

6 November 2018



Via Email

To the members of the Tax Working Group

Thank you for the opportunity to speak to our submission to the Tax Working Group on 26 October 2018. We appreciated the engagement and questions from the members of the Group.

We want to clarify our answer to a question about the amount of income foregone by the Fund as a result of it continuing to pay tax during the suspension of contributions between August 2009 to November 2017. To confirm, the Fund paid \$4.9 billion in NZ tax during this period; if this \$4.9 billion paid in NZ tax had remained within the Fund, as at November 2017 the Fund would have earned an additional \$3.2 billion of income i.e. in total, the Fund would have been \$8 billion larger.

Treasury has subsequently identified that the Korean Investment Corporation is subject to tax in South Korea and therefore the NZ Super Fund is not in fact alone amongst sovereign wealth funds in paying tax in its home jurisdiction, as we had thought. We acknowledge the point but wish to note that this does not detract from the main and common sense reasons justifying an exemption for the NZ Super Fund i.e. a NZ tax exemption is more efficient for all concerned, with lower Government contributions needed over time and savings in both compliance costs and foreign tax leakage for the Government as a whole. We remain of the view that in paying domestic tax the NZ Super Fund is an outlier; In NZ, neither ACC nor EQC pays domestic tax; the Future Fund (our closest peer fund) does not pay tax in Australia and neither do leading peer funds including CPPIB, ADIA or GIC in their home jurisdictions.

Please contact myself or John Payne if you would like any further information or clarification in respect of our submission.

Kind regards
Matt Whineray