



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Research, Science and Innovation
Title of Cabinet paper	Providing Transitional Support to R&D Performing Businesses	Date to be published	25 May 2021

List of documents that have been proactively released

Date	Title	Author
7 April 2021	Providing Transitional Support to R&D Performing Businesses	Office of the Minister of Research, Science and Innovation
7 April 2021	Providing Transitional Support to R&D Performing Businesses – Minute of Decision	Cabinet Office

Information redacted

YES / NO

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.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Providing Transitional Support to R&D Performing Businesses

Portfolio **Research, Science and Innovation**

On 7 April 2021, the Cabinet Economic Development Committee:

Policy settings

- 1 **noted** that while the implementation of the Research and Development Tax Incentive (RDTI) scheme has largely progressed as intended, some businesses have found aspects of the transition challenging;
- 2 **noted** that there are larger than expected differences in the eligibility of R&D between the Growth Grant and RDTI regimes, which may result in a steep funding cliff for some companies;
- 3 **noted** that the uncertainty generated by differences in regimes may negatively impact business expenditure on R&D and the government's goal of raising R&D expenditure to 2 percent of GDP by 2027;
- 4 **agreed** that the Ministry of Business, Innovation and Employment, Callaghan Innovation and Inland Revenue put in place a temporary transitional support mechanism, in the form an adjustment to businesses' entitlement under the RDTI;
- 5 **authorised** the Minister of Research, Science and Innovation, in consultation with the Minister of Revenue, to make operational and detailed policy design changes in line with the policy objectives set out in the paper under DEV-21-SUB-0068;

Financial implications

- 6 **noted** that the RDTI is a forecast appropriation and is heavily undersubscribed compared to current forecast, due to the eligibility criteria of the RDTI scheme not aligning with the original policy intent;
- 7 **agreed** that the temporary transitional support mechanism and the RDTI be funded from the one forecast, currently only available through the RDTI appropriation;
- 8 **agreed** that, as neither the transitional support mechanism nor the RDTI are pure forecast appropriations, both appropriations should be Non-Departmental Other Expenses appropriations;

- 9 **agreed** to change the appropriation *Research, Science and Innovation: R&D Tax Incentive* in Vote Revenue from a Benefits or Related Expenses appropriation to a Non-Departmental Other Expenses appropriation;
- 10 **agreed** to the establishment of the new Non-Departmental Other Expenses appropriation *Research, Science and Innovation: Transitional Support to R&D Performing Businesses* in Vote Business, Science and Innovation, as follows:

Vote	Appropriation Minister	Title	Type	Scope
Vote Business, Science and Innovation	Minister of Research, Science and Innovation	Research, Science and Innovation: Transitional Support to R&D Performing Businesses	Non-Departmental Other Expense	This appropriation is limited to providing a temporary transitional support payment to former recipients of the Research and Development Growth Grant to support them to transition to the Research & Development Tax Incentive

- 11 **approved** the following fiscally neutral adjustment to give effect to the policy decision in paragraph 4 above, with no impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Revenue Minister of Research, Science and Innovation Benefits or Related Expense: Research, Science and Innovation: R&D Tax Incentive	-	(9.500)	(28.500)	(57.000)	-
Vote Business, Science and Innovation Minister of Research, Science and Innovation Non-departmental Other Expense: Research, Science and Innovation: Transitional Support to R&D Performing Businesses	-	9.500	28.500	57.000	-

- 12 **noted** that the operating costs for the administration of the adjustment will be funded through a reprioritisation within Vote Business, Science and Innovation;

- 13 **approved** the reprioritisation of funding, as set out below, to enable Callaghan Innovation to administer the adjustment, with no impact on the operating balance and net core Crown debt:

Vote Business, Science and Innovation Minister of Research, Science and Innovation	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Non-departmental output expense: Research, Science and Innovation: Repayable Grants for Start-Ups	(6.150)	-	-	-	-
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation - Operations MCA Non-departmental Output Expense: Building Business innovation	1.563	0.809	1.889	1.889	-

- 14 **agreed** that the changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 15 **authorised** the Minister of Research, Science and Innovation and the Minister of Finance to jointly make decisions to transfer further funding between the *Research, Science and Innovation: Transitional Support to R&D Performing Businesses* appropriation and the *Research, Science and Innovation: R&D Tax Incentive* appropriation to support the administration of this transitional support mechanism as required;

Legislative implications

- 16 **agreed** that any legislative measures required to give effect to the above policy decisions on the transitional support measures be included in the next omnibus taxation bill;
- 17 **invited** the Minister of Revenue, in consultation with the Minister of Research, Science and Innovation, to issue drafting instructions to Inland Revenue to give effect to the above paragraph.

Gerrard Carter
Committee Secretary

Present: (see over)

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods (Deputy Chair)
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi (part of item)
Hon Willie Jackson
Hon Michael Wood
Hon Dr David Clark
Hon Phil Twyford
Rino Tirikatene, MP
Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for DEV