has been tabled. The purpose of what we're doing in regards to clause 8 is to return the brightline test back to its original intent of two years, and that's the position of the Government in regards to this. We don't support and will not be supporting the member's amendment in relation to

what has been tabled, and our position has been pretty clear in regards to our intent around returning back.

Just one question before the dinner break from the Hon Dr Deborah Russell—I think it would be fair to say that there was a number of points that were brought up in terms of a number of the amendments that we were bringing as part of this legislation and touching on the commercial depreciation rates. Again, this was an adjustment made during COVID, and we're looking to return this back to what was the case previously.

The gambling tax: well, quite simply, this is closing a loophole around overseas casinos that are able to operate without paying what domestic casinos pay in terms of their tax. I think that if you boil it down to quite a simple aspect, levelling the playing field around that is something that we believe is pretty sensible, and, actually, the broader industry's feedback as well is to say that they are comfortable with that. Again, that's something that was included as part of the tax policy work that we took to the election.

So there's a number of themes that are coming through in some of the contributions from members in terms of why we're not having a separate piece of legislation and why we're putting this as part of an Amendment Paper. Our position is clear on that: we are putting through the Amendment Paper aspects of policy that we campaigned on as part of the election, and—as I've given a number of examples here—many are reverting back to our prior positions that were there in the past, and that also includes around interest deductibility.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. Following on from the Minister's contribution, I do have a couple of questions about that. Firstly, then, given that the Minister will not support the sensible amendment proposed by Opposition members, can I ask him what was the original intent of the brightline test? What advice has he had that the two-year element of the brightline test will fulfil that original intent? The third question is what advice—or can he talk about why he thinks a two-year test is more effective than the 10-year test when those policy outcomes which are reached by the two-year time frame would be reached by the 10-year time frame as well, and then slow down any other impact of property speculation in the market.

I also want to ask the Minister a fourth question, which is: under the Labour Government in the last three years the number of first-home buyers in the market, as a proportion of the market share, doubled. I think it went from about 17 percent to 30 percent. I want to ask the Minister: what will the effect of moving the two-year brightline test to a 10-year brightline test have on the proportion of new home buyers in the market? The next question is: has it impacted the Minister's decision making that that is likely to have a downward pressure on the number of first-home buyers in the market?

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair. I'm grateful to my colleague Arena Williams for pursuing some of the issues around the brightline test, but I want to pull back into some of the technical discussion as well. So here's another issue that I would like to ask the Minister to speak to and it's to do with the bill as has come back from select committee.

In particular, I want to look at clause 44. Now, clause 44 is to do with the global anti-base erosion rules. Of course, those are the incredibly important rules making sure that we look at some of the global anti-base erosion rules. So this is clause 44, which inserts new subpart HP into the Act. So in HP 1(3)—in fact in other places, in HP 1(1), we get the term “applied global anti-base erosion rules.”

Now, anytime you go and pop into the Income Tax Act and there's a phrase like that, of course, the place to go and look for it is in the definition section, to find out exactly what it means. So going and looking at the—there's another section, another clause, in this particular bill; it's clause 59. It introduces a whole series of definitions into the

Income Tax Act, and there it says, “Insert, in appropriate alphabetical order: applied global anti-base erosion rules”.

So, obviously, that’s where anyone would look for the definition of what that actually means, and it says, well, it “means the global anti-base erosion model rules as applied by section HP 3”. So it just bumps us straight back to section HP 3. Now, that’s new HP 3, as inserted by clause 44. So, going back to HP 3, we start to find out exactly what these rules are supposed to be—what are these global anti-base erosion model rules, as applied by section HP 3?

Then it’s where it gets interesting because we start to find out what these global anti-base erosion model rules are, and it turns out that it’s something that sits outside New Zealand law. So, we’re defining what the global anti-base erosion rules model rules are, not by writing it into our own law, but by having something sitting outside our law which we refer to. In particular, we refer to the—here we go, HP 3 (b)(i): “the most recent commentary to the global anti-base erosion model rules developed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.” Then “the most recent guidance on the interpretation or administration of the global anti-base erosion model rules.”

So that’s a complicated little set of rules, used in this new part—the global anti-base erosion model rules, defined elsewhere in the Act, so, in the definition section, then bumped back to HP 3 (3)(b)(i) and (ii). And what those two clauses direct us to is nothing within New Zealand law but something entirely without New Zealand law. Now, that’s quite an interesting constitutional move and it is something that the select committee agreed to but it is problematic, as well. I think this committee needs to understand from the Minister why he thought it was appropriate that the way we define some of our tax legislation is based on words that are put together by the OECD.

Now, you know, we’re members of the OECD. We generally work along with their rules; we want to be part of that global community. Nevertheless, we are resigning some of our legislative powers to a foreign body and I would like to hear the Minister’s justification for making that move, preferably—well, you know, tax can be quite complicated, so I would like to understand why it is a viable process to go to the OECD for defining our tax law instead of defining it ourselves.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. And I too want to continue, actually, the line of questioning that the Hon Dr Deborah Russell has asked in relation to the global anti-base erosion (GloBE) rules. And to take the committee back to what exactly are the GloBE rules, we look to the OECD and, in particular, pillar 2, which applies a global minimum tax. And, actually, one of the questions is what happened to pillar 1? So we’re doing pillar 2, but when can we expect pillar 1 to have some form of agreement at the OECD? I wonder if the Minister can elucidate on that.

The problem that this particular piece of legislation is trying to solve is that a number of large multinational corporate groups are able to pay very little tax on a worldwide basis. They achieve this by, basically, carefully structuring and the use of tax havens. In particular, tax havens become very effective for what has become mobile income in the forms of interest, dividends, and royalties. So this is a global issue and a global solution has been proposed by the OECD to prevent that base erosion and profit shifting. And it’s had a long history through many different Ministers of Revenue. I think the first time BEPS—or base erosion and profit shifting—the actual proposals were first in were 2015 with Michael Woodhouse. And I might stand corrected, but I do remember the Hon Judith Collins actually signing off some of the multilateral instruments to allow for tax information exchange between countries that are signed up to this multilateral instrument.

So this bill proposes the solution, and it’s an OECD initiative whereby large multinational enterprises—or MNEs—can actually be subject to a requirement to file

information returns and potentially be subject to the payment of a top-up tax. The question the committee considered was who will be affected by these rules? It is multinational enterprises with consolidated revenues of above €750 million in any two of the proceeding four years. So another question for the Minister is: how many taxpayers do we think in New Zealand will be subject to these particular amendments in this clause 44?

So the OECD proposal consisted of two main parts, and the committee had a really good look at this. And those two main parts are the income inclusion rule and an under-taxed profits regime, which is in some ways that sort of top-up. Together, they are what we call the applied GloBE rules. Again, multinational enterprises can have imposed upon them reporting obligations or an obligation to pay a top-up. And the potential impact of the regime from New Zealand's perspective depends on whether the enterprise is actually headquartered here in New Zealand or if it's headquartered out of New Zealand, they could be liable for that top-up tax if they have an intermediate parent located in New Zealand or if they have liability under the under-taxed profit rules.

So my third question to the Minister, other than how many large multinational enterprises do we think may be applicable to the applied GloBE rules in New Zealand, is: how are other countries in the OECD actually applying these rules within their jurisdictions? Because, as the Hon Dr Deborah Russell has said, in clause 44 we make reference to, basically, the commentary that agreed administrative guidelines would prevail over the model rules if inconsistent, I think. But basically saying that we will look to the OECD rules and the guidance that they provide and impart that obligation on to those multinational enterprises based in New Zealand that have over €750 million.

So just those quick questions to the Minister. How are the other OECD jurisdictions? Are they following similar to New Zealand, which is when it's a reference to the OECD rules? Or are they putting in primary legislation which is their own rules? Secondly, how many multinational enterprises in New Zealand will be subject, do they think, to these rules? And probably, just throwing it in there, what about pillar 1? Thank you, Minister.

Hon SIMON WATTS (Minister of Revenue): Yeah, thank you very much. For those that are tuning in at home, wondering what pillar 1 and pillar 2 are in regards to the Income Tax Act, you've joined at a good time.

So, in regard to the questions raised by the Hon Dr Deborah Russell, just in respect of why it has been decided to incorporate these changes by reference versus, I guess, the alternative would be through replicating that within our legislation. It's simply just driven by an efficiency mechanism and the efficiency of referencing back to the overarching rules and commentary that has been agreed is the most simplistic manner in which we want to do that.

It's important to recognise why we are doing this. This is because there are a number of countries that have agreed that in terms of the global base erosion risk that exists for multinationals, we should be looking to ensure that there is a minimum taxation rule applied. I think that's pretty sensible. I think it's important that New Zealand participates in that, and that's under what they refer to as pillar 2.

Pillar 1 is another aspect where, again, a lot of this is through trying to get alignment across a number of countries. The reality is that hasn't been reached in that regard. And in regards to pillar 2, we have the ability just to progress on that route, as are a number of other jurisdictions, and that is what we deem to be the most appropriate manner, and, actually, what I think prior Governments, in practice, would have no doubt supported in principle as well.

So I don't think what we're doing here is completely off-piste in terms of good taxation policy and procedure. I think what we've reflected and how we've done that just simply reflects an efficient way to do that.

Hon Dr DEBORAH RUSSELL (Labour): Look, thank you to the Minister of Revenue for that explanation of why we're incorporating the legislation by reference. As a departure, it is, I guess, a solution to try to amend our legislation ourselves all the time. If we tried to amend our legislation for every change in the OECD rules, we would be forever grappling with, I think, weighty tomes—you know, who knows how fat the—

Arena Williams: [*Holds up a book*] Like this one?

Hon Dr DEBORAH RUSSELL: Oh, weightier than that, I think, Arena. It would take a fair amount of work.

But then that does create a problem for New Zealand taxpayers because we are asking them, instead of being able to go to our own income tax legislation—so anyone who wants to look up tax law can go right now to www.legislation.govt.nz, and pull up the Income Tax Act and some of the associated papers and work out what the law is right now and how they have to apply it. But as soon as we incorporate something by reference, then, even if it's by reference to another set of New Zealand legislation, it takes at least two steps for someone to find their way through the particular piece of law. So we do try and keep our Income Tax Act fairly self-contained because that does mean that our taxpayers can find the information they need.

So the question, then, becomes: how is some poor, innocent, little, multinational enterprise in New Zealand going to be able to find out exactly what legislation applies to it? It needs to have a reasonably easy way to do that. We do try to minimise cost for taxpayers. Now, multinational enterprises can probably manage those costs, but, even so, it is a cost for taxpayers. So are those multinational enterprises going to have to go and hunt their way through the screeds of paper that come out of the OECD, or are they going to be able to refer to something here in New Zealand, as to what the tax law is at the date they are trying to apply it? So where can New Zealand taxpayers find the information that they need in order to comply with these global anti-base erosion rules? I can see the Minister is rearing to answer that, so I'll just sit down now and let the Minister have a turn.

Hon SIMON WATTS (Minister of Revenue): Let's make the most of this interactive dialogue, eh? So I'm pleased to let the member know that the Inland Revenue Department will be providing the guidance and links to the OECD website, to the 25 entities that meet the criteria. I think if I quote—and I must say I haven't heard this quote from a member on that side of the House for a long time—the “poor multinational organisations”, I mean, wow, a lot changes in a week in terms of that! But in terms of that, the 25 organisations that are headquartered in New Zealand that meet the definition of this are already case managed by Inland Revenue. So I can assure the member that they will be receiving, or have already received, no doubt, the guidance in terms of how they find this information. Again, this is driven—as I repeated before—by efficiency. I think we can talk around this as much as we like, but the reality is that this is a complex area of taxation, and simply by reference replication is the pragmatic way to deal with it.

