



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.

Income Tax Treatment of Leases Subject to International Financial Reporting Standards

Portfolio **Revenue**

On 13 November 2019, the Cabinet Economic Development Committee:

- 1 **agreed** that the tax treatment for lessees of operating leases that are not real property, leased from an associated party or sub-leased, be amended to follow International Financial Reporting Standards (IFRS 16) for taxpayers who choose to do so;
- 2 **agreed** that taxpayers who elect to follow IFRS 16 be required to make adjustments to ensure certain operating lease expenditure continues to be tax deductible close to when it is incurred;
- 3 **agreed** that expenditure arising from the transition to the IFRS 16 method for tax be spread over five years;
- 4 **agreed** that the proposals in paragraphs 1-3 above apply for the 2019/20 and later income years;
- 5 **noted** that the above proposals will have an estimated revenue cost of \$7.200 million over the forecast period, as follows:

	\$m – increase/(decrease)			
Vote Revenue Minister of Revenue	2019/20	2020/21	2021/22	2022/23 & Outyears
Tax Revenue	(1.800)	(1.800)	(1.800)	(1.800)
Total Operating	(1.800)	(1.800)	(1.800)	(1.800)

- 6 **noted** that the final year of fiscal impact outlined in paragraph 5 above is 2023/24;
- 7 **agreed** that the above changes be included in the next available omnibus tax bill.

Jack Petterson
Committee Secretary

Hard-copy distribution: (see over)

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon Chris Hipkins
Hon David Parker
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Shane Jones
Hon Kris Faafoi
Hon Willie Jackson
Hon James Shaw
Hon Julie Anne Genter
Hon Eugenie Sage

Officials present from:

Officials Committee for DEV

Hard-copy distribution:

Minister of Revenue