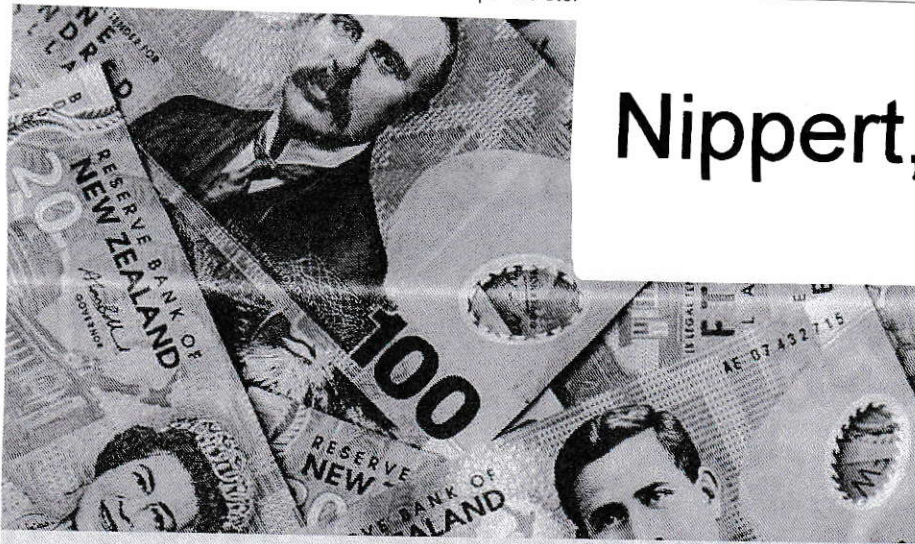




# Nippert, 2017a



**BUSINESS**

## The Tax Gap: The story so far

18 Mar, 2017 5:00am

4 minutes to read

Tax fairness has been an issue adopted by the Herald in a bid to drive public debate about an issue of fundamental importance to the economy and government finances.



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POSTSCRIPT: In May 2017 the Tax Gap series was honoured at the Canon Media Awards as the country's best piece of investigative journalism. Judges said the series was "the epitome of public service journalism: probing a complex subject of vital interest to all New Zealanders and shining a revealing spotlight on what powerful multinationals would have preferred to keep hidden".

Tax fairness has been an issue adopted by the *Herald* in a bid to drive public debate about an issue of fundamental importance to the economy and government finances.



Today's report on the tax arrangements of technology giant Apple - which has paid no income tax to Inland Revenue over the past decade while also extracting \$4.2 billion from Kiwi consumers - is the latest in a long series of stories.

The 'Tax Gap' series started last year with a data-driven project assessing the size of the problem, exploring both the 20 companies most aggressive in shifting profits out of New Zealand - with collective revenues of \$10b annually they paid only \$1.8m in income taxes - a longer feature on transfer pricing and a visualisation showing how globally profitably companies barely broke even in New Zealand.

The companies named in this first instalment were given an opportunity to explain their tax arrangements and why their reported profit margins - and hence tax payments - were so much lower in New Zealand than elsewhere.

Throughout the remainder of the year the *Herald* continued to follow the issue probing the low levels of tax paid by the drug-maker lobbying government for \$40m to provide expensive melanoma treatment Keytruda, a feature on how the issue of tax fairness was gaining momentum on the back of the series, an investigation into how Facebook and Google booked all their New Zealand revenues in low-tax jurisdictions like Ireland and Singapore, and the revelation drug-making Pfizer paid only \$59,000 in tax while sending \$52.5m offshore.

Government action, or inaction, on the issue was also tackled. Inland Revenue audits of large companies were found to have had dropped precipitously, and New Zealand's signing of an international tax information-sharing agreement was shown to be messy a stop-start affair.

Delays were also a feature of the implementation of the OECD's recommendation limiting how much companies can reduce profits through debt-loading, prompting the *Herald* to undertake a deeper analysis of the issue that showed the 100 largest companies operating in New Zealand could be subject to \$86m in extra tax under a proposed limit.

Evidence was found our tax authorities were quietly waging "trench warfare" with technology companies over a crackdown on their aggressive tax structuring.

Throughout all this opinions of the public and policy-makers, and even the business community, appeared to shift. The *Herald's* Mood of the Boardroom survey found concerns were now registering amongst the country's chief executives, John Key took the opportunity at Apec to corner Mark Zuckerberg about tax, professional tax advisers conceded they were losing the public debate, and the Commissioner of Inland Revenue took the unusual step of needling large corporates over their need to better explain to the public their tax arrangements.

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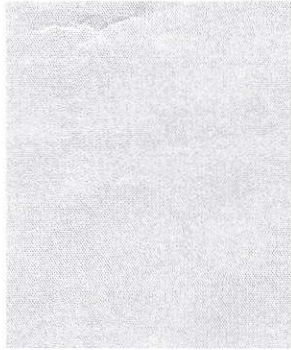
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At the end of the year, the Government finally reacted. The *Herald* broke news that Cabinet had conducted an about-face on the issue and was now proposing a unilateral suite of measures to staunch the leaks of corporate tax abroad. An accompanying editorial hailed

the move as a step in the right direction to restore public confidence in the tax system.

The signalled package was released for consultation in early March, with Judith Collins saying she hoped the moves would haul in an extra \$300m a year.

## Trending in Business

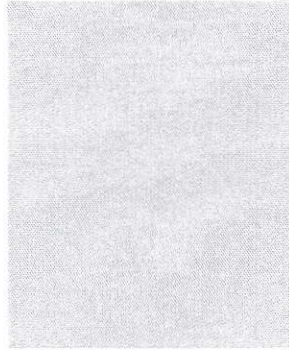


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