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair, because I do want to follow up on something that the Minister said right then. What the Minister referred to was that each of these—I think the phrase I used was “poor, innocent little multinational enterprises”, just for reference. But each of them has a case manager working with them, a case manager at IR—at Inland Revenue. So that's kind of quite interesting because it's interesting to know whether this case manager is assessing those organisations for their compliance with the law or giving advice to those organisations in terms of their compliance with the law. So they have a case manager. Now, is that case manager going to be the one telling them how to apply the law, actually finding the pieces of law for them? Now, that's an interesting because that says that then, in fact, each of these 25 multinational enterprises (MNEs) has their own specialist tax advisor paid for by Inland Revenue. Or is that case

manager actually working in the space of looking at their compliance with tax law, looking at the complexity of the arrangements, and so on?

So there's an interesting number of questions in there, because if it's looking at their compliance with the tax law, how, then, can the multinational enterprise sort of feel sure that they are being guided to the correct place of law? There's a real conundrum here, actually. It's only become apparent to me, as the Minister spoke that we have these case managers—are they assessing the organisation, or are they advising the organisation? From what the Minister was saying about having a case manager who would be able to direct these multinational enterprises to particular pieces of OECD law, that sounds like advising, and I'm not quite sure why Inland Revenue would be in the business of providing advisers to large multinational enterprises. On the other hand, if they are assessing these entities, then how can they be sitting there and providing them with the links to the law? It's a bit of a puzzle, and I would like the Minister to clarify exactly how these case managers work and, in particular, how they are going to work with respect to this OECD legislation. We've got the model legislation; the MNEs need to know how to access it. They need to be guided to it. But at what point does that guidance turn someone who is assessing compliance with tax law to someone who is advising people on tax law? It's a bit of a puzzle, and I'm a bit alarmed by it actually.

Hon SIMON WATTS (Minister of Revenue): Thank you, Mr Chair. It's interesting—just while I was listening to the member's contribution, I did a quick Google search on significant enterprises, and it might come to the member's attention that the IRD does have a team that manages what are called entities of significant enterprise. Actually, that team existed under the last Government as well. And, you know, actually, that team's been around for a long time. So the fact that this is a surprise and that they do this is not necessarily part of this bill, but I can assure the member that this is not a new concept. This team exists, and it deals with significant enterprises, including State-owned enterprises, high-wealth individuals, subsidiaries, non-resident entertainers, etc, etc. So, again, when I stated that these companies are all case managed by IRD, that is not something that is a new concept.

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair. I know that these case managers have been in place for a long time. But the difficulty here is that when the Minister first mentioned case managers, I can't recall the exact words the Minister said, but the implication was that the case managers would be advising these MNEs—these large multinational enterprises—about where to find the law and how to apply it. Now, I don't know, but I sort of feel as though every small enterprise, every small business, in this country would like to have some easy, on-hand advice from IRD, as well. Many medium-sized enterprises would quite like to be able to get hold of some easy advice from IRD too, and when we hear about the wait times on call lines—which, you know, happens; there are a lot of people who want to talk to IRD—it just seems to me that the way the Minister has described it and the way the Minister has described that these multinational enterprises will be informed about the OECD model rules does rather suggest that these large multinational enterprises are getting their own specialist tax adviser from Inland Revenue. So this is the little point of clarity I am really asking for.

Let's take it from the top: we have a set of tax laws, and all New Zealanders—well, most people know where to go to access that tax law. But in this particular new clause that has been introduced to the bill—this new set of rules—instead of defining the tax law ourselves, it's going to be defined by the OECD. So I asked the Minister where New Zealand's enterprises could get that information from. He said that their website was linked and, in addition, these large, multinational enterprises have their own case adviser, and the implication was that that case manager would be advising them quite directly about how to apply the tax law, and that's not a service that Inland Revenue

provides to many of its clients; in fact, most people have to pay someone for specialist tax advice. So I am trying to find a little bit of clarity here on what these case managers actually do, and, in particular, I want to go back to the question I posed a couple of calls ago: are they assessing the multinational enterprise's compliance with the law, or are they advising the MNE on applying the law?

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Mr Chair. I'm conscious of the repetition, but, again, just for context for the member, this team has existed since 1994—right? This is not a new concept—that was quite a long time ago—and the concept that IRD provides a range of taxpayers with advice and support in regards to their obligations around tax is not a new concept. That is the way in which Inland Revenue provides assistance to taxpayers at all levels, and, obviously, it takes into account the needs and the resources around that.

So I don't think there's much more to be said. Obviously, if the member wants to arrange a time when I could take her through the organisational structure of Inland Revenue, then I'm sure I'd welcome that, and I could make time. Likewise, the member could just google it and have a look online at the website.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. Actually, I do want to continue that line of questioning, because, I think, I perhaps oversimplified for the committee how a multinational enterprise (MNE) actually enters into these rules. So it is a new regime. They are a multinational enterprise, not a significant enterprise. There's a slight difference, but if I hear the Minister of Revenue rightly, he is saying that they will be treated by that same investigations audit unit, which is the significant enterprises unit. So the Minister can clarify that afterwards.

But I think what the Hon Dr Deborah Russell was trying to confirm is—because there's actually a number of steps in order for a multinational enterprise to actually fall within these rules. So, as I've said, there are multinational enterprises with consolidated revenues above €750 million. But there are a couple of other tests that they need to meet. One is that that multinational enterprise could be headquartered in New Zealand or have a constituent entity, or even just a branch, located in New Zealand, so they need to take a couple of steps from that. One is that they need to determine whether or not they're subject to the regime, so that's the €750 million threshold. Then, once they've calculated that, they then need to ask themselves—well, they'll next need to determine, for each country in which it operates, whether or not any de minimis or safe harbour applies.

Then, after excluding the countries for which the de minimis and safe harbour applies, the effective tax rate in each of the remaining countries in which that multinational enterprise operates needs to be calculated. Then, the next step is for that MNE to calculate its mobile income in each country. So this involves calculating its GloBE—global anti-base erosion—income and then deducting the amount of its substance-based income exclusion, which is a figure based on the tangible assets and payroll costs in that country. Then, the final step is to pay a top-up tax to Inland Revenue that will consist of either amounts payable for foreign operations under the income inclusion rule, and amounts payable under tax New Zealand operations under the domestic income inclusion rule.

So I can understand where the Hon Dr Deborah Russell was asking—because in terms of the significant enterprise case manager—that's the unit that it's coming out of—at what point in those different tests do they actually provide compliance advice or do they provide auditing or assessment advice? Those aren't quite specific tests which are set out within the legislation.

Then, the next question, really, is: well, what about those MNEs who are actually headquartered out of New Zealand? Do they still have a case manager, even though they're headquartered out of New Zealand? They could be liable to pay a top-up tax in New Zealand if they have an intermediate parent located in New Zealand or if they have

a liability under the under-taxed profits rule. So is it that the significant enterprises case manager that they have—are they, basically, case managing the intermediate parent that's located in New Zealand, or are they case managing a multinational enterprise that's headquartered outside of New Zealand? If it is the latter, which is that they are outside of New Zealand, how does Inland Revenue, therefore, enforce that? So how does that case manager actually practically case manage, provide a right-from-the-start compliance angle, which I understand Inland Revenue use—how do they do that with a multinational who's not actually headquartered in New Zealand?

So I understand where the Hon Dr Deborah Russell is going, because there are numerous tests, and I had simplified the entry test into these particular rules, but right throughout this particular bill, there are actually more tests that you have to go through, which then goes back to the earlier point that Dr Deborah Russell had raised around the reference to the OECD rules. It's important that that clarity—and the Finance and Expenditure Committee did support it not being in the primary legislation but doing it in reference to those rules. The question then begs: OK, you've got your case manager that will do you the compliance or assessment—will need to clarify that bit; not too sure at what part of that test, or tests.

And then, if the rule changes in the OECD by reference, my question to the Minister is: I can understand why there are some benefits by reference, why you'd want it in the primary legislation, because taxpayers would have ease of access to the necessary materials, without having to locate them on the OECD website. I don't know if anybody here has actually tried to go on the OECD website. It is, actually, not the easiest website to actually navigate. Once you make sure you turn it into English, then it's even still difficult. The other reason why you could see why you'd want it in primary legislation is because they were able to have certainty when there are no other materials that they've had to take cognisance of, and then they would be alerted to changes in the rules, because those changes would be made by way of an amendment here in New Zealand, through an Act of Parliament, because there is no Order in Council ability. It's not through regulation; it is through an Act of Parliament.

So my second part of this question for the Minister is: if there's a case manager, when can, actually, the general public—anybody who is just wanting to be really involved and engaged in making sure these multinational enterprises pay their taxes under this new regime—expect, by reference, those changes to be alerted? Is there somewhere on the Inland Revenue website where that will be published; if so, how often will it be published? Obviously, I'm assuming in reference to the OECD, but what's the time frame between the OECD changing the rules and then it, basically, being updated in New Zealand, so that taxpayers in New Zealand, whether they're a multinational enterprise or they're just a general member of the public, can be aware that these rules have changed? I've been in the tax profession for a long time, and you have a lot of engaged taxpayers. I've seen a lot of correspondence to different Ministers of Revenue, and people watch this stuff. So I'm just wanting to know, for a general member of the public, as well, where can they see it on the IRD website, how often, and what's the time frame being changed from when OECD change it to when New Zealand change it? Thank you.

Hon SIMON WATTS (Minister of Revenue): Just in regards to the member's questions in regards to case management, the Inland Revenue only case manage entities that are New Zealand - headquartered entities. While there are some 800 foreign entities that operate in New Zealand, those are not within the guise, obviously, if they're headquartered overseas in the relevant tax jurisdiction, and that relevant country will manage them in their own way. So IR is focused on the ones which are headquartered here in this country.

In regards to the conversations around the—I can't help the member with the translation from French to English, but there is an icon at the top, for those watching at

home. Hopefully, they haven't tuned out, because it's getting more exciting as the night goes on, this conversation! But you can click up the top between English and French.

CHAIRPERSON (Teana Tuiono): Merci beaucoup, Minister!

Hon SIMON WATTS: We're not going to get into that, but we could—that could be quite funny. But, yes, and IRD—you know, while these rules come in 1 January 2025, IRD are working on guidance around that and will be providing proactive and regular updates of communication in regards to guidance in regards to that.

There's about a hundred pages of these rules, right? So it is a lot. We do acknowledge that these are complex, but most of these large entities that are headquartered in New Zealand do have—as the member will appreciate—quite comprehensive in-house tax capability, as well as using external support. So the relationship with the IRD is, in fact, that it is around relationship, ensuring that we work together, because the IRD wants to work with taxpayers, not against them, to support their needs in meeting the system.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. Following on from my questions to the Minister about the brightline test, which I am confident that he is working on and will soon provide me with answers to so that I can ask him about the amendments in clause 9, I would like to add one question to that, which is does the Minister intend to reintroduce, either in legislation or into Inland Revenue Department policy, the use of the intentions test?

