

The Chair
CABINET BUSINESS COMMITTEE

QUALITY REGULATION REVIEW – PROGRESS REPORT ON DELIVERING SOLUTIONS TO ISSUES IDENTIFIED DURING THE QUALITY REGULATION REVIEW

PROPOSAL

- 1 This paper provides the Committee with a preliminary report on progress in finding solutions to address issues identified during the Quality Regulation Review. The paper also directs departments to develop solutions to these issues in time for the Second Milestone Report for the Review due 31 March 2007. To ensure that solutions continue to be developed in a timely manner this paper seeks approval for the Quality Regulation Review Ministerial Group to decide if an issue is inside the scope of the Review.
- 2 As directed by Cabinet (Cab Min (06) 40/4C), this paper clarifies the International Treaty exemption of the regulatory impact analysis (RIA) requirements.

EXECUTIVE SUMMARY

- 3 Following Ministers' consideration of the First Milestone Report for the Quality Regulation Review (which included changes to the regulatory impact analysis requirements, an initial list of proposals for regulatory amendment and other initiatives that should significantly improve future regulatory proposals), Cabinet directed departments to report to their relevant Review Minister on their progress in delivering on the Review's objectives and invited me to report back with a consolidated list of proposed solutions by 5 February 2007 (POL Min (06) 23/4 refers).
- 4 This paper describes:
 - New initiatives to provide solutions to issues identified by the Review;
 - Ongoing work, that specifically addresses issues identified by the Review; and
 - Initiatives already in place that will provide solutions to issues highlighted in the Review.
- 5 Cabinet is asked to direct departments to provide deliverable solutions for the new initiatives in time for the Second Milestone Report for the Review due 31 March 2007.

- 6 Officials are, in some areas, being too cautious in providing solutions, primarily because they are taking a narrow view of issues that are within the scope of the review. In order to progress solutions in a timely manner Cabinet is asked to delegate to the Quality Regulation Review Ministerial Group the power to decide if an issue is inside the scope of the Review. As Cabinet agreement will be sought for the shape and implementation of all the proposed solutions, this delegation will speed up delivery of solutions and not reduce Cabinet's control.
- 7 In a companion paper the Minister for Building and Construction is reporting to Cabinet on the issues and solutions identified as a result of the examination of issues around the interface between building and resource consent processes.
- 8 In the First Milestone Report for the Quality Regulation Review, Cabinet agreed to strengthen the requirements for regulatory impact analysis (POL Min (06) 23/4 refers). Cabinet also directed officials from the Ministries of Economic Development and Foreign Affairs and Trade to clarify the International Treaty exemption outlined in that paper (Cab Min (06) 40/4C). Cabinet agreement is sought for the clarification set out in this paper.

BACKGROUND

- 9 In October 2006, Cabinet noted an initial list of proposals to address issues raised during the Quality Regulation Review. Since then the interviews and draft reports of the four studies in the sectors of retailing, hospitality, wine and horticulture have been completed. A consolidated sector study report and list of solutions and implementation issues is being prepared for the March 2007 Milestone Report.
- 10 However, departments have already identified new ways in which solutions to some of the issues raised by these studies might be found. Other processes have identified solutions to some issues raised in the Review. In other cases Cabinet has already made decisions which, when implemented, will result in improvements relevant to the concerns raised during the Quality Regulation Review.
- 11 This paper sets out the solutions for which Ministerial agreement will be sought in the March 2007 Milestone Report as well as solutions that will be developed outside the Quality Regulation Review process.
- 12 As part of the Quality Regulation Review, the Department of Building and Housing led a project (with the Ministry for the Environment, the Department of Internal Affairs and Local Government New Zealand) to identify and address issues for business in complying with resource, building and related regulations when building on land. The Minister for Building and Construction is reporting to Cabinet in a companion paper that proposes a set of actions to address issues identified with the alignment and administration of resource and building consent regulatory functions.

