I am a fellow of the New Zealand Institute of Chartered Accountants and have been a member of that body for more than fifty years. For eight years I worked for a firm of Accountants in Christchurch, who were in Public Practice, and after that for 3 New Zealand companies in a senior financial position for a further eight years. In 1973 I left New Zealand permanently to become a resident and citizen of Australia. In Australia I worked for 20 years as a consultant and forensic Accountant specialising in problems associated with the recovery of increased costs for engineering companies whose chief activity was building new power stations. Most of my clients were subsidiaries of multinational companies with wholly owned Australian subsidiary companies.

In 1996 I decided to retire early following bypass surgery to deal with a heart condition. Since that time I have been involved in the detailed analysis of financial information provided by listed public companies in which I have invested. I and my self managed superannuation fund have shares in more than 150 listed public companies.

Question 3, How have barriers affected my investment in New Zealand companies?

IR 292 issued by the New Zealand Inland Revenue deals with the identification of a New Zealand resident for tax purposes. In relation to an enduring relationship with New Zealand that document states that "The Income Tax Act 2007 says that a person, other than a company, who has a permanent place of abode in New Zealand, is a New Zealand resident. Permanent place of abode means more than just the building you live in; it covers all your ties and links with New Zealand. These may be social, physical, economic or personal. The enduring relationship test overrides and rules about the number of days you're in New Zealand." There are matters which I cannot overcome to avoid the problems associated with being considered subject to New Zealand taxation such as blood relationship with cousins and membership of the New Zealand Institute of Chartered Accountants. Investments are included in economic ties and I can and have restricted my holdings in listed New Zealand public company shares.

There are serious problems associated with being considered a New Zealand resident for taxation purposes. My chief source of income is a pension paid to me from my Australian self managed superannuation fund. The assets of that fund arise solely from contributions made and taxed when I was living and working in Australia. Under Australian law this pension which is substantially a return of capital is not taxable. However, my understanding is that under New Zealand law it would be taxable.

There is greyness in the analysis of what the New Zealand Inland Revenue Department states to be the relevant issues associated with the double tax agreement between Australia and New Zealand and due to an abundance of caution I have decided to give up my New Zealand citizenship so that I can only be considered a citizen of Australia.

Question 4. What should governments do to reduce or eliminate these barriers?

The New Zealand Government could alter their tax law so that Australian pensions earned while Australian residents were out of New Zealand are not taxable under New Zealand law. Most importantly this law should apply to people who are resident in Australia; i.e. people who spend more than 183 days in Australia in a tax year. To extend that concept to people who were originally New Zealand citizens would undoubtedly be to New Zealand's economic benefit as there will be many people who have left New Zealand to follow work opportunities who are restricted from returning on retirement under the existing tax legislation. Australian law might require change to enable this concept to be introduced.

Question 28. What are the costs and benefits of mutual recognition of imputation credits?

During the last two years I made a detailed analysis of the proposed legislation concerning the extension of the Australian Petroleum Resources Rent Tax to onshore operations. At the present time this legislation applies only to offshore oil & gas taxation. Many companies made submissions about these new taxation concepts but I am the only individual investor who actually made a direct submission to government on the issues. As part of my review I carried out a detailed analysis of the financial accounting reports of AWE Limited.

AWE Limited

2010 - 2011 was a challenging year for AWE shareholders and a year in which the Board and Management of the company has been transformed. AWE completed the tail end of an exploration program (much of it in New Zealand). The lack of success over this two year program coincided with the global financial crisis and the announcement of a new Australian Carbon Tax and an Australian onshore Petroleum Resources Rent Tax. This combination of factors resulted in a significant fall in the company's share price extending progressively over a period of several years.

The revitalised Board and management have implemented a forward strategy that will involve a greater technical and commercial focus aimed at maximising the value of the company's assets and delivering a profitable and sustainable future. The new Chairman (Bruce Phillips) was the founder and Managing Director of AWE until he retired in August 2007.

