Do corporates pay their “fair share” of tax in New Zealand?

Effective tax rates in corporate New Zealand – domestic corporates versus foreign multinationals.

May 2017
We find no evidence that MNCs have lower effective tax rates than counterpart domestic owned companies.
Foreword

Multinational companies operating in New Zealand appear to pay just as much tax as their domestic equivalents. And both pay tax at close to the statutory 28% rate.

Those are the conclusions from EY’s research on effective tax rates disclosed by companies operating here.

Yet the debate on corporate taxes continues to escalate, both in New Zealand and around the world. Whether multinational corporations (“MNCs”) pay their “fair share” of taxes is politicised globally like never before.

Our research shows the time is right for business to set the story straight.

Revenue Minister Judith Collins rightly says that “most foreign-owned firms operating here have relatively conservative debt positions and pay significant amounts of tax.”

Even so, the Government has announced significant BEPS² related tax reforms to taxing inbound businesses of foreign investors, which will:

1. Strengthen and change New Zealand’s transfer pricing rules for allowable pricing of related party sales and all other transactions
2. Introduce a specific ‘permanent establishment’ avoidance rule that extends New Zealand’s tax net to profit limiting structures
3. Further limit interest deductibility for MNCs by capping the rates for inbound intercompany loans, and changing the way in which the thin capitalisation debt gearing safe harbour threshold is calculated

To help inform the debate, we are delighted to present EY’s research analysing effective tax rates reported in publicly available New Zealand financial statements. The report presents our findings from an analysis of the effective tax rate disclosures of 229 companies, comprising two distinct groups – 154 New Zealand inbound MNCs, and 75 New Zealand-based NZX companies. This analysis was drawn from the most recent two years for which information is available.

Overall, our research shows that most companies – of whatever size – disclose effective tax rates that are within +/- 5% of the corporate 28% tax rate. We find no evidence that MNCs have lower effective tax rates than counterpart domestic owned companies.

Many companies in fact disclose effective tax rates above the statutory 28% rate. Of the 456 company reports reviewed, 299 (or 66%) have effective tax rates close to, or above, the statutory rate.

We hope that you will find our analysis of this hotly debated topic insightful and thought-provoking.

Andy Archer
Partner, International Tax

---

1. In the Revenue Minister’s address to the International Fiscal Association on 3rd March 2107 when discussing new tax proposals foreshadowed by the Government.
2. The OECD Base Erosion and Profit Shifting project that finalised recommendations on 15 Action Plans in October 2015 for member countries to consider adopting on a coordinated and global scale.
Executive summary

Taking our sample in its entirety, reported effective tax rates group closely around the statutory tax rate of 28%. The pattern shown in Figure 1 suggests the profits reported in company financial statements are brought to tax, regardless of whether owned in New Zealand or offshore.

Figure 1: Reported accounting effective tax rate for entire sample over the latest 2 years that information is available

3 As at January 2017, generally 2012/13 to 2014/15
The following highlights arise from our research:

Greater detail and breakdown between foreign-owned and domestic NZ companies follows in the report.

However, the key messages are as follows:

**Large Corporates** - turnover over $500m
- Most large corporates pay close to the statutory tax rate of 28%
- Foreign owned corporates are more likely to deviate from this pattern at both extremes, more so at the higher effective tax rates
- Some large New Zealand owned corporates benefit from lower effective tax rates
- Common reasons for lower tax rates within New Zealand corporates include lower foreign tax rates, and unrealised gains on investment properties

**Medium Sized Corporates** - turnover between $30m-$500m
- A bare majority of foreign-owned medium sized corporates report taxes paid within 5% of the statutory rate. By comparison, close to only one-third of New Zealand owned corporates report taxes paid within 5% of the statutory rate
- While most outliers from both the foreign-owned and domestic groups have lower effective tax rates, the New Zealand owned corporates more frequently have rates of tax less than 18%
- We expect this low rate is entirely legitimate although, taken in isolation, tax disclosure notes frequently provide only limited guidance to explain the variance