SOLUTIONS TO BE PROGRESSED IN AN OMNIBUS BILL

- 13 One of my objectives in this Review is to provide for a vehicle to progress regulatory and legislative amendments as expeditiously as possible. Therefore, I have asked officials to work on the basis that any solutions that require legislative amendment will be progressed in an Omnibus Bill.
- 14 The following new initiatives have been identified to address duplication, gaps, and inconsistencies between different pieces of legislation that create excessive compliance costs and uncertainty. Cabinet agreement to the details of solutions for the following issues will be sought in the March 2007 Milestone Report (details are set out in Annex 1):
- Inconsistencies between the Consumer Credit Contracts Act 2003 and the Second Hand Dealers and Pawn Brokers Act;
 - A lack of clarity on whether the co-regulatory arrangements under the Gas Act 1992 applies to gas used for feedstock;
 - Confusion and excessive compliance for industry caused by both the Weights and Measures Act (WMA) 1987 and Gas Act 1992 applying to liquid petroleum gas (LPG);
 - The difficulty that some businesses have in determining when averaging of relevant daily pay should occur under the Holidays Act 2003 and how commission payments should be treated, without undermining employees' holidays entitlements if approved by the Minister of Labour;
 - The prescriptive nature of the taxation legislation in relation to what constitutes an invoice for GST purposes;
 - The restrictive requirements in the Designs Act 1953 in relation to the payment of renewal fees; and
 - The paperwork required for obtaining a mining permit under the Crown Minerals Act 1991.

CHANGES TO PROCESSES AND PRACTICE BEING IMPLEMENTED TO ADDRESS ISSUES IDENTIFIED DURING THE REVIEW

- 15 As noted in the First Milestone Report, information provision is a key component of the regulatory environment. Inadequate information provision has led to confusion and misunderstandings by different businesses and workers about their obligations. To address this need, the solutions set out in Annex Two are being implemented by departments.

DELIVERING SOLUTIONS TO ISSUES RAISED DURING THE REVIEW

- 16 While the overwhelming message from the Review is that New Zealand's regulatory environment is in good shape, there is room for improvement. In particular, in how people and businesses are made aware of regulatory

requirements, how regulation is enforced, and how requirements are implemented.

17 Several of the solutions proposed by contributors of issues to the review have been identified by departments as being outside the scope of the review because they relate to underlying policy. In particular, these include many issues relating to the provisions of the Employment Relations, Holidays and Tax Acts (among others). However, I consider that in some cases, officials have been too conservative. I list below the areas which I think should be considered as inside the scope of this review. I recommend that Cabinet directs departments, in consultation with affected parties, to consider further the following issues raised during the Review, and report back as part of the Second Milestone Report on with proposed solutions or a reason why maintaining the current arrangements is the best of the feasible options:

- (a) The process for obtaining and renewing liquor licences has been identified by many businesses as needing reform. The main issues are timeframes (e.g. the need to re-apply for a licence every three years no matter what the business track record), the renewal process and the need for multiple licences (e.g. off licences, on licences, special licences). Therefore, I recommend that the Ministry of Justice report on the liquor licensing regime.
- (b) Many businesses raised concerns about the stringency of the Hazardous Substances and New Organisms (HSNO) Act, its apparent impracticability in many circumstances and its duplicative requirements. I recommend that the Environmental Risk Management Authority (ERMA), in association with the MfE and DoL, report on the cost of compliance with HSNO.
- (c) Variability in territorial authority approaches to regulation was frequently identified by businesses as problematic, and particular concerns have been raised about excessive detail and prescription in some district plans. DIA and MfE should report on variability in territorial authority approaches to regulation, the level of prescriptive detail in district plans and the alleged creep in coverage of plans, recognising that the report back for common approaches to the Resource Management Act 1991/Building Act 2004 consistent approaches is July 2007.
- (d) The requirement that audits of local authorities' long term council community plans (LTCCPs) be undertaken by the Auditor-General is seen by submitters to the Review as impacting significantly on the costs of audits to councils. I recommend that DIA report on long term council community plan audit requirements.
- (e) Multiple audits of health, hospice and residential care providers by District Health Boards, Ministry of Health and accreditation bodies have been raised by business as duplicative and expensive. I recommend that the Ministry of Health report on multiple audits of providers funded by the health sector.
- (f) Many businesses regard the requests of Statistics New Zealand (Stats NZ) and other government and non-government agencies as excessive and costly. Key concerns are the increasing number of surveys from both government

and non-government sources; and duplicative and/or irrelevant surveys. Stats NZ are asked to report on reviewing the multiple and extensive requests for information by Stats New Zealand and other government and non-government agencies.

(g) Some businesses appear poorly informed about a number of existing procedures/requirements. This means that better information is needed by affected parties. I recommend that reports be provided on:

- regular automatic payments (IRD);
- use of client overpayments (IRD); and
- parental leave and paid parental leave entitlements (DoL).

18 As well as delivering individual solutions to issues raised by contributors, the Review is expected to make recommendations that enhance the regulatory framework generally. The enhancements to the Regulatory Impact Analysis regime agreed to by Cabinet in October 2006 are an example of this.

