

# The Treasury

## Budget 2023 Tax Initiatives Information Release

July 2023

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### Cabinet Document Details

Title: **Cabinet Minute: CAB-23-MIN-0142: Budget 2023: Revenue Initiative**

Date: **11 April 2023**

Creator: Cabinet Office

### Information Withheld

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# Cabinet

## Minute of Decision

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### Budget 2023: Revenue Initiative

**Portfolios**                      **Finance / Revenue**

On 11 April 2023, Cabinet:

- 1        **noted** that:
  - 1.1      when the Government put in place the new 39 percent top personal income tax rate in 2021, Inland Revenue and Treasury recommended also increasing the trustee rate to 39 percent;
  - 1.2      Ministers made clear that if analysis indicated high income earners were circumventing the personal income tax rate through greater use of trusts, that the Government would move to address the issue;
- 2        **noted** that analysis of taxpayer activities before the 39 percent top personal income tax rate came into force, as well as historical analysis, indicates that high income earners using trust structures would likely not have been fully subject to the increase in the top personal tax rate;
- 3        **agreed** to increase the trustee tax rate to 39 percent for the 2024–25 and later income years (beginning 1 April 2024 for most trusts);
- 4        **agreed** to tax beneficiary income that is paid or allocated to a corporate beneficiary at the 39 percent trustee tax rate, where the corporate beneficiary is a close company and a settlor of the trust has natural love and affection for a direct or indirect shareholder of the corporate beneficiary;
- 5        **agreed** to allow income derived by an estate within 12 months of the deceased person's date of death to be taxed at the deceased's marginal tax rate;
- 6        **agreed** to include a modification for trusts for disabled people, which would allow trustee income of an eligible trust to be taxed at the marginal tax rate of the trust's disabled beneficiary;
- 7        **authorised** the Minister of Finance and Minister of Revenue to make additional joint decisions on policy and drafting issues arising for the above proposals;

## Financial implications

- 8 **noted** the following estimated increase in tax revenue, totalling \$1,123.000 million over the forecast period, as a result of the above decisions, with a corresponding impact on the operating balance and net debt:

	\$ million – increase/(decrease)					
<b>Vote Revenue</b>	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears	Total
<b>Crown revenue and receipts:</b>						
Tax revenue	-	-	13.000	765.000	345.000	1,123.000
<b>Total revenue</b>	-	-	<b>13.000</b>	<b>765.000</b>	<b>345.000</b>	<b>1,123.000</b>
<b>Total operating</b>	-	-	<b>(13.000)</b>	<b>(765.000)</b>	<b>(345.000)</b>	<b>(1,123.000)</b>

- 9 **approved** the following consequential impact of \$4.300 million on the impairment of debt and debt write-off appropriation, resulting from the additional tax revenue, with a corresponding impact on the operating balance and net debt;

	\$ million – increase/(decrease)					
<b>Vote Revenue</b>	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears	Total
<b>Non-departmental other expenses:</b>						
Impairment of debt and debt write-off	-	-	0.100	2.900	1.300	4.300
<b>Total operating</b>	-	-	<b>0.100</b>	<b>2.900</b>	<b>1.300</b>	<b>4.300</b>

- 10 **agreed** that the impacts outlined in paragraphs 8 and 9 above will be managed against the Budget 2023 operating allowance;

## Administration implications

- 11 **noted** that the estimated costs of the up-front build and on-going administration for this initiative is up to \$11 million, being \$2.900 million capital and \$8.100 million operating over the forecast period (2022/23 to 2026/27);
- 12 **agreed** that the departmental capital and operating costs referred to in paragraph 11 above will be self-funded by Inland Revenue;
- 13 **authorised** the Minister of Finance and Minister of Revenue to agree the detailed appropriation-level recommendations necessary to give effect to paragraphs 3 to 12 above for Budget 2023;

**Legislative implications**

- 14 **authorised** the Minister of Revenue to introduce a Bill containing the measures agreed in paragraphs 3 to 7 above;
- 15 **noted** that the Bill is scheduled to be introduced on Budget night, 18 May 2023, will go through the normal select committee process, and be enacted by 31 March 2024;

**Communications**

- 16 **noted** that the Office of the Minister of Finance coordinates all communications relating to Budget 2023, and that any requests for early announcement will need to have the written approval of both the Prime Minister's and Minister of Finance's Offices.

Rachel Hayward  
Secretary of the Cabinet