

Hon Bill English
Minister of Finance
Hon Michael Woodhouse
Minister of Revenue



11 April 2016

Media Statement

Review of foreign trust disclosure rules

Cabinet today agreed to appoint highly regarded tax expert John Shewan to conduct an independent review of disclosure rules covering foreign trusts registered in New Zealand, Ministers Bill English and Michael Woodhouse say.

“Ministers decided that in light of the ‘Panama Papers’ being released last week, it’s worth looking at whether the disclosure rules are fit for purpose and whether there are practical improvements we can make,” Mr English says.

“Our rules require foreign trusts to be registered and to keep detailed financial and other records, which can be requested by Inland Revenue and passed on to tax authorities in other countries.

“In addition, we have a strong tax treaty network with the express purpose of discovering and preventing tax avoidance.

“As we’ve said, we’re open to considering changes to disclosure rules if that is warranted. So we’ve asked Mr Shewan to take a thorough and independent look at the current regime to check that it’s fit for purpose,” Mr English says.

The terms of reference include reviewing foreign trusts’ disclosure rules as they apply to record keeping, enforcement and the exchange of information with other tax jurisdictions.

Mr Shewan has been asked to report back to the ministers by 30 June.

Mr Woodhouse says it’s important to keep the foreign trusts issue in context.

“Claims that New Zealand is a tax haven are wrong. We have a robust tax base and we’re operating under stronger disclosure rules introduced by the previous Labour government in 2006.

“As Michael Cullen said at the time, he sought to develop a policy that worked for all concerned - enabling New Zealand to cooperate with other tax jurisdictions, while not disrupting the legitimate financial transactions of foreign trusts.

“Just three years ago the OECD rated New Zealand as “compliant” in this area - the highest possible rating. It’s due to look at our tax transparency rules again next year.

“In the meantime, the OECD has called a specially-convened meeting in Paris this week to consider issues raised by the ‘Panama Papers’ and our Inland Revenue is sending a representative to that meeting.

“We will certainly consider any issues raised there and we’re prepared to look at changing the disclosure rules if Mr Shewan’s review finds this is warranted,” Mr Woodhouse says.

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FOREIGN TRUST DISCLOSURE RULES

Scope of review

In its combined Phase 1 and Phase 2 Peer Review Report of 2013, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes rated New Zealand “compliant” – the highest possible ranking.

Given the release of documents known as the ‘Panama Papers’, the Ministers of Finance and Revenue would like you to review New Zealand’s existing disclosure rules and practices in the following areas as they relate to foreign trusts:

- Record-keeping, including records required to be provided to the Government
- Enforcement
- Exchange with foreign jurisdictions.

The Ministers would like you to report on whether the existing rules, when considered alongside New Zealand’s:

- Commitment to the OECD action plan on base erosion and profit shifting (BEPS)
- Commitment to the Convention on Mutual Administrative Assistance in Tax Matters
- Commitment to implementing the global standard for the automatic exchange of information (AEOI) and
- Existing and planned bilateral tax treaty network (including tax information exchange agreements)
- Anti-Money Laundering framework
- Other related regimes

- are sufficient to ensure our reputation is maintained.

If not, the Ministers would like your report to provide options on enhancements to our disclosure rules and/or practices and any other matters.

Your report should be sent to the relevant Ministers by 30 June 2016.