

Car park tax proposal dropped, 18 March 2013

On 18 March 2013 the Finance Minister, the Hon Bill English, and the Revenue Minister, the Hon Peter Dunne, announced that the Government will not continue with a proposal which would have changed the way some employer-paid car parks in central Auckland and Wellington are treated for tax purposes.

The Finance Minister said:

The proposal was made as a matter of fairness, because in general we consider that cash and non-cash benefits should be taxed the same way.

While we do not resile from that general principle of fairness, we do need to be pragmatic. This was considered likely to be one of those proposals from IRD where the cost of compliance, compared with the likely return, made it not worth pursuing.

The issue arose in an officials' April 2012 issues paper, *Recognising salary trade-offs as income*, which sought feedback on possible options for broadening the tax rules relating to non-cash benefits received by employees as a substitute for salary or wages.

On 3 October 2012 the Minister of Revenue issued a media statement setting out the Government's decisions on new rules for salary traded off as income. Following public submissions, the Minister said that the proposed new rules were now narrower than originally suggested and focused predominantly on employer-provided car parks. He said that the Government had agreed that a wider set of car parks provided to employees were to be taxed through the fringe benefit tax (FBT) rules.

The proposed new rules were introduced in Supplementary Order Paper No 167 on 11 December 2012 which proposed amendments to the Taxation (Livestock Valuation, Assets Expenditure, and Remedial Matters) Bill (64-1).

The Bill is currently being considered by the Finance and Expenditure Select Committee with a report-back date of 29 May 2013.

The Ministers said that the tax status of car parks was under consideration by the select committee and had attracted considerable comment. On balance, Cabinet has decided not to continue with it.

Source: www.beehive.govt.nz