Coversheet: Extending tax exemption for non-resident oil rig and seismic vessel operators

This document is the 2018 RIS with updates to reflect changes since 2018. The Treasury's Regulatory Impact Analysis team has granted an exemption from producing a new RIS, conditional on a quality assurance check to ensure the updated 2018 RIS reflects any developments since it was originally produced. Inland Revenue's quality assurance panel has confirmed that the RIS is still fit for purpose. A copy of the 2018 RIS is available at: https://taxpolicy.ird.govt.nz/publications/2019/2019-ria-tax-exemption-oil-rig

Advising agencies	*Inland Revenue*
Decision sought	*Whether to extend the current income tax exemption for non-resident oil rigs and seismic vessels which is scheduled to expire on 31 December 2024*
Proposing Ministers	*Hon David Parker (Revenue)*

Summary: Problem and Proposed Approach

Problem Definition **What problem or opportunity does this proposal seek to address? Why is Government intervention required?**
There is currently an exemption from New Zealand income tax for non-resident-owned oil rigs and seismic vessel operators. The aim of this exemption is to remove a tax distortion that incentivises operators to churn[1] rigs and vessels, thereby slowing resource development, increasing operators' costs, and reducing tax and royalty revenue. This exemption was first introduced in 2004 for five years and was subsequently extended in 2009, 2014 and again in 2019. The most recent extension is due to expire on 31 December 2024. This RIA considers whether the exemption should be further extended.

Proposed Approach **How will Government intervention work to bring about the desired change? How is this the best option?**
This exemption was introduced to discourage oil rigs and seismic vessels from leaving New Zealand before 183 days to avoid being treated as a New Zealand tax resident under a double tax agreement. Extending this exemption would prevent this churning reoccurring.

[1] Having one rig leave the country and another enter to complete the work.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?
The main beneficiaries are petroleum prospectors, explorers and miners with New Zealand petroleum permits, and the Crown. These miners would incur lower costs and undertake greater exploration which would have flow on benefits to the New Zealand economy and tax and royalty revenue.

Where do the costs fall?
Although the exemption will theoretically make the non-resident rig and seismic vessel operators exempt from tax, in practice they were not paying New Zealand income tax anyway as they were leaving New Zealand before 183 days. If the exemption is extended, an increase in tax revenue forecasts would arise as a result of decreased tax deductions from churning. Forecast baselines include an assumption that the exemption would not be renewed. Absent that renewal, we anticipate a behavioural change toward churn of rigs and consequential reduction in tax revenue forecasts arising from the expense of that churn. Officials do not anticipate that the rigs would start paying tax if the exemption is not extended. There are also small one-off costs for regulators of extending the exemption.

What are the likely risks and unintended impacts, how significant are they and how will they be minimised or mitigated?
The proposal risks leading to increased domestic carbon emissions; however, the impact is expected to be minor, as carbon emissions from New Zealand's oil and gas production are very small. Given New Zealand's high environmental standards, the environmental footprint from developing oil, gas and mineral resources in New Zealand is likely to be less than many other countries we would otherwise source them from. As nearly all New Zealand oil is exported, increased New Zealand production will have no effect on the Government's international commitments. The proposal carries some other environmental risks, but these are low due to New Zealand's tight regulation and standards.

Identify any significant incompatibility with the Government's 'Expectations for the design of regulatory systems'.
The proposal is not incompatible with the Government's 'Expectations for the design of regulatory systems'.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?
There is a degree of uncertainty on the future level of petroleum exploration as this is determined by a number of factors, including the future oil price and other discoveries. However, historical comparison before and after the introduction of the exemption in 2004 provides a high degree of certainty that the policy achieves its desired goal of eliminating tax-driven rig and seismic vessel churning.

Quality Assurance Reviewing Agency:

This version of the RIS has been reviewed by Inland Revenue to ensure the analysis is still fit for purpose. The 2018 version was also reviewed by Inland Revenue.
Quality Assurance Assessment:
The Treasury's Regulatory Impact Analysis team has granted an exemption from producing a new RIS, conditional on a quality assurance check to ensure the updated 2022 RIS reflects any developments since it was originally produced. Inland Revenue's quality assurance panel has confirmed that the RIS is still fit for purpose.
Reviewer Comments and Recommendations:
This version of the RIS has been reviewed only to ensure that the analysis is still fit for purpose. The 2022 version has also been updated to respond to the updated comments from other Government agencies. The 2018 version was reviewed in 2018 and received a ‘meets’ rating from the Inland Revenue’s QA panel.

