

The Treasury

Budget 2013 Information Release

Release Document

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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.



Cabinet Economic Growth and Infrastructure Committee

EGI Min (13) 6/13

Copy No: 30

- 2 APR 2013

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.

Black Hole Expenditure Items

Portfolio: Revenue

On 27 March 2013, the Cabinet Economic Growth and Infrastructure Committee:

- 1 **agreed** to allow an immediate tax deduction for failed capitalised research and development (R&D) expenditure which would have been part of the cost of “depreciable intangible property” if the project had been successful;
- 2 **agreed** that, in the event that a failed asset becomes useful, any capitalised R&D expenditure previously allowed as a tax deduction be clawed back, with the clawed-back amount then able to be depreciated over the estimated useful life of the asset;
- 3 **agreed** that, in the event that a failed asset is sold, any capitalised R&D expenditure previously allowed as a tax deduction (or the sale proceeds, if this amount is lower) be clawed back (except where the sale of the failed asset would otherwise give rise to assessable income, in which case the entire sales proceeds would continue to be assessable income);
- 4 **agreed** to add resource consents granted under the Resource Management Act 1991 (RMA) to do something that otherwise would contravene section 15A or 15B of the RMA to Schedule 14 (depreciable intangible property) of the Income Tax Act 2007. This will have the effect of making expenditure on these resource consents depreciable for tax purposes;
- 5 **agreed** to allow a tax deduction for expenditure on unsuccessful resource consent applications where no application has been lodged;
- 6 **agreed** to allow a tax deduction for expenditure incurred on paying dividends;
- 7 **agreed** to allow a tax deduction for the annual listing fee of a company registered on a stock exchange (while keeping initial and subsequent listing fees for new share issues non-deductible for tax purposes);
- 8 **agreed** to allow a tax deduction for the costs of annual shareholder meetings, while making the costs of special shareholder meetings non-deductible for tax purposes;
- 9 **agreed** that the proposals outlined in paragraphs 1-8 above all take effect from the 2014/15 income year, with enabling legislation being included in the next available taxation bill after Budget 2013;

- 10 **authorised** the Minister of Revenue to make any minor or consequential amendments to the rules necessary to ensure the effective implementation of the above paragraphs;
- 11 **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to give effect to the above paragraphs;
- 12 **noted** that the estimated tax revenue costs associated with the above proposals outlined in paragraphs 1-8 above are as follows:

	\$m increase / (decrease)				
Vote Revenue Minister of Revenue	2012/13	2013/14	2014/15	2015/16	2016/17
Tax Revenue	-	(0.360)	(1.560)	(2.010)	(2.460)

- 13 **noted** that the estimated tax revenue costs will continue to increase by \$450,000 per annum to approximately \$9 million per annum.

Janine Harvey
Committee Secretary

Reference: EGI (13) 49