

# Hon David Parker, Minister of Revenue

## Information Release

### Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022

June 2022

#### Availability

This information release is available on Inland Revenue's tax policy website at <https://taxpolicy.ird.govt.nz/publications/2022/2022-ir-cab-leg-22-sub-0038>

#### Documents in this information release

#	Reference	Type	Title	Date
1	IR2022-046	Tax policy report	UOMI rates and FBT prescribed rate of interest review	24 February 2022
2	LEG-22-SUB-0038	Cabinet paper	Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022	31 March 2022
3	LEG-22-MIN-0038	Minute	Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022	31 March 2022

#### Additional information

The Cabinet paper was considered by the Legislative Committee on 31 March 2022 and confirmed by Cabinet on 1 April 2022.

One attachment to the Cabinet paper is not included in this information release as it is publicly available:

- Order in Council - Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022

#### Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

- 9(2)(a) to protect the privacy of natural persons, including deceased people

## **Accessibility**

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**Inland Revenue**  
Te Tari Taake

## POLICY AND REGULATORY STEWARDSHIP

**Tax policy report: UOMI rates and FBT prescribed rate of interest review**

<b>Date:</b>	24 February 2022	<b>Priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2022/046

### Action sought

	Action sought	Deadline
Minister of Finance	<p><b>Indicate</b> your preferred course of action regarding the use of money interest rates.</p> <p><b>Agree</b> to increase the FBT prescribed rate of interest.</p> <p><b>Agree</b> that the attached papers be lodged with the Cabinet Office for consideration at the LEG meeting on 31 March 2022 (if appropriate).</p>	10am, Thursday 24 March 2022.
Minister of Revenue	<p><b>Indicate</b> your preferred course of action regarding the use of money interest rates.</p> <p><b>Agree</b> to increase the FBT prescribed rate of interest.</p> <p><b>Sign and refer</b> the attached papers to the Cabinet Office for consideration at the LEG meeting on 31 March 2022 (if appropriate).</p>	10am, Thursday 24 March 2022.

### Contact for telephone discussion (if required)

Name	Position	Telephone
Paul Fulton	Acting Policy Lead	s 9(2)(a)
Eugene Parker	Policy Advisor	s 9(2)(a)

22 February 2022

Minister of Finance  
Minister of Revenue

## **UOMI rates and FBT prescribed rate of interest review**

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### **Purpose**

1. This report brings to your attention the outcome of the regular review of the use of money interest (UOMI) rates and FBT prescribed rate of interest. It seeks a decision on whether to change the UOMI rates now or defer changing the rates because of the current Omicron outbreak. The report also seeks your agreement to increasing the FBT prescribed rate of interest.

### **Context and background**

2. The UOMI rates and FBT prescribed rate of interest are reviewed regularly to ensure that they align with market interest rates. The rates are calculated using formulae based on the Reserve Bank of New Zealand (RBNZ) survey of interest rates.
3. The underpayment UOMI rate is currently 7.00%, based on RBNZ figures from March 2020, while the overpayment UOMI rate is capped so that it cannot go below zero, where it currently is. The current FBT prescribed rate of interest is 4.50%.

### **Principles for updating the rates**

4. Longstanding administrative principles in setting the rates provide that:
  - 4.1 Both UOMI rates should be adjusted if:
    - 4.1.1 the RBNZ 90-day bank bill rate or the floating first mortgage new customer housing rate moves by 1% or more; or
    - 4.1.2 one of these indexes moves by 0.2% or more and the UOMI rates haven't been adjusted in the last 12 months.
  - 4.2 The FBT prescribed rate of interest should be adjusted if the floating first mortgage new customer housing rate moves by 0.2% or more.
5. When regulations are made altering the UOMI rates, the adjustment is applied from the next standard provisional tax payment date.
6. When regulations are made declaring the FBT prescribed rate of interest, they apply to quarters starting at least 1 month following the date the regulations were made.<sup>1</sup>
7. Based on RBNZ figures from December 2021, the FBT prescribed rate of interest should be increased to 4.78% and the underpayment UOMI rate to 7.28%. The overpayment UOMI rate would remain below zero on the basis of the formula and so would not change.

