

The Treasury

Firearms Buyback Scheme Information Release

October 2019

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] Not in scope

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Reference: T2019/911 DH-44

Date: 27 March 2019

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

Aide Memoire: Update on the Semi-Automatic Weapon Buy-Back Scheme

Purpose and Background

This aide memoire provides an update on work relating to the semi-automatic weapon buy-back scheme ahead of a fuller briefing from Police to Joint Ministers early next week.

We understand the briefing from Police will report on progress and seek ministerial direction on the scope of the buy-back, approaches to “fair and reasonable” pricing, options for payment processing, and implementation timing.

Scope of the buy-back

We understand Ministers have agreed:

- the buy-back scheme is intended to cover semi-automatic firearms that were lawfully acquired and are newly prohibited
- the focus is on individuals in possession of eligible firearms
- businesses will not be part of the scheme as there will be prohibition exemptions for legitimate business use and as retailers and dealers are likely to have legitimate means of disposing of any stock
- newly prohibited parts and ammunition will not be eligible for the scheme, and
- the buy-back will run for twelve months.

There may be a need to adjust coverage of the scheme as issues emerge during the design phase. For example, there may be a case for some limited business inclusion in the scheme. Police is engaging with industry to improve its understanding of the potential issues with the proposed scheme.

We understand Police will seek ministerial direction on a number of design features such as whether the scheme should include firearms not covered by the prohibition but returned during the amnesty, and whether firearms purchased after a certain date should be excluded.

In our view, the buy-back should be limited to newly prohibited firearms only. While there may be safety benefits from other firearms being handed over to Police, the purpose of the buy-back is to provide reasonable recompense to those affected by the removal of property rights in relation to certain firearms. The decision to hand over other firearms is not a requirement imposed by Government but an individual choice.

We consider there may be opportunities to exploit the buy-back scheme through firearm purchase activity conducted after 15 March. We see merit in excluding semi-automatic purchases made after this date.

Collection

Police has already instituted a process for arranging the handover of firearms. To mitigate the risk of firearms being brought to Police stations without prior agreement, individuals are being asked to complete an online form or make contact by phone.

While no guarantee of compensation will be given for firearms handed to Police before the scheme is implemented, any eligible firearms will be covered by the buy-back retrospectively.

Establishing a fair and reasonable price

There is a trade-off between a simple pricing scheme that allows easy implementation and better management of costs, and a more complex system that includes more refined values, which is likely to moderate dissatisfaction from individuals with the scheme.

Police is working on a model that would reduce front-end effort and discretion by establishing average prices based on firearm type, age and condition.

To help build a pricing system, Police has sought recent years' sales data from Trade Me. Police is still working through how to approach specialist firearm retailers, given they may be more reluctant to cooperate, notwithstanding legal requirements to supply certain data to Police.

We expect the Police paper to Joint Ministers to test aspects of the proposed pricing approach such as a maximum price cap for each category and whether to incorporate a mechanism for appeals.

Cost

The indicative costs prepared by Police range between \$55 million and \$170 million, based on different assumptions about the possible number of eligible firearms and other variables including average buy-back price.

The greatest uncertainty comes from the lack of data on eligible firearms in circulation. Information on the number of military-style semi-automatic weapons and the total number of rifles is available, but the number, type and age of other semi-automatic firearms are unknown. Sales data collected by Police will provide some better assurance around assumed volumes, prices and the estimated cost.

In addition to the direct costs of the firearm buy-back, there will be implementation costs. Police arrived at an initial estimate of \$18 million, based on a per-capita proportion of the Australian buy-back costs. This figure will need to be updated as elements of the implementation process are confirmed.

Payment administration

It is proposed that the administration of payments under the buy-back will be delegated to the Commissioner of Inland Revenue to make use of Inland Revenue's payment processing ability. Police would provide the amount to be paid, name of the owner, contact details and bank account number to Inland Revenue, which would use this information to make the payments and report back to Police.

Inland Revenue and Police are still discussing the details of the proposed arrangements, for example, the method by which information would be provided to Inland Revenue, how privacy and consent issues would be addressed, and what processes would be necessary to limit the opportunity for fraud.

The agencies are also investigating whether it would be more cost-effective for Police to manage the payments directly through Westpac given Inland Revenue would channel payments through Westpac anyway. We understand the briefing to Joint Ministers will provide some analysis of this option.

Inland Revenue has advised buy-back payments to individuals will not have:

- tax implications and would be treated separately from the recipient's income tax account, and
- any impact on any entitlements to social policy payments.

If any firearms owned by businesses end up being included in the scheme, there could be an income tax impact if the disposal of the asset results in a gain on sale relative to the depreciated value in the business accounts. There may also be counterbalancing GST impacts. GST would be payable on the buy-back but GST claimed on the original purchase may be required to be repaid to IRD.

Timing

Police estimate it may not be able to have the buy-back scheme operational until 1 July 2019. We have relayed our understanding that Ministers expect the scheme will be operational within two months.

Funding

Treasury recently provided advice on options for funding the buy-back scheme, including a recommendation that funding be provided through the Budget 2019 operating allowance. Absent decisions on other sources of funding being taken before finalisation of the Budget package, we recommend providing for funding through Budget 2019. This will avoid needing to agree to central funding during the Budget moratorium period. We recommend appropriating most of the expected costs with the balance being held in a tagged contingency. If decisions are subsequently taken on other sources of funding, the appropriated funding could be reclaimed and, along with

the balance of the tagged contingency, could be added to the 2019 between-Budget Contingency or the Budget 2020 operating allowances, or used to repay debt.

ACC is looking at the outstanding claims liability in order to inform consideration of whether a contribution meets return on investment requirements. We understand this is not straightforward to analyse, and a conclusion is unlikely to be reached before the finalisation of the Budget package.

It may be possible to seek a contribution to the cost of the buy-back scheme from the Proceeds of Crime Fund, which had approximately \$35.000 million in funding available as at December 2018. The operation of the Fund was discussed by Cabinet on Monday 25 March and, in our view, the agreed scope would allow for the Fund to be used to partly finance the buy-back scheme.

[1]