

# Hon Judith Collins

## Minister of Revenue

25 May 2017

### **Budget 2017 addresses black hole expenditure**

Many business expenses currently written off as black hole expenditure would become tax deductible under proposals released as part of Budget 2017, Revenue Minister Judith Collins says.

“Some costs of investigating the viability of a new proposal or project – that is, feasibility expenditure – are currently neither immediately tax deductible, nor depreciable. As a result, it falls into what businesses describe as the black hole,” Ms Collins says.

“Tax consequences should not be an obstacle to businesses innovating and pursuing opportunities for growth. The discussion document we are releasing today therefore proposes improved tax treatment for feasibility and black hole expenditure.

“Where no asset is created on the balance sheet, feasibility expenditure would be immediately deductible for income tax purposes. Where an asset is created we’re proposing that the feasibility expenditure would be capital expenditure for tax purposes.

“In addition, capitalised feasibility expenditure and other expenditure on an asset abandoned part way through construction would become immediately deductible if it is also expensed under International Financial Reporting Standards.

“We’re asking for views on a range of aspects of the proposals including the timing for application. If businesses are not making investments today because of the current treatment, we welcome feedback on making the change retrospective. Doing so would give businesses certainty that investments currently being considered would be in line for this improved tax treatment,” Ms Collins says.

“The Government has already resolved many types of black hole expenditure over the past few years to improve productivity and remove a tax impediment to growth. These proposals will allow an even wider range of costs to be deductible for tax purposes.”

Public feedback on *Black hole and feasibility expenditure* at [www.taxpolicy.ird.govt.nz](http://www.taxpolicy.ird.govt.nz) is open until 6 July.

**Media contact: Julie Johnston 021 280 3253**