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<sup>1</sup> Regulations that reduce the prescribed rate may apply to a quarter if made at least one month before the end of that quarter; however, this is not relevant because the proposed change increases the prescribed rate.

**UOMI rates**

8. The underpayment rate is charged on underpaid tax, while the overpayment rate is paid on money paid to Inland Revenue above their tax liability.
9. Although more is charged on underpayments than is paid on overpayments, underpayments are impaired by 78.7% in the Crown accounts to reflect that most UOMI charged is never paid and must be written off. Increasing the underpayment rate thus also increases impairment expenditure.
10. While the timing and amount of rate change recommendations are determined by formula, they require your agreement so you could elect to defer the increase because of the current Omicron outbreak. Increasing the UOMI underpayment rate during the current Omicron outbreak could be viewed as punitive for taxpayers, even if the Government decides to extend UOMI remission.
11. Officials have therefore included two options for you to consider:
  - 11.1 Option 1 is increasing the underpayment UOMI rate by following the standard formula. The overpayment UOMI rate would continue to be 0%. The new rates would take effect from 9 May 2022.
  - 11.2 Option 2 is deferring any change to the UOMI rates for now. Instead, officials would report to you on reviewing the rates in the middle of the year.

*Option 1: changing the UOMI rates from 9 May 2022*

12. Option 1 will prevent misalignment of the UOMI rates with market rates and maintain continuity of administrative principles. Additionally, most UOMI accrued by taxpayers (78.7%) is impaired, and the Government is considering an extension of COVID-related UOMI remission policies which will increase that amount. The actual impact of raising the underpayment rate on taxpayers may thus be small.
13. Should you proceed with the UOMI rate change, the change to the operating balance for the 2021/22 fiscal year is estimated to be approximately net zero. The 2022/23 and later years are estimated to have a full year net saving of approximately \$2 million per annum.
14. These savings comprise a revenue increase of approximately \$1 million in 2021/22, \$8 million in 2022/23, and \$9 million per annum for 2023/24 and later years. As described above, this is partly counteracted by an increase in impairment expenditure of approximately \$1 million in 2021/22, and \$7 million per annum for 2022/23 and later years. This is shown in the table below:

	<b>\$millions - increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Crown Revenue and Receipts: Tax Revenue	1.137	8.480	9.000	9.000	9.000
Non-Departmental Other Expense: <i>Impairment of Debt and Debt Write-offs</i>	0.895	6.674	7.083	7.083	7.083
<b>Total Operating</b>	<b>(0.242)</b>	<b>(1.806)</b>	<b>(1.917)</b>	<b>(1.917)</b>	<b>(1.917)</b>

15. The Treasury advises that a decision to proceed with this option would have no impact on allowances, as it would be considered consistent with existing policy, and hence a forecast change. By contrast, a decision to defer changing the rates would have to be charged against an allowance (likely, the Tax Policy Scorecard). Any increase in the *Impairment of Debt and Debt Write-offs* appropriation for 2021/22 would also have to be met from Imprest Supply.
16. Separately, however, an extension to UOMI remission policies for businesses impacted by COVID-19 will be considered by Cabinet on 14 March. If Cabinet approves the proposal, it will affect the change to the operating balance as a result of the rate increase. We understand the extension is proposed to go to March 2024.
17. Extending UOMI remission policies will reduce the overall fiscal impact of changing the UOMI underpayment rate, resulting in a lesser increase of revenue and impairment compared to the effect of raising the rate without changes to UOMI remission (as shown in the table in paragraph 14). This reduced effect is shown in the table below:

	<b>\$millions - increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Crown Revenue and Receipts: Tax Revenue	0.584	6.095	6.819	9.000	9.000
Non-Departmental Other Expense: <i>Impairment of Debt and Debt Write-offs</i>	0.460	4.797	5.367	7.083	7.083
<b>Total Operating</b>	<b>(0.124)</b>	<b>(1.298)</b>	<b>(1.452)</b>	<b>(1.917)</b>	<b>(1.917)</b>