AWE's recent investment in shale gas in USA has delivered substantial return for shareholders and AWE's planned tight gas and shale gas exploration and appraisal program in the onshore Perth Basin has the potential to transform the company.

The company's financial position has caused it to reduce its near term investment in exploration. The focus for exploration in the near term will be on gas in Australia and Indonesia. There will be a Bass Gas enhancement project involving substantial capital investment.

In New Zealand the Tui oil project (AWE 42.5%) produced 2.8 million barrels of gross oil during the 2010/11 year and reported revenue of $105 million to AWE. With a low cost structure for the field operations, at current oil prices, the field will provide cash flow for a number of years. In its March 2012 quarterly statement AWE said that the Tui field joint venture was reviewing options for in-fill and near field exploration activity after seismic reprocessing. However, AWE had previously reported that other New Zealand interests were of diminished importance after the failure of recent exploration efforts.

The following analysis of the New Zealand trading results for the last two financial years is shown in the segment section of the Annual Report: It is in Australian dollars and expressed in $000's.

	2011	2010
Sales revenue	105,130	183,918
Production costs	(44,312)	(32,126)
Royalties	(833)	(2,882)
Net contribution	59,985	148,910
Amortisation	(21,932)	(24,607)
Segment profit	38,053	124,303

It is unfortunate that AWE does not provide shareholders and the investing public with the breakdown of amounts written off as exploration cost. The total cost for the company of exploration and impairment cost not allocated (in $000's) was $A164,613 for 2011 and $A113,128 Undoubtedly the New Zealand share of this cost would have resulted in a segment loss for New Zealand in 2011 and a significant reduction in the profit for 2010.

The segment asset values were as follows:	90,245	111,284
The value of Australian income tax losses (calculated at 30%) Was	72,261	66,257
Thus the Australian income tax losses carried forward @ 100% were	$240.87 million	$220.856 million

There are no unutilised New Zealand income tax losses.

Australian trading results for the last two financial years (in $A000's) were as follows:

	2011	2010
Sales revenue	193,848	170,099
Production costs	(84,990)	(94,072)
Royalties	(879)	(794)
Net contribution	107,979	75,233
Amortisation	(78,356)	(71,612)
Impairment	(35,686)	(23,388)
Segment profit	(6,063)	(19,767)

In relation to taxation the cash flow statement gives a better understanding of the benefit to the Australian and New Zealand governments of amounts paid. They were as follows again expressed in $A000's:

	2011	2010
New Zealand income tax	(212)	(42,233)
New Zealand Accounting Profits royalty	(20,008)	(52,455)
Australian Income tax	1,072	(4,545)
Australian Petroleum Resources rent tax	639	(1,707)

The figures in brackets represent tax paid and where there are no brackets it represents an inflow of cash in that year. It can be seen that AWE pays huge sums of tax to the New Zealand government but very little in Australia. This creates a problem for AWE as it has a stated policy of only paying dividends that have franking credits attached. The Australian section of the operation has huge losses carried forward both in respect of income tax and Australian Petroleum Resources Tax.

In fact the few franked dividends that AWE has paid to shareholders over the years have had the franking credits provided mainly from Australian income tax paid by companies that have been taken over and had the franking credits at the time of acquisition.

Strengthening economic relations between Australia and New Zealand

At page 28/29 of the issues paper dated April 2012 mention is made that mutual recognition of imputation credits has been a key taxation issue between the two countries. "Currently, imputation credits in Australia and New Zealand are available only for domestic company tax not foreign taxes, potentially creating a bias against offshore investment. The Henry Review found that mutual recognition of imputation credits would have a potential to improve the allocation of investments between the two countries and reduce the barriers to competition between Australian and New Zealand companies."

There is no doubt that if imputation credits were freely transferable it would materially change the financial policies of Australian mining and resource companies considering making financial investments in New Zealand. In the case of AWE it would make the increased investment in New Zealand much more attractive than investment in other overseas countries. The petroleum and gas industry consists of a number of partnerships (joint ventures) and it is in New Zealand's best interest to have experienced partners particularly where the experienced overseas partner takes over the management role. In the case of the Tui investment, AWE has the management role and New Zealand Oil & Gas has a smaller yet significant interest. The acquisition of technical knowledge and expertise is of great importance in the mining and oil and gas industries. AWE has recently given up the responsibility to be the lead manager in a joint venture to drill a well in the near future in an area off the east coast of the South Island of New Zealand.

