

The Treasury

Budget 2018 Information Release

Release Document August 2018

<https://treasury.govt.nz/publications/information-release/budget-2018-information-release>

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]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[2]	to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government	6(b)(i)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	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.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	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	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	not in scope	
[41]	that the making available of the information requested would be contrary to the provisions of a specified enactment	18(c)(i)
[42]	information is already publicly available or will be publicly available soon	18(d)

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



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.

2018 Budget Package: Vote Revenue

On 9 April 2018, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2018 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
10495	Bloodstock Tax Deductions - Supporting the New Zealand Racing Industry	-	-	0.150	1.950	2.700
10645	Research and Development Tax Credit Implementation	-	1.200	1.500	0.800	0.800
10255	Tax Compliance Activity - Funding to Collect Additional Revenue	-	6.800	6.800	6.600	6.300
10454	Tax Compliance Activity - Additional Revenue	-	(33.300)	(50.000)	(50.000)	(50.000)
10649	Tertiary Education Annual Maximum Fee Movement	-	1.248	1.996	2.037	1.962
Total Operating		-	(24.052)	(39.554)	(38.613)	(38.238)

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
10649	Tertiary Education Annual Maximum Fee Movement	-	(0.001)	(0.009)	(0.039)	(0.103)
Total Capital		-	(0.001)	(0.009)	(0.039)	(0.103)

- 2 **approved** changes to appropriations to implement the initiatives, as set out in the attached

initiative documents;

- 3 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 4 **authorised** the Minister of Finance and the Appropriation Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2017/18 Supplementary Estimates, the 2018/19 Estimates and the fiscal forecasts;
- 5 **noted** that all communications relating to the 2018 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Finance
Minister of Revenue

Vote: Revenue (IRD-Crown)

Title: Bloodstock Tax Deductions - Supporting the New Zealand Racing Industry

Description: This funding will provide for additional tax related deductions by bloodstock breeding business investors in stand-out yearlings bought with an intention to breed. The overarching objective of this initiative is to contribute towards the development of the New Zealand racing industry.

Appropriation changes

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22
Operating Balance Impact	-	-	0.150	1.950	2.700
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	0.150	1.950	2.700

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22
Non-Departmental Other Expense:					
Other Persons' Refunds (PLA)	-	-	0.150	1.950	2.700
Total Operating	-	-	0.150	1.950	2.700

Additional recommendation

6 **noted** the cost of this initiative increases to \$4.087 million in 2025/26 and outyears;

Vote: Revenue

Title: Research and Development Tax Credit Implementation

Description: This funding enables the Government to provide businesses with a research and development tax incentive. The tax incentive will provide a stable mechanism to incentivise increased business expenditure on research and development.

Appropriation changes

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Operating Balance Impact	-	1.200	1.500	0.800	0.800
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.200	1.500	0.800	0.800

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Departmental Output Expense:					
Investigations (funded by revenue Crown)	-	0.120	0.150	0.080	0.080
Multi-Category Expenses and Capital Expenditure:					
Services for Customers (MCA)					
<i>Departmental Output Expenses:</i>					
Services to Inform the Public About Entitlements and Meeting Obligations (funded by revenue Crown)	-	0.480	0.600	0.320	0.320
Services to Process Obligations and Entitlements (funded by revenue Crown)	-	0.600	0.750	0.400	0.400
Total Multi-Category Expenses and Capital Expenditure: Services for Customers (MCA)	-	1.080	1.350	0.720	0.720
Total Operating	-	1.200	1.500	0.800	0.800

Additional recommendation

- 7 **noted** this funding is for implementation of the initiative submitted in Vote Business, Science and Innovation (Initiative 10278);

Vote: Revenue

Title: Tax Compliance Activity - Funding to Collect Additional Revenue

Description: This funding will enable Inland Revenue to increase the targeting of non-compliant customers to generate additional assessed revenue in the area of outstanding returns. Inland Revenue will also identify legislative opportunities to increase compliance primarily in the areas of third party reporting and withholding tax.

Appropriation changes

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Operating Balance Impact	-	6.800	6.800	6.600	6.300
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	6.800	6.800	6.600	6.300

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Departmental Output Expenses:					
Investigations (funded by revenue Crown)	-	-	-	-	-
Management of Debt and Outstanding Returns (funded by revenue Crown)	-	5.850	5.850	5.900	5.900
Policy Advice (funded by revenue Crown)	-	0.950	0.950	0.700	0.400
Total Operating	-	6.800	6.800	6.600	6.300

Additional recommendation

- 8 **noted** this funding is related to the 'Tax Compliance Activity - Additional Revenue' initiative (Initiative 10454);

Initiative No: 10454

Vote: Revenue (IRD-Crown)

Title: Tax Compliance Activity - Additional Revenue

Description: This will enable Inland Revenue to gain additional revenue from increasing the targeting of non-compliant customers in the area of outstanding tax returns.

Appropriation changes

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Operating Balance Impact	-	(33.300)	(50.000)	(50.000)	(50.000)
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	(33.300)	(50.000)	(50.000)	(50.000)

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Tax Revenue:					
Companies	-	(35.200)	(52.000)	(52.000)	(52.000)
Goods and Services Tax (IRD)	-	(4.400)	(6.500)	(6.500)	(6.500)
Other Direct Taxes	-	-	-	-	-
Other Persons	-	-	-	-	-
Source Deductions	-	(4.400)	(6.500)	(6.500)	(6.500)
Non-Departmental Other Expense:					
Impairment of Debt	-	10.700	15.000	15.000	15.000
Total Operating	-	(33.300)	(50.000)	(50.000)	(50.000)

Additional Recommendations

- 9 **noted** the revenue impacts from this initiative relate to the 'Tax Compliance Activity - Funding to Collect Additional Revenue' initiative (Initiative 10255);
- 10 **agreed** that the revenue impacts from this initiative be offset against Budget 2018 allowances;
- 11 **noted** that the revenue impacts from this initiative do not include potential additional

revenue from identifying legislative opportunities to increase tax compliance;

- 12 **agreed** that Inland Revenue officials will report back to Ministers once these legislative opportunities have been identified, and that revenue impacts from these opportunities could be offset against future Budget allowances;

Initiative No: 10649

Vote: Revenue

Title: Tertiary Education Annual Maximum Fee Movement

Description: This initiative provides funding to maintain the current 2 percent Annual Maximum Fee Movement (AMFM) policy for 2019 and 2020. The AMFM restricts the extent to which providers can increase fees, and impacts on borrowing through the Student Loan Scheme.

Appropriation changes

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Operating Balance Impact	-	1.248	1.996	2.037	1.962
Debt Impact	-	(0.001)	(0.009)	(0.039)	(0.103)
No Impact	-	-	-	-	-
Total	-	1.247	1.987	1.998	1.859

	\$m - increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Non-Departmental Other Expense:					
Initial Fair Value Write-Down Relating to Student Loans	-	1.272	2.107	2.270	2.329
Total Operating	-	1.272	2.107	2.270	2.329

Additional recommendations

- 13 **noted** that the Minister for Education intends to consult (via a *Gazette* notice) on setting an Annual Maximum Fee Movement (AMFM) rate of 2 percent in 2019 and 2020;
- 14 **noted** that the operating impact reflected above is broadly assumed to be neutral over a ten year period and, as such, is not charged against the operating allowance;
- 15 **noted** that the debt impact reflected above is broadly assumed to be neutral over a ten year period and, as such, is not a saving against the capital allowance;
- 16 **noted** that there is an associated initiative in Vote Social Development (Initiative 10463).