

Business Investment Accelerator Scheme



National understands the key to growing the economy is to encourage business investment. We want New Zealand businesses to succeed. We want to get New Zealand working again.

To help, we would temporarily lift the threshold to expense new capital investment for firms. It has been stuck at the very low level of \$500 for many years. The Government lifted the threshold to \$5000 as part of its Covid response. National would go much further and lift it to \$150,000 for two years.

This is equivalent to the size of the Instant Asset Write-Off in Australia, and would incentivise and reward businesses who are willing to invest.

Example: if a company spends \$145,000 on a new machine to improve its productivity, rather than depreciating that asset over many years, it will be able to expense the full \$145,000 in this tax year.

Q&A

How much would the scheme cost?

- This depends on the level of new business investment. Because of the economic circumstances, we would expect business investment to be lower over the short to medium term.
- One thing worth noting about the fiscal impact is that the short term cost is partially offset in future years, because the future deductions are brought forward – reducing tax revenue in the short term but increasing tax revenue in future years.
- To derive an estimated cost, we have used the fiscal estimate for lifting the scheme from \$500 to \$5,000 -while taking into account the fact there will be diminishing fiscal costs as the threshold increases – and also using the estimated cost of the Australian model.
- After taking into account diminishing fiscal costs, and adjusting the cost of the Australian model to take into account New Zealand's smaller economy, leaves an estimated fiscal cost of \$1.4b over four years.

How many businesses will be eligible?

- All businesses who invest in plant and machinery will receive a tax deduction.

Can a business claim the deduction if they invest multiple times?

- Yes. The \$150,000 is the threshold for a singular investment. A business who invests in multiple assets (under the \$150,000 threshold) can claim the deduction each time.

What types of investment are eligible?

- The same criteria as currently exists under the \$5,000 scheme.