While the Minister's considering that—and I hope he will engage with me in back-and-forth questions about the intentions test—I will explain to the committee what that is. Historically, tax legislation in New Zealand has treated gains from the sale of land or the sale of houses and real property as taxable income, where that land was acquired for the purposes of selling it. So we still do this. There is no change to that by the brightline test. That approach means that the capital gains made by property investors are taxed as income. So if you are engaged in a business where you buy and sell homes or buy and sell other land, that will be taxable income because it is business income.

However, the intentions test that IRD used before the brightline test has been very inefficient. That is why IRD sought to move away from it in the first place, because establishing someone's intentions when they're buying and selling property was, essentially, left up to the lawyers who were processing the transactions, processing the conveyancing. You had to make a declaration about what your intentions were and what kind of investor you were. Obviously, we've had some really good contributions from this side of the Chamber about the principles of tax fairness in this debate, and one of them is that you shouldn't be able to easily avoid taxation or evade taxation.

So if we were to return to an intentions test, that would represent a step backwards in terms of the efficiency of our overall tax system and a return to a system which wasn't working in the first place. Because this brightline test that the Minister is reverting to, a two-year test, was introduced by a National Government, and I'm interested in his views about whether he is returning to that policy.

Hon SIMON WATTS (Minister of Revenue): I can assure the member that we still have the intention test and, in effect, that rule is in play—that is in regards to the way in which the taxpayer and their intent in terms of what they do. Obviously, we've got a two-year brightline rule in place now, but that rule has not gone away as a result of the changes that we've proposed in regards to this legislation.

Hon KIERAN McANULTY (Labour): Thank you very much, Mr Chair. I have a question specific to the proposed offshore gambling duty in clause 89G—a series of questions, quite a few actually, but I'll ask three very quick questions now, and my subsequent contributions will be determined by what the answer is.

CHAIRPERSON (Teana Tuiono): Apologies to the member; that's not this part.

Hon KIERAN McANULTY: Then I'll hold off—but I'm talking about the Amendment Paper, which refers to this part.

INGRID LEARY (Labour—Taieri): Thank you, Mr Chair. I would like to just pick up on where my colleague Arena Williams left off, to ask the Minister about, really, what are the policy objectives of the interest deductibility changes and the changes to the brightline test? There could be a number of policy objectives, depending on who the stakeholders are.

Perhaps it's about warm, dry, and affordable homes. This is an issue that has plagued New Zealand for a really long time, and it was a perennial question over previous decades, and actually got to the point where the housing market was just so overcooked that, at one point, the Government and Opposition, when we were on different sides of the House, not the current sides, had agreed to come together to say this was a really wicked problem—it was something that was fundamental to all New Zealanders. It was around health, it was around housing—

Hon Member: Is this to do with Part 2?

INGRID LEARY: Yes, absolutely it's around Part 2. And it's great to see the member interjecting and participating in the debate, because I do have a number of questions, and so do my colleagues. But that could be one of the things: is it about warm, dry, affordable houses?

Is it about supporting sustainable house prices? And I say this in reference to the fact that the Reserve Bank's mandate has had that stripped away. So, previously, that might have been something that was embedded in legislation; now, I don't know if that's in his thinking, and I'm really keen to know that, because having stable house prices is fundamental to economic stability. Is it about having a housing market that responds to these market pressures? Is it about giving tax breaks to landlords? And that is a genuine question, because I have heard in this House a statement from the leader of the Government, the Prime Minister, to say that this is actually about putting downward pressure on rents.

When we think about what is happening here, landlords will be able to claim 80 percent of the interest that they will be able to deduct off their tax bills by the year ending 2025. It will be 100 percent by the end of the year 2026. And, when I look at the regulatory impact statement (RIS)—the RIS that was produced by Treasury at the end of 2023—it actually said that we needed to look at options between the brightline test being five years, right up to 20 years. And it looked at what would happen if we reduced interest deductibility and the brightline test, and it said, actually, it could put upward pressure on rents.

So that flies directly against what the Prime Minister has been saying multiple times in question time in the House about what the reason for doing this is. And, if we look at our house prices in New Zealand relative to the OECD, they are very high. The Treasury RIS in 2023 said that tax settings are not the primary driver of housing affordability; current tax settings incentivise investment in housing. It also went on to say, in the context of constrained supply, lightly taxing housing relative to other forms of income would lead to higher property prices than would otherwise be expected.

So my question to the Minister is: when we look at what the purpose of this is, what is the policy objective? I want to know which stakeholders he has considered and which stakeholders he has consulted with. Those stakeholders could be people who own houses already. Perhaps they are mum and dad investors. But perhaps they are large multinational investors, which we've heard about from my colleagues. Perhaps they are renters, and so if they are renters, does he honestly think that the trickle-down theory of economics is going to put downward pressure on rent? Because, if so, I'd really like to hear his explanation of how that is going to work when all the evidence and all the commentary

that is coming out through the media, through academia, through people who work in the market, is that this does not work.

When he's looking at the stakeholders, is he thinking about financial stability? Is he thinking about regulators, like the banking sector, especially now that the dual mandate has been taken off the Reserve Bank? What thought has he given to economic stability and the kind of impact that this type of policy and this type of setting will have on them? Has he thought about the NGO sector, who are commentating on this market? These are all stakeholders, and so when I look at that—[*Time expired*]

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Mr Chair. Well, quite simply, the answer to the question in regards to what stakeholders were consulted in regards to this, is, in effect, the New Zealand public, because we actually campaigned on this as part of the election process. So I'm pretty confident that the New Zealand public are, and were, aware around this, and this was something that we spoke about a lot and for quite a long period of time.

The reality of what we're doing here is returning the ability to claim a deduction in regards to interest paid, back to the rules where that was allowable. Obviously, the previous Government changed it, and that's the discretion they had as a Government. This coalition Government has decided that that is not what we want to do. We want to, in effect, reduce the upward pressure on rents, and by making these changes, which we clearly signalled going into the election, the ability to deduct also ensures that we've got consistency in terms of the ability to take a deduction with other aspects of business and within the tax system. So there is a simplification, a consistency element to it—well consulted, well discussed, well signalled—and the reality is, in regards to the overall impact around the rents, it is our view that when we reduce cost burden out of the system, that will reduce upward pressure on rents.

Obviously, there are a number of factors that go into the rent aspect. Obviously, the supply of housing is another key component, and we have been clear to say that there isn't a single lever or single correlation factor that is at play, but we do believe it is a factor that will reduce that pressure as part of the overall mix of initiatives that we're undertaking as a coalition.

CHLÖE SWARBRICK (Co-Leader—Green): Thank you, Mr Chair. So we've just heard a really interesting argument there, laboured by the Minister of Revenue at successive points throughout this debate tonight and by the Prime Minister and other members of the Government, and that is that the reason that we are currently debating this is because of the fact that it was taken to the election and, therefore, it has been widely consulted, and the Government has the mandate to just do carte blanche what it wants.

So I feel like this is an argument that needs to be properly unpacked, because the question needs to be put to the Minister, particularly at this stage, while we are working through an Amendment Paper—formerly known as a Supplementary Order Paper—to the primary legislation, therefore meaning that we have not had the ability to have due scrutiny, as is usually applied to all legislation through that select committee process and the usual processes of first reading and otherwise, and we are seeing this introduced right now.

So my primary question to the Minister is: why is he introducing this inordinately expensive policy with regard to these changes, particularly for interest deductibility, but also those for the brightline test, at this stage, through an Amendment Paper, through formerly what is known as a Supplementary Order Paper, at the committee of the whole House stage, without the opportunity for us to have proper public input?

Is it genuinely the position of the Minister, is it genuinely the position of this Government, that they believe that their mandate from the election gives them carte blanche ability to shove things through without due public scrutiny and process? Or is it

the case that perhaps he was a little bit concerned about some of the things that economic commentators and economists themselves might say were this to go before select committee, namely the trade-offs that this Government is making when it comes to paying for this \$2.9 billion policy at the cost of many other things during what they themselves campaigned on—this cost of living crisis?

So, firstly, that question on this vehicle: why did the Government not wait and introduce this in a taxation (annual rates) bill subsequent to the May Budget of this year? Why did it need to be shoved in now through this Amendment Paper to this bill, which was introduced by the former Government and has already been through that select committee process? Are they afraid of the democratic process and input of people at that select committee and the feedback that they might have received?

Now, there are two other areas that I want to explore here, which I would really love some feedback from the Minister on, so I hope that he's noting these down. The first: with regard to the brightline test changes, has the Minister seen any modelling on the uptake in potential property speculation as a result of this clause? That's a key question to the Minister. Has there been any modelling whatsoever, either that he's been provided with or that he's asked for from his officials with regards to the impacts or potential impacts of property speculation?

My second question on the point of the brightline test for residential land changes: has the Minister seen advice from Treasury which, and I quote, "considers it unlikely that landlords will pass on the tax change through lower rents in the short run as the stock of housing is fixed"? And could he please share that with the committee—that is, what evidence is being used to support claims that this clause will put downward pressure on rents if the stock of housing remains fixed? Because, again, we've heard a lot of weight placed on this "could".

To the second area of questioning that I'd like to get into, that of interest deductibility, some really important questions here. The first is that given that interest deductibility is already available for new builds under the changes that were made under the previous Government, has the Minister got any advice whatsoever or has he considered how making it deductible across the board will actually remove the relative incentive for investment in new supply—a really critical point there with regard to new builds.

Second question under the point of interest deductibility: has the Minister considered advice from Treasury when interest deductibility was first limited, including such advice as—and I quote—"In general, the Treasury supports limiting interest deductions for residential property primarily because it addresses the Government's demand-side housing objective of moderating prices."; if so, can he confirm or explain how clauses 21D(b) and 21D(c), set out on Amendment Paper 20, won't then have the opposite effect and lead to an acceleration of house prices, in turn making housing more unaffordable?

CAMILLA BELICH (Labour): Thank you, Mr Chair. It's a pleasure to be able to take my first call on this particular bill before the committee. Apologies to everyone in the Chamber, really, that my desk is such a mess. The reason it is is because this is an incredibly complicated piece of legislation and fitting it all together has proved quite a bit of a challenge.

But I do want to talk to Part 2, and specifically to the Minister's amendment to clause 9 in relation to the brightline test and the changes that the Minister wants to bring in on this. This is a really big change, and we know that this brightline test has previously been a shorter period of time when it was first brought in by the National Government. But what I wanted to ask the Minister is: why is he changing the brightline test back to two years? Did he consider the impact that constantly chopping and changing with periods of time under the brightline test has in the view of people's understanding of how the housing market

works and their obligations in relation to taxation? Because to me it just seems that there hasn't been a lot of consideration for this particular policy.

I did look into the definition around main home exclusion, and it is actually quite complex. What I would like to just check with the Minister is: has he considered how this will be actually put in place, and whether there are, in fact, additional clauses that he should have perhaps looked at when changing this policy back to two years, because what is a main home? That is a question that I would pose to the Minister.

When I looked at the legislation to try and address this, I was unable to find the definition of a "main home" in the statutes which we have in the Chamber here. There is a slip which says that a definition has been inserted, but the definition is not there, so I couldn't use that. I had to look up the main definition on the legislation website, which was cited before by my colleague the Hon Deborah Russell, and the main home is considered to be—the first definition, and it's under, I think, Part Y of the Income Tax Act. Goodness me, this is a large Act, and certainly makes the deliberations that we are making today complex, especially because, as others have mentioned, we are not in an urgency process but we are in a position of being in extended hours and we are in a position of having this substantial change to the taxation regime in New Zealand being brought about through an amendment that the Minister has put forward at committee stage, so there isn't a lot of time to look at the scrutiny of this.

