The following notification has been received from the Permanent Mission of New Zealand.

I. Export Market Development Taxation Incentive (EMDTI)

1. Background and authority

The EMDTI is designed to encourage the active promotion and marketing of New Zealand goods and services abroad and was announced in the 1979 Budget. Authority is created in the Income Tax Act 1976. The scheme is currently under review and has a statutory provision for termination on 31 March 1985.

2. Incidence

The incentive is paid as a credit against tax payable at the rate of NZ 67.5 cents in the dollar of qualifying expenditure. (Qualifying expenditure is defined in Section 156F of the Income Tax Act 1976 and is confined to expenditure which is primarily and principally related to the promotion of New Zealand goods and services abroad). Such expenditure does not qualify as an ordinary deduction for taxation purposes.

3. Cost of Subsidy

As subsidy is paid as a tax credit the total value of revenue foregone is not recorded.

II. Export Programme Suspensory Loan Scheme (EPSLS)

1. Background and authority

This scheme is designed to encourage the thorough and co-ordinated marketing overseas of New Zealand processed and manufactured goods and professional services. The EPSLS was announced by the Minister of Overseas Trade on 30 June 1982 and is administered by the Department of Trade and Industry. The scheme is currently under review.
2. Incidence

Assistance is paid as a suspensory loan which converts to a grant if the exported fulfils prescribed export sales levels. Eligible programme expenditure is generally the same as for the EMDTI with limits on both salaries and sustenance costs claimable as eligible expenditure. Loans are based on 40 per cent of eligible expenditure up to a maximum of $NZ 200,000 per applicant. Companies are limited to one target market loan at a time.

3. Cost of Subsidy

Budgeted cost for 1983-84 is $NZ 5.3 Million.

III Export Suspensory Loans

1. Background and Authority

To encourage export-orientated investment the Development Finance Corporation administers an Export Suspensory Loan Scheme for the purchase of new plant and machinery to be used substantially for the manufacture of products qualifying for the EPTI. The scheme is to be terminated and no applications will be approved after 31 March 1985.

2. Incidence

A grant of up to 40 per cent of the capital cost of plant and machinery is available. The grant takes the form of a suspensory loan subject to interest at normal commercial rates. Such loans are written off, in full, if the recipient meets the targetted increase in exports over any three year period within the five year term of the loan. From 1 April 1985 qualifying exports to Australia will be phased out on the basis of 50% qualifying for the year ended 31 March 1986, 25% for the year ended 31 March 1987 and no qualification after that.

3. Cost of Subsidy

Cost of loans written off during 1983-1984 - $NZ 4.5 Million.

IV. Exemption from Sales Tax of some Machinery for Production

1. Background and authority

The Customs Department administers a scheme (announced in the 1976 Budget) whereby machinery used principally in the production of goods for export can be exempted from sales tax.

2. Incidence

Applications can be made under the following categories:

(a) Machinery from which 40 per cent or more of total annual production by f.o.b. value will be exported.
(b) Machinery for use in the production of goods for export where the company purchasing the machinery exports $NZ 500,000 (f.o.b. value) or more goods per year.

(c) Machinery for use in the production of goods for export where such exports will increase by $NZ 50,000 (f.o.b. value) per year.

(d) Machinery for use in the production of goods for export where such exports in the first year of production of the machine will exceed by 20 per cent exports in the previous year with minimum additional exports of $NZ 20,000 (f.o.b. value) per year.

(e) Machinery for use in the production of goods for export which is not covered by any of the above categories.

In addition to the arrangements outlined above, exemption from sales tax has been approved in respect of machinery purchased for use in the following industries: freezing works, wool scouring plants, butter factories, casein factories, cheese factories, milk powder factories, iron sands extraction.

3. Cost of Subsidy

As subsidy is paid as a tax exemption, the total value of revenue foregone is not recorded.

V. Export Performance Taxation Incentive (EPTI)

1. Background and Authority

Authority for the EPTI is granted in the Income Tax Act 1976 under the following sections: 156A for goods, 156B and D for services, and 156E for tourism. The scheme replaces the IETI which terminated on 31 March 1983, and is intended to compensate qualifying exporters for a proportion of the additional cost they face as a result of protection. EPTI was introduced on 1 April 1980 and has a statutory provision for termination on 31 March 1985. The Government has announced that it will introduce legislation to extend the incentive, but with a progressive phase out to be implemented between 1985 and 1987. The final termination date will be 31 March 1987.

2. Incidence

Payments under the EPTI are made at the rate of 14 per cent of domestic value added. For primary sectors, including forestry, only value added beyond a specific boundary is included in the calculation for the incentive. Export goods are classified in terms of the ratio of domestic value added to f.o.b. export sales and on this basis assigned one of seven bandings. (Bands are lettered A to G). To each binding a specified tax credit applies ranging from 1.4 (G Band) to 11.9 (A Band) cents per f.o.b. export sales dollar. The incentive is paid as a tax credit which is deducted from tax otherwise payable by the exporter. If the tax credit exceeds tax payable the excess is refunded to the taxpayer. Under the proposed legislation to extend but phase out EPTI by 31 March 1987, the level of incentive for the income year ending 31 March 1986 will be 50% of the assigned percentage, 25% for the income year ending 31 March 1987 and will be terminated from the income year ending 31 March 1988.
3. **Cost of Subsidy**

   As the scheme is paid as a tax credit the total value of revenue foregone is not recorded.