



## COVERSHEET

<b>Minister</b>	Hon Jenny Salesa	<b>Portfolio</b>	Building and Construction
<b>Title of Cabinet paper</b>	<b>Building (Levy) Regulations 2019</b>	<b>Date to be published</b>	16/12/2019

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
3/12/2019	Building (Levy) Regulations 2019	Office of the Minister for Building and Construction
3/12/2019	LEG-19-MIN-0195	Cabinet Office

### Information redacted

**NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

In Confidence

Office of the Minister for Building and Construction

Chair, Cabinet Legislation Committee

## **Building (Levy) Regulations 2019**

### **Proposal**

1. It is proposed that the Cabinet Legislation Committee authorise the submission of the Building (Levy) Regulations 2019 (the Regulations) to the Executive Council.
2. The Regulations will revoke the Building Levy Order 2005 and set a new building levy rate and threshold.

### **Background**

3. The building levy (the levy) is payable by building owners or developers on successful building consent applications for projects over a specified value. The levy is collected by building consent authorities, on behalf of the Ministry of Business, Innovation and Employment (MBIE), and used to fund the functions and activities of the chief executive of MBIE under the Building Act 2004.
4. The Building Levy Order 2005 currently sets the levy rate at \$2.01 per \$1,000 of the estimated value of a successful building consent application. The threshold at which the levy is payable (the specified value) is set at \$20,000.

### **Policy**

5. The Regulation proposes to revoke the Building Levy Order 2005, and set a new building levy rate and a new specified value to address two issues.
6. Firstly, since the levy was last reviewed the surplus in the levy memorandum account has risen to \$55.4 million. Reducing the levy will enable MBIE to manage this surplus downwards to a level consistent with Treasury guidelines. It will also contribute to reduced construction costs for home owners and developers.
7. Secondly, the specified value in the Building Levy Order 2005 was not amended when the rate of GST was increased in 2010. This has led to building consent authorities across the country applying different values. Some building consent authorities collect the levy on building work over the value of \$20,000 while others collect the levy only on building work over the value of \$20,444, which reflects the 2010 change to GST.
8. On 30 September 2019, Cabinet [CAB-19-MIN-0508] agreed to:
  - 8.1 reduce the levy rate to \$1.75 including GST per \$1,000 of the estimated value of the building work for which a building consent is issued; and
  - 8.2 amend the specified value to \$20,444 to reflect the GST rate increase in 2010.
9. These changes will reduce costs for levy payers and will balance some of the compliance costs associated with the wider reform of the building system.

10. The Regulations will bring the new rates into force on 1 July 2020.

#### **Timing and 28 day rule**

11. A waiver of the 28 day rule is not sought.

#### **Compliance**

12. The proposed Regulations comply with each of the following:

12.1 the principles of the Treaty of Waitangi

12.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993

12.3 the principles and guidelines set out in the Privacy Act 1993

12.4 relevant international standards and obligations

12.5 the Legislation Design and Advisory Committee's Legislation Guidelines (2018 Edition).

#### **Regulations Review Committee**

13. There are no anticipated grounds for the Regulations Review Committee to draw the Regulations to the attention of the House under Standing Order 315.

#### **Certification by Parliamentary Counsel**

14. The Regulations were prepared and certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

#### **Regulatory impact analysis**

15. The Treasury Regulatory Quality Team considers that the decisions sought in this paper are exempt from the Regulatory Impact Analysis requirements on the basis of no or only minor impacts on businesses, individuals or not-for-profit entities.

#### **Publicity**

16. MBIE will publicise the new Regulations on their website. MBIE will also directly notify building consent authorities of the changes to enable them to update their systems before the amendments come into force.

#### **Consultation**

17. The Treasury and the Department of Prime Minister and Cabinet were informed of this paper.

#### **Proactive release**

18. I propose that this paper, along with the Cabinet minute and supporting documentation, is proactively released on MBIE's website within 30 working days of the final decision being made by Cabinet. The release of the information is subject to redactions consistent with the Official Information Act 1982. The Cabinet paper, which sought

agreement on the policy changes, and the associated minute have already been proactively released.

## Recommendations

I recommend that the Cabinet Legislation Committee:

1. **note** that on 30 September 2019, Cabinet [CAB-19-MIN-0508] agreed to amend the Building Levy Order 2005 to:
  - 1.1 reduce the building levy rate to \$1.75 including GST per \$1,000 of the estimated value of the building work for which a building consent is issued;
  - 1.2 increase the threshold above which the levy is payable to \$20,444 to reflect the GST rate increase in 2010;
2. **note** that the Building (Levy) Regulations 2019 will give effect to the decisions referred to in Recommendation 1 by:
  - 2.1 setting a new building levy rate of \$1.52, excluding any GST, per \$1,000 of the estimated value of the building work for which a building consent is issued,
  - 2.2 setting the threshold above which the levy is payable to \$20,444, including GST,
  - 2.3 revoking the Building Levy Order 2005;
3. **authorise** the submission of the Building (Levy) Regulations 2019 to the Executive Council;

Authorised for lodgement

Hon Jenny Salesa  
Minister for Building and Construction