But I have attempted to, and what I would like to go through with the Minister and have his thoughts on is: is the definition of "main home" in the primary piece of legislation fit for purpose? Obviously, this has a huge impact on how the amendment on the brightline test is put forward. Just to go over that main home test, because, as I said, it was extremely difficult for me to find that; I couldn't find it in the principal legislation. But online, it is that it is used as a residence by the person, a home, and is the place which the person has the greatest connection to, if they have more than one home.

Well, that seems a not very specific definition to me. It does seem to be something that could be a little bit subjective in terms of which is the main home and which isn't, and when it comes to the brightline test, of course, this is key in deciding whether there is taxation that is actually going to be due on this particular property. I would put it to the Minister that the period of change between 10 years and two years is exceptionally important when considering that, because a 10-year period, when looking at someone's main home, is a much longer period of time in which to ascertain which is their main home or not.

An example that I just read in the Sunday paper is that the Minister himself only spends two nights a week in Auckland at what I would consider his family home. I use that by example to the Minister to say that a two-year period is actually a very short period of time to make that assessment. Ten years is, obviously, going to make it a lot easier to actually ascertain which is the main home. Did the Minister consider looking at that when he was putting this bill together?

I want to just briefly touch on the Treasury response to some of these brightline changes, because I do think that they're incredibly important, and I'm aware that I don't have a lot of time left in this call, but if you would indulge me to just briefly go over some of the changes that—*[Time expired]*

Hon SIMON WATTS (Minister of Revenue): I'll assist the member with some answers to some of those questions. The IRD guidance in regards to the definition of a "main home" has the same definition as was originally the case in the legislation, and the definition can be found on the IRD website and it provides some clarification around that. The same definition exists as it was originally.

Camilla Belich: Yeah, did you think of changing it?

Hon SIMON WATTS: No, the decision to keep the definition the same was the decision that we stuck by.

In regards to the brightline test questions by the member, there are a number of aspects there. We've actually made some changes to this where, actually, there is now just one test. Previously there were more than that, and so that simplification aspect is now part of that.

The question that was being asked—and we covered this a little bit before around the intention test, and I think it is a fair question. The intention test still exists, and so, in effect, it'll still catch those property developers that have an intent to develop properties. So those speculators that fit within that definition will still be covered under the intention test beyond the two-year period. So, in effect, that's not going to allow them to get out of their obligations in regards to that.

The other questions were in respect of house price impacts. Yeah, look, the reality is there's a huge degree of uncertainty in regards to the implications of this on house prices. I'm not going to make any other comments other than to acknowledge that there is a degree of uncertainty. However, there are a number of factors at play which drive that price, and we have embarked on a significant programme around increasing housing availability, and it's a key priority for this coalition Government. So there is a number of factors, as the member will be aware, that implicate into the house price conversations. The other aspect around deductions around new builds versus non - new builds—in effect, you know, quite simply, we're flattening the overall playing field, and there is a consistent rule in regards to those properties.

And interest deductions as well, which was asked. So the reintroduction of these deductions is from the 1 April 2024, and the questions I think that were raised before in regards to “Why aren't we doing a separate bill?” and, you know, all of that stuff. The reality is we made a commitment around ensuring that they came into that effect, and, therefore, by virtue of the timing that we wanted to bring this law into play, it needed to be included as part of this current bill in this current legislation that we're discussing.

TOM RUTHERFORD (National—Bay of Plenty): I move, *That debate on this question now close.*

Hon Dr DEBORAH RUSSELL (Labour): There's a long way to go on this debate. I just want to run through the topics that are addressed in Part 2 of this bill. There are the global anti-base erosion (GloBE) rules, and we've had a bit of discussion about that, though I still have some questions on the GloBE rules. There are a whole set of changes to the trustee tax rate which are pretty important and we need to go through those as well.

There's some really significant changes around the tax treatment of ACC lump-sum payments—we'll want to have a good discussion about those. We haven't had any questions on those yet or on the trust rates yet, and we do need to spend time on it. There's some pretty significant rollover relief in respect of the North Island weather events. We do want to talk about that and why it's important and make sure it's covered. Then there is some other stuff on overseas donee status. There's some changes around the extra pay on termination. There's some changes around gift-exempt bodies. So that's just all in the bill as it was presented, the original bill. And some of those topics are actually really important for us to keep on discussing.

I think we're going to have to settle in for quite a long night, because that's just in the bill, and that's leaving aside the Amendment Paper. And we've had quite a bit of discussion—already some discussion on the brightline test and on interest deductibility. Now, I want to talk on both those topics as well in due course. I do just want to finish the questions I have on the GloBE rules. And there's also some rules around building depreciation, which is sitting in that Amendment Paper, and some really interesting changes around trading stock disposals.

So those are pretty significant changes. So, by my count, that's one, two, three, four, five, six, seven, eight, nine, 10, 11 pretty major topics that we will want to talk about. So I sympathise with the Minister, but tax bills are dense and complex, and they are incredibly important. This is where the Government asks people to make a contribution to New Zealand, to the way we build our society, to the way we fund the things we like to fund.

Hon Erica Stanford: What's the question?

Hon Dr DEBORAH RUSSELL: They are not minor or trivial bills and we do actually need to discuss them in full. I notice the member over there interjecting. Perhaps she would like to take a call herself.

Hon Erica Stanford: Get to your question. Stop fluffing around.

Hon Dr DEBORAH RUSSELL: How very rude. So, having gone through the information about what we need to talk about, I do want to revert to the GloBE rules. And there is a particular question there. I just noticed as I was reading through this again. I want to direct the Minister's attention to clause 44. I'm looking at the new section HP 5. If the Minister's looking for it, it's on page 57 to help him to find where he needs to go on that one. In particular, there is a term that is introduced there. It's introduced by reference to the global anti-base erosion model rules, and it's the term "a fiscal year". Now, I'm familiar in our tax law with the term "tax year" and I am familiar, of course, with the term "income year". But I'm unsure if I've seen the term "fiscal year" in our tax legislation. Now, I'll have a quick look for myself, but I don't think it sits in our legislation.

So what I would like the Minister to do is just to talk a little bit about what that fiscal year is. Now, I know it's defined in the OECD model rules, but I would like to understand that term "fiscal year" and how it differs from the terms we commonly use: tax year and income year. They're different concepts. I'm pretty sure it's a pretty standard meaning, but here is a new term entering our legislation. I would like to understand what that term actually means. So I think that might be almost my last question on the GloBE rules before we move on to another tack, but we'll see how we go.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. I want to continue my questioning in relation to the global anti-base erosion (GloBE) rules, and, really, these are probably the last couple of questions I have in relation to that part of Part 2. Just for Part 2, for the GloBE rules—unless you want me to recount this again to the committee, because the members over there kept interjecting and they must have missed my first couple of speeches—

Hon Member: No, we're just waiting for some new material.

Hon BARBARA EDMONDS: You want me to continue? So if I go to clause 71D, clause 71D, for that member over there, allows—there was a change that was made in an explicit reference to section 91C of the Tax Administration Act, giving the commissioner the power to make binding rulings on the applied GloBE rules. So this is quite an important change that was made, and I want to ask the Minister for the policy intention around the particular change around binding rulings. There are a number of different rulings that taxpayers can apply for, and the tax rulings, basically, are the commissioner's view and they can provide certainty for that particular taxpayer, whether it's a public ruling or whether it's a binding ruling on one specific taxpayer. Basically, it's certainty around the tax treatment of a particular arrangement or a particular treatment of a way that a taxpayer has basically said, "I'm going to treat X like Y. Is that all right?", to the Commissioner of Inland Revenue.

So there is a new binding ruling power that has now been given to these multinational enterprises, and the thing that I wanted to ask the Minister is whether—and it's something that we in the select committee probably should have picked up. Given the

value in the threshold in which these multinational enterprises actually enter into this regime is quite expensive—basically, €750 million—has the Minister received any advice from officials or asked officials for any advice around the actual application fee if there is any form of binding ruling?

These are multinational enterprises who have significant amounts of money, and to, basically, do a binding ruling on—as the House would have heard earlier today—the different tests that a multinational enterprise has to step through, I would consider that that would take up a lot of resource for Inland Revenue, for that significant enterprises unit. I do understand that under the coalition agreement with one of their parties, they are going to increase audit and investigations and provide extra funding for them, but I would have thought that the binding rulings, which are actually held through another part of Inland Revenue—if I can remember rightly, it was just sort of like the office of the chief tax counsel. I don't know if that's the name of the title in law. Was there any consideration given to increasing the fees for that binding ruling, given the large amount of quantity and volume of money that is, basically, just the entry test to get into it? Obviously, these multinational enterprises will be earning a lot of money across the world, so has there been any advice that the Minister has asked for from officials as to whether the actual application fees for binding rulings should be increased?

I'll ask the Minister that particular question, and then my second question actually goes to the discretionary penalties. So the discretionary penalties were, I think, around \$100,000, and the select committee had, basically, debated around—you know, that seemed like a large amount of money. But, again, we fell on the aspect that the multinational enterprises are quite large multinational companies and entities. So, included as part of the bill, there was an empowering assessment provision for discretionary penalties in clauses 71B, 72C, and 72D. Again, I just wanted to just ask the Minister, because in select committee, yes, we do have access to officials, but it's something that has probably come out just through this particular debate and in speaking about the difficulty of the test to get into this regime. Has the Minister actually looked at a different type of scaling, or a different type of—you know, if their enterprise revenue is like over \$1 billion—

CHAIRPERSON (Teanau Tuiono): Could I invite the member to make the links through to Part 2, because parts of this are linking through to Part 3. But if there are links, it would be good for the committee to know.

Hon BARBARA EDMONDS: So just the question for the Minister is whether he has looked at the scaling of those penalties, because the select committee did introduce—it was OK with \$100,000. But I ask whether the Minister has received any advice from officials around the scaling of those penalties.

Hon SIMON WATTS (Minister of Revenue): I'll just answer a couple of those questions, as they were asked. The conversation from the Hon Dr Deborah Russell in regards to the definition of a “fiscal year”—the actual definition in regards to that, for the purposes of this legislation, is actually defined in the OECD rules, so that's that location. The fiscal year is obviously the 12-month period that will differ depending on a company or Government's structure. So, in a New Zealand context, for those people that are still staying with us and watching this at home, the New Zealand Government's fiscal year is from 1 July to 30 June, and that's what you refer to as a “fiscal year” versus, obviously, a calendar year, or other aspects like that. So, really, it depends on the relevant balance date for the entities.

In regards to the Hon Barbara Edmonds' questions around the binding rulings regime, it's the same binding rulings regime that applies in this case, as it does with other aspects. I know that the Finance and Expenditure Committee did consider this, and, obviously, that's included in the select committee report, so I won't repeat it.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. I have a number of questions which the Minister of Revenue has not answered. I'm going to ask different questions. I need those answers for my amendments to Part 2, particularly to clause 8, the second amendment on my Amendment Paper in my name, and to clause 9, the first two of the amendments which I have not spoken to yet. The questions that I posed to the Minister was the original intent of the brightline test and whether he had taken advice on the difference in achieving that policy intent that was introduced by the National Government in, I believe, 2015; between the difference in two years and 10 years. But I'll ask him these specific questions—and there are three—to help me clarify whether the amendments are still relevant.