Impact Statement: Extending tax exemption for non-resident offshore oil rig and seismic vessel operators

Section 1: General information

Purpose

Inland Revenue is solely responsible for the analysis and advice set out in this Regulatory Impact Assessment, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by Cabinet.

Key Limitations or Constraints on Analysis

A constraint affecting the consideration of the options is that of time – the existing tax exemption expires at the end of 2024. Accordingly, any extension of the exemption should be enacted before the end of 2024.

A limitation concerning the analysis is that there is some degree of uncertainty regarding the behaviour of rig operators if the exemption were to be removed. This affects our ability to reliably estimate the fiscal impacts of removing the exemption. However, MBIE's best judgement (based on the rig operators' behaviour before the introduction of the exemption) is that if the exemption was removed, rig operators are likely to modify their behaviour and begin churning again.

Responsible Manager (signature and date):

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[redacted]

Chris Gillion
Policy Lead
Policy and Strategy
Inland Revenue

10 November 2022

Section 2: Problem definition and objectives

2.1 What is the context within which action is proposed?

Seismic vessels are used to gather data on potential oil and gas finds, and rigs are used to drill for oil and gas, in the exploration and development stages of petroleum mining. These are very specialist and expensive pieces of equipment that are owned by businesses that specialise in providing these services to petroleum miners who have permits for a specific area. These rigs and vessels do not generally work offshore in winter weather for health and safety reasons.

While there is a worldwide industry in rigs and seismic vessels, no New Zealand companies own these assets, so any company seeking to explore natural resources in New Zealand waters needs to use a rig or seismic vessel provided by a non-resident owner.

Offshore rigs and seismic vessels owned by non-residents are covered by an income tax exemption that is due to expire on 31 December 2024.

Wells generally take between 30 and 90 days to drill and there is significant cost in bringing a rig or vessel to and from New Zealand. Because of this, operators often align their plans in order to conduct their work using the same rig or vessel in the same summer period. There is usually a programme of work that forms the core activities of the rig or vessel, and then there may be opportunistic wells or surveys added because the rig or vessel is already coming. These opportunistic wells or surveys are at particular risk from the expiry of the existing exemption as completing these could result in the rig or vessel being in New Zealand long enough to become a New Zealand tax resident and therefore taxable on income derived from exploration and development activities in New Zealand waters, including from already completed contracts for core activities. In the absence of an exemption these operators leave New Zealand before this time to prevent a New Zealand income tax liability arising.

Since 2018, when the exemption was last extended, there have been a total of two offshore non-resident drilling rigs, spending 313 and 226 days in the country each and 14 wells have been drilled. By contrast, between 2000 and 2005 (before the exemption was introduced), no rigs stayed in New Zealand waters beyond six months.

Thirteen seismic vessels have operated in New Zealand since 2009, of which one stayed over 183 days. Before 2005, the average length of stay was around four months. Maintaining the exemption removes a barrier for lengthier stays (which have been fewer but are typically more lucrative).

There have been 80 offshore wells drilled since 1 January 2009. Twenty-three of these wells have been exploratory in nature, with some hosting sub-commercial discoveries. All of these efforts, successful or not, improve our knowledge of the Crown mineral estate, which is critical to making economic discoveries. A substantial discovery has the potential to significantly benefit the economy and the Government's fiscal position by way of direct economic benefits, royalties, increased tax revenue, and other indirect benefits (e.g. supporting goods and services and consumption).

It is likely that a number of wells would not have been drilled without the tax exemption, as the application of income tax would likely have created too large a barrier (due to the high cost of mobilisation and demobilisation and the associated delays caused) for discretionary wells. Mobilisation and demobilisation costs can exceed $750,000 per day and, depending on where the rig comes from, the transition time and associated cost can be significant and in the order of $17-35 million[2].

Extending the exemption is likely to ensure oil and gas prospecting, exploration and production is not impeded compared with letting the exemption expire. This increases the chance of successful discoveries and consequentially oil and gas production, which increases economic development activity, and tax and royalty revenue. Increased oil and gas production could result in an increase in carbon emissions. However, given New Zealand's high environmental standards, the environmental footprint from developing oil, gas and mineral resources in New Zealand is likely to be less than many other countries we would otherwise source them from. Therefore, from a global emissions perspective, developing some of these resources in New Zealand could provide better environmental outcomes.