There are significant differences between the method of calculation of the New Zealand Accounting Profits royalty and the Australian petroleum resources rent tax. My investigation of the Australian petroleum resources rent tax shows that there are significant problems with this legislation which are not possible to correct. During the last year an Australian court has issued a judgement in respect of a BHP dispute on issues that go back over 20 years. The amounts involved are substantial and the matter has gone to appeal. The government has indicated that it will introduce backdated legislation to alter the legislation to comply with the Australian Taxation Office views. I have not studied the New Zealand Accounting profits royalty rules but I suspect that many of the problems that I observe will not exist under the New Zealand taxation legislation. I suggest that a comparison of the two methods of taxation might lead to better Australian rules and concepts. I would be willing to make a further submission in this area.

Changes in this area would significantly reduce the cost of accounting for taxation. The 2010 accounts of AWE stated that the cost of external taxation advice on non audit issues was $1,215,184 and this is equivalent to 0.34% of the revenue earned by the company.

Question 31. How could Australia and New Zealand enhance the creation and transfer of knowledge between the two countries to mutual benefit?

The Institute of Chartered Accountants of New Zealand and the Institute of Chartered Accountants in Australia have recently announced a proposal to consider over the next two years the amalgamation of the two bodies. This would be a significant change especially as there are a large number of the New Zealand body members now permanently resident and working in Australia.

Although the accounting concepts associated with IFRS are the same for both countries, the need to have the same wording in both countries accounting standards is yet to be put into effect. This change would lead to a significant reduction in accounting costs especially when reviewing accounting problems. It is important to consider that the IFRS standards are not exactly the same as the Australian Accounting standards and that reporting requirements in Australia must comply with the Australian Corporations Law.

In relation to the facilitation of business information sharing, I have shares in a number of listed public companies that have part of their operation in New Zealand. It is disappointing that if the company is not listed on the ASX all ordinaries list, then New Zealand employees of those companies are discouraged from holding shares in those companies under the foreign investment fund rules. This concept is not to the benefit of long term employment in New Zealand as the temptation is for employees to transfer to the Australian head office.

With the mining industry I perceive that New Zealand has a need to encourage Australian companies to come to New Zealand. I was an investor in Pike River Coal Limited and the maters that have become public have been very discouraging for me as an investor in future New Zealand controlled mining companies. The standard of knowledge of the Management and Directors as to risk in a gaseous coal mine is totally unacceptable. I have been able to speak to a person who has a long experience in the West Coast coal mining industry and the standards associated with risk displayed by both the company and by the New Zealand government department involved with inspection of mines has deteriorated considerably over the years. The number of inspectors available to do the task made the whole operation at Pike River unacceptably risky. I have been told that the hours of work in these gaseous mines have increased significantly over the years. I have been told that in some companies there are employees working underground who work a 12 hour shift. This is a very risky practice because the miner who becomes fatigued has to be alert to safety issues at all times.

There needs to be an introduction of standards similar to those demonstrated by companies in the Australian industry by both the public Australian Mining companies and the Australian State Government departments. In Australia there is recognition State Governments that supervise the mining industry, approve new mining projects by reviewing environmental impact statements and the technical aspects of safety associated with new projects, have much to gain from the royalties that they earn. To have an acceptable and safe, and profitable mining industry the New Zealand Government must recognise that they must spend the necessary funds. In this area New Zealand has much to learn from the Australian

State governments.

Australia has two chief sources of overseas income; farming and mining. New Zealand has only farming to be the principal source of overseas income. New Zealand has the resources to create a significant mining industry. As long as they are not developed the New Zealand economy will continue to slip and the standard of living of the average New Zealander will continue to decline. The drift of skilled New Zealanders to become permanent residents of Australia will continue.