The first is: has the Minister received advice that since the changes made in 2021 were made—being the extension of the brightline test to 10 years and interest deductibility—first-home buyers have significantly increased their share of the housing market at the expense of investors, and what was the effect of the Government's support for rapid increase in housing supply in that period as compared to the effect of the rules change?

The second question I have for the Minister is: has he received advice about the Reserve Bank's lending data showing that during the period between August 2014 and October 2017, first-home buyers' share of total lending averaged 12 percent and investors' share averaged 29 percent, and since the announcement of the brightline test extension and removal of interest deductibility in March 2021, the share of first-home buyers has averaged 20 percent, and, as of July 2023, that share was 25 percent? I ask that question because the share of total lending going to investors fell in that period to an average of 17 percent.

And the third question I have for the Minister is: CoreLogic data on the types of buyers in the housing market in New Zealand show that mortgaged multiple-property owners—so those are property owners who we might consider to be property investors, investors who are making money out of capital gain on property—the share for them of property purchases reached a peak of 29 percent in early 2021, before the two rules were introduced, and has fallen in June 2023 to 20 percent. Is the Minister aware of that? I ask him because when he is providing the House with his policy rationale for a change from 10 to two years, it's important to understand whether the Minister took advice on the impact of the change for first-home buyers as a proportion of the market as compared to property investors.

HELEN WHITE (Labour—Mt Albert): Thank you, Mr Chair. I'm just going to ask about a couple of things. I actually do want to indicate that there's more than that that worries me and that I'd like to ask some questions about. But the first is actually about the tax treatment of people affected by the North Island floods. I can see that there has been a decision to extend the deadline until April of this year, and I'd like to ask the Minister whether he's considered whether that's actually long enough in the circumstances. It's quite complex going through that situation. It's actually something I'm seeing on the ground, that people are very confused about what they are entitled to etc. So my understanding is that while there's some relief here, which means that, for example, if you are bought out, the treatment of the money, if you are going to put it back into another property, will be spread over five years. I am concerned that that process is taking longer than anybody would like, and I'm concerned about that issue about how we arrived at that date. I know it was extended, but obviously it's a moving feast.

I'd also like to know about the comment that I've seen that there's future policy work recommended in this area and whether the Minister has any concern about that, because my understanding is that this waiting until one of these bills comes out every year when we have an event—and, basically, reinventing the wheel each time—is seen as a problem. And I would like to know whether it was possible for the Minister to, in this

particular legislation, look at something that was more generic. How far are we along the pathway to something that would work in more than one circumstance? I'd also like to ask about something completely unrelated, which is—

Hon Dr Deborah Russell: No, no, no. Don't.

HELEN WHITE: What?

Hon Dr Deborah Russell: No, nothing.

HELEN WHITE: I'd like to ask about de minimis tax, because—[*Interruption*] I thank you. I'll sit down.

Hon SIMON WATTS (Minister of Revenue): Thank you very much to the member Helen White for those questions. The member raises good points in regards to the implications and the uncertainty for those flood victims. The decision to extend to April was based on official advice, and we believe that that will provide the adequate amount of time for those matters to be dealt with. For those that know people that are impacted by that or for those that are watching that are impacted by that, I would encourage them to get in touch with Inland Revenue as soon as practical in order to ensure that the department is aware of their specific issues. But, as I said, the date extension is an extension and does recognise that that is a complex area.

I think the previous question in regards to the implications of the interest deduction rules in regards to investor activity and first-home buyers—the aspects that have been cited acknowledge that there is some evidence to suggest that investor activity actually reduced in the housing market, relative to the first-home buyers. I think some of the aspects that the member Arena Williams noted are correct. What is challenging, though—and I think the member would also acknowledge that this is a complex system and there isn't simply just one aspect at play here. But the other aspects at play also included, at that point, the Reserve Bank changes around to loan-to-value, there was also the implications in the changes around the Credit Contracts and Consumer Finance Act legislation. So, while the member's right to cite that there was some change in that, to definitively say that that's the result of one aspect over another is hard to quantify.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. Following on from the Minister's answers, I have just some quick questions to follow up. The first is: what is a good proportion of first-home buyers in the market, and what are his aspirations for the number of first-home buyers who can secure a first property under the legislative settings that he seeks to introduce tonight?

My second question is: if it is, as he says, unclear whether the legislative changes in 2021 did not cause the number of property investors within the market to fall from the peak in 2021 down to 20 percent in 2019, then how will he continue on those factors in the legislative settings that provided for that slide in the proportion of property investors in the market?

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair. First of all, I'd just like to thank the Minister for tracking down that definition of fiscal year. It sounds remarkably like an income year, but I can see why it needs to sit with the fiscal year definition.

We've sort of gone through about four of the 11 major topics that there are within this bill and the Amendment Paper. There's still more to be said on interest deductibility and on all sorts of matters. So I'll take the question I have on interest deductibility first, and then I do want to come back and start looking at the trustee tax rate changes. I guess it's a somewhat theoretical question, maybe. The rule, of course, for getting a tax deduction is that in order to be able to claim a tax expense, it has to be incurred in the process of earning income or incurred in the process of running a business. But there's a pretty clear nexus between: in order to get that tax deduction, you have to be doing something that gets taxed as well. And that's a fairly straightforward point.

One of the problems around investment in residential rental properties is that a large part of the income that people earn from them is capital gains, and, in fact, untaxed capital gains. So when people claim interest deductions against residential rental property income, what they're doing—well, they're paying interest, sorry. Partly they're paying it because they're earning assessable income of rent, but partly they're paying it and they're earning untaxed income in the form of capital gains. Now, traditionally, people have been able to claim an interest deduction in full. And part of the reason is that it's pretty hard to prise apart which part of the interest deduction relates to the rent and which part relates to the capital gains. So it's always been hard to apportion between the taxed income and the untaxed income. So the rule has been to claim the full amount; basically, it was concessionary—it was a concessionary treatment.

It got flipped back the other way under the interest deductibility changes that were put in place by the previous Government. So it flipped the other way. There was a portion of those interest deductions that relate to untaxed income, so the entire amount was disallowed. Except the interesting thing is that if a person was caught by the brightline test—so they paid tax on the capital gains—then they could claim the interest deductions as part of that tax calculation. So there was a whole lot of consistency there around the treatment of interest deductions.

Now, by reverting to the old practice of allowing the full deduction—well, it's going to be 80 percent in the next tax year and then a full deduction in the following tax year—in fact, the Government is reverting to the practice of giving a really concessionary treatment with respect to interest in comparison to other sort of regular expenses that people incur with respect to a residential rental property, such as insurance or rates and so on. So I just want to hear from the Minister whether they considered some form of apportionment, some way of trying to assess what part of the interest deduction was related to the untaxed capital gain and what part was related to the taxable rental income. It goes to the consistency of the treatment of other expenses, which always have to have that nexus with income. In particular, the rule is, really, no deduction unless you're earning taxable income. So it's a little hard to see the justification on a theoretical basis, as well as all the practical implications that my colleagues have talked about of allowing those interest deductions again.

I'd like to submit that, actually, the previous Government's treatment of it by allowing the tax deductions when the person paid a tax on the capital gain was actually a rather more consistent treatment of interest; and, in fact, was the better treatment. So just from a tax theoretical point of view, the better treatment would be to disallow those interest deductions.

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Mr Chair. In regards to the member's question around the capital gains aspect in regards to the interest deduction—I mean, in effect, what we're doing here, in regards to allowing an interest deduction on residential property, is no different to what is allowed by someone that undertakes an interest deduction on a commercial property, which was allowed under the previous rules, or likewise for a farm, for example, that is a similar entity that may be funded proportionately by debt and equity. So, you know, what we are simply doing here is driving a degree of consistency in regards to the overall way the tax system is, so that allows that deduction to be taken. And I don't think the point that the member's noting, in terms of the inconsistency, is relevant. So I've given just two examples there of where the aspect is.

I think it is also important to note that in regards to the ability to take that interest deduction, under the prior Government's rules, the deduction for interest in regards to residential property, even in circumstances where the property did not achieve or obtain

a capital gain, was denied. So the inconsistency of that tax treatment is what this coalition Government are looking to resolve.

I just wanted to go back to the different member's question—I think it was Helen White's—in regards to the storm implications. The Finance and Expenditure Committee (FEC) did agree as part of its deliberations—the question was “Why”, about the date, and “Is the date adequate?” The FEC did deliberate and consider that date quite considerably. The position of 30 April 2024 was the position of the select committee, that they determined was an appropriate date—hence I think I've covered those points and now I'm starting to repeat.

Hon KIERAN McANULTY (Labour): Thank you very much, Mr Chair. I had some questions in regards to the proposal in here around the brightline test, and I note the Minister has touched on this a couple of times. But what is of concern is that I actually don't think that it's good enough for the Minister to simply say that we're bringing it back to how things were originally.

Well, of course, a lot has happened since then, and we have a lot more information available to us. And my question is specifically around the advice that he's receiving, given that even in their own documentation that's provided here, Treasury not only suggests that doing what the Government's proposing is the wrong idea; Treasury proposes that they push it out—they push it out to 20 years, because what they recognise is, as is intended with a brightline test, it discourages speculation in the market. And that is particularly the case when coupled with—as has been mentioned—interest deductibility. But, specifically, we're talking here about affordability of homes, and in doing what the Government is proposing, it will do the reverse of what the justification was and the rationale behind bringing it in in the first place—even albeit for two years—right when the housing crisis was really getting going, to try and discourage speculation within the market. Then, as it continued, the rationale was to push it out.

So I want to know from the Minister, you know, a bit more detail, please, than what he has been giving up until now is—I get it. He said that he wants to bring it back to what was originally intended—we understand that—but I think the committee deserves a bit more. In light of the advice that's here in the information that's provided in front of us that says Treasury recommends a brightline test of 20 years and outlining the benefits not only for our house affordability but other reasons as well, why on earth is he not only going in the other direction but absolutely dismissing the advice that Treasury, their own department, who presumably played a massive role in the development of this bill, has put in this document?

Hon SIMON WATTS (Minister of Revenue): Just responding to the member's questions in regards to the Treasury advice, I mean, as the honourable member will know, there are circumstances where departments don't always agree and they come from different perspectives in regards to the application and implementation of that policy. But as I've noted, I think on three occasions, in regards to questions on a similar matter in regards to this test, the intention rule will remain and does remain within the legislation. The point of the intention rule is to ensure that if it is the intent of the property speculator in order to develop that for the purposes of making a gain, then they will be captured, even if that period of time exceeds the two-year limit. So that hasn't gone away. That remains in place and will be able to capture the aspects in regards to property speculators and that.

I think the other point to acknowledge, and a key focus of this coalition Government, is to reduce the compliance burden on taxpayers. We're wanting to actually get a more productive economy. We want to get a more productive country, and one of the ways that you can derive a more productive country is by having a more efficient tax system. And with all these inconsistencies, a 10-year brightline test in itself derives significantly

more compliance and cost on business than a two year. You don't have to travel too far to get feedback from a number of experts within the tax field that acknowledge that a 10-year brightline versus a two-year derives significantly more compliance costs. And on this side of the House, we are focused on making life easier for people to be productive in our economy, to earn more income, to hire more people, and to ensure that that flows to those that need it most.

