

The Treasury

Budget 2022 Information Release

August 2022

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



22 October 2021

Hon David Parker
Minister of Revenue
Parliament Buildings
Wellington

Dear David,

Overview

Thank you for your recent engagement on Budget 2022. This letter sets out my decisions on whether the initiatives you submitted should be invited to seek funding at Budget 2022. As you will be aware, we have set a very high bar for the initiatives that will be invited for submission.

I have chosen to invite four initiatives for which you are responsible as Minister of Revenue:

- Responding to COVID-19 demand and maintaining capability and integrity,
- ACC funding reduction, and
- Tax Principles Act reporting.

I have chosen not to invite two initiatives:

- Multi-unit Residential Building depreciation, and
- GST apportionment

There are four other initiatives with direct impacts on Vote Revenue that have been invited. They are:

- Increases to the Working for Families tax credits to support lower income working families,
- Income tax exemption for the Reserve Bank's proposed deposit insurance scheme
- Research and Development Tax Incentive – in year payment, and
- Ongoing funding for administering the Research and Development Tax Incentive scheme

Further prioritisation

Over 560 initiatives were submitted through the Budget 2022 invitation process. Indicative funding sought totals \$64 billion operating and \$9.2 billion capital across the forecast period. As will be obvious to you, that is far beyond the funding available and has required me to make early decisions to allow for an effective Budget process.

Even having done this, I still need your assistance to support the Budget process. In that light, I have had to carefully reduce the number of potential Budget 2022 initiatives through the invitation process, to reduce wasted effort and to ensure that the Budget decision-making stage is as strategic and targeted as possible, supported by robust value-for-money analysis and confidence of delivery.

I expect the number of initiatives submitted in December across all portfolios to be less than the number invited. Similarly, I expect total funding sought to be less than the indicative funding of invited initiatives. I ask that you play your part in this focusing of Budget priorities and only submit those invited initiatives in your portfolios that are the highest priority, represent strong value for money, are implementation ready.

When initiatives are submitted in December, I expect these to be accompanied by a clear articulation of relative priorities. This may include a ranking of submitted initiatives within your portfolio, identifying those that are less-discretionary and higher priority.

When prioritising, I expect you to focus on the implementation readiness of initiatives and delivery risk. I will only be supporting initiatives that are implementation ready, unless there is clearly articulated reasoning for why an exception to this rule should be considered.

Initiatives invited

All of your invited Budget 2022 initiatives are expected to complete all value-for-money information and analysis requirements outlined in the initiative submission template, due on 10 December.

Please note that while I have invited these initiatives to be submitted for consideration, this does not guarantee that they will receive funding. The Treasury will assess the value for money and relative priority of all initiatives, and this advice will help to inform the shape of the final Budget 2022 package to be decided by Budget Ministers. Therefore, I expect that all initiatives will be supported by a robust case for funding and a strong evidence base, as well as scaling and reprioritisation options.

Responding to COVID-19 demand and maintaining capability and integrity (ID# 13947)

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	-	-	-	-

- I invite the Minister of Revenue to submit a bid for funding to allow Inland Revenue to maintain capability and integrity in the face of cost pressures.
- I note that the CRRF may be a more appropriate source of funding, to the extent that Inland Revenue’s cost pressures are a result of COVID-19 and the use of the funds is consistent with the CRRF’s revised scope.
- I expect that, prior to submitting a Budget bid, Inland Revenue will complete an assessment of their funding requirements and be confident that cost pressures cannot be met from existing baselines.

**ACC funding reduction
(ID# 14033)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	10.600	10.600	10.600	10.600

- I invite the Minister of Revenue to submit a bid for funding to offset the expected reduction in revenue from ACC.

**Tax Principles Act reporting
(ID# 13895)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	1.000	1.000	1.000	1.000

- I invite Inland Revenue to submit a bid for funding to periodically report information about the tax system against a set of legislated principles.

Initiatives not invited

Proposals that are not invited may be addressed through future Budgets. As per the expectations that I have previously outlined, I will not support any out-of-cycle funding requests for uninvited initiatives unless there is a compelling case for urgency.

I look forward to discussing options for funding initiatives through Budget 2023 at a later stage.

**Multi-unit Residential Building depreciation
(ID# 14045)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	20.000	585.000	280.000	285.000

- I have chosen not to invite the Minister of Revenue to submit a bid for the revenue impacts of allowing depreciation deductions on multi-unit residential buildings.
- As previously indicated, I have decided against further work on allowing depreciation deductions for MURBs (IR2021/401 refers), so funding should not be sought for this initiative at Budget 2022. I understand that you indicated likewise in the above report.

**GST apportionment
(ID# 14039)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	12.000	50.000	50.000	50.000

- I have also chosen not to invite a bid for the cost of simplifying the GST apportionment rules.
- However, I note that the Tax Policy Scorecard might be a more appropriate source of funding for this initiative.

Other initiatives

As Minister of Revenue, you should also be aware of the following initiatives that were mentioned in your letter to me. The following initiatives have been invited:

Increases to the Working for Families tax credits to support lower income working families (ID# 13900)

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
32.000	100.000	100.000	100.000	100.000

- Please note that I have invited the Minister for Social Development and Employment to submit a bid for funding to increase the Working for Families tax credits to support lower-income working families.
- I note that Income Support Ministers have agreed that Cabinet will consider the proposed changes to Working for Families tax credits in late November, with the intention of introducing and passing legislation shortly after. The intention is that these changes will be implemented on 1 April 2022.
- I intend to recommend that the cost of the changes be pre-committed against the Budget 2022 allowance. Consequently, no further information about this initiative will need to be submitted on 10 December.

Income tax exemption for the Reserve Bank’s proposed deposit insurance scheme (ID# 14043)

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	-	-	44.000	88.000

- Please note that the Associate Minister of Finance, Hon Dr Megan Woods, has invited the Minister of Finance to submit a bid to cover the revenue impacts of providing an income tax exemption to the Reserve Bank’s proposed deposit insurance scheme.

**Research and Development Tax Incentive – in year payment
(ID# 14048)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	-	2.000	1.000	1.000

- Please note that I have invited the Minister of Research, Science and Innovation to submit a bid for funding to meet the costs of providing RDTI payments through the tax year, rather than at year end. This would include funding through Vote Revenue.
- There is a delivery risk associated with this initiative. The Treasury is yet to receive any analysis on the implementation of RDTI in-year payments. Complications may arise, however, as the RDTI scheme involves multiple agencies, has experienced implementation challenges in the past, and has some complex aspects.

**Ongoing funding for administering the Research and Development Tax Incentive scheme
(ID# 14036)**

Funding sought - \$m				
2021/22	2022/23	2023/24	2024/25	2025/26
-	3.000	3.000	3.000	3.000

- Please note that I have invited the Minister of Research, Science and Innovation to submit a bid for the ongoing administrative cost of the RDTI scheme (following the cessation of the Growth Grants appropriation). This would include funding through Vote Revenue.

Thank you for your ongoing work.

Yours sincerely



Hon Grant Robertson
Minister of Finance