19 A recurring theme during the review has been the degree of misinformation and misunderstanding amongst businesses about what regulations mean and what is required to comply with them. I believe that an additional useful outcome of this review would be a cross-government 'high-quality information delivery' campaign where information delivery practices are improved and the misinformation being passed by word-of-mouth in the business world can be described and corrected. Therefore, I propose that Cabinet direct the QRR Taskforce includes in the Second Milestone report proposals for how such a cross-government 'high-quality information delivery' campaign might be developed.

20 In addition the Second Milestone report will include the overall report of the sector studies and an update on policy work being done on the issues of enforcement and regulatory flexibility.

21 To ensure that as the Review progresses other issues are not quickly ruled out of scope I recommend that Cabinet agree that the Ministerial Group be delegated the authority to decide if issues are out of scope. The full list of solutions agreed by the Group to be in scope will be presented to Cabinet. The final decision on solutions will rest with Cabinet.

Ongoing work that will address issues identified in the Review

22 In a number of areas government agencies, individually or together, are currently working to assess whether they can adapt the rules and/or their administration of them to be more business-friendly. Annex Three contains a list of the areas where work is being undertaken relevant to concerns raised during the review.

23 The Review process also highlights a number of issues that are already being addressed through legislation, information provision or process changes. Annex Four contains a list of initiatives that departments are progressing as part of ongoing improvements in their service provision. While these initiatives have not

been initiated by the Review, they nevertheless directly address issues raised during the Review.

International treaty exemption from the RIS requirements

- 24 In October 2006, Cabinet agreed to strengthen the regulatory impact analysis requirements and directed officials to clarify the international treaty exemption from the RIS requirements (Cab Min (06) 40/4C refers).
- 25 The exemption is currently that a RIS is not required for a regulation that “is required to meet an obligation under an international agreement and the regulation primarily repeats or adopts the terms of the agreement, or part of the agreement”. However, these words do not achieve the objective of the exemption, which is to remove duplication so that departments do not have to prepare a RIS where a RIS was prepared prior to New Zealand becoming bound by the treaty.
- 26 I propose to change the exemption so that “a RIS is not required where the proposal is necessary to implement a treaty for which an extended national interest analysis (NIA) (which includes the RIS elements) has been prepared.” The RIS requirements will still apply to any subsequent regulatory proposals relating to actions under the treaty that were not covered by the extended NIA.

CONSULTATION

- 27 The Ministerial Group for the Quality Regulation Review met on January 30. Their comments have been incorporated.
- 28 The following government agencies have been provided with a copy of this paper for comment: The Treasury, the Departments of Prime Minister and Cabinet, Labour, Internal Affairs, Building and Housing, the Ministries of Transport, the Environment, Agriculture and Forestry, Fisheries, Justice, Health, the Accident Compensation Corporation, Statistics New Zealand, the New Zealand Food Safety Authority, the New Zealand Customs Service, the Inland Revenue Department. All comments have been incorporated.

FISCAL IMPLICATIONS

- 29 There are no fiscal implications arising from this paper. Some of the proposed initiatives will be dependent on additional funding being received in Budget 2007. The March 2007 Milestone Report will include information on any fiscal implications along with other details of how new initiatives would be implemented.

LEGISLATIVE IMPLICATIONS

- 30 No legislative implications specifically arise from this paper. Some of the proposals would be included in the Omnibus Bill.

REGULATORY IMPACT AND COMPLIANCE COST STATEMENT

- 31 As mentioned above, changes will be finalised in the second milestone report for the Quality Regulation Review by 31 March 2007 and I will recommend that Cabinet agree to the changes at that stage. Because Cabinet is only being asked to note the changes in this Cabinet paper, regulatory impact statements and business compliance costs statements are not required. Regulatory impact statements and business compliance cost statements will be prepared, where required, for the 31 March 2007 milestone report for the Quality Regulation Review.

RECOMMENDATIONS

- 32 It is recommended that the Committee:

Quality Regulation Review

- 1 **Note** that, on 25 October 2006, the Cabinet Policy Committee (POL):
 - 1.1 directed departments to report to their relevant Review Minister on their progress in delivering on the Quality Regulation Review's (the Review) objectives;
 - 1.2 invited the Minister of Commerce to report to Cabinet through the appropriate Cabinet committee with a consolidated list of proposed solutions by 5 February 2007;
- 2 **Note** that the Minister of Commerce will submit a Second Milestone Report on the Quality Regulation Review to POL by 31 March 2007;
- 3 **Direct** relevant departments, in consultation with affected parties, to consider further the issues raised during the Review in relation to:
 - 3.1 liquor licensing regime (Ministry of Justice);
 - 3.2 the cost of compliance with the Hazardous Substances and New Organisms Act 1996 (Environmental Risk Management Authority, Ministry for the Environment, and the Department of Labour);
 - 3.3 variability in territorial authority approaches to regulation, the level of prescriptive detail in district plans and the alleged creep in coverage of plans recognising that the report back for common approaches to Resource Management Act 1991/Building Act 2004 consistent approaches is July 2007 (Department of Internal Affairs, Ministry for the Environment);
 - 3.4 long term council community plan audit requirements (Department of Internal Affairs);
 - 3.5 multiple audits of providers funded by the health sector (Ministry of Health);

