

BUDGET 2015 SUMMARY

MAY 2015



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The 2015 Budget contained mainly minor tax measures with a couple of surprises. The major surprise relating to property sales was announced earlier this week. We've set out below what we see as the positives and negatives from the announcements.

POSITIVES

Reductions in ACC levies

ACC levy cuts of \$375 million for 2016 and a further \$120 million in 2017. This will benefit vehicle owners, businesses and workers.

Working for Families scheme/social development

For the first time since 1972 core benefits have been increased above the rate of inflation and will affect 110,000 families. Both the Working for Families in-work tax credit and the Working for Families tax credit abatement rate will be increased:

- Low-income working families earning \$36,350 or less per annum, before tax, will receive an extra \$12.50 per week, while some very low-income families will receive an extra \$24.50 per week.
- Working families earning between \$36,351 and \$88,000 per annum will receive some extra income on a sliding scale with the exact amount dependent on their family income but it will be less than \$12.50 per week.
- Families earning more than \$88,000 per annum will get slightly lower payments.
- The childcare assistance rate for low-income families will increase from \$4 to \$5 an hour for up to 50 hours of childcare a week per child.
- Student Allowance rates for families with children will increase by \$25 a week.

However

- All beneficiaries with part-time work will be expected to work an additional 5 hours a week (20 hours rather than the current 15 hours).
- Most sole parents and partners of beneficiaries will have to be available for part-time work when their youngest child turns three, rather than five.

These changes are effective from 1 April 2016.

Innovation funding

There is a \$80 million boost over four years to R&D grants and \$25 million over three years to support regional innovation.



Funding for children/school

A new operating fund of \$36 million over the next four years has been provided to support the Children's Action Plan for vulnerable children. Other funding is also being provided to bolster the work of Child, Youth and Family as well as help for vulnerable students.

\$244 million has been allocated from the Future Investment Fund to build new schools, expanding existing schools and construct around 240 classrooms.

More flexibility for child support debt

Inland Revenue will adopt a more flexible approach to penalties to try and encourage compliance from parents who owe child support. The following measures apply from **1 April 2016**:

- the ability to write off monthly incremental penalties will be extended to more parents, and
- the test for writing off penalties will be changed to a more pragmatic "fair and reasonable" test.

Social housing providers — GST-exempt

The Government proposes to amend the Goods and Services Tax Act 1985 to clarify that payments made to social housing providers are GST-exempt (consistent with existing GST rules for providing residential accommodation).



NEGATIVES

Repeal of \$1,000 KiwiSaver incentive

The \$1,000 kick-start incentive for people newly enrolling in KiwiSaver has been abolished immediately.

Two-year window for sales of residential property

To curb property speculation, all sales of residential property will be subject to tax if the property is bought and sold within two years. Some exemptions will apply for the sale of the family home, inherited property and property that is being transferred as part of a relationship property settlement.

An issues paper with more detail on these measures will be released in July 2015. The new rules will apply to properties bought on or after **1 October 2015**.

IRD numbers required for land transactions

To make it easier for Inland Revenue to track the frequency of property sales and to ensure overseas investors pay their fair share of tax, anyone buying or selling land (and buildings) will have to provide a New Zealand IRD number as part of the land registration process. This will apply to all sales of land, other than that of the main family home.

In addition to providing a New Zealand IRD number, non-residents will also have to:

- open a New Zealand bank account; and
- provide their country's equivalent of an IRD number.

Border clearance levy

A per passenger levy for inbound (around \$16) and outbound passengers (around \$6) to/from New Zealand from 1 January 2016 will be charged.

Inland Revenue's compliance budget bolstered

Over the past five years, 52 Inland Revenue staff have brought in an extra \$258 million in unpaid tax. Over the next five years Inland Revenue will receive an additional \$74 million for compliance and enforcement on aggressive tax planning and hidden economy initiatives. Of this \$29 million is earmarked for focusing on property investment which is in line with the changes announced earlier this week.

FOR MORE INFORMATION ON THE BUDGET 2015 AND HOW IT MAY IMPACT ON YOU PLEASE CONTACT US



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