In the context of climate change, gas is internationally recognised as a transition fuel. In particular, natural gas emits 50 to 60 percent less carbon dioxide than coal when used to generate electricity. Thus, gas could play a role in New Zealand meeting its climate commitments in the short-term.

Furthermore, New Zealand's gas reserves are only sufficient to cover a decade of annual gas demand at current demand levels. To prevent the situation of gas reserve depletion interrupting our energy supply, new sources of gas would need to be found within the next few years. This could be by way of new gas finds, or extension of existing fields, but either of these would involve some lead-time to production.

2.2 What regulatory system, or systems, are already in place?

New Zealand generally taxes non-residents on income that has a source in New Zealand. However, our double tax agreements (DTAs) provide that non-residents are only taxable on their New Zealand-sourced business profits if they have a "permanent establishment" in New Zealand. Many of our DTAs (such as the New Zealand/United States DTA) have a specific rule providing that a non-resident enterprise involved in exploring for natural resources only has a permanent establishment in New Zealand if they are present for a particular period of time, often 183 days in a year. Once a non-resident has a permanent establishment in New Zealand, they are taxed on all their New Zealand business profits starting from their first day in New Zealand. While this 183 day rule does not apply outside of DTAs, in practice, no rigs or seismic vessels come from non-DTA countries.

Ordinarily, a broad-base, low-rate framework applies to the tax system. A consistent application of this framework will normally minimise any distortions caused by tax rules. However, with seismic vessels and rigs used for exploration and development work, the normal tax rules do not provide the right outcome.

The exemption was introduced to address an issue caused by this DTA provision – rigs and seismic vessels used in petroleum exploration and development were leaving New Zealand waters before the 183 day threshold was reached to avoid being subject to New Zealand tax.

[2] This increase since the previous RIS is a combination of increased costs and changes in the USD/NZD exchange rate.

This meant that rigs and vessels would leave before 183 days and a different rig or vessel was mobilised to complete the exploration programme, if it was completed. This increased the cost for companies engaged in exploration and delayed exploration drilling and any subsequent discovery of oil or gas. It also meant that there was no income tax collected from owners of rigs and seismic vessels. Because of the limited supply of offshore drilling rigs, it could also result in exploration activity not taking place when it otherwise would.

2.3 What is the policy problem or opportunity?

If the status quo is maintained (i.e. the temporary exemption is left to lapse at the end of 2024), it is likely that rigs and seismic vessels would resume leaving New Zealand waters before 183 days, so that the operators are not subject to tax. This would mean that the cost of offshore exploration and development activity would increase for New Zealand companies that engage offshore rig and seismic vessel services, as a new rig would have to be engaged to continue exploration and development work. Mobilising and demobilising such rigs has a cost of around $17-35 million per rig. This would have flow-on effects for tax revenue, as the cost would be deductible to the New Zealand company. The churn would also cause a delay in any potential revenue from successful exploration and development activity, which would have an impact on the present value of royalties received. However, this would be partially offset by the delay in the deductions associated with that additional exploration and development activity.

The underlying cause of the problem is that the normal tax rules increase costs for business by creating an incentive for seismic vessels and rigs to “churn”, that is, move in and out of New Zealand waters within a 183-day period where income is exempt under many of our DTAs.

2.4 Are there any constraints on the scope for decision making?

It is not possible to efficiently resolve this issue by renegotiating New Zealand’s DTAs. These DTAs are part of an international framework and it is not feasible to alter this particular article, particularly given this would require renegotiation of each of the DTAs which New Zealand is currently party to and would be dependent on our treaty partners being agreeable to such a change.

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2.5 What do stakeholders think?

Targeted consultation has been undertaken with the oil and gas industry representative body, Energy Resources Aotearoa (ERA), which supports making the exemption permanent.

The Treasury, Ministry of Business, Innovation and Employment, Ministry of Foreign Affairs and Trade and the Ministry for the Environment support extending the exemption for a further five years to balance the need for business certainty while leaving scope for future changes at a time when tax and environmental policy is evolving.