- 3.6 reviewing the multiple and extensive requests for information by Statistics New Zealand and other government and non-government agencies (Statistics New Zealand);
 - 3.7 need for improved information on:
 - 3.7.1 regular automatic payments (Inland Revenue Department);
 - 3.7.2 use of client overpayments (Inland Revenue Department);
 - 3.7.3 parental and paid parental leave entitlements (Department of Labour);
 - 3.8 report as part of the Second Milestone Report on the Quality Regulation Review with proposed solutions or a reason why maintaining the current arrangements is the best of the feasible options;
- 4 **Agree** that the Quality Regulation Review Ministerial Group (comprising the Ministers of Finance, Fisheries, Agriculture and Forestry, Energy, Transport, Local Government, Labour, ACC, Communications and Building and Construction) be delegated the ability to decide whether an issue is outside the scope of the Review and that, unless the Ministerial Group rules an issue to be out of scope, departments should consider how to progress a solution;
- 5 **Note** that the Second Milestone Report on the Quality Regulation Review will seek decisions on solutions to address the following new initiatives:
- 5.1 inconsistencies between the Consumer Credit Contracts Act 2003 and the Second Hand Dealers and Pawn Brokers Act 2004;
 - 5.2 a lack of clarity on whether the co-regulatory arrangements under the Gas Act 1992 applies to gas used for feedstock;
 - 5.3 confusion and excessive compliance for industry caused by both the Weights and Measures Act 1987 and Gas Act 1992 applying to liquid petroleum gas;
 - 5.4 the difficulty that some businesses have in determining when averaging of relevant daily pay should occur under the Holidays Act 2003 and how commission payments should be treated, without undermining employees' holidays entitlements if approved by the Minister of Labour;
 - 5.5 the prescriptive nature of the taxation legislation in relation to what constitutes an invoice for GST purposes;
 - 5.6 the restrictive requirements in the Designs Act 1953 in relation to the payment of renewal fees;

- 5.7 the paperwork required for obtaining a mining permit under the Crown Minerals Act 1991.
- 6 **Note** that the Second Milestone Report on the Quality Regulation Review will contain a longer list of solutions to address issues raised during the Quality Regulation Review;
- 7 **Note** that Cabinet has already agreed to a number of proposals that address issues raised during the Review, and that a number of initiatives that address issues raised during the review are being implemented by Ministers and their agencies already;
- 8 **Direct** the Quality Regulation Taskforce to report as part of the Second Milestone Report on the Quality Regulation Review on how a cross-government “high quality information provision” campaign might be developed;

Clarification of international treaty exemption from RIA requirements

- 9 **Note** that on 30 October 2006, Cabinet directed the Ministry of Economic Development to work with the Ministry of Foreign Affairs and Trade to clarify the international treaty exemption from the regulatory impact statement (RIS) requirements and report to POL in the Second Report for the Quality Regulation review on 31 March 2007 [CAB Min (06) 40/4C];
- 10 **Agree** that the international treaty exemption from the RIS requirements be amended so that a RIS is not required where the proposal is necessary to implement a treaty for which an extended national interest analysis (NIA) (which includes RIS elements) has been prepared;
- 11 **Note** that the RIS requirements would still apply to any subsequent regulatory proposals relating to actions under the treaty that were not covered by the original extended NIA; and
- 12 **Note** that the Minister of Commerce indicates that consultation is not required with the government caucuses or other parties represented in Parliament.

