

31 May 2019

## **2019 Budget Report**

### **Budget Highlights 2019, 30 May 2019**

Budget 2019 made no new tax announcements, rather the focus was on wellbeing measures.

The following tax measures were already revealed in the pre-Budget announcements:

- GST on telecommunications, and
- repeal of racing totaliser duty.

#### **GST on telecommunications**

The Government proposes to align the GST treatment of telecommunications services with the rules for remote services. This will mean the repeal of special rules applying to telecommunications services in the Goods and Services Tax Act 1985.

Although most consumers and telecom providers would not experience a change in GST treatment, the proposal would change how GST is levied on mobile roaming services. The GST treatment depends on the residency of the consumer, so that:

- outbound mobile roaming services to New Zealand residents overseas would be subject to GST at the standard rate of 15%, and
- inbound mobile roaming services provided to non-residents in New Zealand would no longer be subject to GST.

The changes are proposed to apply from 1 October 2020.

Inland Revenue has released an officials' issues paper, "GST on telecommunications services", which presents details of implementing the proposals to align the GST treatment of most telecommunications services with the treatment of other remote services like digital downloads.

#### **Repeal of racing totaliser duty**

The racing totaliser duty (aka the betting levy) is to be phased out over a three-year period. The betting levy represents 4% of betting profits, which amounted to \$13.9m in 2018. This sum is to be redistributed to the racing codes and Sport New Zealand, with a proportion set aside to support the reduction of gambling harm.

## **Digital services tax signalled for 2020**

The Government will release a discussion document exploring options for taxing the digital economy shortly. No details of the proposed digital services tax are given in the Budget, but the Prime Minister has indicated that a 2–3% tax on turnover is one of the templates being considered.

## **International Visitor Levy**

The Government's previously announced International Visitor Conservation and Tourism Levy (IVL) will apply from 1 July 2019. Most international visitors entering New Zealand will be charged a levy of \$35 via a new electronic form known as the Electronic Travel Authority (ETA).

## **Big winners of Wellbeing Budget 2019**

The big winners of Budget 2019 delivered by Finance Minister, the Hon Grant Robertson, on 30 May 2019 are mental health, child wellbeing and rail. Budget 2019 provides a spend of \$1.9b on mental health, \$1.1b to improving child wellbeing and \$1b into KiwiRail. The spending is aimed at seeing a new frontline mental health service, the scrapping of school donations for decile 1-7 and investment in hospital repairs.

## **Key Budget initiatives include the following:**

- \$1b boost for KiwiRail
- \$229m sustainable land use package
- Funding to meet the climate change challenge
- \$49m for Te Uru Rakau
- More money to tackle the waste problem
- Bridging the venture capital gap with a \$300m fund
- \$157m for innovation and business
- Boost for Mana in Mahi with places for up to 2,000 young people
- Nearly \$200m for Vocational Training reforms
- Help to ready school leavers for the workplace
- \$80m boost for Whanau Ora

- More support for te reo Maori and Pacific languages
- Targeted funding for improved health, housing education and skills
- Kaupapa Maori approach to tackling reoffending
- An additional 2,200 young people supported through the Pacific Employment Support Service
- Investing \$56m to unlock whenua Maori
- New programmes and funding to break the cycles of child poverty and family violence
- Stopping children from falling through the cracks
- Taking financial pressure off parents by increasing funding to decile 1-7 schools
- Taking action to improve incomes and reduce inequality through benefit indexation and removing punitive sanctions
- Encouraging physical activity and healthy eating in schools, and
- \$320m to address domestic violence.

### **School donations — relieving financial pressure on families**

Families of nearly half a million children at 1,700 schools stand to benefit from no longer having to pay school donations as a result of the Wellbeing Budget.

All decile 1-7 State and State-integrated schools will be eligible to receive \$150 per student per year if the school agrees to stop requesting school donations from parents

### **Indexing benefits to increase incomes**

From 1 April 2020, main benefits will be indexed to average wage increases to ensure the incomes of people needing to access main benefits do not fall further behind.

Regards,  
**National Accountants Ltd**

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