**Smaller Corporates** - turnover under $30m
- Effective tax rates are more variable for smaller companies, and this category of companies is least likely to pay tax at the statutory 28% rate
- This lower tax rate trend appears most marked for New Zealand owned companies, although we need to be cautious due to the small sample size

We should acknowledge that a number of companies, both foreign and domestic, report effective tax rates below 18%, that is, at least 10% below the statutory tax rate of 28%. While our study does not give sufficient detail to break down these lower tax rates in detail, over provisions from past years and non-assessable income appear to be material factors in some cases.
What is the “right amount” of tax?

For all companies in our survey, we extrapolated their “effective tax rates”, which is a conventional measure of the average rate at which a company is taxed on its pre-tax profits. Put simply,

\[
\text{Effective tax rate} = \frac{\text{Total reported income tax expense}}{\text{Accounting profit before tax}}
\]

Effective tax rate reconciliations are based on the long-held tax and accounting concepts that business gross revenues may be offset by associated costs in deriving that revenue to arrive at accounting profit (or loss) before interest expense.

The starting point for the “right amount of tax” has, historically, been the prevailing statutory rate. Currently, that’s 28% in New Zealand.

From this starting point tax rules are overlaid to determine whether accounting revenue is assessable for tax and accounting expenses are deductible for tax purposes. In addition, items capitalised for accounting may be immediately deductible for tax or vice versa.

The relationship between tax expense and accounting profit can be complex and may be affected by the effects of factors such as:

- Capital gains and losses
- Other revenue and expenses that are outside the scope of taxation
- Tax losses
- Foreign tax rates

Within our survey foreign tax rates only affect the New Zealand based companies that have operations abroad that generate offshore revenue and incur foreign taxes at rates that differ from 28%. Foreign multinationals operating in New Zealand will generally only suffer tax within New Zealand (with our statutory rate at 28%), unless, for example, a local subsidiary also operates in foreign countries as well, but this is not common.

Research categories of companies

In addition to the split between foreign owned NZ companies, and, domestic NZX companies, we categorised companies based on size, being:

- Large – accounting turnover greater than NZ$500 million (57 companies)
- Medium – accounting turnover from NZ$30 million to NZ$500 million (142 companies)
- Small – accounting turnover below NZ$30 million (30 companies)

4. The income tax accounting standard – NZ IAS 12 Income Taxes – explains that the purpose of the effective tax rate tax reconciliation is to enable users of the financial statements to understand whether the relationship between tax expense (or credit) and accounting profit (or loss) is unusual – compared to the existing statutory tax rate (currently 28% in New Zealand) – and to understand the significant factors that could impact that relationship in future years.

5. Common adjustments involve backing out non-taxable disposal (capital) gains, and also revaluation gains/losses.

6. For example, non-deductible costs here include all costs involved in expanding or acquiring new businesses and capital assets, and 50% of entertainment expenses.

7. For example; Australia at 30%; Singapore at 17%; United Kingdom at 20%; Netherlands at 25%; USA at 35% (top rate).

8. Company size varies across time, therefore this category comprised 56 companies for one period. Similarly, the medium sized sample differed across the period under review. Other reasons for discrepancies between years include mergers and acquisitions activity and ownership changes.
Evidence that big corporates deserve criticism is lacking

Criticism by commentators of MNCs shows no sign of abating. In contrast, the New Zealand government has to date generally taken a more measured approach. That, together with the evidence exemplified by our earlier research New Zealand corporate debt levels of foreign multinationals9, suggests there is no independent verification that the vast majority of multinationals are not following the letter of the law.

Figure 2 shows that large corporates (both foreign and New Zealand owned) show a recognisably normal distribution curve around the corporate tax rate for the period (being 28%). Indeed, an overall majority of 63 out of 113 company reports (55%) showed an effective tax rate of 28% +/- 5%.

