



Cabinet Business 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.

Introduction of a Regional Fuel Tax

Portfolio Transport

On 20 December 2017, the Cabinet Business Committee, having been authorised by Cabinet to have Power to Act [CAB-17-MIN-0565]:

- 1 **agreed** that the overall objectives of a regional fuel tax are to both:
 - 1.1.1 raise revenue for an additional transport programme from road users in a region; and
 - 1.1.2 provide additional funds for a transport programme that benefits a region which would otherwise not be funded or would be delayed;
- 2 **agreed** that the legislation provides a process for establishing a regional fuel tax that includes:
 - 2.1.1 a regional council (or unitary council) making a proposal that sets out the proposed tax rate, the duration of the tax, the transport programme and projects that the revenue will fund, and how the proposal contributes to the regional transport plan;
 - 2.1.2 a regional council takes into account the views of its regional transport committee before finalising a proposal and consults the community;
 - 2.1.3 a regional council submits its proposal to the Ministers of Finance and Transport (joint Ministers);
 - 2.1.4 Joint Ministers may reject or accept the proposal, and if it is accepted then Ministers recommend an Order in Council to implement a regional fuel tax in that region;
- 3 **agreed** that legislation enable the funding of capital expenditure, associated debt repayment and operational expenditure when it is associated with the delivery of a package or programme of projects;
- 4 **agreed** that legislation provide joint Ministers broad discretion to accept or reject a proposal from a region;
- 5 **agreed** that legislation enable any regional council (or unitary council) to propose a regional fuel tax for its region;

- 6 **agreed** that legislation will enable a maximum rate;
- 7 **noted** that the maximum rate will be agreed jointly with the Minister of Finance;
- 8 **agreed** that legislation specify:
 - 8.1 the maximum initial duration of a regional fuel tax as ten years with a Ministerial review of the operation of a regional fuel tax at any time;
 - 8.2 a mandatory review before the end of the ten year period to determine whether it should it expire or be renewed;
- 9 **agreed** that the regional fuel tax applies to petrol and diesel and excludes compressed natural gas (CNG) and liquefied petroleum gas (LPG);
- 10 **agreed** that the regional fuel tax is collected at the distribution level (when fuel is distributed to a retail destination);
- 11 **agreed** that the New Zealand Transport Agency (NZTA) have administrative, monitoring and enforcement functions including collecting the tax and processing refunds including any consequential, transitional and any savings provisions;
- 12 **agreed** to similar exclusions provided in the Local Authorities Fuel Tax provisions in the Local Government Act 1974, and refunds consistent with those available for fuel excise duty for off-road use of both petrol and diesel;
- 13 **agreed** to an amendment to the Goods and Services Tax Act 1985 to deem the payment of regional fuel tax by the fuel distributor to the NZTA to be subject to goods and services tax;
- 14 **authorised** the Minister of Transport jointly with the Minister of Finance to make final decisions on details that arise during the drafting of the Bill, consistent with the overall policy intent in the submission under CBC-17-SUB-0088, without further reference to Cabinet;
- 15 **agreed** to provide Crown funding of \$1.000 million in 2017/18 for initial set up costs and for funds for the set up to be repaid from regional fuel tax revenue in 2018/19;
- 16 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Hon Phil Twyford	Regional Fuel Tax Administration	Non-Departmental Output Expense	This appropriation is limited to the administration of the regional fuel tax implementation, collection and refund

- 17 **approved** the following changes to appropriations to give effect to the paragraph 16 above, with a corresponding impact on the operating balance:

Vote Name Minister of/for Portfolio	\$m – increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Out years
Non-Departmental Output Expense: Regional Fuel Tax Collection and Refund Administration	1.000	-	-	-	-

- 18 **agreed** that the proposed change to appropriations for 2017/18 above be included in the 2017/18 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 **noted** that this will be fiscally neutral over the forecast period as the Crown funding in 2017/18 will be repaid as regional fuel tax revenue is collected in 2018/19;
- 20 **agreed** that the final amount of the appropriation to be drawn down will be contingent on the Ministry of Transport approving the set up plan to a maximum of \$1 million;
- 21 **agreed** that on-going NZTA costs associated with administering the regional fuel tax scheme to be scheme to be charged against the regional fuel tax revenue;
- 22 **agreed** that it is the government's intention that only an application from the Auckland Council for a regional fuel tax be approved during the current term;
- 23 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in the submission under CBC-17-SUB-0088.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni
Hon Dr David Clark
Hon David Parker
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Damien O'Connor
Hon Tracey Martin
Hon Kris Faafoi
Hon Willie Jackson
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet

Hard-copy distribution: (see over)

IN CONFIDENCE

CBC-17-MIN-0088

Hard-copy distribution:
Minister of Finance
Minister of Transport

RELEASED UNDER THE
OFFICIAL INFORMATION ACT