

The Treasury

Budget 2016 Information Release

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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.



Cabinet Business Committee

CBC-15-MIN-0014

Version 1.0

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Proposed GST Rules for Cross-Border Services and Intangibles

Portfolio **Revenue**

On 27 October 2015, the Cabinet Business Committee:

Background

1 **noted** that on 17 August 2015, Cabinet:

1.1 noted that GST is not typically collected on cross-border services and intangibles (including internet downloads and online services);

1.2 noted that the growth in e-commerce means that the amount of purchases on which GST is not collected is estimated to be around \$40 million per annum;

1.3 agreed to the release of a discussion document on *GST: Cross-Border Services and Intangibles*;

1.4 noted that final policy recommendations will be submitted to Cabinet following the consultation;

[CAB-15-MIN-0020]

Proposed amendments

2 **agreed** that GST apply at the 15 percent rate to the supply of “remote” services and intangibles provided by offshore suppliers to New Zealand resident consumers. (“Remote” services are services where there is no necessary connection between the physical location of the customer and the place where the service is provided);

3 **agreed** that:

3.1 GST not apply to remote services and intangibles provided by offshore suppliers to New Zealand GST-registered businesses;

3.2 an offshore supplier and a GST-registered purchaser would be able to agree to zero-rate the supply, which would allow the offshore supplier to deduct any GST costs incurred in New Zealand;

- 4 **agreed** that:
- 4.1 offshore suppliers be required to register and return GST when their total supplies of remote services and intangibles to New Zealand exceeded \$60,000 in a 12-month period;
 - 4.2 supplies to New Zealand GST-registered businesses would only count towards this threshold if the parties agreed that GST would apply at the zero rate;
- 5 **agreed** that:
- 5.1 offshore suppliers be required to determine whether a customer is a New Zealand resident on the basis of two non-conflicting pieces of commercially available evidence;
 - 5.2 an alternative method may be prescribed by the Commissioner of Inland Revenue;
- 6 **agreed** that:
- 6.1 offshore suppliers be required to determine whether a customer is a GST-registered business on the basis of whether they provided a GST registration number, a New Zealand Business Number, or the business' self-certification;
 - 6.2 an offshore supplier would be able to agree with the Commissioner of Inland Revenue on an alternative method of determining whether a customer was a GST-registered business;
- 7 **agreed** that the new rules apply from 1 October 2016;

Financial implications

- 8 **noted** the following changes as a result of the decision in paragraph 2 above, with a corresponding impact on the operating balance:

	\$m increase/(decrease)				
Vote Revenue Minister of Revenue	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Tax Revenue	-	30	40	40	40

- 9 **noted** that total project cost to implement and administer the proposed changes is estimated at \$1.610 million over 5 years, which will be funded by Inland Revenue out of its existing baseline;

Legislative implications

- 10 **noted** that the Taxation (November) Bill has a category 5 priority on the 2015 Legislation Programme (to be referred to a select committee in 2015);
- 11 **invited** the Minister of Revenue to issue drafting instructions to give effect to the above paragraphs.

Suzanne Howard
Committee Secretary

Reference: CBC-15-SUB-0014
