



## BRIEFING

### Approach to the R&D tax incentive bill

|                                 |               |                         |            |
|---------------------------------|---------------|-------------------------|------------|
| <b>Date:</b>                    | 14 June 2018  | <b>Priority:</b>        | Low        |
| <b>Security classification:</b> | In Confidence | <b>Tracking number:</b> | 3437 17-18 |

| Action sought  |   |                           |
|--|---|---------------------------|
|  | Action sought   | Deadline                  |
| Hon Dr Megan Woods<br><b>Minister Research, Science and Innovation</b> | Agree that the R&D tax incentive bill be introduced as a stand-alone bill<br><br>Agree to forward this briefing to the Ministers of Finance and Revenue | As your timetable permits |

| Contact for telephone discussion (if required) |                                   |             |           |             |
|--|-----------------------------------|-------------|-----------|-------------|
| Name   | Position                          | Telephone   |           | 1st contact |
| Richard Walley                                 | Manager, Innovation Policy        | 04 901 4164 | s 9(2)(a) | ✓           |
| Nayana Islam                                   | Policy Advisor, Innovation Policy | 04 901 4173 |           |             |

| The following departments/agencies have been consulted |
|--|
| Inland Revenue, Treasury and Callaghan Innovation      |

**Minister's office to complete:**

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**

Released consistently with the Official Information Act 1982



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### Purpose

To provide advice on:

- the advantages and disadvantages of introducing the proposed legislation for the R&D tax incentive as a stand-alone versus an omnibus bill and
- updated timelines for the R&D tax incentive work programme and introduction of the bill.

### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Agree** to introduce the proposed legislation for the R&D tax incentive as a stand-alone bill.

*Agree / Disagree*

s 9(2)(a)

Richard Walley  
**Manager, Innovation Policy**  
Labour, Science and Enterprise, MBIE

14 / 06 / 18

Hon Dr Megan Woods  
**Minister of Research, Science and  
Innovation**

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## Update on the R&D tax incentive work programme

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1. Consultation on the proposals made in the *R&D Tax Incentive Discussion Document* closed on 1 June 2018.
2. The Cabinet Economic Development Committee invited you and the Minister of Revenue to report back on the outcome of the consultation and with advice on the preferred R&D tax incentive design in June 2018 [DEV-18-MIN-0051]. However, as the consultation period was shifted by two weeks and was open for six weeks to allow sufficient time for stakeholders to provide feedback the report back will need to be delayed to early August 2018. This will be important to allow enough time for the policy to be worked through based on feedback.
3. We will brief you and the Minister of Revenue on final policy recommendations for your consideration, by early July 2018. We will also brief you on the summary of submissions at this time. A draft Cabinet paper will be prepared by mid-to-late July 2018 based on decisions made. This will give you around two weeks to consult with colleagues, coalition and confidence and supply partners on the policy.
4. As previously mentioned, the overall timelines to introduce the R&D tax incentive is short; therefore any policy issues that arise as result of consultation with the coalition and confidence and supply partners will need to be resolved quickly. Once Cabinet approves the final design of the R&D tax incentive, a bill will need to be drafted.

### Advantages and disadvantages of a stand-alone versus an omnibus bill

5. You will need to make a decision as to whether the proposed legislation for the R&D tax incentive should be introduced as a stand-alone bill, or as part of an omnibus bill. Only one minister can be named on a bill. It would be possible for you to be named on a stand-alone bill. The Minister of Revenue would be named if the proposed R&D tax incentive legislation were to be part of an omnibus tax bill.
6. If the proposed legislation was to be part of an omnibus bill it would need to be s 9(2)(f)(iv)  
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\_\_\_\_\_, the omnibus bill will ideally need to be enacted by mid-2019. The R&D tax incentive legislation would need to be enacted at a similar time to allow an April 2019 implementation.
7. There are advantages and disadvantages to both approaches. The advantage of a stand-alone bill is that it would signal the prominence of the policy and allow greater opportunity and time for debate and scrutiny through the House of Representative and the Select Committee. However, a stand-alone bill could take up more time and resources of the House of Representative, while an omnibus bill may result in a more efficient use of time. But progression of the omnibus bill could be slowed down if there are issues with other parts of the bill.
8. The short timeframes for implementing the R&D tax incentive and the need for Royal assent by June 2019 means that the bill will need to progress through the house swiftly and will require focussed discussion. June 2019 is the latest date for enactment without disrupting companies' payment of provisional tax. For these reasons we consider that the proposed legislation for the R&D tax incentive should be introduced as a stand-alone bill.

### Next steps

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9. Agree to introduce the proposed legislation for the R&D tax incentive as a stand-alone bill.