

Barton Deakin Brief: New Zealand Pre-Budget Announcements

5 May 2016

New Zealand's Deputy Prime Minister and Minister of Finance, the Hon Bill English MP, will hand down the National-led government's eighth budget on 26 May 2016.

A number of pre-Budget announcements have already been made including:

- \$22 million to establish a new national Computer Emergency Response Team (CERT), in partnership with the private sector and NGOs, to combat cyber-attacks and cybercrime;
- An additional \$39 million to give New Zealanders access to medicines through Pharmac;
- \$303 million over 5 years to merge urban and rural fire services into one organisation; and
- A \$187 million SME-friendly tax package.

This Barton Deakin Brief outlines these four 2016-17 Budget announcements.

Cyber Security

New Zealand's Minister for Communications, the Hon Amy Adams MP, has announced an investment of \$22 million in New Zealand's cyber security infrastructure.

Over the next four years, the Government will invest \$20 million on a new national Computer Emergency Response Team (**CERT**) to combat cyber-attacks and cybercrime, with an additional \$2.2 million of capital for set up. CERT will be a partnership between the New Zealand Government, the private sector, and non-Government organisations.

CERT will be set up as a separate unit in the Ministry of Business, Innovation and Employment and is expected to be in operation in the first quarter of 2017. Additionally, the Key Government has called for nominations for the CERT Advisory Board with nominations closing Wednesday 25 May 2016.

This announcement supports commitments made in the Key Government's [Cyber Security Strategy](#) and [National Plan to Address Cybercrime](#), both released in December 2015.

Pharmaceuticals

New Zealand's Minister for Health, the Hon Jonathan Coleman MP, has announced an additional \$39 million for Pharmac, the national pharmaceutical management agency.

Subsequently \$124 million will be provided over the next four years to help New Zealand citizens access new medicines through Pharmac. This will enable Pharmac to open consultations on new treatments for melanoma, hepatitis C and bronchiectasis.

In addition to this funding the 2016-17 New Zealand Budget, \$11 million will be injected into Pharmac's Annual Budget from New Zealand's twenty District Health Boards (**DHBs**).



Pharmac's 2016-17 Budget is projected to be \$850 million, which is an increase of \$200 million by the Government since 2008.

Merger of Urban and Rural Fire Services

Minister for Internal Affairs, the Hon Peter Dunne MP, has announced \$303 million over five years to merge New Zealand's urban and rural fire services into one organisation from mid-2017.

The merged organisation – Fire and Emergency New Zealand – will cover callouts to road accidents and national disasters, reflecting the range of their services post-merger.

The merger will see an amalgamation of the [New Zealand Fire Service](#), the [National Rural Fire Authority](#), and the fire functions of more than forty Rural Fire Authorities.

Funding allocation:

- \$112 million capital funding will be spent on the four-year transition to the final entity, Fire and Emergency New Zealand;
- \$191 million operating funding will be spent over four years on new measures to address:
 - Funding gaps in rural fire services;
 - Setting up local committees to assist communication between new entity and the community; and
 - Providing support for New Zealand's 12,000 volunteers.

The announcement supports the Fire Services Transition, which was initiated following the Fire Review Panel's independent report, published in 2012. The Panel made a number of recommendations to the Government around the changing role of New Zealand's fire services.

Fire Levy

The primary source of funding for the new organisation will be the [fire levy](#) which will replace a variety of funding sources for rural fire services. The fire levy is a levy on contracts of insurance for contents, property and motor vehicles.

From July 2018, the levy will be broadened to include insurance on material damage, not just fire damage. The fire levy on motor vehicle insurance will be extended to include third party insurance.

Of the \$303 million package, \$151 million is expected to come from revenue raised by the fire levy, over four years from 2017-18.

The Minister has announced that public consultation will be conducted every three years on the level of the fire levy and the funding of fire services, for the purposes of transparency.

The legislation is due to be introduced into the House within the next three months



SME Tax Package

Minister for Finance, the Hon Bill English MP, and Minister for Revenue, the Hon Michael Woodhouse MP, last month announced a \$187 million SME-friendly tax package to reduce compliance costs and simplify tax for small businesses over four years.

The proposal includes:

- Reformed provisional tax, with a new pay-as-you-go option from 1 April 2018;
- Elimination or reduction of use-of-money interest for the vast majority of tax payers;
- A choice of a withholding tax rate for contractors that suits their needs, rather than a single rate set up for all contractors; and
- Removal of the ongoing 1 per cent monthly penalty for new debt from 1 April 2017.

This package allows small businesses to pay provisional tax through their accounting software rather than having a separate process for their taxes.

Further information regarding this tax package is available [here](#).

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