

The Treasury

Budget 2014 Information Release

Release Document

July 2014

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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)(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.
- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - 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.

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 [3] 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) of the Official Information Act.



Tax policy report: Repeal of cheque duty – paper to the Cabinet Business Committee

Date:	19 March 2014	Priority:	High
Security Level:		Report No:	T2014/481 IR2014/116

Action sought

	Action Sought	Deadline
Minister of Finance	Agree to the recommendation. Sign and refer the attached Cabinet paper to the Cabinet Office.	10am, Thursday, 27 March 2014
Minister of Revenue	Agree to the recommendation. Sign and refer the attached Cabinet paper to the Cabinet Office.	10am, Thursday, 27 March 2014

Contact for telephone discussion (if required)

Name	Position	Telephone	
Mike Nutsford	Policy Manager, Policy and Strategy, Inland Revenue	(04) 890 6169 (wk)	[3]
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19 March 2014

Minister of Finance
Minister of Revenue

Repeal of cheque duty – paper to the Cabinet Business Committee

You previously agreed to repeal cheque duty via a Budget night bill, with effect from the date of Royal assent (T2014/163, PAS2014/42 refers). You also agreed to allow officials to consult the New Zealand Bankers Association (NZBA) on the compliance implications of this approach to repealing cheque duty. Officials have since consulted NZBA.

NZBA advised that, while all banks canvassed are supportive of the repeal of cheque duty, some banks have indicated they have legacy IT systems, and that repealing cheque duty from the date of Royal assent may cause problems for them. Those banks have expressed a preference for cheque duty to be repealed with effect from a set date in the future, to allow them some lead-in time to manage the transition from a systems perspective. Also, some banks have expressed a preference for the repeal to take effect from the first day of a quarter, in order to tie-in with current cheque duty return processes. NZBA indicated that a repeal date of 1 July 2014 (the first day of the next quarter following Budget 2014) would allow banks sufficient lead-in time to manage the transition.

Officials support the suggestion of a 1 July 2014 repeal date as it would give banks sufficient lead-in time to manage the transition from a systems perspective and has the added advantage of tying in with banks' current cheque duty return processes, by allowing banks to complete a full quarterly cycle for their final cheque duty return.

We consider that repealing cheque duty from 1 July 2014 would have the same estimated fiscal costs as the option of repealing cheque duty from the date of Royal assent of a Budget night bill. We note that, under a 1 July 2014 repeal date, the estimated \$500,000 additional payment of cheque duty received in July 2014 would be offset by an estimated \$500,000 in refunds sought during the month and a half between announcement and the date of repeal. However, there is a risk that the amount of refunds sought during this time could be higher, due to the broad assumptions this estimate is based on.

If you agree with a 1 July 2014 repeal date, we recommend that you agree to the submission of the attached paper to the Cabinet Business Committee, for its consideration. The paper has been prepared on the assumption that you agree to rescind your previous decision that the repeal of cheque duty take effect from the date of Royal assent of a Budget night bill, and instead agree that the repeal take effect from 1 July 2014. The attached paper recommends

that cheque duty be repealed via a Budget day bill, with effect from 1 July 2014, and with no refunds of prepaid cheque duty available from then on.

Recommended action

We recommend that you:

- (a) **Rescind** your previous decision that the repeal of cheque duty take effect from the date of Royal assent of a Budget night bill, and instead **agree** that the repeal take effect from 1 July 2014.

Agreed/Not agreed

Agreed/Not agreed

- (b) **Note** that agreeing to the above recommendation will have no net impact on the estimated fiscal costs of repeal, which are as per the following table:

Vote Revenue Minister of Revenue	\$m increase / (decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & out-years
Tax Revenue	-	(3.500)	(4.000)	(4.000)	(4.000)

Noted

Noted

- (c) **Sign** and **refer** the attached Cabinet paper to the Cabinet Office by 10am on Thursday, 27 March 2014, for consideration at the Cabinet Business Committee meeting on Monday, 31 March 2014.

Signed and referred

Signed and referred

Andrea Black
Principal Advisor
Tax Strategy
The Treasury

Mike Nutsford
Policy Manager
Policy and Strategy
Inland Revenue

Hon Bill English
Minister of Finance

Hon Todd McClay
Minister of Revenue