

## Tax is in the dog box – Budget 2019

The Inland Revenue website noted tersely in its Budget 2019 announcement that there were no new tax measures announced on Budget Day.

There were a couple of pre-release announcements of limited interest as well. So for this issue of Tax Talk there is little new tax to discuss.

### **Tax Working Group ignored**

We were surprised that there were no mention of Tax Working Group recommendations, some of which the government had indicated they were actively considering.

Neither seismic strengthening deductions, nationally significant infrastructure encouragement nor those recommendations focussed on the integrity of the tax system, particularly around closely held companies, were included.

Also not surprising, given its referral to the Productivity Commission, any mention of vacant land tax was also absent.

Any measures may only surface in a tax bill later this year, if at all.

Perhaps, after the Tax Working Group experience, the government has shied away from tax change in any form, which would be disappointing.

### **Pre-budget survey: some good news**

Earlier this week we circulated the results of our annual Baker Tilly Staples Rodway pre-budget survey of businesses, and we thought it would be interesting to briefly compare some of the announced budget measures with the results of that survey.

In our survey, 78.1% of respondents ranked investment in infrastructure as the single most important step the government could take to grow businesses. A significant \$1 billion investment in rail infrastructure across the country and further funding for the City Rail Link in Auckland address this, at least as far as rail goes.

Education was ranked as one of the most important measures to include in this year's budget by 56.77% of respondents, and one of the measures, spending \$1.2 billion over 10 years on school property ticks both this and the infrastructure box.

There is \$300 million allocated for mid-stage business start-ups, using the NZ Superannuation Fund and the New Zealand Venture Investment Fund (NZVIF) which has had hit and miss success in picking winners previously. Subject to the detail, direct investments have the potential for pay-back for the government if there is a business, rather than simply giving grants with no pay-back.

Significant spending on mental health was announced, something that was important for 39% of our respondents.

If you are a mid-size start up, infrastructure, construction, or mental health business, you are probably welcoming some of the spending promises.

Nearly 63% of business survey respondents predicted there would be increased taxes in the near future, but there was no sign of that today. Hopefully this prediction, and some of the other negative sentiment from the survey will not prove accurate over time.