The Treasury's view is that the exemption is not consistent with New Zealand's broad-based low-rate tax strategy, and that our tax system does not generally make accommodations for behavioural responses. Further, the environmental and energy policy context is changing. However, the Treasury concurs there are likely benefits from reduced churn, which is associated with wasteful consumption and unnecessary costs, and notes that no feasible alternatives have been identified that would address the issue in the near term. The Treasury considers the implications of permanently extending or not extending the exemption are difficult to assess while the policy landscape is changing and without a forward-looking view of exploration activity. In the Treasury's view, a five-year extension would address churn in the near term and enable the effectiveness and impacts of the exemption to be monitored as the environmental energy policy context evolves, including the development of the Energy Strategy and Gas Transition Plan. The Treasury suggests that, if an extension of the exemption is agreed, further analysis of the ongoing rationale, effectiveness and impacts of the exemption be undertaken to inform future decisions, including a forward-looking view of offshore exploration activity, alignment with environmental and energy strategy, international obligations, and alternative policy levers.

Section 3: Options identification

3.1 What options are available to address the problem?

Three options have been considered:

- **Option 1 – Status quo:** Do not extend the exemption. The current exemption will expire on 31 December 2024. After this date non-resident oil rig and seismic vessel operators will be subject to New Zealand income tax from the day they arrive if they are present in New Zealand for at least 183 days.
- **Option 2 – Temporary exemption:** Extend the current exemption for a further five years.
- **Option 3 – Permanent exemption:** Remove the expiry date from the current exemption so it applies permanently.

Both options 2 and 3 address the problem by effectively removing the 183 day test so that non-resident operators do not face an incentive to churn rigs and vessels by leaving New Zealand prior to 183 days.

These options are mutually exclusive and are the same options considered when the exemption has previously been due to expire in 2009, 2014 and 2019. No non-regulatory options are possible as the liability for income tax is determined through legislation.

Option 2 and option 3 are both unique to New Zealand. Officials are not aware of any other country having a similar exemption due to a combination of factors, such as: not having an offshore petroleum industry; having a sufficiently large market to have domestic owned rig and seismic vessel operators; being closer to other countries, so that mobilisation costs are much lower; and having different wording in their applicable DTAs, so that the 183 day threshold does not apply.

3.2 What criteria, in addition to monetary costs and benefits, have been used to assess the likely impacts of the options under consideration?

The options have been assessed against the following criteria:

1. **Economic efficiency and neutrality** – The tax rules should generate funding for Government expenditure rather than influence whether a rig or seismic vessel remains in New Zealand. The use of tax instruments to implement non-tax outcomes should be approached with caution. The level of oil and gas exploration and development activity should be determined by what is economically efficient in conjunction with wider Government policies, and not by unintended consequences of tax rules.

2. **Certainty of tax treatment** – The tax rules should provide certainty of tax treatment.

3. **Administration costs** – Administration costs should be minimised as far as possible. In addition to costs arising to government agencies under the option, this includes policy and law-making costs.

4. **Compliance costs** – Compliance costs should be minimised as far as possible.

Criterion one is the most important as tax should not be influencing petroleum miners' decisions to act in ways that are economically inefficient, and care should be taken before using tax rules to implement non-tax policies, where other more direct, and transparent measures may be available.

3.3 What other options have been ruled out of scope, or not considered, and why?

Renegotiating New Zealand's DTAs to increase or reduce the number of days an operator can be in New Zealand without becoming a tax resident was not within scope. This would require individual renegotiation with each of New Zealand's treaty partners and would be inconsistent with international norms. This could not be achieved before expiry of the current exemption if it could be achieved at all, therefore this option is considered impractical.

Section 4: Impact Analysis

Marginal impact: How does each of the options identified at section 3.1 compare with the counterfactual, under each of the criteria set out in section 3.2?

