

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

RESTRICTED

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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 42c. per dollar of qualifying expenditure in 1988-89. This should be compared with the ordinary company tax allowance of 33 per cent.

The schedule for phasing out this incentive has been maintained at the effective rate previously notified. The actual levels were however 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 was 42 per cent for the year ending 31 March 1989, and 40 per cent for the year ending 31 March 1990. It has now been terminated.

##### Cost

The net value of the incentive in the year to 31 March 1989 was NZ\$ 31,630,482.

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 terminated after 1992/93.

Cost

In 1988-89 expenditure on this item was NZ\$ 4.2 million and will be NZ\$ 3.4 million in 1989/90.

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 45 per cent of the current market or replacement value of their first two reactors and 95 per cent for any further reactors. This payment is financed partly through a levy paid by farmers. In 1988-89 the proportion thus financed was 57 per cent. This will rise to 66 per cent in 1989-90.

Cost

Expenditure in 1988-89 was approximately NZ\$ 4.0 million and is estimated to be around NZ\$ 2.2 million in 1989/90.

F. FISHING VESSEL REFRIGERATION SUSPENSORY LOANS

Background

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

Incidence

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

Cost

In 1988-89 expenditure was less than NZ\$ 25,000.