Hon Lianne Dalziel
Minister of Commerce

Annex One: New initiatives to be progressed in an Omnibus Bill

- 1 Under the Consumer Credit Contracts Act 2003, firms are allowed to charge reasonable costs when awarding a discount to a borrower if a loan is repaid early whereas under the Second Hand Dealers and Pawn Brokers Act, pawnbrokers can charge interest but not any other form of fee. Thus there is confusion as to which Act should be followed. To address this, the Ministries of Economic Development (MED) and Justice will deliver a proposed solution to eliminate inconsistencies between the Consumer Credit Contracts Act 2003 and the Second Hand Dealers and Pawn Brokers Act. Necessary legislative changes would reduce excessive paper work and clarify whether lenders can charge borrowers non-interest fees for early loan repayment.
- 2 It is unclear whether the co-regulatory arrangements under the Gas Act 1992 applies to gas used for feedstock. To address this, MED proposes to amend the Gas Act 1992 to clarify that regulations and rules made under the Act's co-regulatory Part 4a do cover gas used for feedstock, unless it is specifically stated that they do not.
- 3 To remove confusion and excessive compliance for industry caused by both the Weights and Measures Act (WMA) 1987 and Gas Act 1992 applying to liquid petroleum gas (LPG), MED proposes to amend the WMA so that the supply of LPG is controlled only by the Gas Act 1992.
- 4 To address the difficulty that some businesses have in determining when averaging of relevant daily pay should occur and how commission payments should be treated the Department of Labour (DoL) proposes amending the Holidays Act 2003 specifically to clarify when averaging of relevant daily pay should occur and how commission should be treated, without undermining employees' holiday entitlements. This will be considered by the Minister of Labour, by March 2007, for inclusion in the Omnibus Bill if approved.
- 5 Taxation legislation specifically refers to GST invoices being marked "copy only". However, such invoices are often received marked "copy" and the use of them is technically in breach of the Act. To address this problem, IRD proposes to make the requirements of what constitutes an invoice for GST purposes less prescriptive for all businesses.
- 6 Under the Designs Act 1953, if renewal fees are not paid on time, the design registration lapses. MED proposes to amend the Designs Act 1953 to allow for renewal of design registrations after renewal fees are not paid on time, provided that failure to pay the renewal fee was unintentional. This will ensure that for unintentional late payment, the design owner has their design (business investment) protected until the maximum term for sole ownership of their design has expired.
- 7 The paperwork required for obtaining a mining permit is extensive. MED proposes amending section 41 of the Crown Minerals Act 1991 to better reflect the policy reasons behind the section and reduce the number of transactions, involving permits issued under the Act, for which permit holders must obtain the consent of the Minister. Further changes are proposed also, to regulations promulgated under that Act, to allow for the use of electronic filing of documents.

Annex Two: Changes to Processes and Practices Being Implemented to Address Issues Identified during the Review.

- 1 DoL is developing a number of communication initiatives during 2007-08, to better inform industry and employees about their health, safety and employment relations rights and obligations. These include initiatives to target common misunderstandings, and on-line tools to assist in areas such as worker holiday entitlement calculations and hazard identification. For example:
 - Releasing an on-line tool that will assist the entitlement calculations associated with the Holidays Act 2003 by Easter 2007;
 - Developing and disseminating information regarding the use of probationary periods under the Employment Relations Act 2000 by June 2007;
 - Conducting tailored market research into business' understanding of health and safety and employment relations legislation to identify areas of misunderstanding and, by June 2007, develop a communication strategy to address areas of greatest difficulty;
 - Developing an on-line Hazard Builder for SMEs, which also aligns with the ACC requirements for the new Workplace Safety Discount, by June 2007; and
 - Developing guidance on how to manage the health and safety of contractors, in 07/08.
- 2 Businesses state that they have difficulties in understanding their ACC levy invoices and associated information. In-advance invoicing of ACC levies for business and timing inconsistency with other business payments, (such as GST and PAYE) can also impact on small business' cash flow and planning. ACC will ensure that new levy invoices will provide clearer information for businesses by June 2007. Payment options, including method and frequency, will be reviewed in 2007 taking into account the cash flow issues faced by businesses.
- 3 To address duplicative requirements on businesses to supply data, ACC and Inland Revenue have agreed to improve the coordination of data collection and to share information on businesses (with their permission), to reduce duplication between each department's requirements. ACC has also commenced discussions with the Companies Office and Statistics New Zealand with a view to sharing more data.
- 4 Concerns were raised by submitters from the non-casino gaming machine sector about the costs of complying with the Gambling Act 2003 and the Gambling Act's procedures for dealing with problem gamblers at gambling venues. While DIA has made strong efforts to ensure that the non-casino gaming machine sector understands its obligations in this area, the submissions to the Review disclosed a degree of misunderstanding and uncertainty (among publicans in particular) regarding what is expected of the sector in dealing with problem gamblers. DIA will shortly commence a targeted information and education campaign in response to this.
- 5 In terms of the costs of complying with the Gambling Act, a number of options were considered by Ministers during the 2001 Gaming Review. The costs of the preferred option were signalled throughout the policy development process and at the time the Act passed through Parliament. Thus addressing the cost issues would require fundamental changes to the Gambling Act and to the policy decisions Ministers made during the Gaming Review.
- 6 In terms of promoting the idea of the 'one hand of government' and minimising the potential duplicative interacts of businesses with central and local governments, it has been suggested that central government agencies work with a local authority to trial some of the new ideas and approaches.