Figure 2: ETR Variance - Large companies

This majority comprised 63% of the domestic owned company reports in this large category, as against 49% of the New Zealand subsidiaries of foreign owned MNCs in the same category.

Interestingly, in relation to outliers from the standard rate, both ownership groups show the same trend towards an effective tax rate of lower than 23% (that is, at least 5% below the standard 28% rate), (Foreign owned group 27%; New Zealand owned group 26%). In neither case do we find a body of evidence that would suggest that MNCs are behaving in a demonstrably different manner to their domestic counterparts.

Figure 2: Reported accounting effective tax rate for large companies over the latest 2 years that information is available10

9. This report (August 2016) presents our findings from an analysis of the debt levels of 108 New Zealand inbound MNCs and 45 New Zealand-based NZX 50 companies. The facts show that, in the main, overseas corporates do not load undue amounts of debt into New Zealand. http://www.ey.com/nz/en/services/tax/ey-is-the-tax-crackdown-on-multinationals-justified

10. As at January 2017, generally 2012/13 to 2014/15.
Medium sized companies report robust effective tax rates

Next, we analysed the reported effective tax rate in publicly available financial statements (over the latest two years) for medium-sized companies (in our terms, those with reported accounting turnover between NZ$30 million to NZ$500 million).

As can be seen from Figure 3, significantly more foreign-owned corporate rather than domestic entities fall within this population. Overall, 145 out of 283 (51%) of medium sized company reports showed an effective tax rate of 28% +/- 5%.

Interestingly, and counter to the prevailing media narrative, these companies, comprise 57% of the New Zealand subsidiaries of foreign owned MNCs in this medium category, as against 37% of domestic owned corporates within this category.

Again, in relation to outliers from the standard rate, both ownership groups contain companies with an effective tax rate of lower than 23% (at least 5% below the standard 28% rate), with 27% of foreign owned companies in this category, compared to 49% of New Zealand owned.

A reasonable number (16%) of mid-sized foreign owned corporates show an effective tax rate of greater than 33% (more than 5% of the standard 28% rate). This finding is at odds with the view that it is foreign corporates who routinely have lower than a 28% effective tax rate.

We emphasise there is no reason to suggest the slightly lower average effective tax rate demonstrated by domestic owned corporates is not entirely legitimate. What can be put forward is an observation that the tax notes in many financial statement disclosures provide only limited guidance to explain the variances observed.

Figure 3: Reported accounting effective tax rate for medium-sized companies over the latest 2 years that information is available

<table>
<thead>
<tr>
<th>ETR variance / year</th>
<th>Owned</th>
<th>Foreign</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-10% to -5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-5% to -4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-4% to -3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-3% to -2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2% to -1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+5% to +10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+10% to +20%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+20% to +50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; +50%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: ETR Variance – Medium companies

EY finding highlights:

Foreign owned

16% (32 out of 202 points) more than 33% effective tax rate
57% (115 out of 202 data points) +/- 5% standard 28% effective tax rate
27% (55 out of 202 data points) less than 23% effective tax rate

NZ owned

14% (11 out of 81 data points) more than 33% effective tax rate
37% (30 out of 81 data points) +/- 5% standard 28% effective tax rate
49% (40 out of 81 data points) less than 23% effective tax rate

Smaller corporates show more varied results

Finally, we analysed the reported effective tax rate in publicly available financial statements (over the latest 2 years) for **small companies** (those with reported accounting turnover under NZ$30 million).

For both ownership groups effective tax rates are more variable. Indeed, the overall percentage of small sized companies who reported an effective tax rate of 28% +/- 5% is the lowest of any of the three groups, being just 12 out of 30 (40%).

When broken down, there is a marked difference between the ownership groups, with 48% of foreign owned companies within this small category, versus 7% for domestic owned. We must remain cautious in any further analysis of this finding based on the small population size sampled (30 companies).