*Option 2: deferring changes to the UOMI rates*

18. The primary consideration in favour of option 2 is reducing costs for taxpayers already struggling with the potential impact of the Omicron outbreak. While the additional cost to taxpayers if the rates were increased may not be all that high, it is nevertheless an increase in costs at a time when taxpayers may be struggling.
19. Should you defer the UOMI rate changes, leaving the rate unchanged will have no impact on projected future revenue. However, leaving the rates unchanged represents a departure from an existing policy (which is to change the UOMI rates when certain criteria are met). This will have to be charged against an allowance, which would likely be the Tax Policy Scorecard.
20. Officials estimate the impact on the Scorecard would be approximately the reverse of the changes noted in the table in paragraph 14, as represented in the table below. Note that the real effect might be larger or smaller depending on the movement of interest rates and when the eventual decision is made.

	<b>\$millions - increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Crown Revenue and Receipts: Tax Revenue	(1.137)	(8.480)	(9.000)	(9.000)	(9.000)
Non-Departmental Other Expense: <i>Impairment of Debt and Debt Write-offs</i>	(0.895)	(6.674)	(7.083)	(7.083)	(7.083)
<b>Total Operating</b>	<b>0.242</b>	<b>1.806</b>	<b>1.917</b>	<b>1.917</b>	<b>1.917</b>

21. Additionally, if (as expected) interest rates increase in early 2022, the deferral may result in a higher UOMI underpayment rate at the next review than if you choose option 1. A deferral may also result, however, in the UOMI overpayment rate rising above 0%.

#### *Officials' recommendation*

22. Officials recommend Option 1. While a deferral may help some taxpayers, the overall effect is likely to be minimal, especially if COVID-related UOMI remission is extended. Moreover, UOMI plays an important role in incentivising compliance and mitigating the fiscal impacts of late payment. Not updating it would undermine these functions. Proceeding with Option 1 would also have no impact on the Scorecard. Officials have consulted with the Treasury, who concur with this recommendation.

#### **FBT prescribed rate of interest**

23. The FBT prescribed rate of interest applies to loans by employers to employees on which the employer is charging a rate of interest that is below the market rate, and taxes the differential between the rate of interest charged and the prescribed rate.
24. Despite the Omicron outbreak, officials recommend that the FBT prescribed rate of interest be increased to 4.78%. While the UOMI rates affect all taxpayers with tax debit or credit, the FBT prescribed rate of interest affects relatively few. Additionally, the purpose of the prescribed rate is to lower the tax advantage of offering employment-related loans at low interest rates; if the rate were to fall too far out of step with market interest rates, its effectiveness may be reduced.
25. The rate increase would come into force on 1 July 2022, the start of the next available quarter.
26. Raising the FBT prescribed rate of interest is projected to have a net positive fiscal impact of approximately \$0.59 million per annum, which amounts to \$2.36 million over the current forecast period. This net increase consists of an increase of approximately \$0.82 million per annum and a decrease in company tax paid of approximately \$0.23 million per annum. This is demonstrated in the table below.

Vote Revenue	\$millions increase/(decrease)				2025/26 & out years
	2021/22	2022/23	2023/24	2024/25	
Tax Revenue:					
FBT Revenue	0.000	0.820	0.820	0.820	0.820
Company Tax	0.000	(0.230)	(0.230)	(0.230)	(0.230)
<b>Total Operating</b>	-	<b>(0.590)</b>	<b>(0.598)</b>	<b>(0.590)</b>	<b>(0.590)</b>

### Consultation

27. Inland Revenue has consulted with the Treasury, the Parliamentary Counsel Office (PCO), and the New Zealand Customs Service (Customs) on this report. They agree with the recommendations.
28. Customs advise that a change in the underpayment UOMI rate will have some small operational and financial impacts. Customs' compensatory interest rate is aligned with the UOMI underpayment rate, and an increase in the underpayment rate will correspondingly result in an increase to the compensatory interest rate.
29. This increase will in turn have a very small financial impact on Vote Customs. Customs collected \$595,752.09 compensatory interest in the 12 months to December 2021. They advise us that an additional 0.28% increase in the UOMI would collect an additional \$1,668 compensatory interest.

