

21 May 2018

2018 Budget Report

On 17 May 2018, the minister of Finance, the Hon Grant Robertson, delivered Budget 2018. This is the Coalition Government's first Budget. The Labour Party's Coalition partner is New Zealand First and the Confidence and Supply Party is the Green Party.

The rebuilding critical public services package provides \$6.5 billion of new operating funding and \$1.8 billion of capital funding. This includes funding in the following key areas:

Health

Health will receive an operating funding with \$3.2 billion more over the next four years. An increase of \$2.3 billion for District Health Boards will enable our hospitals and health services to provide quality care at all times to those who need it. There will be more money for services, such as mental health, the opportunity to update technology and take pressure off over-worked staff.

The Budget commits to free doctor's visits for everyone under the age of 14. Their after-hours care and prescriptions will also be free.

The very low-cost general practitioner (GP) visits will be extended to all Housing New Zealand tenants and New Zealanders who receive an accommodation supplement or income-related rent subsidy. Elective surgery, maternity services, air ambulances and the National Bowel Screening Programme are among the health services receiving funding.

Education

New capital funding will build schools and hundreds of new classrooms. The operating funding for education over the next four years increases to \$1.6 billion to address rising demand, fund 1,500 more teachers and raise teacher-aside funding.

Early childhood education gets a \$590.2m operating boost over four years, benefiting over 200,000 children. A total of \$284m goes to Learning Support to allow every child with special education needs and learning difficulties to better participate in school life.

Infrastructure, productivity and the regions

Budget 2018 invests in the Auckland City Rail Link, provides funding to Crown Infrastructure Partners to invest in critical water and roading infrastructure to increase housing supply, and invests in KiwiRail to support a modern rail network. It will also boost productivity in the regions through the Provincial Growth Fund and enable our businesses to operate more efficiently.

Housing

Housing is boosted by more than \$634m in operating funds. Public housing will be increased by over 6,000 homes over the next four years, more transitional housing and help for the homeless will be provided, and grants offered for insulation and heating.

Research and Development Tax

Innovation will be boosted with \$1 billion over four years to finance an R&D tax incentive to encourage business expenditure on innovation that will see eligible businesses get 12.5 cents back for every dollar they spend on R&D.

Budget 2018 tax-related announcements

- \$23.5m over the next four years to improve Inland Revenue's ability to ensure outstanding company tax returns are filed
- \$3m for Inland Revenue to identify legislative opportunities over the next four years to improve tax compliance in specific industries through the use of third party reporting and withholding taxes, and
- \$4.3m over four years to implement and administer the recently announced research and development tax credit

The Minister also made special mention of the tax incentives that the new Government has already instigated since it took office in October 2017:

- Reintroducing an R&D tax credit for New Zealand businesses, with a commitment to lifting research and development spending to 2% of GDP within 10 years
- Introducing ring-fencing to rental losses
- Imposing GST on low-value goods imported by bringing in GST registration for offshore supplies
- Reversing the previous Government's changes to the income tax thresholds, and
- Funding boosts to the Working for Families tax packages

Government tax policy work programme 2018-19

A summary of the Government's tax policy work programme was released as part of Budget 2018 and the Government's Fiscal Strategy Report 2018. The tax policy work programme covers the following areas:

- Government priorities and coalition and confidence and supply agreement items
- Social policy
- Enhancing tax policy with broad-base, low-rate (BBLR) tax settings
- International tax and base erosion and profit shifting (BEPS), and
- Business Transformation and Better Public Service

Regards,

National Accountants Ltd

John Nobilo