

New Zealand Government announce R&D tax credit

April 2018

On 19 April 2018 Research, Science and Innovation Minister Megan Woods announced that, from April 1 next year, a 12.5 per cent tax credit on eligible expenditure will be available to business conducting Research and Development (R&D) in New Zealand.

The announcement forms part of Labour-led Government's agenda to lift productivity and shift the economy's investment incentives from speculation to the productive economy.

Businesses will be eligible to claim a tax credit on up to \$120m of R&D expenditure per year, equating to a tax credit of \$15m each year based on the 12.5 per cent rate.

The Growth Grant administered by Callaghan Innovation will be phased out with the introduction of the Tax Incentive, but will continue as normal until final decisions are made by the Government.

The Labour-New Zealand First Coalition Agreement committed the Government to "work to increase R&D spending to 2 per cent of GDP over ten years." \$2b worth of additional R&D spending is required per year to reach this target.

A [discussion document](#) outlining the main details of the tax credit proposal has been released. Public [submissions](#) are open until 1 June 2018.

The R&D tax credit policy was a recommendation of the Future of Work Commission, conducted by the Labour Party in opposition, which noted the necessity of a "sustained and significant lift in investment in research and development in the public and private sector if we are to lift productivity."

Other Ardern Government policies announced so far which seek to achieve these aims include:

- **Investigating a comprehensive Capital Gains Tax:** the Tax Working Group has been tasked with determining whether a system of taxing capital gains (not applying to the family home or the land under it) would improve the tax system.
- **Extending the bright line test on residential property:** the test will require income tax to be paid on any capital gains from the sale of residential property that is bought and sold within five years, rather than two.
- **Removing negative gearing:** the Government intends to end tax concessions to property investors incurred when they make a loss.
- **Free post-school education and training:** the Government will fund the first year of post-school education and training, phasing to three years free over time.

Further information

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