

ACCELERATE

BUDGET ALERT



The lead-up to the Wellbeing Budget has been well signposted even if the track's been somewhat muddled by drama. It's a bold step to try and quantify progress in other than strictly financial terms. The brief is to implement change and manage the country's finances.

The focus is on 5 priority areas:

- taking mental health seriously
- improving child wellbeing
- supporting Māori and Pasifika aspirations
- building a productive nation, and
- transforming the economy

Mental health initiatives include a new frontline service for mental health, funding boosts to existing suicide prevention services, more nurses in secondary schools, and 1,044 new Housing First places to tackle homelessness.

Child wellbeing measures see a \$320m package to address family and sexual violence, assisting young people out of state care into independent living, increased funding to decile 1-7 schools to take financial pressure off parents, and indexing main benefits to wage growth from April 2020, meaning benefit payments will rise in line with wages - not inflation.

Māori and Pasifika are supported by a major boost for Whānau Ora (family health) focusing on health and reducing reoffending, support for the Pacific Employment Support Service and Te Reo and Pacific languages, and a \$12m programme targeting rheumatic fever.

While it's hoped that increasing health and wellbeing in New Zealand will foster increased prosperity, the business community gaze will be on building a productive nation, and transforming the economy, as well as on tax policy ahead.

Funding initiatives & training

Innovation is seen as the key to assist New Zealand industries in the transition to an economy high in productivity but low in emissions. The challenge is for businesses to be more innovative and New Zealanders to adapt to changing job markets.

The R & D legislation born out of last year's budget has passed and it's up to Kiwi businesses to take up opportunities there. The Budget allocates \$157m to support the "Commercialisation of Innovation" package of initiatives to invest in research and science. An "Innovative Partnerships Programme" seeks to attract globally leading firms and innovators. "Business Connect" establishes a cross-agency digital platform of business-focused services.

New start-up businesses have been spotlighted as likely to run with some of these initiatives, the Minister for Research, Science and Innovation calling them "the ultimate champions of innovation that often introduce more radical, disruptive innovations than more established firms".

But how does a start-up expand? The Budget establishes a \$300m fund to support venture capital investments taking "mid-size" start-up businesses to the next level. This is designed to stimulate growth and help businesses remain onshore, reducing pressure on companies to sell prematurely to overseas buyers.

The initiatives also fund vocational education and training. These include reforms to boost apprenticeships and trade training, increased subsidies to Tertiary Education Organisations, wage subsidies, and funding for an "Industry 4.0" demonstration network to help businesses embrace smart technologies and data driven solutions.

Transforming the economy

On the global stage, New Zealand's economy has obvious vulnerabilities: its reliance on export, uncertainties affecting major markets and political instability across many regions, complicated by a lack of coherent global action on climate change.

This Budget has focused on climate change, land use and national infrastructure. With a capital boost of over \$3b, the aim is to create opportunities for businesses, regions, iwi and others to transition to a sustainable low-emissions economy.

The \$229m Sustainable Land Use Package will fund projects to protect waterways and wetlands and support farmers and growers in using their land more sustainably. It provides funding for advice to farmers; support for Māori agribusiness and farmers changing over to more environmentally sustainable and higher value production; improving on-farm emissions data and upgrading decision and regulatory tools; protecting high value food exports; and updating the country's official assurances system. An additional \$49 million is allocated to help transform the forestry sector and support the One Billion Trees programme.

\$1b over the next two years is allocated to modernising KiwiRail. Reduced carbon emissions and increased regional business opportunities are key drivers.



Tax and the Budget

Further developments with digital services tax and collection of the International Visitor Levy were announced and the Government remains committed to modernising and simplifying the tax system.

Pre-Budget

The major announcement pre-Budget was that Capital Gains Tax is now off the table and that has pretty much overshadowed any tax announcement since. The Government also announced two specific pre-Budget tax measures:

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

GST on telecommunications

The Government has announced a proposal to change the GST of telecommunications so that these would be aligned with the treatment of other remote services and based on the residency of the supplier. The main implication of this new proposal concerns roaming services provided by telecommunications providers in that:

- outbound mobile roaming services to New Zealand residents overseas are proposed to be subject to GST (currently they are zero-rated), and
- inbound mobile roaming services provided to non-residents in New Zealand would no longer be technically subject to GST.

Repeal of racing totaliser duty

The racing totaliser duty or betting levy will be phased out. It represents 4% of betting profits, amounting to \$13.9 million in 2018. This sum will be redistributed to the racing codes and Sport New Zealand, with a proportion set aside to reduce gambling harm.



Meanwhile, the tax policy work programme is still progressing and the next stages of Inland Revenue's Business Transformation programme look at the administration of student loans, KiwiSaver and child support. We'll keep you updated.