### Next steps

30. Officials have advised PCO that draft Orders in Council changing the rates may need to be prepared depending on your decision.
31. Attached are two papers to the Cabinet Legislation Committee, recommending that it approve the Orders in Council and authorise their submission to Cabinet and the Executive Council. If you decide to increase the UOMI rates and/or the FBT prescribed rate of interest, the papers should be referred to Cabinet Office by 10am, Thursday 24 March 2022. This would enable the Cabinet Legislation Committee to consider the papers on 31 March 2022.
32. The Cabinet paper recommending the increase of the UOMI rates as written assumes that the extension to UOMI remission for businesses impacted by COVID-19 is approved by Cabinet on 14 March. If this extension is not approved by Cabinet, officials will supply you with an alternative Cabinet paper before 24 March.
33. If you decide to defer changing the UOMI rates, officials will continue to monitor the appropriate RBNZ indices and report to you again in the middle of the year.



**Recommended action**

We recommend that you:

**UOMI rates**

34. **agree** to EITHER:

34.1 Option 1 – increase the underpayment UOMI rate to 7.28% (from 7.00%) from 9 May 2022. The UOMI overpayment rate remains unchanged. (*Officials' preferred option*); OR

Agreed/Not agreed

Agreed/Not agreed

34.2 Option 2 – defer changing the rates.

Agreed/Not agreed

Agreed/Not agreed

35. if you select Option 1:

35.1 **note** the following fiscal impacts arising from the decision to increase the UOMI underpayment rate, with a corresponding impact on the operating balance and net core Crown debt:

	<b>\$millions - increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Crown Revenue and Receipts: Tax Revenue	1.137	8.480	9.000	9.000	9.000
Non-Departmental Other Expense: <i>Impairment of Debt and Debt Write-offs</i>	0.895	6.674	7.083	7.083	7.083
<b>Total Operating</b>	<b>(0.242)</b>	<b>(1.806)</b>	<b>(1.917)</b>	<b>(1.917)</b>	<b>(1.917)</b>

Noted

Noted

35.2 **note** that the fiscal impacts will be treated as a forecast change, and so will have no impact on allowances;

Noted

Noted

35.3 **agree** that the proposed change to the *Impairment of Debt and Debt Write-offs* appropriation for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase(s) be met from Imprest Supply;

Agreed/Not agreed

Agreed/Not agreed

35.4 **agree** that PCO draft an Order in Council to adjust the UOMI rates;

Agreed/Not agreed

Agreed/Not agreed

- 35.5 **agree** that the attached Cabinet paper be lodged with the Cabinet Office by 10am Thursday 24 March 2022 for consideration by Cabinet Legislation Committee at its meeting on 31 March 2022;

Agreed/Not agreed

- 35.6 **approve** and **lodge** the attached Cabinet paper to the Cabinet Office by 10am Thursday 24 March 2022 for consideration by Cabinet Legislation Committee at its meeting on 31 March 2022;

Approved and lodged/Not approved

36. if you select Option 2:

- 36.1 **note** the following estimated changes as a result of the decision to defer changing UOMI rates, with a corresponding impact on the operating balance and net core Crown debt:

	<b>\$millions - increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Crown Revenue and Receipts: Tax Revenue	(1.137)	(8.480)	(9.000)	(9.000)	(9.000)
Non-Departmental Other Expense: <i>Impairment of Debt and Debt Write-offs</i>	(0.895)	(6.674)	(7.083)	(7.083)	(7.083)
<b>Total Operating</b>	<b>0.242</b>	<b>1.806</b>	<b>1.917</b>	<b>1.917</b>	<b>1.917</b>

Noted

Noted

- 36.2 **note** that the real effect might be larger or smaller depending on the movement of interest rates and when the eventual decision is made;

Noted

Noted

- 36.3 **agree** to charge the above operating balance impact against the Tax Policy Scorecard;

Agreed/Not agreed

Agreed/Not agreed

- 36.4 **agree** that the proposed changes to the Impairment of Debt and Debt Write-offs appropriation for 2021/22 above be included in the 2021/22 Supplementary Estimates.