Annex Three: Work being undertaken relevant to concerns raised during the review.

Issue	Action	Agency Responsible
Completing company annual returns	The Companies Office will consider these concerns in its next review. The company annual return can be amended by gazette notice.	Companies Office
The use of vehicles used for agricultural purposes between certain times and on certain days without an exemption permit (which costs per vehicle per year)	Discussion at the joint industry/government Agricultural Transport working group	Land Transport New Zealand
Administration of the excise regime to accommodate the reality of large-scale contract bottling	Customs will also investigate ways that limitations on storage flexibility can be overcome without reducing clarity about excise obligations or assurance over Crown revenue	Customs
Many wine businesses consulted during the Review perceived the Alcohol Advisory Council (ALAC) levy as unfair and suggested the levy be subjected to a formal review.	The Ministry of Health (MOH) is undertaking a review of the way that the ALAC levy is calculated as the existing levy-setting provisions are considered to be outdated and overly complex. Part of the current review is a targeted consultation with the representative bodies of the alcohol producers and importers, as well as ALAC, about options for changing the levy-setting mechanisms. The review is limited in scope and does not consider the role of ALAC. I consider Ministry of Health should engage with those who contribute to the funding of ALAC to foster industry / government partnership to address alcohol issues and ALAC outcomes. An Alcohol Advisory Council Amendment Bill is proposed for the 2007 legislation programme.	Health

Issue	Action	Agency Responsible
<p>The perception that Inland Revenue (IRD) is overly zealous about penalising businesses for genuine errors and omissions in disclosure of their tax positions and overly prescriptive about forms of tax payments.</p>	<p>The Government is considering making a number of changes in its next available Tax Bill (subject to Cabinet approval). These include removing GST and withholding-type taxes from the scope of the unacceptable tax position shortfall penalty and increasing the thresholds above which this penalty is imposed to over \$50,000 and 1 percent of the taxpayer's total tax figure for the relevant tax return. Certain shortfall penalties will not be imposed where a taxpayer voluntarily discloses its error to Inland Revenue within two years of taking the tax position. Taxpayers will be notified the first time their payment is late, rather than imposing immediate payment penalties and the late payment legislation will be clarified relating to employer monthly schedules.</p>	<p>IRD</p>
<p>A validation process for certificates of exemption</p>	<p>Inland Revenue is investigating. If such a process is feasible, it will assist in reducing the compliance costs associated with the use of contractors and the requirements to obtain each contractor's IRD number and send in an IR 345 monthly with just the contractor's IRD number</p>	<p>IRD</p>
<p>The threshold for twice-monthly PAYE payments</p>	<p>A review of the threshold for twice-monthly PAYE payments is being considered as a part of the Government Discussion Document <i>Business Tax Review</i> and the project is included in the Tax Policy Work Programme</p>	<p>IRD</p>

Issue	Action	Agency Responsible
Company Tax Rate	As part of the Government's Business Tax Review, consideration is being given to lowering the company tax rate to 30 percent and providing other tax concessions to businesses, such as targeted tax credits for Research and Development, skills training and export market development. If these proposals are agreed to, they would be likely to take effect from 1 April 2008	IRD
Fringe Benefit Tax Requirements	Businesses perceive that satisfying the fringe benefit tax (FBT) requirements is confusing, complex and expensive. Businesses proposed that simplification and greater guidance would assist matters. Inland Revenue is investigating whether it can further lower compliance costs for small businesses by reducing the number of FBT returns that have to be filed	IRD
Delays in IRD recognising that employees have left a business	Businesses have commented that it sometimes requires several reminders for Inland Revenue to recognise that employees have left the business. Delays in IRD recognising that employees have left a business are due to tight processing timeframes for employer monthly schedules. Inland Revenue is considering what can be done to improve the speed at which it recognises that an employee has left a business.	IRD

