

The Treasury

Budget 2018 Information Release

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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]	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.



Joint Report: R&D tax credit – Briefing on consultation with Australian Government officials

Date:	16 February 2018	Report No:	T2018/285 IR2018/105 2157 17-18
		File Number:	KI-3-2-3

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report	None
Minister of Research, Science and Innovation (Hon Dr Megan Woods)	Note the contents of this report	None
Minister of Revenue (Hon Stuart Nash)	Note the contents of this report	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Hannah Overton	Graduate Analyst, The Treasury	[39] (wk)	N/A ✓
Matt Cowan	Team Leader, The Treasury	[39] (wk)	N/A
Keith Taylor	Policy Manager, Inland Revenue	[39]	[23]
Richard Walley	Manager, Innovation Policy, Ministry of Business, Innovation and Employment	[39]	[23]
Becci Whitton	Manager Stakeholder and Government Engagement, Callaghan Innovation	[23]	N/A

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
Enclosure: No

Joint Report: R&D tax credit – Briefing on consultation with
Australian Government officials

Executive Summary

On 8 February 2018, officials from the Treasury, Inland Revenue, The Ministry of Business, Innovation and Employment and Callaghan Innovation met with counterparts from the Australian Treasury, the Australian Tax Office, and the Department of Industry, Innovation and Science, to discuss their experience of a Research and Development (R&D) Tax Credit.

This report briefs you on key observations and advice from Australian officials, for background and context when considering the R&D main and technical design features reports the Minister of Research, Science and Innovation and the Minister of Revenue are also receiving this week.

[2]

We will provide you with further advice on these meetings should you require it.

Recommended Action

We recommend that you:

a **note** the contents of this report

Noted
Minister of Finance

Noted
Minister of Research,
Science and Innovation

Noted
Minister of Revenue

Matt Cowan
Team leader
Tax Strategy
The Treasury

Keith Taylor
Policy Manager
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Vic Crone
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Innovation

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Minister of Research,
Science and Innovation

Hon Stuart Nash
Minister of Revenue

Joint Report: R&D tax credit – Briefing on consultation with Australian Government officials

Purpose of Report

1. On 8 February 2018, officials from the Treasury, Inland Revenue, The Ministry of Business, Innovation and Employment and Callaghan Innovation met with counterparts from the Australian Treasury, the Australian Tax Office and the Department of Industry, Innovation and Science, to discuss their experience of a Research and Development (R&D) Tax Credit.

The purpose of this report is to brief you on key observations and advice from Australian officials, for background and context when considering the R&D main and technical design features reports the Minister of Research, Science and Innovation and the Minister of Revenue are also receiving this week.

Key Themes

[2]

Next steps

3. Decisions on design features of the R&D tax credit will be needed as soon as possible for consultation to be conducted in time for an April 2019 implementation date. Officials will be considering the advice from these meetings with Australian officials when writing the discussion document, which you will receive a draft of by 13 March 2018. We will provide you with further advice on these meetings should you require it.

Annex One: Overview of the Australian R&D tax credit

- The scheme's objectives are spillovers and additionality due to uncertain return from activities (i.e. risk). These are codified in legislation².
- 2 components of the incentive (in place since 2011):
 - 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than \$20 million per annum, provided they are not controlled by income tax exempt entities. Excluding the tax rate, the comparable subsidy rate for small firms is 19%.
 - 38.5% non-refundable tax offset for all other eligible entities (entities may be able to carry forward unused offset amounts to future income years). Excluding the tax rate, the comparative subsidy rate for large firms is 7%.
- Consciously skewed to providing greater support for smaller firms
- Volume based scheme (replaced previous hybrid volume/incremental scheme)

² Section 355-5 of the Income Tax Assessment Act 1997