

2018 BUDGET COMMENTARY

Issued 18th May 2018

The 2018 Budget was announced on 17th May 2018. This year our UHY Haines Norton commentary will summarise the main tax areas affecting business.

This year's Budget does not propose significant tax reform. However, the Budget makes reference to the Tax Working Group (TWG) which will be reporting back to Government in February 2019. The TWG will be making recommendations on how to improve the tax system's fairness, balance and structure.

ECONOMIC OVERVIEW

- Treasury forecasts economic growth of about 3% p.a. on average over the next four years.
- Wages are forecast to rise by an average of 3.1%.
- Unemployment is expected to fall to 4.1% in late 2019.
- Stronger than expected revenue being generated from economic and employment growth. Gives breathing space to properly consider any changes needed to the tax system.

TAX SYSTEM

- More funding to Inland Revenue (IRD) to crack down on tax evaders.
- **IRD's Budgeted Expenditures:**

IRD Audits	\$171.9m
Efficiency in tax collections	\$152.3m
Tax policy advice	\$10.6m
Family Support Tax Credit	\$2,628.0m
KiwiSaver Tax Credit	\$850.0m
Paid Parental Leave	\$360.0m
Payroll subsidy	\$6.5m
IRD Business Transformation	\$597.8m
<i>Tax Working Group over 2 years</i>	\$4.0m
IRD Bad Debts	\$680.0m
Write down Student Loans	\$610.0m

- **Proposed Benefits From The IRD Spend:**

Expected Tax Revenue	\$76,559.0m
Expected Non-tax Revenue	\$1,111.0m

- **IRD Contingent Liabilities:**

Legal tax proceedings	\$137.0m
Other legal proceedings / disputes	\$148.0m

- **Tax Measures:**

- Reversed the previous government's planned tax cuts.
- Implementation of the Research and Development Tax Credit. Eligible businesses get 12.5% back on funds spent on eligible R&D. This is intended to encourage an increase in R&D spending by New Zealand businesses, to 2% of GDP within 10 years.
- Improve tax compliance in specific industries through third-party reporting and withholding taxes.
- A commitment to pass legislation to ring-fence rental losses so investors can't offset tax losses from residential properties against their other income.
- Offshore suppliers of low-value goods will be required to register for, collect and pay GST to IRD.
- Changes to Bloodstock tax rules to allow tax deductions for costs of high-quality horses acquired with the intention to breed.

Should any of the matters raised be of concern to you please contact your UHY Haines Norton Director or Jim Martin, Head of Tax for UHY Haines Norton.

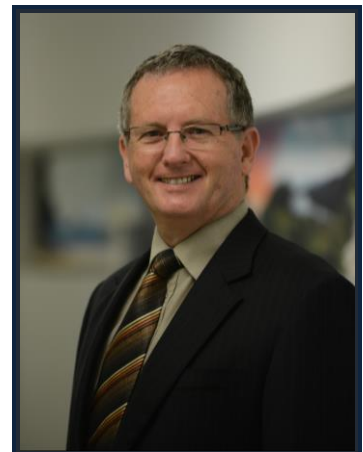
JIM MARTIN

Jim is who clients think of when they think of a "tax expert".

He comments "Clients need to sleep easy in this area. When they pass their taxation issues to us they can be confident that they are in good hands."

He knows what is happening in your business and what to do about it. Understanding the implications and being knowledgeable about appropriate structures means he can implement real solutions that really work.

"Taxation is an ever-changing area and our division is committed to continuous learning to ensure our tax advice is at the cutting edge and that we always provide only the very best solutions within the laws. We want as much of our clients' money in their pockets as possible!"



Contact Jim on: (09) 839 0241 Email: jmartin@uhyhn.co.nz