Issue	Action	Agency Responsible
A lack of information sharing within IRD	Businesses expressed frustration about the lack of information sharing within Inland Revenue and lack of information provided to firms. It was pointed out that many different forms required by Inland Revenue for different purposes ask for similar information, and that Inland Revenue does not provide enough information on returns. Inland Revenue is aware of problems associated with information sharing within and outside of the Department and is committed to finding solutions to the problems identified	IRD
The slow speed of MAF releasing Import Health Standards	Businesses expressed frustration with the slow speed of MAF releasing Import Health Standards. MAF is now undertaking some fundamental work reviewing how border standards are developed and implemented. This is likely to entail developing strategies for managing biosecurity risks across groups of commodity types and pathways.	MAF
Businesses in the horticulture sector raised the concern that they are required to pay Pay As You Earn (PAYE) tax twice monthly.	The Inland Revenue Department (IRD) proposes, in its Tax Policy Work Programme, to review the requirement for businesses in the horticulture sector to pay PAYE twice monthly.	IRD
The frequency and cost of renewals for forklift licences.	DoL will review licensing requirements in the Approved Code of Practice for the Training of Forklift Operators in the 07/08 Financial Year.	DoL

Annex Four: Initiatives already in place that address issues highlighted in the Review:

Issue	Action	Agency Responsible
Pay As You Earn (PAYE) subsidy	On 1 October 2006, IRD established new Pay As You Earn (PAYE) subsidy rules to allow small employers to outsource their PAYE compliance obligations and focus their efforts on their business and reduce late or incorrect penalties on small businesses	IRD
Perception that vehicle ownership and vehicle service licensing rules do not protect second or subsequent owners of a vehicle, are inflexible, and create burdens for business	<p>Cabinet has agreed to tighten up the offence provision for non-notification of vehicle ownership change and create an offence for this, enforceable by Police, local authorities and Land Transport New Zealand. This will be an amendment to the Transport (Vehicle and Driver Registration and Licensing) Act 1986 to be introduced in mid 2007.</p> <p>Regulations have recently been amended which fix problems arising from a legal technicality which removed the eligibility of certain dealers (primarily boat and trailer dealers) to hold trade plates.</p> <p>A new definition of what constitutes a 'goods service' vehicle for licensing will take effect from September 2007 in the new Operator Licensing Rule. This will remove goods service licensing requirements from all vehicles with a gross laden weight of under 6000kg regardless of whether the vehicle is being used for hire and reward</p>	Transport
Unnecessary disruption to the wine industry by excise duty being increased each year on 1 June and ALAC levies being amended on 1 July,	The Customs and Excise Amendment Bill, currently before the house, proposes that excise duty be increased each year on 1 July	Customs

Issue	Action	Agency Responsible
Perceived inadequacy of gaming machine expenses	A joint working party comprising the Department of Internal Affairs, the Charity Gaming Association and the Hospitality Association is reviewing the current expenses regime to ensure that it is fair and continues to deliver on the Gambling Act's objectives and requirements (including the requirement that expenses be minimised in order to maximise the return to community purposes).	DIA
Risks to businesses employing foreign workers proffering IRD numbers and using these numbers on forms, even though, unknown to the business, the people were working in New Zealand illegally	To reduce the potential compliance costs on employers, Cabinet agreed to allow the DoL to disclose to a potential employer that an identifiable, non-citizen prospective employee is entitled to work, and the duration of that entitlement (without explicit consent from the prospective employee). This will enable DoL to develop an electronic system that enables employers to verify entitlements to work, and the duration of entitlements via the Internet.	DoL
The perceived inflexibility of the DoL temporary work (including Working Holiday) policy and seasonal work policy	<p>DoL will review temporary work policy for low/unskilled occupations and report back by May 2007. Working Holiday schemes will also be reviewed, and the DoL will report back on this in late 2007.</p> <p>The implementation of the Recognised Seasonal Employer (RSE) policy to make employing seasonal workers easier, due to start by April 2007, will include an information and education campaign to help employers learn how the new policy works. The RSE policy will be open to the horticulture and viticulture sectors only, but a review of the immigration work policy relating to other sectors that utilise low-skilled labour is also underway</p>	DoL