CHAIRPERSON (Greg O'Connor): Look, at this stage, I'll just indicate to speakers that there has been an indication of a lot of new material to come. We're looking forward to hearing it, and a new speaker speaking about a topic that's already been spoken about does not constitute new material.

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair, and thank you for that direction. In that case—

CHAIRPERSON (Greg O'Connor): No, it's not a direction; it's just an observation.

Hon Dr DEBORAH RUSSELL: An observation, Mr Chair. I do want to move on to one of the other really significant measures in this bill, and there's quite a lot to talk about it, with respect to it, and that is the changes to the trust rate. Now, the trustee tax rate at the moment is 33 percent but in the bill as drafted, the trustee tax rate—applying from 1 April next year, provided the bill goes through in time—will change to 39 percent. That aligns the trustee tax rate with the top personal income tax rate.

But, of course, trusts are set up for many purposes and, in some cases, trusts are set up for people with disabilities. There were many submissions on it but one of the things that changed as the bill went through the select committee process was a change to enable a particular rate for beneficiaries of trusts for disabled people. Now, the trustee tax rate for a trust that is for a disabled person at the moment is set at 33 percent; it was thought that 39 percent was overreach. A lot of submissions came in on that and the select committee agreed with that, and the trustee rate for beneficiaries of a disability trust was set at 33 percent.

I want to direct the Minister's attention to clause 39, inserting new section HC 39(2). It talks about who can be included in a beneficiary trust. It has to be one or more beneficiaries who are all disabled beneficiaries. What I want to ask in the first instance is: if we have a trust, why isn't it possible to have non-disabled beneficiaries of that trust as well? So this trust has got a pretty tight definition; the beneficiaries have to be disabled persons. But why can we not have non-disabled people who are beneficiaries of that trust as well?

Related to that, of course, people with disabilities may be beneficiaries of other trusts. So we can imagine a situation where a person with a disability is the beneficiary of a disability trust, or a disabled beneficiary trust, but they might also be a beneficiary of another trust. Who knows what it might be; it might be a family trust, it might be a trust that owns a business and the business operates through the trust structure, and so on. There are many sorts of trusts or trusts used for many purposes. A disabled person could be the beneficiary of a disabled beneficiary trust but they could also be a beneficiary of other trusts.

So, in respect of the disabled beneficiary trust, they would have a tax rate of 33 percent, but if they're a beneficiary of another trust, has consideration been given to allowing some of that trustee income to be taxed at that lower tax rate which is sitting in there for disabled beneficiary trusts? I hope the Minister can see the question I'm asking, and it is: if we're trying to ensure that a person with disabilities is taxed at an appropriate rate—done through a disability beneficiary trust—then why not for other trusts of which they happen to be a beneficiary as well, just because they're not disabled beneficiary trusts.

Hon SIMON WATTS (Minister of Revenue): Yeah, no problem. I think I got a handle of what was being outlined there. It seemed like a quite a complex web of trustees

and beneficiaries but, quite simply, the definition in regards to what is qualifying within a disabled beneficiary trust is that the person must be disabled and there is a definition in regards to that, within the fact they need to be in receipt of a child disability allowance, a supported living payment, disability allowance or a jobseeker health conditions and disabilities allowance for longer than six months.

The simple reason—to the member’s question around, in effect, the ability for someone who is not disabled and why they can and can’t be in that—is that the rules are set up to ensure that non-disabled persons don’t, in effect, benefit from the exemption that we have provided. I think that’s not unreasonable. The exemption that the select committee thought through and worked on pretty extensively—and I understand there was a reasonable number of submissions from stakeholders in this regard and the select committee landed with some modifications and amendments to the original bill—but I think they landed in a pretty sensible place and the tyres were kicked pretty hard in this area that, you know, the trade-off is that the ones that need to benefit from this exemption are those that are disabled, and those that are non-disabled should not be able to benefit.

CATHERINE WEDD (National—Tukituki): I move, *That debate on this question now close.*

RACHEL BOYACK (Labour—Nelson): Thank you, Mr Chair; thank you for the opportunity to take a call on this bill. I want to pick up on a new line of questioning for the Minister of Revenue, which specifically looks at what the legislation and the Finance and Expenditure Committee report has called the North Island weather events “rollover relief”. The reason why I’m raising these questions with the Minister is partly in my capacity as chair of the Governance and Administration Committee—a very fine committee—this is an area of work that we have been exercised with since the Auckland floods, Minister, and I’m quite interested in finding out some more information about these particular changes.

Further to that, as the MP for Nelson, what I do want to just understand further is the advice that the Minister received from officials to take that application for landowners and property owners in the North Island and then apply that to the Nelson floods. We have had some property owners affected in a similar way through the Nelson floods, so I am interested in asking the Minister a couple of the questions that I have.

So the first is what I would quite like to understand in a bit more detail, because as the Minister and members of the House will know, I do enjoy my plain language, so I’m interested in what “rollover relief” actually means, because it does sound just a little bit jargon-esque. I think, for those who are listening in to the debate tonight, I would be interested in what that “rollover relief” actually means. And I’m particularly keen just to find out more around what the cost of this will be for Government, if Government has had the opportunity to assess what the cost will be to add further relief to homeowners. Because what it talks about in the select committee commentary is to look at both insurance payout components but also the brightline test and the implications of brightline test changes potentially not being applied to homeowners in the East Coast who were affected through the floods, but also to my constituents and Nelson.

I’m also interested in whether this has also been considered for property owners in Auckland. I think it’s important to note we had the two events. Sometimes there is a conflation of the two events that occurred last year, but we just want to be really clear that we’ve got the Auckland floods and then we’ve got Cyclone Gabrielle. So just looking at the commentary in the select committee report and just wanting to understand a little bit further from the Minister around the advice that he received, just to ensure that we’re covering off property owners both within that Auckland area, who had the Auckland flood event, but also those from the East Coast.

What it does seem to—you know, just my observation is it does seem that we have a range of ad hoc measures for each big event, both in terms of how the financial support component comes through—but, specifically tonight, we're talking about tax and the tax treatment. So I'm interested in whether the Minister believes that we should be looking at a more robust framework that we can imply, in terms of the tax treatment, because there is a significant amount of change within this bill that is around the tax treatment—so things like the brightline test. I do note here that there's a proposed new section CZ 26B of the Income Tax Act, which is to be inserted by new clause 18C, which would ensure that the brightline and other time-related tests don't apply to properties that have been affected by one of the North Island adverse weather events, and I do just want to seek that certainty that that is both of those North Island events.

I see from the select committee commentary, with regards to Nelson, that it talks about 14 properties, but, as the local MP, I have been made aware there could be more than that. So, again, I'm just interested, from the Minister, about the advice that he's received around the extent of that application to the Nelson floods event. But, furthermore, there will be a cost to the taxpayer in addressing this through this bill, so I'm interested if there has been some specific advice given to the Minister and what that advice may mean, in terms of the actual cost to the taxpayer, by including these components within this clause of the bill. So a number of questions there, for the Minister, that I'm looking forward to hearing from him on.

Hon SIMON WATTS (Minister of Revenue): Thank you very much, Mr Chair. I appreciate the enthusiasm across the committee on this bill, to take another question. But in regards to the points raised by the member, there is no fiscal cost to the rollover relief, in the context that these aspects have already been considered as part of the broader baselines and therefore there's no additional appropriation required. So that covers that.

I think there was a question also from the member, in regards to the definition of "rollover relief". This was also covered quite extensively by the Finance and Expenditure Committee, but, in effect, it is the deferral, the recognition of the income—and this relates to where there are rebuilds, or replacements, of assets that have been destroyed. And I, obviously, acknowledge that the members within your community, and those members in other parts of New Zealand that are still dealing with the implications of those events that occurred in the past—but that's what it is, the definition and effect of the rollover relief, in this context. Again, it was heavily canvassed by the select committee process and the commentary in the report as such.

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. I'm seeking to open a new line of questions on the effect of the bill, as amended, on the deceased estates. I would like to ask the Minister of Revenue a question. Given that 84 percent of estates have trustee income below \$10,000, does this bill as amended reduce the administration costs of deceased estates, and then, if it does, does it do that over the three-year period discussed by the Finance and Expenditure Committee for the administration of those estates?

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. I just needed to be able to go through—and it's a question around how the rollover relief provisions for the North Island severe weather events apply. When that Amendment Paper was introduced back in late 2023, it had the rollover relief because of the 10-year brightline. So, basically, it was to provide that if, for any reason, a person needed to be absent from their house because they needed to get it fixed, basically it allowed them to have some relief from the brightline test at 10 years. But then, with the new changes to the brightline test—and this is kind of why I had to pick up the commentary of the bill, from the Table, to try and understand—at what point does the new two-year brightline test apply, and

how does it apply to the North Island rollover events, the relief that's provided in the Amendment Paper that was introduced at the end of 2023?

I'd just like it if the Minister could clearly step it out, because the brightline test has, over the years, changed from two, to five, to 10, and it's gone back to two. And this is, really, the opportunity, because we haven't had a select committee process at all for that Amendment Paper. So it is all about—

Dan Bidois: We didn't know about the 10, did we?

Hon BARBARA EDMONDS: And the member can interject as much as they like around the 10 years, but the member should know that, when you have to basically litigate this, if you are a lawyer for a taxpayer who has been possibly consequentially punished because of the change in the brightline, the test dates are really important around the start dates.

So I just want to ask the Minister: how does the rollover relief provisions which apply for a 10-year brightline, which are covered in the Amendment Paper that was introduced last year in 2023, which is now in the revised track version of the bill, align with the brightline test which is now in the Minister's name in the Amendment Paper? And if he can clearly just step out the start dates for each of those different tests and whether the rollover relief provisions apply or don't apply. And I think it's important because if in future there's litigation around this because we haven't been able to debate it at select committee, the comments by the Minister today will provide really clear certainty for those future litigations by taxpayers.

Hon Dr DEBORAH RUSSELL (Labour): I have some more questions on disability trusts—part of the extensive changes that were made to the trust rate rules, which we're kind of working our way through, step by step. So I've got another question on the disability one before I move on to some of the other changes that are sitting around that trust rate rule, and that is around the definition of a disabled person or a disabled beneficiary. Now, it's sitting in clause 39, which inserts new section HC 39, and, in particular, in section HC 39(3), "A 'disabled beneficiary', for an income year," is a person who receives some various sorts of benefits under the Social Security Act.

They're all defined in terms of the Social Security Act. I have looked through there for the definitions there, but, in particular, what I'm thinking of—and it's a situation that is going to apply to at least some people. So the way that a disabled beneficiary is determined is by whether or not that person receives one of these social security allowances, payments, and so on. It seems like a reasonable way to do it. We don't want arbitrary assessments as to who is a disabled beneficiary or not. But it has occurred to me that there are circumstances in which there are people who have disabilities who are the beneficiaries of trusts, but they are not people who are in receipt of one of these allowances.

Now, I have a particular example in mind, actually, of a friend's son, who has autism, and so they have a trust set up for this young man and the trust has been in operation for a number of years. I believe he is in receipt of one of those allowances now as an adult, but as a child, he was disabled but he wasn't receiving one of those benefits, but he was a beneficiary of a trust. So, obviously, we have to limit it in some regard, Minister, but I wonder if we've inadvertently left out a class of people to whom that rate of 33 percent should apply. It is worth thinking about.

