

The Treasury

Budget 2016 Information Release

Release Document July 2016

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2016/183

SH-13

Date: 12 February 2016

To: Minister of Finance (Hon Bill English)
Minister of Revenue (Hon Michael Woodhouse)

Deadline: 15 February 2016

Aide Memoire: Additional information on business tax package

This note provides updates to help inform your discussion on the business tax package at the BGA Investment Ministers meeting on 15 February.

Electing own rate of withholding

We previously reported on the proposal in the package to allow contractors to elect their own withholding rates – and the disagreement between Inland Revenue and Treasury on whether there should be a minimum rate (IR2016/025, T2016/122).

That report provided indicative estimates of the fiscal impact of different minimum rates. The scale of fiscal impact depends on assumptions about:

- how many contractors that are currently over-withheld will change their withholding rate in response to the flexibility provided by the proposal, and
- how many contractors will use the opportunity provided by the proposal to select a low rate to try to defer their income for a year.

We have now updated the estimates of the possible fiscal impacts:

		Fiscal impact (\$m)			
<i>% of contractors who try to defer income</i>	<i>Minimum rate</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>
5%	0%	-3	-57	12	2
	10%	-2	-40	6	2
	15%	0	-21	5	2
15%	0%	-7	-111	37	2
	10%	-4	-69	17	2
	15%	-2	-42	13	4

Inland Revenue does not support a minimum rate and believes the fiscal risk of having no minimum rate is likely to be low. Treasury believes the fiscal risk is high, and now supports a minimum rate of 15%.

Accounting income method

We previously reported on the proposal in the package to introduce an accounting income method (AIM) for payment of provisional tax (IR2015/2861, T2015/694).

That report noted our view that the AIM should be available to taxpayers registered for GST on a two-monthly basis, but not those registered on a one-monthly or six-monthly basis, or those not registered for GST. This was because of doubts about whether these taxpayers would want to use the AIM, and concerns about fiscal risks.

Following further data analysis, we now consider that the AIM should, in principle, also be available to these taxpayers if they want to use it. We believe the fiscal risks could be reduced through policy design of the AIM, and are considering the best way to do this.

We continue to recommend that AIM should be introduced for small businesses at first, and a decision made on extending it to large businesses taken at a later date.

Inland Revenue were consulted on this note.

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