The remaining entities outside of an effective tax rate of 28% +/- 5% sit at rates of tax below that range (being 48% for foreign owned versus 71% of domestic owned).

**Figure 4: Reported accounting effective tax rate for small-sized companies over the latest 2 years that information is available (generally 2012/13 to 2014/15)**

---

**Figure 4: ETR Variance – Small companies**

<table>
<thead>
<tr>
<th>ETR variance / year</th>
<th>Owned</th>
<th>Foreign</th>
<th>NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;-10%</td>
<td>16</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>-10% to -5%</td>
<td>14</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>-5%</td>
<td>12</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>-4%</td>
<td>10</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>-3%</td>
<td>8</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>-2%</td>
<td>6</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>-1%</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+1%</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+2%</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+3%</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+4%</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+5%</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5% to 10%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>&gt;10%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

- **Foreign** owned 4% (2 out of 46 points) more than 33% effective tax rate
- 48% (22 out of 46 data points) +/- 5% standard 28% effective tax rate
- 48% (22 out of 46 data points) less than 23% effective tax rate

- **NZ owned** 22% (3 out of 14 data points) > more than 33% effective tax rate
- 7% (1 out of 14 data points) +/- 5% standard 28% effective tax rate
- 71% (10 out of 14 data points) less than 23% effective tax rate
Taken together, the two studies put forward a strong case that tax payments in New Zealand are robust.
Data limitations mean our findings must be treated with some caution

Our findings outlined above should be considered in light of the following limitations in relation to the current data available.

1. **Our study is a two year snapshot only (mostly of data available in the period 2012/13 to 2014/15)**
   
   Identification of trends would ideally require analysis of similar disclosures over a much longer period, from before the Global Financial Crisis period to the current day.

2. **We make no comment of the appropriateness of reported accounting profits (before adjustment for tax purposes)**
   
   For foreign-owned corporates in particular, our study would not show the extent of any extreme forms of transfer pricing or thin capitalisation. However, our research in New Zealand corporate debt levels of foreign multinationals\(^{12}\) demonstrated that gearing levels of New Zealand and foreign-owned corporates show no statistically significant differences (both are modest). Taken together, the two studies put forward a strong case that tax payments in New Zealand are robust.

   That is further supported by our experience in practice. Inland Revenue's transfer pricing audits became increasingly rigorous over the period in question, and thin capitalisation rules have been repeatedly tightened to minimise any opportunities for profit stripping by way of excessive debt levels. In our experience excessive debt loading is uncommon, and high-priced debt of a scale to materially strip profits from New Zealand is not prevalent.

3. **Our results are not broken down by sector**
   
   The relatively small sample size means sectoral analysis is not robust. Additionally, for foreign-owned companies, there is no consistency around sectoral disclosure that makes direct comparison difficult.

---

\(^{12}\) This report (August 2016) presents our findings from an analysis of the debt levels of 108 New Zealand inbound MNCs and 45 New Zealand-based NZX 50 companies. The facts show that, in the main, overseas corporates do not load undue amounts of debt into New Zealand. http://www.ey.com/nz/en/services/tax/ey-is-the-tax-crackdown-on-multinationals-justified
Research shows tax disclosures within financial reports can be slippery

Tax is inherently complex even within a single country. Overlay this complexity with the tax impacts from jurisdictions outside of New Zealand and the picture can quickly become difficult to summarise. While accounting standard NZ IAS 12 dictates a common underlying reconciliation approach, it necessarily does not mandate a narrow set of reconciling items into which the taxpayer must shoehorn reconciling items. The taxpayer has flexibility to provide further information and explanations, so as to make the results disclosed in the financial statements understandable to the end user.

Figure 5 illustrates the reasons for departure from the 28% gold standard shown in our sample. It illustrates the average contribution for each tax reconciliation “bucket” varies by company size, and ownership. The result of the data displayed and the disclosure differences across taxpayers means we must be cautious in drawing strong conclusions.