Now, I was thinking it through with respect to this young man. As a child, he was in receipt of an ORS grant—an Ongoing Resourcing Scheme grant—but, of course, that's an educational thing. It's not something under the Social Security Act. So here we have what is actually a problem, and I'm not sure we can resolve it right now, but it is something we do need to have a think about. A clearly disabled child—actually, quite a remarkable young man who is doing well now, but clearly disabled—and a beneficiary

of a trust set up very much for his benefit, but he wouldn't have been able to get this concessionary rate. So it will be fine now because he falls under one of these categories, but he did not previously fall under one of those categories, and there must be other people with disabilities who are not receiving an allowance but who are, nevertheless, the beneficiaries of trusts set up for them.

It was only as we were sort of starting to go through this extensive committee stage that I realised that this might be an issue, and I'd just appreciate that it's landing it on the Minister, not quite at the last minute, but I think there could be something in that which we might need to think about—

Arena Williams: We're not at the last minute yet.

Hon Dr DEBORAH RUSSELL: Well, no, we're not quite at the last minute yet, but we're getting there. I can see that the Minister has an answer just leaping off the tip of his tongue, so I will sit down and let the Minister give his answer.

Hon SIMON WATTS (Minister of Revenue): Thank you very much to the member for that question. The provisions that allow a trust to, in effect, distribute to a beneficiary of which they are taxed at their relevant marginal rate still exists. So, irrespective of the point that the member's making, that would be the pathway in which we'd ensure that the recipient of that income is taxed at the lowest rate. So I can't speak for the individual, in fact, but, as I said, the child disability allowance is the mechanism in which the Finance and Expenditure Committee assessed as the appropriate mechanism in order to deal with that.

In regards to the questions around the brightline test—I think Rachel Boyack was asking in regards to the timing and the date aspects—it is technically possible that there may be individuals that are in receipt of a buy-out before 1 July 2024, which is when, in effect, the two-year rule will come in. So in those scenarios, I think what the member was implying was saying “Will they be caught or still subject to the 10-year rule?” Technically they will be, hence why the rollover provisions are provided in that place, in order to provide a facility to ensure that people in those circumstances are not inadvertently captured and, therefore, not face the—or are able to get the benefits of the changes that we've made. So just covering off that aspect.

TOM RUTHERFORD (National—Bay of Plenty): I move, *That debate on this question now close.*

ARENA WILLIAMS (Labour—Manurewa): Thank you, Mr Chair. I have my follow-up questions. Given that the Minister has not answered my first question on deceased estates, I will ask all of my questions on deceased estates now, and I hope we can deal with this swiftly.

So I'm speaking here about new section HC 8B, inserted by clause 33. For the Minister's benefit, I'm on page 49 of the bill. I want to understand if the Minister believes that three years is the appropriate period and why, and whether he's had advice on that period applying in the bill as it is now.

I also want to ask the Minister to explain the changes around the income year and, in practice, how many years a deceased estate could be treated at the rate in the particular income year before the higher rate kicks in.

The third question I have for the Minister in this contribution is whether a trust can be both a de minimis trust—and that is dealt with in the Finance and Expenditure Committee's report—and a deceased estate. I'm asking that because, if so, the question is: could it continue to get the lower rate if the trustee income was below \$10,000?

It's important to understand that that's not dealt with in the reporting by the select committee. We need to understand from the Minister now, and it's our opportunity to debate now whether that is an appropriate tax treatment of a trust with that sort of

income, and, is it, in the opinion of the Minister, sort of a double dipping or a reasonable consequence if that was the rule to apply?

Hon SIMON WATTS (Minister of Revenue): Just in regards to the member's questions in regards to deceased estates, and, again, this was covered as part of the consideration that was made, but, in effect, a deceased estate is taxed as a trust, and there are circumstances in which, under the old rules, that would be potentially increasing up to 39. The decision that has been made is that for those trusts, the amendments that we've tabled would provide that a deceased estate would be subject to a 33 percent tax rate on trustee income for the incoming year of death and the following three income years.

The de minimis rule around \$10,000 would, obviously, still apply as well, but it is the changes that have been noted, based on the official advice and whether it's three or longer or less, three years is deemed to be an appropriate period of time. But it is important to acknowledge that trustees of deceased estates might not necessarily know who the beneficiaries are, and it, obviously, takes time—you know, sensitive issues around management of deceased estates and the process in which that will be worked through. But the key issue that we need to mitigate is the over-taxation of those beneficiaries, in effect, and the changes that have been proposed will deal with it.

CELIA WADE-BROWN (Green): Thank you, Mr Chair. I hope that the Minister of Revenue might, please, explain why the Government is prioritising these late changes to Government tax cuts for landlords and other relatively minor amendments instead of addressing more ways that tax amendments could prioritise more productive investment. We have a very high level of investment in property, largely driven by untaxed capital gains, and there could be some more low-impact, job-rich aspects encouraged by a more imaginative tax regime. The Productivity Commission—or should I say the late Productivity Commission—did criticise the fact that such a high proportion of this country's wealth, whether it's investment funds, whether it's private individuals, is hugely based on property and land. Thank you, Mr Chair.

SUZE REDMAYNE (Junior Whip—National): I move, *That debate on this question now close.*

INGRID LEARY (Labour—Taieri): Thank you, Mr Chair. I'm so grateful to get this burning question off my chest. Actually, I've got two questions, but I am going to limit my contribution this time to a question about overseas donee status, but I also will have a question later on about gift exempt bodies as well. And the reason I raise this—and I'll refer the Minister to clause 64 of the bill—is that this relates to creating a charity with overseas donee status, whereby they're able to claim tax benefits such as a donation tax credit for their donation. Schedule 32 of the Income Tax Act lists organisations that have that status.

Now, I know from my previous role with the British Council, which was a registered charity, how difficult it is to get charitable status, let alone be able to get a tax exemption for an overseas donee. In some cases, it can take up to 18 months, I believe, but, in this case, it seems that this particular charity—the Emergency Alliance—has been granted overseas donee status very quickly; in fact, quite soon after the election on 26 October 2023. So I do have some questions for the Minister about this.

One of my reactions is that this seems like a good thing, because this relates to Gaza, and it relates to being able to get aid into Gaza at a time shortly before there were questions, I believe, about the only international organisation that was able to get humanitarian aid in, and there were questions internationally about whether they would be supported. So it's really interesting to me that New Zealand has supported the Emergency Alliance. But there are also risks to this because there are other charitable organisations that would also like to get donee status, which is very relevant to this Act,

because this is around what process was followed, what transparency is there, what risks were looked at, and why did the Government decide towards this particular donee status to the Emergency Alliance.

Now, I looked up online—I had not heard of this particular charity. It seems to be an amalgamation of eight different charities, and it has certain criteria that it says it must meet, including that it must be responding to international events that are of a very particular magnitude, and that there must be efficient ways of working and so on. So it looks like, on a quick Google search, this is a good thing to do. But we did hear in the House today a lot of speeches about what's happening in Gaza, about the need for a ceasefire immediately. This is something that's very much on the minds of New Zealanders. And I know that lots of New Zealanders have contributed to other charitable organisations. They will be wanting to understand why this particular charity, Emergency Alliance, has been able to get this donee status.

If we look at the recommendation from the select committee, which I did not sit on—and that's why this has peaked my interest, because I don't have the background to it—they recommended inserting clause 2(14C) into the bill so that the Emergency Alliance would be deemed to have had overseas donee status beginning on 26 October 2023. Now, that's very soon after the election. So that's a couple of weeks, perhaps. I'm very interested to know what advice did the Minister seek—that's my first question. What assurances can the Minister give to other charitable organisations that they have been treated fairly? What criteria did the Minister use? What risk analysis did he apply so that we're not in a situation where we find out later that there were risks around this charity? And does this set a precedent in his mind for other organisations to be able to apply for this status, and, if so, what are the criteria that they would need to fulfil in order to be able to get the same status?

It's great to be able to respond quickly to these types of events, but we know that when there are a discretionary types of decisions and when due process is not followed, it can also lead to uncertainty and a sense of unfairness for other charities. So I'm really keen to hear from that and I will come back with another question later about gift-exempt bodies. But I can see the Minister is dying to answer my question.

Hon SIMON WATTS (Minister of Revenue): Just quite quickly for the member, the Emergency Alliance is a group of existing charities, and, therefore, all of the individual members of that Emergency Alliance are already charities and, therefore, already have the status. So the simple fact, by virtue of that, deems them to be able to be captured and have benefits that have been analysed.

JAMES MEAGER (National—Rangitata): I move, *That debate on this question now close.*

Hon Dr DEBORAH RUSSELL (Labour): Thank you, Mr Chair. I have a couple more questions on trusts—probably about three, actually, quite detailed ones. I know that my colleague Rachel Boyack has some questions on the ACC lump-sum issue, which hasn't been covered yet.

Tom Rutherford: I've got a question!

Hon Dr DEBORAH RUSSELL: I just want to go—and I would have welcomed the members to take a call—

Tom Rutherford: Yeah, well, give me the chance and we'll see.

Hon Dr DEBORAH RUSSELL: I'll just carry on, Mr Chair—or try to carry on.

Look, I want to go back to something that the Minister of Revenue said in terms of trusts for disabled persons. In particular, the suggestion was from the Minister—I gave an example of a trust for a person who was disabled who nevertheless was not receiving one of the benefits that are listed here. The Minister suggested that the way to deal with it would be for the trust to allocate the income, so that it was taxed in the beneficiary's

hands at the beneficiary's rate, rather than taxed in the trustee's hands at the trustee's rates. Now, of course, that would deal with the problem. The problem is that when this person was a child, that person would also have been subject to the minor beneficiary rule. So there would have been quite a complicated interaction between the minor beneficiary rule, and now this disabled person's trust.

I noticed that the member over there wanted to say something about it. I just wonder if the Minister could comment, then—you know, the suggestion was proposed that the way for that potential overtaxing of a person who was a disabled person that was not in receipt of one of these particular social security allowances, was to allocate the trust income so it was taxed at the beneficiary's own rate, but, of course, for a child, that does, then, fall foul of the minor beneficiaries' rule. So I'd just like the Minister to sort of think as to whether or not that really is a solution, or perhaps maybe this is an issue that we're going to have to come back to, possibly not in the context of this debate, but maybe as an issue that we need to follow up on, or—of course, it would be up to the Minister to that—perhaps we might be able to do it by way of a member's bill or something like that. But I do think there is a genuine issue there.

Now, I do have some more questions about the de minimis trust, which are—but I'll leave that one with the Minister for a moment, and perhaps his officials might have an answer as well.

Hon TAMA POTAKA (Minister of Conservation): I move, *That debate on this question now close.*

A party vote was called for on the question, *That debate on this question now close.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Motion agreed to.

CHAIRPERSON (Greg O'Connor): The question is that the Minister's tabled amendment to new clause 9(1E) in Amendment Paper 20 be agreed to.

A party vote was called for on the question, *That the amendment to the amendments be agreed to.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Amendment to the amendments agreed to.

CHAIRPERSON (Greg O'Connor): The question is that the Minister's amendments to Part 2, set out on Amendment Paper 20, as amended, and the Minister's tabled amendments to clauses 9(2) and 18B be agreed to.