Agreed/Not agreed

Agreed/Not agreed

**FBT prescribed rate of interest**

- 37. **agree** that the FBT prescribed rate of interest should be increased to 4.78%, effective from 1 July 2022;

Agreed/Not agreed

Agreed/Not agreed

- 38. **note** that increasing the prescribed rate to 4.78% (from 4.50%) will result in an increase in revenue of approximately \$0.59 million per annum, which amounts to \$2.36 million over the current forecast period (2022-23 to 2025-26);

Noted

Noted

- 39. **agree** that PCO draft an Order in Council to adjust the prescribed rate of interest;

Agreed/Not agreed

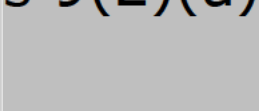
Agreed/Not agreed

- 40. **agree** that the attached Cabinet paper be lodged with the Cabinet Office by 10am Thursday 24 March 2022 for consideration by Cabinet Legislation Committee at its meeting on 31 March 2022;

Agreed/Not agreed

- 41. **approve** and **lodge** the attached Cabinet paper to the Cabinet Office by 10am Thursday 24 March 2022 for consideration by Cabinet Legislation Committee at its meeting on 31 March 2022;

Approved and lodged/Not approved

s 9(2)(a)  


**Paul Fulton**  
 Acting Policy Lead  
 Policy and Strategy

**Hon Grant Robertson**  
 Minister of Finance  
 / /2022

**Hon David Parker**  
 Minister of Revenue  
 / /2022



In Confidence

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

## **INCOME TAX (FRINGE BENEFIT TAX, INTEREST ON LOANS) AMENDMENT REGULATIONS 2022**

### **Proposal**

1. This paper seeks the Cabinet Legislation Committee's agreement to submit an Order in Council amending the Income Tax (Fringe Benefit Tax, Interest on Loans) Regulations 1995 to the Executive Council. The proposal is to raise the fringe benefit tax (FBT) prescribed interest rate for low-interest, employment-related loans from 4.50% to 4.78%, in line with an increase in market interest rates.
2. Changes to the prescribed interest rate are a routine matter and do not involve a change of policy. The methodology used for setting the rate has been applied consistently since the early 1990s.

### **Policy**

3. The FBT rules tax non-cash benefits provided to employees. Included in the definition of 'fringe benefit' is any employment-related loan on which the employer is charging a rate of interest that is below the market rate. The interest differential is taxable. A prescribed rate set by regulations is used as a proxy for the market rate of interest to save employers the compliance costs associated with determining the market rate relevant to loans that they have provided to their employees.
4. The Income Tax Act 2007 ('the Act') allows regulations to be made to set the prescribed rate. Once a rate is set, it remains the prescribed rate of interest until changed by a subsequent Order in Council. The current FBT prescribed rate, which has applied since 1 July 2020, is 4.50%.
5. The prescribed rate of interest is based on a Reserve Bank of New Zealand (RBNZ) survey of first mortgage housing interest rates on the last day of each month ('floating first mortgage new customer housing rate'). This is calculated as the weighted average interest rate for the surveyed institutions, the weightings being based on each institution's share of total lending for housing purposes. This RBNZ series is selected as the benchmark for setting the FBT prescribed rate because it is seen as a good indication of market interest rates.

## Timing

6. The Act provides that when regulations to increase the prescribed rate of interest are made, they apply to quarters starting at least one month following the date the regulations were made by Order in Council. Regulations that reduce the rate may apply for the current quarter if made at least one month before the end of the quarter.
7. In accordance with the Act, I recommend that the regulations to raise the rate have effect from 1 July 2022. As the Act requires that the regulations be made at least one month prior to the start of the quarter in which they come into effect, a waiver of the 28-day rule is unnecessary.

## Revenue implications

8. Raising the prescribed interest rate to 4.78% will increase the amount of FBT that will be collected by approximately \$0.59 million per annum, which amounts to \$2.36 million over the current forecast period (2022-23 to 2025-26). This is demonstrated in the table below (years beginning 1 July).

