



FINANCIAL SERVICES FEDERATION

5 December 2018

Peter Frawley
Policy Manager
Inland Revenue

By email to: peter.frawley@ird.govt.nz

Dear Peter

Leasing: NZ IFRS 16

Thank you for the letter dated 3 October 2018 with regard to your suggested amendments to the rules relating to the tax treatment of leasing income and expenditure that could, subject to Government approval, be included in a bill to be introduced during 2019. We very much appreciate the opportunity to provide a submission to you on these suggested amendments.

Background:

By way of background, the Financial Services Federation (“FSF”) is the industry body representing the responsible and ethical finance and leasing providers of New Zealand. We have nearly sixty members and associates providing financing, leasing, and credit-related insurance products to more than 2 million New Zealanders. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is **attached** as Appendix A.

As such FSF members are both lessees for their own fleet, premises and equipment requirements and also lessors – most particularly as the major fleet leasing providers to New Zealand Government agencies, local government agencies, corporates and SME’s.

FSF is very supportive of the IRD’s aim to simplify taxation to more closely follow accounting in relation to IFRS16 on leases. The FSF notes however that with New Zealand’s IFRS16 becoming effective for accounting periods commencing from 1 January 2019, it will take a while for the amended tax rules to come into force so there will be some misalignment for an interim period. The FSF hopes that this period can be as brief as possible.

The FSF supports the retrospective introduction of new tax rules aligned with the accounting rules on the same effective date **but only if by choice** (that is that retrospective introduction should not be mandatory). The FSF also urges rapid development of those rules if there is any

question of them being made retrospective. If the rules are not made retrospective, any new tax rules would only apply for years subsequent to their introduction. FSF would still want to see these rules being made as soon as possible given introduction of the new accounting rules and the possibility for a mismatch where there wasn't one previously.

With respect to the specific suggestions in relating to the tax treatment of leasing made in your letter, the FSF is comfortable with these suggestions and has nothing further to say with respect to these.

The FSF is grateful for the opportunity to make this submission and would be pleased to discuss further any points that may require clarification or amplification.



Lyn McMorran
EXECUTIVE DIRECTOR

A National Federation of Financial Institutions

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FSF Membership List as at 1 August 2018
Appendix A

Debenture Issuers - (NBDT) Non-Bank Deposit Takers	Vehicle Lenders	Finance Company Diversified Lenders	Credit Reporting Other	Insurance	Affiliate Members
<u>Rated</u> Asset Finance (B)	BMW Financial Services <ul style="list-style-type: none"> ➤ Mini ➤ Alphera Financial Services Branded Financial Services Community Financial Services European Financial Services	L & F Ltd <ul style="list-style-type: none"> ➤ Speirs Finance ➤ YooGo Avanti Finance	Equifax (prev Veda) Centrix <u>Debt Collection Agencies</u>	Autosure Protecta Insurance Provident Insurance Corporation Ltd Southsure Assurance	American Express International (NZ) Ltd AML Solutions Buddle Findlay Chapman Tripp EY Finzsoft KPMG Paul Davies Law Ltd PWC Simpson Western FinTech NZ HPD Software Ltd
<u>Non-Rated</u> Mutual Credit Finance Gold Band Finance <ul style="list-style-type: none"> ➤ Loan Co 	Go Car Finance Ltd Honda Financial Services Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd <ul style="list-style-type: none"> ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Toyota Finance NZ Yamaha Motor Finance <u>Leasing Providers</u> Custom Fleet Fleet Partners NZ Ltd ORIX NZ SG Fleet Lease Plan	CentraCorp Finance 2000 Finance Now <ul style="list-style-type: none"> ➤ The Warehouse Financial Services Flexi Cards Future Finance Geneva Finance Home Direct Instant Finance <ul style="list-style-type: none"> ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Pioneer Finance <ul style="list-style-type: none"> ➤ Personal Finance South Pacific Loans Thorn Group Financial Services Ltd Turners Automotive Group	Baycorp (NZ) Illion (prev Dun & Bradstreet (NZ) Limited)	Total: 58 members	