



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Research, Science and Innovation
<b>Title of Cabinet paper</b>	Extending Refundability for the Research and Development Tax Incentive	<b>Date to be published</b>	12 July 2019

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
14 May 2019	Extending Refundability for the Research and Development Tax Incentive	Office of the Minister of Research, Science and Innovation, Office of the Minister of Revenue
22 May 2019	Cabinet Economic Development Committee minute: DEV-19-MIN-0119	Cabinet Office
10 May 2019	Regulatory Impact Statement: R&D Tax Incentive – Refundability	MBIE, IR
13 November 2018	R&D Tax Incentive: Phase 2	MBIE, IR
13 February 2019	R&D Tax Credit: Phase 2 Policy Proposals	MBIE, IR
11 April 2019	Draft Cabinet paper: R&D Tax Incentive – Refundability	MBIE, IR, Callaghan Innovation
2 May 2019	R&D Tax Incentive: Ministerial meeting to discuss refundability	MBIE, IR
17 May 2019	Talking points for the DEV Cabinet paper: Extending Refundability for the R&D Tax Incentive	MBIE
27 June 2019	R&D Tax Incentive – refundability and small innovative firms	MBIE, IR

### Information redacted

**YES / NO** (please select)

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# Cabinet Economic Development Committee

## Minute of Decision

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### Extending Refundability of the Research and Development Tax Incentive

**Portfolios**                      **Research, Science and Innovation / Revenue**

On 22 May 2019, the Cabinet Economic Development Committee:

#### Background

- 1        **noted** that legislation introducing a research and development tax credit (the R&D Tax Incentive) has been enacted [LEG-18-MIN-0150];
- 2        **noted** that the legislation provides limited refundability of the R&D Tax Incentive for firms in loss or with insufficient tax liability to offset the tax credit;
- 3        **noted** that the Minister of Research, Science and Innovation and the Minister of Revenue (the Ministers) have previously signalled their intention to review the policy applying to the refundability of the R&D Tax Incentive [DEV-18-MIN-0174];

#### Extending refundability

- 4        **agreed** that the R&D Tax Incentive be refundable for firms in loss or with insufficient tax liability to offset their tax credits, subject to a maximum equal to the amount of payroll taxes paid by a firm in each year plus any tax credits resulting from payments to approved research providers;
- 5        **agreed** that levy bodies be eligible for a refund of their R&D Tax Incentives, and that their refunds not be limited by the cap referred to in paragraph 4 above;
- 6        **agreed** that all tax exempt organisations, except organisations receiving tax exempt income under section CW 9 and 10 of the Income Tax Act 2007, be ineligible for the R&D Tax Incentive;
- 7        **noted** that local authorities would be ineligible for the R&D Tax Incentive;
- 8        **authorised** the Ministers to make any adjustments of a minor and technical nature to the policy on refunding the R&D Tax Incentives as necessary, to achieve its policy intent;
- 9        **authorised** the Ministers to make any adjustments of a minor or technical nature or as required to achieve the intent of the R&D Tax Incentive policy, and where the adjustments can be funded from within the existing appropriation;

## Legislative implications

- 10 - **invited** the Ministers to issue drafting instructions to Inland Revenue to draft legislation to give effect to the above paragraphs and their intent, as outlined in the paper under DEV-19-SUB-0119;
- 11 - **agreed** that the above proposals be included in the Taxation (1<sup>st</sup> 2019 Omnibus Issues, and Remedial Matters) Bill;
- 12 - **noted** that it is expected the Bill will be introduced no later than 26 June 2019.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Kris Faafoi  
Hon James Shaw  
Hon Julie Anne Genter

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

**Hard-copy distribution:**

Minister of Research, Science and Innovation  
Minister of Revenue