A party vote was called for on the question, *That the amendments as amended be agreed to.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Amendments as amended agreed to.

CHAIRPERSON (Greg O'Connor): Arena Williams' tabled amendments to clauses 8 and 9 are out of order as being inconsistent with a previous decision of the committee.

A party vote was called for on the question, *That Part 2 as amended stand part.*

Ayes 68

New Zealand National 49; ACT New Zealand 11; New Zealand First 8.

Noes 55

New Zealand Labour 34; Green Party of Aotearoa New Zealand 15; Te Pāti Māori 6.

Part 2 as amended agreed to.

Part 3 Amendments to Tax Administration Act 1994

CHAIRPERSON (Greg O'Connor): Members, we come now to Part 3. This is the debate on clauses 65 to 77C, "Amendments to Tax Administration Act 1994", and also Part B of new Schedule 1C, as proposed by Amendment Paper No. 20. The question is that Part 3 stand part.

Hon Dr DEBORAH RUSSELL (Labour): It's a real shame we weren't able to address some of the questions that were outstanding in the previous part, but so be it. I want to—

Tom Rutherford: Don't reflect on the Chair.

James Meager: Off track already.

Hon Dr DEBORAH RUSSELL: Take a call, gentlemen—take a call. I want to focus on clause 74. Clause 74 starts to put in some of the penalties around the GLoBE rules—so that's the global anti-base erosion rules. Those fines start to look quite significant. I'm looking at clause 74; it inserts new section 139AAB. So that's quite a long way through there. And, in particular, it says that an ultimate owner of a large multinational group who resides in New Zealand is liable to pay a penalty if the country-by-country reporting requirements are not met. And the penalty under this section is the amount specified by the commissioner. So the commissioner can set the amount, but it must not exceed \$100,000.

So there's a number of questions around this. One is that that does seem like a large amount of money. I'd like to understand why we've gone for that amount of \$100,000. But I also want to understand—so this is in new section 139AAB(3)—the amount specified by the commissioner. So I want to understand the extent of the commissioner's discretion in that matter—whether she or he can impose different amounts under that, and, if so, how that is going to be judged. I appreciate that the Minister can't tell the commissioner what to do, but I guess there's a bit of a worry there around what precedents the commissioner might set.

But the other interesting question around that particular penalty and that figure that has been set is to what extent it is consistent with penalties that are being set in other jurisdictions around these global anti-base erosion rules. Now, obviously, if people don't comply with New Zealand tax law, we need to find ways to encourage them to do so, and sometimes it takes a penalty to get them there. But, of course, the interesting thing about

these GLoBE rules is that they're not even contained within New Zealand law—all right? So they are contained within OECD rules, and they are brought into the New Zealand law by way of reference.

So we now have a situation where a New Zealand taxpayer could be fined a sum up to \$100,000 for not complying with rules that are being set by the OECD. Now, I just want to understand how that compares, really, with the way that penalties are being set in other jurisdictions—whether other jurisdictions are making similar rules to this; whether that amount of \$100,000 is consistent with the fines that are being set in other jurisdictions. And I also want to have, I guess, some reassurance around the way that the commissioner is going to exercise her or his discretion with imposing fines that really amount to a considerable sum of money.

Hon SIMON WATTS (Minister of Revenue): I thank the member the Hon Dr Deborah Russell for the questions. Again, the Finance and Expenditure Committee, in its deliberations, did look at this matter as part of their considerations, and the amount of \$100,000 has been set in the context of what is applicable to other penalties for other similar sized entities. The reality is that many of these are New Zealand - headquartered aspects of multinationals and, while the amount for those still watching at home may sound a lot, it does need to be sufficient to convey the impact of a penalty on a multinational. So \$100,000 is the aspect.

The question also raised in regards to the commissioner's powers: the commissioner does have the discretion to be able to assess the degree of penalty and the amount that's applicable, as the commissioner has a wide range of powers in other aspects of tax law as well. And I don't think that's inconsistent. But it is important, from an enforcement point of view, that we do have appropriate penalties that send a clear signal for those entities that are not complying with New Zealand tax law—that, in effect, discourage them from undertaking behaviour that's not aligned with our legislation.

Hon Dr DEBORAH RUSSELL (Labour): I just want to carry on to another clause, which is to do with penalties as well. So it is in clause 75, and it is the "Penalty"—it was originally "Penalties"; it's now "Penalty"—"for failing to register or provide information for purposes of applied global anti-base erosion rules". So the previous penalty we talked about was the one which was to do with the failing to meet the country-by-country reporting rules, and that was assessed at \$100,000, applied at the commissioner's discretion, and so on. And this one sets a similar amount. It's "the amount specified by the Commissioner, which must not exceed \$100,000." So I'm taking it from what the Minister has just said that that has been set by reference to the size of the entities and by reference to the similar amounts in other jurisdictions. So that all makes a fair amount of sense.

But there is another aspect that's sitting in this, and it goes into the other clause as well. It sits also in clause 74, new section 139AAB, and that is the due date for payment of the penalty. And it's the same in both clauses, so the question will apply to—sorry, in both new sections. So the question will apply to both new sections. So "The due date for payment of a penalty imposed under this section is" either "30 days after the date on which the Commissioner issues the notice of assessment for the penalty:"—so that's a fairly straightforward 30 days—or it is "the date specified by the Commissioner in the notice of assessment as being the due date for payment of the penalty." So, again, this probably goes to the commissioner's practice. It says 30 days or it says a date that the commissioner can specify.

Now, we can see that that could be problematic. Having worked with many of the fine officials at Inland Revenue, I doubt that they would issue the assessment one day and expect the penalty to be paid the next. But what I'm seeking from the Minister is some assurance that, in general, the commissioner is aiming for that 30 days. But, in

particular, what would be the circumstances in which the commissioner might choose a different date? What might, sort of, push the commissioner to, instead of going for the 30 days, make the commissioner elect, say, 40 days or a particular date? What might push that payment date out? I'm really asking for some assurance that the way that the commissioner is going to apply her or his discretion in that matter is a way—well, I'm not sure that we want to say that it's taxpayer-friendly, when we're issuing penalties, but at least doesn't impose extra burdens on the taxpayer, rather than just the burden of the penalty itself.

Hon SIMON WATTS (Minister of Revenue): Just in answer to the member's question, the penalties regime and the discretion in terms of the time line afforded—not only in the 30-day aspect but also in the discretion around the commissioner—is also consistent with other penalties that apply to these entities. So it's not inconsistent. That is how that works. I think it's important to recognise that we are talking about 20 to 25 entities specifically under the global anti-base erosion rules. These entities generally are highly compliant with New Zealand tax legislation, and that's because of the factors that we've talked about in terms of both in-house and external counsel, and they also have obligations in terms of subsidiaries of multinationals. But, in addition to that, they're also captured under the significant entities team within IRD. So the case management across that is also another layer of ensuring adequate compliance.

Hon BARBARA EDMONDS (Labour—Mana): Thank you, Mr Chair. I just want to continue the line of questioning in relation to some of the penalties which are part of the global anti-base erosion rules in Part 3 of this particular bill. The Tax Administration Act, effectively, sets out the different interests and penalties that a taxpayer may be applicable for if they fail to do a particular obligation. It also provides the Tax Administration Act for the disputes rules. So if a taxpayer disputes an assessment that's been provided by the commissioner, they have an ability to use the different provisions within the Tax Administration Act to issue a notice of proposed adjustment, or perhaps the commissioner themselves will actually provide an assessment and it will force the taxpayer, basically, to take a position to either confirm the commissioner's position or to actually dispute it.

So my particular question is in relation to clause 72 C, which inserts new sections 94BB to 94BD. I know this is in relation to section 139AAB of the Act, and it's around the assessment of penalties for large multinational groups failing to meet country-by-country reporting requirements, which the Hon Dr Deborah Russell briefly touched on. In that new section, it talks about “The Commissioner may make an assessment for an ultimate owner of a large multinational group of the amount of a penalty under section 139AAB that, in the Commissioner's opinion, ought to be imposed, and the ultimate owner is liable to pay the penal penalty assessed.” So my question to the Minister, before I continue going through that particular new section, is: is this what they would say is a disputable decision, that if the commissioner's opinion is—because the commissioner is making the assessment, and the commissioner is of his opinion that an assessment of penalties ought to be imposed on that particular multinational group.

So, then, despite subsection (1), subsection (2) continues that “this section does not apply in so far as the ultimate owner establishes in proceedings challenging the assessment that the assessment is excessive or that the ultimate owner is not chargeable with the penalty.” So the commissioner makes an assessment for an ultimate owner of a large multinational group of the amount of a penalty under that section 139AAB, and then the commissioner has an opinion that it ought to be opposed, despite that, particularly subsection (1), if the owner, then, establishes in proceedings challenging the assessment that the assessment is excessive—and we have had some commentary around the particular penalties and how much they are—or that the ultimate owner is not chargeable

with the penalty, the question for me is: how, then, does that particular ultimate owner, under subsection (2)—what is the procedure for them to be able to dispute that decision made by the commissioner in subsection (1)?

Ryan Hamilton: It's an 0800 number.

Hon BARBARA EDMONDS: And, again, the member on the other side may mock this particular element of interest and penalties, but we are dealing with large multinational entities who have complex tax affairs, and if the Commissioner of Inland Revenue says to a person, "You owe X amount of tax because it's my opinion that you have sought this amount.", we need to be clear that there is a way for those taxpayers to be able to dispute it, because, if not, I don't think that's a laughing matter.

So then it goes to new section 94BC, the "Assessment of penalty for member of large multinational group failing to provide information". Again, the commissioner, then, can "make an assessment for a member of a large multinational group of the amount of a penalty under [that] section 139AB that, in the Commissioner's opinion, ought to be imposed, and the member is [again] liable to pay the penalty assessed." But then we have the caveat in new subsection (2) that "this section does not apply in so far as the member establishes in proceedings challenging the assessment that the assessment is excessive or that the member is not chargeable with the penalty."

So my questions are: procedurally, what is the best way for an ultimate owner to be able to challenge that assessment or opinion that's been made by the Commissioner of Inland Revenue? My second question is: what is excessive—it might be in the definitions; the Minister may be able to clarify that particular element—and if the member is not chargeable with that penalty?

Hon SIMON WATTS (Minister of Revenue): I thank the member for the question. So the flexibility that the commissioner is afforded in regards to the extension of time—the 30-day period is a minimum period of time. The commissioner can use their powers to impose a penalty, but it has to be at a date that is later or further beyond the 30-day period, so just to cover that aspect.

I think the other component, again, is that these penalties that are being outlined in this part of the legislation are consistent with other penalty regimes that are applied to similar-sized entities in other aspects of the legislation. While the point is made that these global anti-base erosion rules, etc., are what they are, it is consistent in regard to that.

The other aspect to acknowledge is that, actually, these penalties, alongside any other penalties, can be disputed by a taxpayer, like any other assessment of tax. On that basis, we're comfortable with the amendments.

CHAIRPERSON (Greg O'Connor): The time has come for me to leave the Chair. The House is suspended until 9 a.m. tomorrow. Good night, everyone.

Sitting suspended from 9.58 p.m. (Tuesday) to 9 a.m. (Wednesday)

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EXPLANATION OF ABBREVIATIONS

1R—First Reading
2R—Second Reading
3R—Third Reading
CWH—Committee of the whole House
LS—Legislative Statement

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