SUBSIDIES

Notifications Pursuant to Article XVI: 1

NEW ZEALAND

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

1. Export Market Development Taxation Incentive (EMDTI)

Background

This incentive is provided by section 156F of the Income Tax Act 1976. It was introduced to assist industries to search for new markets for New Zealand manufactured goods and services.

Incidence

This incentive is available to any New Zealand taxpayer who incurs expenditure, which qualifies as an ordinary deduction for tax purposes, primarily and principally for the purpose of:

- seeking markets, the retention of existing markets,
- obtaining market information, market research, creating or increasing demand for the export of goods and services.
- attracting tourists to New Zealand.

The incentive currently provides a tax credit of 64.0 percent of qualifying expenditure. This should be compared with the ordinary company tax allowance of 48 percent.

Following a review of Government assistance for export and tourism promotion activities, the incentive began to phase out on 1 April 1987 as follows:
Income year ending 31 March 1987

Tax credit of 69.0 percent (full rate).

Income year ending 31 March 1988

Tax credit of 64.0 percent.

Income year ending 31 March 1989

Tax credit will be 58.0 percent.

Income year ending 31 March 1990

Tax credit will be 53.0 percent.

This phase-out programme is set out in section 156F of the Income Tax Act 1976.

Cost of EMDTI

The net value of the export incentive in the year to 31 March 1987 was NZ$54,745,447. Estimates are not yet available for the 1987-88 calendar year.

2. 1986-87 Wheat Crop Subsidy

A subsidy of $25 per tonne ($27.50 if the farmer is registered for GST purposes) is payable for wheat harvested in the 1986-87 wheat crop season. This payment applies to wheat sold - not to wheat consumed on the farm. The total cost of this grant is estimated to be $8.4 million.

3. Agricultural Pest Control

Background

This item provides for the cost of controlling agricultural pests. The Government has agreed to the funding level for agricultural pests destruction being reduced by $0.8 million annually with effect from 1985-86 and phasing out by 1993-94.

Cost

In 1986-87 expenditure was $4.4 million, in 1987-88 it is estimated at $3.6 million and provides for grants to pest destruction boards and the operating costs of the Agricultural Pests Destruction Council.
4. Fishing Vessel Refrigeration Suspensory Loans

Background

The loans were introduced in 1979 to assist in improving the quality of fish landed, by enabling fishermen/companies to install/upgrade refrigeration equipment on board existing fishing vessels.

Incidence

A suspensory loan of up to $20,000 is available per applicant and provided the conditions of the loan are met, the loan is interest free and written off after three years. The scheme was cancelled to new entrants on 22 May 1986.

Cost

In 1986-87 expenditure was $12,600.

5. Control and Eradication of Animal Diseases

Background

Provision is made in this item for compensation associated with ongoing programmes to eradicate brucellosis and bovine tuberculosis from cattle.

Incidence

The owners of reactor animals are paid 95 percent of the current market or replacement value which could be obtained for the animal concerned. This payment is financed partly by farmers themselves. In 1987-88 the proportion financed by farmers will be 42 percent, in 1988-89 57 percent and in 1989-90 it will be 66 percent.

Cost

Expenditure in 1987-88 is estimated to be $4 million.