The Treasury

Budget 2013 Information Release

Release Document

July 2013

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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] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[3] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[8] 9(2)(h) - to maintain legal professional privilege

[9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[12] Not in scope

[13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue

[14] 9(2)(ba)(i) - 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.

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, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

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

Specified Mineral Mining: Tax Review

Portfolios: **Finance / Revenue**

On 25 March 2013, following reference from the Cabinet Economic Growth and Infrastructure Committee (EGI), Cabinet:

1 **noted** that:

1.1 the existing tax rules that apply to specified mineral mining are highly concessionary;

1.2 on 24 October 2012, EGI noted the release of an officials' issues paper on the taxation of specified mineral mining [EGI Min (12) 24/1];

2 **agreed** to legislative amendments that will introduce new rules that apply to specified mineral miners that are more consistent with those that apply to taxpayers generally, and with the following features:

2.1 "prospecting expenditure" and "exploration expenditure" should be immediately deductible, subject to the claw-back rule referred to in paragraph 2.3 below;

2.2 "development expenditure" should be capitalised and deducted over the life of the mine;

2.3 "exploration expenditure" on items later used for the extraction of minerals should be added back as income in the year the mine becomes operational and deducted over the life of the mine as if it were development expenditure;

2.4 the "life of the mine" should be self-assessed by taxpayers based on their expected activities in a particular permit area, but should not be less than the expected life of the mine used for accounting purposes. A mine would have a maximum life for tax purposes of 25 years;

2.5 "mining expenditure" should be subject to the ordinary capital/revenue distinction that applies to other businesses;

2.6 "rehabilitation expenditure" should be deductible in the year it is spent, but a refundable credit should be generated if a loss is incurred in that year to provide for the fact that the expenditure may be after income-earning activity has ceased;

2.7 land should be treated as revenue account property of a mining company, meaning income or a deduction is accounted for in the year of disposal. As with rehabilitation expenditure, if a loss is incurred in the year of a land sale, a refundable credit should be generated;

2.8 the existing loss rules for mining companies should remain, so that losses can only be grouped against other mining income and can survive a continuity breach, but can only be offset against income from the same permit area;

2.9 the rules that allow mineral miners to appropriate income for future expenditure should be repealed. To account for the fact that the repeal of this rule may result in unexpected tax liabilities, miners should be able to spread any income tax liability over the two years following the effective date;

2.10 when a "farm-out" of mining rights takes place, the consideration received should be treated as income in the year the rights pass, and the consideration paid should be deducted over the expected life of the mine (or be immediately deductible if the mine is still in the prospecting or explorations phases);

2.11 the normal tax rules should apply in respect of insurance receipts and bad debt/bad debt recovery;

3 **agreed** that the above proposals:

3.1 be included in the next omnibus tax bill, currently set down for introduction to Parliament in April 2013;

3.2 be effective from the 2014/15 income year;

4 **authorised** the Minister of Revenue to make any minor or consequential amendments to the rules necessary to ensure their effective implementation;

5 **noted** that the estimated tax revenue costs associated with the changes referred to in paragraph 2 above are as follows:

	$m – increase/(decrease)				
Vote Revenue Minister of Revenue	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 & Outyears**
Tax Revenue	-	3.000	27.000	30.000	30.000

6 **agreed** that the positive revenue impact of an estimated $30 million per annum be included as a savings item in Budget 2013.

Secretary of the Cabinet

Reference: CAB (13) 140

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