	Status Quo – Letting exemption expire	Option 2 – Temporary exemption	Option 3 – Permanent exemption
Efficiency/neutrality	0	++ An exemption will prevent tax rules incentivising operators to leave New Zealand prior to 183 days. The level of exploration and development will be determined by the market and specific Government policies rather than an unintended consequence of tax rules. Petroleum miners able to coordinate rigs and seismic vessels and incur lower planning costs, thus improving efficiency.	++ As with the temporary exemption.
Certainty	0	+ Petroleum miners and operators will have certainty of tax treatment for a 5-year planning horizon.	++ As with the temporary exemption, with the benefit of additional certainty for petroleum miners and operators planning beyond the expiry of a temporary exemption.
Compliance costs	0	+ No impact on tax compliance costs (as no tax obligation on operators with or without exemption) but reduction in costs of complying with other Government regulation for operators and petroleum miners.	++ As with the temporary exemption, with the benefit of less compliance costs for exploration and development near to expiry of a temporary exemption.
Administration costs	0	+ Consistent with current (pre-December 2024) treatment, so less update needed to internal and external knowledge bases and other guides.	++ As with the temporary exemption, as well as removing need for further update when the temporary exemption expired, and only one-off policy and law-making costs.
Overall assessment	0	++ This option is significantly better than the status quo, as tax will not be an impediment to operators acting in an efficient manner. This option will not impose any additional costs on government or taxpayers. However, it is not the preferred option as it creates less certainty for taxpayers and imposes costs on officials, Parliament and stakeholders in reconsidering the exemption each time it expires.	++ This is the preferred option. It has all the benefits of option 2 with the additional benefits of providing greater certainty for stakeholders and fewer administration costs as a result of not needing to periodically renew the exemption.

Key:

++	Much better than doing nothing/the status quo	-	Worse than doing nothing/the status quo
+	Better than doing nothing/the status quo	- -	Much worse than doing nothing/the status quo
0	About the same as doing nothing/the status quo		

Section 5: Conclusions

5.1 What option, or combination of options, is likely best to address the problem, meet the policy objectives and deliver the highest net benefits?

Having an exemption beyond 31 December 2024 is significantly better than letting the exemption lapse and Inland Revenue recommend that this exemption is permanent rather than for a further five year period. As these rigs are planned well in advance, the additional certainty of a permanent exemption is supported by the petroleum industry.

An exemption removes a tax distortion that results in economically inefficient outcomes, and imposes no ongoing revenue cost to the Government, while negative environmental impacts are expected to be low. Removing the churn of oil rigs and seismic vessels has a number of benefits, including:

- opportunistic exploration not being hindered by the lack of availability of rigs and vessels;
- additional exploration increasing petroleum miners' and the Government's knowledge of the mineral estate;
- reduced costs of petroleum exploration and development resulting in higher revenue from taxes and royalties;
- increased domestic emissions from more production (but noting some reduction in carbon emissions as a result of fewer rigs and vessels travelling to and from New Zealand); and
- rigs and vessels may stay in New Zealand beyond 183 days for repairs and maintenance which would increase output of supporting industries.

There is a high degree of confidence in the assumptions and evidence used in this RIA as this exemption is already in place and data before and after its introduction can be compared.

Making the exemption permanent will significantly reduce the policy and parliamentary resources required to be dedicated to this issue.

Although the exemption has been in place since 2004, fiscal forecasts do not include the ongoing impact of this exemption beyond 2024. If the exemption is extended reduced churn costs would result in forecast tax revenue increasing by approximately $4.5m per year.

Inland Revenue notes the concerns other Government agencies have regarding making the exemption permanent given the evolving environmental policy and international law and the view that providing a further temporary exemption would provide greater flexibility. However, we consider that a permanent exemption is still preferable as:

- Churning rigs due to tax settings will always be inefficient and no suitable alternative has been identified since the exemption was first introduced. The only situation where Inland Revenue expects the exemption would not be the preferred tax response is if NZ's petroleum production industry becomes sufficiently small that all work for a season can be done within 183 days so there is no need to churn; however, in this circumstance the exemption would be ineffective rather than inappropriate.

- While New Zealand is attempting to transition from fossil fuels and will not issue new offshore petroleum exploration permits there continues to be an offshore petroleum industry and that industry, while it exists, will always be reliant on non-resident rigs and seismic vessels. New Zealand does not have a policy to actively disincentivise, or prevent, petroleum production and even if it was to do so in the future there would be more efficient measures to achieve this than a policy that inadvertently encourages churn.
- There is no expectation that tax legislation will remain constant. If a decision was made in the future to end this exemption the Government has regular tax omnibus bills and could repeal the provision in a shorter time than leaving the remaining time of a 5-year exemption to expire. While we have not attempted to quantify the cost, the administrative and parliamentary costs of a future repeal would be the same, or likely lower, than the cost of a single 5-year extension.

