



Minute of Decision

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Taxation (Budget Tax Measures) Bill: Approval for Introduction

Portfolios: Finance / Revenue

On 25 May 2009, Cabinet:

- 1 **noted** that the Taxation (Budget Tax Measures) Bill has no priority on the Legislation Programme;
- 2 **noted** that on 6 April 2009 Cabinet agreed to delay the second and third tranches of the planned tax cuts in 2010 and 2011 [CAB Min (09) 12/9];
- 3 **agreed** that tax legislation be amended to retain the tax structure from 1 April 2009 into subsequent years (this would include consequential amendments that would be necessary to implement the new structure):

\$0 - \$14,000	12.5 per cent
\$14,001 - \$48,000	21.0 per cent
\$48,001 - \$70,000	33 per cent
\$70,001+	38 per cent

- 4 **noted** that in December 2008, Cabinet agreed that the weekly independent earner tax credit would increase from 1 April 2010 [CAB Min (08) 45/2];
- 5 **agreed** that tax legislation be amended to retain the amount of the independent earner tax credit from 1 April 2009 into subsequent years, being \$10 per week or \$520 per year for the tax year (available to persons with taxable income between \$24,000 and \$44,000 per annum);
- 6 **noted** that officials' reports on resident withholding tax and portfolio investment entity rate structures, the tax rate for Maori authorities, and a new bottom rate for secondary employment income and extra pays (as set out in CAB Min (08) 45/2) will take into consideration the decisions in paragraphs 3 and 5 above;

- 7 **noted** that the fiscal effects of the changes to the tax rates and thresholds and the independent earner tax credit referred to in paragraphs 3 and 5 above are:

	\$ million				
	2008/09	2009/10	2010/11	2011/12	2012/13
Operating balance impact from personal tax changes (incl. IETC)	0	118	615	1052	1086
Less reduction in tax "claw-back"	0	19	96	164	170
Net increase in operating balance	0	99	519	888	916

- 8 **noted** that on 29 April 2009, the Cabinet Economic Growth and Infrastructure Committee agreed that the KiwiSaver Act 2006 and the KiwiSaver Regulations 2006 be amended to achieve closure of the KiwiSaver mortgage diversion facility to new participants from 1 June 2009 [EGI Min (09) 7/5];
- 9 **noted** that the decision referred to in paragraph 8 is provided for in the Taxation (Budget Tax Measures) Bill;
- 10 **approved** for introduction the Taxation (Budget Tax Measures) Bill [IRD 13791/1.1] which gives effect to the above measures;
- 11 **agreed** that the Bill be introduced on 28 May 2009;
- 12 **agreed** that the Bill be introduced and passed under urgency.

Secretary of the Cabinet

Reference: CAB (09) 279