

GENERAL AGREEMENT ON

RESTRICTED

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TARIFFS AND TRADE

Limited Distribution

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SUBSIDIES

Notification Pursuant to Article XVI:1

NEW ZEALAND

1. EXPORT MARKET DEVELOPMENT TAXATION INCENTIVE (EMDTI)

Background

This incentive is provided by section 156F of the Income Tax Act 1976. It was introduced to assist industries to search for new markets for New Zealand manufactured goods and services.

Incidence

This incentive is available to any New Zealand taxpayer who incurs expenditure, which qualifies as an ordinary deduction for tax purposes, primarily and principally for the purpose of:

- seeking markets, the retention of existing markets, obtaining market information, market research, creating or increasing demand for the export of goods and services;
- attracting tourists to New Zealand.

The incentive provided a tax credit of 64 per cent in 1987-88. This should be compared with the ordinary company tax allowance of 48 per cent.

The schedule for phasing out this incentive is being maintained at the effective rate previously notified. The actual levels will however be affected by the reduction in the ordinary company tax allowance to 28 per cent from 1 April 1988 and its subsequent increase to 33 per cent from 1 April 1989. Thus the tax credit will be 42 per cent for the year ending 31 March 1989, and 40 per cent for the year ending 31 March 1989, and 40 per cent for the year ending 31 March 1990, following which it will terminate.

Cost

Tax credits accrued under the EMDTI in the year to 31 March 1988 were valued at \$NZ 26,168,529.

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2. AGRICULTURAL PEST CONTROL

Background

This item provides grants to Pest Destruction Boards and the operating costs of the Agricultural Pests Destruction Council. The funding is being reduced by \$NZ 0.8 million annually and will be phased out by 1993-94.

Cost

In 1987-88 expenditure on this item was \$NZ 5.0 million.

3. CONTROL AND ERADICATION OF ANIMAL DISEASES

Background

Provision is made in this item for compensation associated with ongoing programmes to eradicate brucellosis and bovine tuberculosis from cattle.

Incidence

The owners of reactor animals are paid 95 per cent of the current market or replacement value which could be obtained for the animal concerned. This payment is financed partly through a levy paid by farmers. In 1987-88 the proportion thus financed was 42 per cent. This will rise to 57 per cent in 1988-89 and to 66 per cent in 1989-90.

Cost

Expenditure in 1987-88 was \$NZ 6.0 million.

4. FISHING VESSEL REFRIGERATION SUSPENSORY LOANS

Background

The loans were introduced in 1979 to assist in improving the quality of fish landed, by enabling fishermen/companies to install/upgrade refrigeration equipment on board existing fishing vessels.

Incidence

A suspensory loan of up to \$NZ 20,000 is available per applicant and provided the conditions of the loan are met, the loan is interest free and written off after three years. The scheme was cancelled to new entrants on 22 May 1986.

Cost

In 1987-88 expenditure was \$NZ 21,100.