



24 May 2024

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 1 May 2024. You requested the following:

I wondered what year did the government introduce the de-minimus threshold? For the sake of clarity; the de-minimus I am referring to is \$300 or less for each employee in a quarter or \$22,500 per annum. I also wondered has the department considered updating the de-minimus considering inflationary pressures.

The fringe benefit tax (FBT) regime was introduced on 1 April 1985. The de minimis thresholds for exempting unclassified benefits from FBT were introduced at the same time.

The thresholds were increased in 2009 by the Taxation (Business Tax Measures) Act 2009. They were increased from \$15,000 per annum per employer and \$200 per quarter per employee to \$22,500 and \$300 respectively.

Inland Revenue officials identified increasing the thresholds as a potential item for inclusion in the Taxation (Transformation: First Phase Simplification and Other Measures) Act 2016. However, officials did not recommend including this item due to its fiscal cost. The proposal ultimately did not progress.

The issue was identified by the then Minister of Revenue, Hon Todd McClay, in the policy report: *Potential items for the Taxation (Business Transformation and Simplification) Bill*.

I am releasing, attached as **Appendix A**, three pages of this report which relate to FBT. Please note, information in these pages not relating to FBT has not been considered for release.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Bary Hollow
Principal Policy Advisor, Tax Administration

■ Out of Scope
[Redacted]
[Redacted]
[Redacted]

Policy items with fiscal costs

- (r) **Note** that the following items have fiscal costs and officials do not recommend that these should be included as they will delay the bill while funding arrangements are made.

Agreed/Not Agreed

■ Out of Scope
[Redacted]
[Redacted]

■ [Redacted]
[Redacted]

■ [Redacted]
[Redacted]
[Redacted]

■ [Redacted]
[Redacted]

- (w) **Agree** that the FBT de minimis exemption threshold should be increased.

Agreed/Not Agreed

■ Out of Scope
[Redacted]
[Redacted]
[Redacted]

[Redacted]

■ [Redacted]
[Redacted]
[Redacted]
[Redacted]

Out of Scope

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

[Redacted]

21. Increasing the FBT *de minimis* exemption threshold

Learning from our customers

Problem

187. Where the value of unclassified benefits (e.g. flowers, food, drink etc.) provided to an employee is below a threshold level, FBT will not apply. Since April 2009, this threshold level has been set at \$300 per quarter per employee (or \$1,200 if the employer accounts for FBT annually) and \$22,500 per annum per employer. If the value of unclassified benefits provided exceeds either of these thresholds, FBT is payable on the total value of the benefits (including any amount below the threshold). This imposes additional compliance costs on the employer for a relatively modest amount of tax per employee.

Proposal

188. The *de minimis* exemption thresholds could be increased for both employees and employers.

189. This proposal could take effect on 1 April 2016.

Benefits

190. Increasing this threshold would mean that fewer employers would be required to return FBT in respect of unclassified benefits provided to employees. If this were the only benefit given to employees, no FBT would be payable, thereby reducing compliance costs and improving cashflow for affected employers.

Costs

191. There are minimal implementation costs for this referral as only web content and guides will need to be updated.

192. This proposal has a fiscal cost as employers who are able to take advantage of the new thresholds will not have to pay FBT on those benefits.

193. The following table shows the fiscal impact of three different thresholds. There is a lack of data on fringe benefits at the employee level and as such these fiscal estimates are indicative only.

Threshold moves from \$300 to	Fiscal cost per year (\$million)
\$400	-9
\$500	-13
\$750	-32

Out of Scope

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]