Figure 5: Average effective tax rate reconciliation items over the latest 2 years that information is available

13. The income tax accounting standard - NZ IAS 12 Income Taxes - explains that the purpose of the effective tax rate tax reconciliation is to enable users of the financial statements to understand whether the relationship between tax expense (or income) and accounting profit (or loss) is unusual – compared to the existing statutory tax rate (currently 28% in New Zealand) – and to understand the significant factors that could impact that relationship in the future.

Large and medium sized foreign-owned corporates are most likely to report prior period adjustments. Possible explanations could include:

- Increased Inland Revenue activity\(^\text{15}\)
- MNCs applying a high materiality threshold on tax accounting for financial reporting purposes, due to the relative small size of the New Zealand entity and lower profile disclosures when compared to parent company accounts. The subsequent tax return process can be used to ensure ultimate accuracy around tax positions taken.

In addition, for all companies – no matter the ownership profile – the “Other” bucket is frequently used as a reconciling item. The “Other” category can refer to the summation of immaterial amounts or, importantly, one-off matters relevant to that entity or industry only. The tax accounting standard allows companies to adopt a more flexible approach to their disclosures, which is to be welcomed. In cases where the “Other” category is used then it is likely that recourse to the other supporting financial statement notes will provide the end user with the best understanding of these reconciling matters. Taken in isolation, however, which our experience shows as the norm for tax-specific enquiries, a description of “Other” invites further questions. Some corporates may sell themselves short when it comes to transparency over their tax affairs.\(^\text{16}\)

There are often legitimate reasons why accounting profit, as disclosed in financial reports, differs from taxable income but which can give the perception that an entity is subject to a low “effective tax rate”:

- Inclusion in accounting profits of foreign income that has already been taxed at a lower rate overseas and is exempt from further New Zealand tax\(^\text{17}\)
- Inclusion of accounting gains such as unrealised revaluations to fair value in accounting profit – such unrealised items are not taxed and may in any case be on capital account
- Additional deductions and/or offsets available for tax to incentivise taxpayers and promote investment or other forms of desirable behaviour. In many jurisdictions, for example, research and development is treated favourably for tax purposes.

---

\(^{15}\) In 2012, Inland Revenue introduced a more proactive intelligence-led approach to ensure compliance by significant enterprises. This approach requires all enterprises with a turnover in excess of $80 million to submit annually a basic compliance package. Our experience is that Inland Revenue uses this information to ask targeted questions around any outlying data.

\(^{16}\) This is in no sense a criticism of corporate disclosure. While some corporates could provide more fulsome explanations, most notably if there are large reconciling items, materiality thresholds within many financial statements and a desire not to clutter disclosure validly lead in a contrary direction.

\(^{17}\) A deliberate New Zealand policy choice within our controlled foreign company rules, one shared by almost all developed countries.
Our study demonstrates that tax disclosures within financial statements vary in their degree of transparency, thereby making direct comparisons difficult.
There can also be pitfalls around:

- Applying an effective tax rate analysis on listed trust structures. Listed trusts are flow through entities and are not subject to tax as the ultimate beneficiary is taxed.
- Comparing accounting profit against current tax rather than total tax expense. Timing differences between accounting and tax for example, depreciation rates and accrued expenses, could give rise to a low effective tax rate analysis.
- Confusing gross revenues with net profits.

Our study demonstrates that tax disclosures within financial statements vary in their degree of transparency, thereby making direct comparisons difficult. In collating our data we identified current tax disclosures in published accounts are not always easy to condense into a manageable “sound bite” to clearly explain the total tax contribution of a group, or to explain why that contribution varies from the statutory rate. In many cases, we found other disclosure notes in relation to director reports, accounting policies, contingent assets and liabilities, acquisitions and business combinations together with post balance sheet events all provided welcome further information, colour and context.

Broadly, small companies can be seen to most likely report “non-assessable income”, consistent with our wider finding that smaller corporates are the least likely to pay tax at an effective rate of 28%.