Issue	Action	Agency Responsible
Concerns that the New Zealand Food Safety Authority's (NZFSA) regulations for wine production are too prescriptive	NZFSA has worked closely with the grape wine industry body to ensure that the regulations and notices are both practical and suitable for wine making and are the minimum needed to meet the objectives of the Wine Act 2003. One of the principal features of the new programme will be a requirement for wine makers to operate under a wine standards management plan (WSMP), which can be tailored to meet the requirements of individual wineries. It is expected that once WSMPs are fully implemented in December 2008, many issues related to prescriptive regulation will be resolved. Once winemakers obtain a WSMP, they will be exempt from the Food Hygiene Regulations.	NZFSA
Concerns from within the hospitality sector about inconsistencies across the food regulatory system, and about the cost and amount of work required to comply with the Food Hygiene Regulations (particularly the differing application of the Regulations in the jurisdictions of different Territorial Authorities)	<p>NZFSA is currently working on proposals for new food legislation as part of an extensive Domestic Food Review (DFR). The DFR represents the first comprehensive examination of the Government's role in the New Zealand food sector in over twenty years. The intended outcome of this review is the design of a new regulatory system to replace the Food Act 1981 and the Food Hygiene Regulations 1974. Implementation is expected to begin in late 2007.</p> <p>Proposals for the new regulatory system centre around the requirement for 'persons' producing, manufacturing, retailing or preparing food for sale, to register and operate under Food Control Plans (FCPs). The kind of plan the 'person' operates under will be determined by the kind of business they operate. FCPs will be registered by Territorial Authorities and there is an expectation that the new system will provide for greater consistency across the country</p>	NZFSA

Issue	Action	Agency Responsible
Business perceptions of strict and inflexible border requirements for plant and plant material	<p>In June 2006 Biosecurity NZ released updated standards for plant exports after significant consultation with industry. These are being phased in by 1 September 2007. The revised standards are outcome-based, which gives businesses the flexibility to use their existing quality systems to satisfy export requirements as well as their other commercial needs. NZFSA's requirements will be similar to Biosecurity NZ's new standards. This approach minimises duplication within the industry organisation's procedures, allows greater flexibility and enables businesses to decide how to manage the risks.</p> <p>The updated Biosecurity NZ export standards also provide consistency with NZFSA on the requirements for the Independent Verification Agencies (IVA) accreditation. The new Biosecurity NZ standards enable IVAs to undertake multiple audits (e.g. EurepGAP, residue and phytosanitary) in one visit</p>	MAF
Duplicative paperwork filing under the Patents Bill	MED proposes amendments to the Patents Bill to reflect worldwide developments and move to an entirely electronic register instead of current duplicative paperwork filing.	MED
Uncertainly business obligations under the Kiwi Saver scheme	Inland Revenue is providing extensive information to employers and employees on KiwiSaver prior to its introduction in July 2007 to ensure that employers are adequately informed about its implications	IRD

Issue	Action	Agency Responsible
<p>Poorly understood ACC information for businesses</p>	<p>The Accident Compensation Corporation (ACC) proposes to provide more understandable and easily accessible information to businesses about its services and how it sets workplace levies. This will involve reviewing packs sent to new employers, newsletters, online service improvements and road shows.</p>	<p>ACC</p>
<p>Inland Revenue identification cards of proof of legitimacy to work or tax exemption for contractors are easy for workers to alter and forge. However, companies are held responsible if the letter and card are altered.</p>	<p>To address this, the certificate of exemption has been redesigned and in future will be issued with a holographic foil surface. This surface will give a distorted image if it is photocopied or scanned. The new certificates will make it easier for companies to ensure that the certificate they are sighting is the original. Inland Revenue is also investigating a web-based system that could validate certificates</p>	<p>IRD</p>
<p>Timely recruitment of foreign workers</p>	<p>In the area of immigration, DoL is working on a new business model, which would help with consistency, timeliness and increase the use of technology for both immigration officers and customers. Part of this will involve better informing businesses about avenues for recruiting foreign workers. Interim visas for applicants whose permits lapse before their next application is decided could also be introduced. Proposals are also under development to address delays in the processing of Approval in Principle applications</p>	<p>DoL</p>

Issue	Action	Agency Responsible
<p>Businesses perceive there to be strict and inflexible border requirements for plant and plant material and that the Ministry for Agriculture and Forestry's (MAF) verification processes are onerous and inefficient</p>	<p>The intended integration of Biosecurity New Zealand and MAF Quarantine Service by the end of 2007.</p> <p>Proposals to address current problems with the Biosecurity Act/Hazardous Substances and New Organisms Act interface covering the importation of new organisms.</p> <p>Working with the Industry Plant Import Action Group to develop solutions to the issues in their recent report</p>	<p>MAF</p>
<p>Reducing business compliance costs using standard business reporting, Statistics New Zealand (Stats NZ)</p>	<p>Statistics New Zealand (Stats NZ), IRD and MED are proposing to work on three pilots that will test this reduction. The pilots will include the encouragement of electronic filing using the eXtensible Business Reporting Language (XBRL) technology.</p> <p>Stats NZ is also developing a respondent load strategy that examines how Stats NZ can continue to minimise business survey burden.</p>	<p>Statistics New Zealand</p>