Vote Revenue (years ending 30 June)	\$millions increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & out years
FBT Revenue	0.00	0.82	0.82	0.82	0.82
Company Tax	0.00	(0.23)	(0.23)	(0.23)	(0.23)
Net Revenue	0.00	0.59	0.59	0.59	0.59
Impact on Operating Balance	-	(0.59)	(0.59)	(0.59)	(0.59)

## Compliance

9. The regulations comply with the principles, Acts, guidelines, and requirements set out below as follows:
  - 9.1 the principles of the Treaty of Waitangi
  - 9.2 the New Zealand Bill of Rights Act 1990
  - 9.3 the Human Rights Act 1993
  - 9.4 the principles and guidelines set out in the Privacy Act 1993
  - 9.5 relevant international standards and obligations
  - 9.6 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee

**Regulations Review Committee**

- 10. There are no anticipated grounds for the Regulations Review Committee to draw the Order in Council to the attention of the House under Standing Order 319.

**Certification by Parliamentary Counsel**

- 11. The Parliamentary Counsel Office has certified that the attached Order in Council is in order for submission to Cabinet.

**Impact Analysis**

- 12. A regulatory impact analysis is not required as the proposal is of a minor and routine nature and does not substantially alter existing arrangements.

**Publicity**

- 13. Inland Revenue will publish an article about these changes in its *Tax Information Bulletin*.

**Proactive Release**

- 14. I propose to proactively release this Cabinet paper, associated minutes, and key advice papers in whole within 30 working days of Cabinet making final decisions.

**Consultation**

- 15. The Treasury, Customs and the Parliamentary Counsel Office have been consulted in the preparation of this paper and agree with its recommendations.

**Recommendations**

- 16. I recommend that the Cabinet Legislation Committee:
  - 1. **note** that the regulations set the prescribed rate of interest for calculating the taxable benefit of low-interest, employment-related loans;
  - 2. **agree** that the FBT prescribed rate of interest should be increased from 4.50% to 4.78% from the quarter commencing on 1 July 2022;
  - 3. **note** the following changes as a result of the decision in recommendation 2, with a corresponding impact on the operating balance:

	<b>\$millions increase/(decrease)</b>				
<b>Vote Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; out years</b>
FBT Revenue	0.00	0.82	0.82	0.82	0.82

Company Tax	0.00	(0.23)	(0.23)	(0.23)	(0.23)
Net Revenue	0.00	0.59	0.59	0.59	0.59
Impact on Operating Balance	-	(0.59)	(0.59)	(0.59)	(0.59)

4. **note** that the changes are forecast changes and do not have appropriation implications;
5. **authorise** the submission to the Executive Council of the Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022.

Authorised for lodgement

Hon David Parker  
Minister of Revenue





# Cabinet Legislation Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022

#### Portfolio Revenue

On 31 March 2022, the Cabinet Legislation Committee:

- 1 **noted** that the Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022 set the prescribed rate of interest for calculating the taxable benefit of low-interest, employment-related loans;
- 2 **agreed** that the fringe benefit tax (FBT) prescribed rate of interest should be increased from 4.50% to 4.78% from the quarter commencing on 1 July 2022;
- 3 **noted** the following changes as a result of the decision in paragraph 2, with a corresponding impact on the operating balance:

Vote Revenue	\$millions increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & out years
FBT Revenue	0.00	0.82	0.82	0.82	0.82
Company Tax	0.00	(0.23)	(0.23)	(0.23)	(0.23)
Net Revenue	0.00	0.59	0.59	0.59	0.59
Impact on Operating Balance	-	(0.59)	(0.59)	(0.59)	(0.59)

- 4 **noted** that the changes are forecast changes and do not have appropriation implications;
- 5 **authorised** the submission to the Executive Council of the Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2022 [PCO 24578/3.0].

Rebecca Davies  
Committee Secretary

**Distribution: (see over)**

**Present:**

Hon Chris Hipkins  
Hon Andrew Little  
Hon David Parker  
Hon Poto Williams  
Hon Jan Tinetti  
Hon Michael Wood (Chair)  
Hon Dr David Clark  
Hon Phil Twyford  
Keiran McAnulty, MP (Senior Government Whip)

**Officials present from:**

Office of the Prime Minister  
Officials Committee for LEG