**Cabinet Economic Development Committee**

**Minute of Decision**

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**Income Tax Treatment of Leases Subject to International Financial Reporting Standards**

**Portfolio Revenue**

On 13 November 2019, the Cabinet Economic Development Committee:

1. **agreed** that the tax treatment for lessees of operating leases that are not real property, leased from an associated party or sub-leased, be amended to follow International Financial Reporting Standards (IFRS 16) for taxpayers who choose to do so;
2. **agreed** that taxpayers who elect to follow IFRS 16 be required to make adjustments to ensure certain operating lease expenditure continues to be tax deductible close to when it is incurred;
3. **agreed** that expenditure arising from the transition to the IFRS 16 method for tax be spread over five years;
4. **agreed** that the proposals in paragraphs 1-3 above apply for the 2019/20 and later income years;
5. **noted** that the above proposals will have an estimated revenue cost of $7.200 million over the forecast period, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | $m – increase/(decrease) | | | |
| **Vote Revenue Minister of Revenue** | **2019/20** | **2020/21** | **2021/22** | **2022/23 &**  **Outyears** |
| Tax Revenue | (1.800) | (1.800) | (1.800) | (1.800) |
| **Total Operating** | **(1.800)** | **(1.800)** | **(1.800)** | **(1.800)** |

1. **noted** that the final year of fiscal impact outlined in paragraph 5 above is 2023/24;
2. **agreed** that the above changes be included in the next available omnibus tax bill.

Jack Petterson Committee Secretary

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**Present: Officials present from:**

Rt Hon Winston Peters Hon Kelvin Davis

Hon Grant Robertson (Chair) Hon Dr Megan Woods

Hon Chris Hipkins Hon David Parker Hon Nanaia Mahuta Hon Stuart Nash

Hon Iain Lees-Galloway Hon Jenny Salesa

Hon Shane Jones Hon Kris Faafoi Hon Willie Jackson Hon James Shaw

Hon Julie Anne Genter Hon Eugenie Sage

Officials Committee for DEV

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Minister of Revenue