Finally, the impact of prior year tax losses (which were not recognised historically for deferred tax purposes) appears to be a significant contributor to lower effective tax rates for New Zealand owned businesses rather than their foreign counterparts.
Final thoughts

Debates around tax transparency and fairness are here to stay. Whilst the Goldilocks Principle that corporates must pay “just the right amount of tax” may never hold true – there are too many subjective factors applied in determining the amount of tax due – an appreciation of the total tax take may help to focus the debate on what is a “fair” contribution to the overall New Zealand economy.

The total tax contribution of any company needs to be recognised as much more than the direct corporate tax paid to Inland Revenue. The total value that any company delivers to New Zealand should – quite fairly – be measured by reference to jobs, wealth creation, employment and payroll taxes withheld and collected, GST and duties paid, royalties paid and withholding taxes – not to mention community/charitable works undertaken.

As we have demonstrated, the hard numbers – albeit not completely decipherable – do not support a view that the New Zealand Government is “losing out” in the global tax race at the hands of multinationals – or domestic corporates.

The underlying corollary to this situation is that New Zealand has built and operates a tax system that is robust and fit-for-purpose.

The total tax contribution of any company needs to be recognised as much more than the direct corporate tax paid to Inland Revenue.
Appendix A – Methodology

Our research collated the reported effective tax rate reconciliations for 154 New Zealand inbound multinationals and 75 New Zealand-based NZX companies. Based on publicly available financial information found in statutory accounts, we analysed the effective tax rate and the accompanying effective tax rate disclosures for the latest two years. Generally, the reporting period covered the years 2012/13 to 2014/15.

A full list of companies included in the research is available on request.

Companies were categorised based on size, being:
- Large – accounting turnover greater than NZ$500 million
- Medium – accounting turnover from NZ$30 million to NZ$500 million
- Small – accounting turnover below NZ$30 million

Appendix B – Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Erosion and Profit Shifting (BEPS)</td>
<td>An OECD-led crackdown on cross-border tax avoidance</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>The average rate at which a company is taxed on pre-tax profits.</td>
</tr>
<tr>
<td></td>
<td>The effective tax rate is calculated by using the formula:</td>
</tr>
<tr>
<td></td>
<td>Effective tax rate = \frac{(Total \ income \ tax \ expense)}{(Accounting \ profit \ (loss))}</td>
</tr>
<tr>
<td></td>
<td>Where “Total income tax expense” is equal to current tax expense / (benefit) plus deferred tax expense / (benefit)</td>
</tr>
<tr>
<td>Interest limitation rules</td>
<td>Rules that restrict the amount of interest incurred which can be treated as tax deductible, of which one example is thin capitalisation</td>
</tr>
<tr>
<td>Permanent establishment</td>
<td>A fixed place of business through which the business of an enterprise is wholly or partly carried on</td>
</tr>
<tr>
<td>Safe harbour</td>
<td>Legal provision within the thin capitalisation rules which, when satisfied, allows interest incurred to be fully deducted</td>
</tr>
<tr>
<td>Transfer pricing</td>
<td>The determination of prices charged in cross-border transactions between related parties</td>
</tr>
</tbody>
</table>
Contacts

Andy Archer
Partner, International Tax
Tel: +64 274 899 052
andy.archer@nz.ey.com

David Snell
Executive Director, Tax Policy
Tel: +64 21 845 361
david.snell@nz.ey.com

Simon Scoulding
Senior Manager, Global Compliance & Reporting
Tel: +64 21 587 519
simon.scoulding@nz.ey.com

Polina Belykh
Manager, International Tax
Tel: +64 212 276 475
polina.belykh@nz.ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit ey.com.

© 2017 Ernst & Young, New Zealand.
All Rights Reserved.

ED None
S1730477

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk. The views expressed in this article are the views of the author, not Ernst & Young.

ey.com