5.2 Summary table of costs and benefits of the preferred approach

Affected parties	Comment:	Impact	Evidence certainty
Additional costs of proposed approach, compared to taking no action			
Regulators	One-off cost of officials' and parliamentary resources required to extend the exemption	Low	High
Wider government	Assumed that operators would churn rigs and vessels to avoid a New Zealand tax liability, in the absence of an exemption, so no expected revenue cost	$0	High
Other parties	Environmental impacts of increased petroleum exploration and production	Low (refer to explanation in section 2.1)	Medium
Total Monetised Cost		$0	High
Non-monetised costs		Low	Medium
Expected benefits of proposed approach, compared to taking no action			
Regulated parties	Ongoing reduction in costs to petroleum miners of rigs and seismic vessels being churned Reduced health and safety risks from reduced churn	$17-35m per rig (assumed to be one per two years). Low	Medium Medium
Regulators	Reduced costs to update tax guidance	Low	High
Wider government	Increased tax revenue from petroleum miners due to reduced deductions for exploration costs	$4.5m per year	Medium
Other parties	Increased economic activity due to increased presence of rigs and seismic vessels	Medium	Medium
Total Monetised Benefit		$17-35m per two years	Medium
Non-monetised benefits		Medium	Medium

5.3 What other impacts is this approach likely to have?
The preferred approach is likely to increase oil and gas exploration and development (or not decrease it) compared with the status quo. This increases the chance of successful discoveries and consequentially increased oil and gas production, which increases economic development activity, tax revenue and royalties. Increased oil and gas production risks increasing carbon emissions. However, nearly all of New Zealand oil production is exported, so this increased production would have no effect on the Government's international commitments. Officials consider the impact of increased carbon emissions would be minor as the production in New Zealand of oil and gas has very little impact on consumption of oil and gas and, relative to international output, New Zealand production is so small that increases in production will not affect the world price. Other environmental risks are also low due to New Zealand's tight regulation and standards which have seen over 200 offshore wells drilled since the 1960s without a significant incident. As New Zealand is a net importer of oil, any increase in domestic production is likely to reduce the balance of payments deficit.

5.4 Is the preferred option compatible with the Government's 'Expectations for the design of regulatory systems'?
The preferred option is not incompatible with the Government's 'Expectations for the design of regulatory systems'.

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?
The preferred option would involve amendments to the Income Tax Act 2007 to remove the 31 December 2024 expiry date. This would continue the operation of the exemption, broadly as it has applied since 2004. As with other legislative changes this would be signalled in a *Tax Information Bulletin* shortly after the enactment of the bill containing the proposals as well as other documents published throughout the parliamentary process. Owing to the high mobilisation costs, the schedules for rigs and seismic vessels are frequently planned well in advance of the rig or vessel arriving in New Zealand. Thus, the industry would welcome timely advice of a Cabinet decision on the exemption. Cabinet approval of the preferred option would allow the necessary legislative changes to be included in the upcoming tax omnibus bill which is expected to be enacted in 2023. A press release is intended to be released after the Cabinet decision.

6.2 What are the implementation risks?
There are no risks with implementing a temporary or permanent exemption as this would be effectively continuing the law as it has applied since 2004. If there are delays in announcing an extension of the exemption and inclusion in a bill, or if the Government decides not to extend the exemption, this risks creating uncertainty in the market which could result in reduced operation of non-resident rigs and seismic vessels in New Zealand. If the preferred option is supported by Cabinet but not included in the upcoming bill there may not be a suitable tax bill enacted before the end of 2024 that could include this amendment.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?
MBIE monitors the number and duration of rigs and seismic vessels operating in New Zealand. Comparison of behaviour prior to and after the 2004 introduction of the exemption suggests that the exemption is successful in removing the incentive to leave New Zealand prior to 183 days. As the exemption is in place now, if extended we do not expect any change in behaviour.

7.2 When and how will the new arrangements be reviewed?
MBIE will continue to monitor the petroleum mining sector more generally. As the exemption has been working as intended since 2004, if the exemption is permanently extended it is not anticipated that further review will be necessary which will reduce administration costs compared with a temporary exemption, and reduce compliance costs compared with letting the exemption expire. Inland Revenue and MBIE have ongoing interaction with the petroleum mining sector which will provide that sector with the ability to raise concerns in the unlikely event they arise.