



Cabinet

CAB Min (10) 17/2

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Minute of Decision

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Taxation (Budget Measures) Bill: Approval for Introduction

Portfolio: Finance

On 17 May 2010, Cabinet:

- 1 **noted** that in April 2010, Cabinet:
 - 1.1 agreed to a tax reform package for Budget 2010 [CAB Min (10) 12/10, CAB Min (10) 13/24];
 - 1.2 authorised the Minister of Finance and the Minister of Revenue (together with the Minister for Social Development and Employment where appropriate) to propose, for inclusion in a Bill that seeks to amend the Tax Acts, any necessary minor consequential amendments that relate to the Budget 2010 tax reform package [CAB Min (10) 12/10];
- 2 **noted** that the Minister of Finance and the Minister of Revenue, in accordance with paragraph 1.2 above, have directed that the Taxation (Budget Measures) Bill (the Bill) include amendments to:
 - 2.1 allow taxpayers who receive capital contributions the option to amortise them as income over ten years as an alternative to adjusting cost for depreciation;
 - 2.2 prohibit the granting of a special depreciation rate for a building included in an application received after 20 May 2010;
 - 2.3 permit adjustments to the abatement threshold for Working for Families tax credits to be made by Order in Council;
 - 2.4 allow the Commissioner of Inland Revenue to not impose, or to remit late filing and payment penalties, and use of money interest, that arise following the GST increase. This would apply for a short period of time, and would only apply where the error can reasonably be attributed to the change in the GST rate;

- 3 **agreed** that, as announced by the Minister of Revenue in 2009, the following categories of buildings be treated as *not* being a building for income tax purposes if acquired by the taxpayer before 30 July 2009:
- 3.1 barns, including barns (drying);
 - 3.2 car parking buildings;
 - 3.3 chemical works;
 - 3.4 fertiliser works;
 - 3.5 powder drying buildings;
 - 3.6 site huts;
- 4 **noted** that the fiscal consequences of the decision in paragraph 3 above are within the scope of the costing already made in relation to depreciation changes and will not impact on the revenue forecasts;
- 5 **noted** that the Bill gives effect to the decisions referred to in paragraphs 1-3 above, which comprise the Tax Reform Package for Budget 2010, by amending the:
- 5.1 Income Tax Act 2007;
 - 5.2 Tax Administration Act 1994;
 - 5.3 Goods and Services Tax Act 1985;
 - 5.4 Government Superannuation Fund Amendment Act 1969;
 - 5.5 National Provident Fund Restructuring Act 1990;
 - 5.6 New Zealand Superannuation and Retirement Income Act 2001;
 - 5.7 Social Security Act 1964;
 - 5.8 War Pensions Act 1954;
- 6 **noted** that the Bill has a category 2 priority on the 2010 Legislation Programme (must be passed in 2010);
- 7 **approved** the introduction of the Taxation (Budget Measures) Bill [PCO 14376/7.0], subject to the final approval of the government caucus, and sufficient support in the House of Representatives;
- 8 **agreed** that the Bill be introduced on 20 May 2010 and passed as soon as possible under urgency, without referral to a select committee;

- 9 9.1 **noted** that statutory levies, fees and charges that include GST will need to be adjusted to take account of the change in the GST rate;
- 9.2 **authorised** the Cabinet Legislation Committee to have Power to Act at its meeting on 20 May 2010, if necessary, to take decisions on whether or not any provisions need to be included in the Bill relating to the adjustment of statutory levies, fees and charges to take account of the change in GST.

Secretary of the Cabinet

Reference: CAB (10) 233