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NZ says goodbye to millions of single-use plastic bags

It's taken 17 years to follow in the footsteps of Bangladesh, the first country to ban single-use plastic bags, but we're finally there! From 1 July, single-use plastic bags can't be sold or given away in New Zealand. It's all part of the Government's programme to reduce waste and build the foundations for our transition to a 'circular economy' where eventually waste will be designed out of the system.

So, what IS a single-use plastic shopping bag? They're the plastic bags with handles (made of plastic up to 70 microns in thickness) found at supermarkets, takeaways, and other retailers.

The phase out also applies to heavier boutique-style shopping bags and the 'emergency' bags currently offered by some supermarkets as an alternative to a free single-use bag. It includes bags made of degradable plastic (ie, biodegradable, compostable and oxy-degradable) regardless of whether the plastic material is sourced from fossil-fuel, synthetic compounds or from biological sources such as plants.

Which plastic bags are still allowed? Bin liners, bags for collecting pet waste and barrier bags used when buying meat, fruit and vegetables (unless they have handles).

What can we expect at the checkout? Manufacturers and retailers have until 1 July to phase out single-use plastic bags completely, or face six-figure fines. Retailers are offering reusable bags, paper shopping bags or even cardboard boxes to help customers adjust. The Government is encouraging shops to move away from any single-use option, including paper.

What can people use instead? There are loads of different reusable bags on the market, including bags made from heavier-duty plastic, hessian, lightweight nylon, cotton, recycled fabric or jute. Shoppers can also use wheeled trolley bags, backpacks and home-made bags. The trick is remembering them!

6 WAYS THE NZBN WILL SAVE YOU TIME AND MONEY

Whatever the size or shape of your business, the New Zealand Business Number (NZBN) will make doing business easier, faster and more professional.

Here's how:

- Search the NZBN Register and you'll have details for all the businesses you deal with at your fingertips.
- Know your suppliers' NZBNs and process and pay their accounts more quickly.
- Using your NZBN means you won't have to repeat your key details to customers and suppliers.
- It pre-populates online forms with your information to save time.
- Always deliver goods to the right place by getting alerts when your customers change their physical address.

More than 675,000 Kiwi businesses have their NZBN, do you? Head to <https://www.nzbn.govt.nz/>



Business Health Check

- Looking to export? Get insights and tips at an NZTE workshop near you or book a meeting for expert advice.
- Running an R&D project? Get your paperwork sorted for your tax credit application.
- Consider gifting staff or customers a good quality reusable bag to support the single-use plastic ban.

Conducting R&D? Cash in!

Are you conducting research and development on home turf? You could be eligible for a tax credit of 15% on eligible R&D expenditure. The Government have introduced legislation bringing in a new R&D tax credit effective from the 2019/20 income tax year (1 April 2019 for most taxpayers) to encourage more Kiwi businesses to invest in new or improved processes, services or goods. It means innovative companies can receive a tax credit and maybe then have a bit of extra cash to help grow their business when they need it most.

So, who can get the tax credit, and who can't?

YOU MAY BE ELIGIBLE IF YOUR R&D ACTIVITY:

- Has a goal to create new knowledge, or new or improved processes, services or goods; and
- Uses a systematic approach to resolve scientific or technological uncertainty, and
- Is new on a worldwide basis, not just new to your business or New Zealand, and
- You spend more than \$50,000 on R&D

YOU'RE NOT ELIGIBLE IF:

- The knowledge required to resolve the scientific or technological uncertainty is not publicly available and cannot be worked out by a competent professional in that field with a systematic process
- You performed the R&D on contract for other parties, received a Callaghan Growth Grant in the same tax year, are associated with/controlled by a Crown Research Institute, DHB, or tertiary education organisation.
- Your research was conducted in the social sciences, humanities, arts or investigating the market for your product or service
- Someone has already successfully done what you are trying to do. You must be able to show that you searched for an existing solution before you started your R&D.

Could this apply to you? Make sure you have clear, accurate information about the project's content, scope and costs involved (including appropriate apportionment of overheads). You can't create the documentation at the end of tax year. It needs to be done as the R&D is progressed. Clearly record your R&D expenditure as it is incurred so it's easily identifiable. The documentation requirements are detailed so it is important to do this correctly. Unsure if you're eligible? Call us to talk about your R&D project.

KEY TAX DATES - JULY 2019

Date	Category	Description
5 July	PAYE	Large employers' payment due. File employment information within two working days after payday.
20 July	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
20 July	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during May.
20 July	NRWT / Approved Issuer Levy	Payment and return for June.
28 July	GST	Payment and return for June.

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