

The Treasury

Tax, Housing and RBNZ Information Release

April 2021

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Key to sections of the Act under which information has been withheld:

- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
- [42] 18(d) - information requested is or will soon be publicly available

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Reference: T2021/45 SH-13-5

Date: 15 January 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)

Housing: next steps

1. You have requested further advice and a draft Cabinet paper to implement your decisions on housing tax measures for Cabinet approval on 15 February. This AM confirms the scope of what we can provide to that timeframe.

[33]

2. We will provide a report on **4 February** (alongside a draft Cabinet paper) that sets out initial, high level analysis and key policy choices, and the process to progress the issue at, and beyond, Cabinet on 15 February.
3. However, this is a very complex issue, and a tight turnaround poses significant challenges and risks. To this timeframe Treasury will not be able to undertake sufficient or sufficiently robust analysis to provide full advice on the detailed design or merits of an interest deductibility restriction.
4. Therefore, the report will focus on setting out the high-level design choices, their risks and viability, and seek direction on the drafting and timing of a discussion document, with further detailed analysis on the proposals after 15 February. Those choices include:
 - a. Whether to pursue a full or partial denial of deductions
 - b. Whether to apply the denial all stock, or just new investment
 - c. Whether to include exclusions for new builds (including for the brightline extension)

Cabinet paper

5. We will provide a draft Cabinet paper on **4 February** that sets out the overarching package (to the extent possible), and explains any important interactions between measures. The paper will seek Cabinet agreement to Ministers' decisions on:
 - a. brightline extension (we understand you are still considering the time period);
 - b. key design choices on interest deductibility (outlined at a - c above), ahead of publishing a discussion document;

- c. a potential exemption for new builds; and
 - d. [33]
6. The Cabinet paper will need to include fiscal costings for these proposed decisions, and a regulatory impact assessment.
 7. Producing fiscal costings for all three measures in this compressed timeframe will be challenging, especially as these are complex measures. It may not be possible to produce robust costings in this timeframe.

Timeline

4 February 2021	Report on interest deductibility and draft Cabinet paper to Ministers.
8 – 12 February 2021	Feedback from Ministers. Updates to Cabinet paper to reflect Ministers' decisions on interest deductibility.
12 February 2021	Lodge Cabinet paper (including RIA).
15 February 2021	Cabinet.

8. It would be helpful to get clarity on your intended process following Cabinet. In particular, if you intend to announce the measures before enactment, it will be important to consider the announcement effect (for example, if you were to announce the measures would apply prospectively from a date in the future, this could result in a surge in demand to avoid the new measures).
9. [33]

- a. [33]
- b.
- c.

Stephen Bond, Principal Advisor, Tax Strategy, [39]
 Jessica Rowe, Manager (Acting), Tax Strategy, [39]