



Business and environment-friendly tax changes

Recent changes to tax laws now mean it is easier for businesses to claim tax deductions for environmental expenditure. The June 2005 changes update, clarify and expand tax deductions available for business environmental expenditure.

This information sheet outlines the key changes and provides some answers to common questions.

WHAT IS DIFFERENT FOR MY BUSINESS?

- Businesses that choose to clean up contaminated land now receive an immediate tax deduction. The Ministry for the Environment is currently developing a proposal for a national environmental standard for the clean up of contaminated land. When available, this standard can help businesses and landowners when they make decisions on the clean up of contaminated land.
- Businesses can choose to direct some of their tax payments into a new voluntary site restoration fund. They can then call upon the fund to help pay for future site restoration and monitoring, thus reducing the overall cost to the business and encouraging site clean up.
- An immediate tax deduction is now available for costs incurred in investigating and testing options to avoid, remedy or mitigate the discharge of contaminants, and for environmental monitoring.
- Tax deductions for improvements that prevent or mitigate the discharge of contaminants are now spread over the life of the resource consent (or 35 years, whichever is less). Examples of improvements might include earthworks to reduce the effect of contaminants, or planting trees to reduce the impact of contaminants on a stream.

DO THE CHANGES AFFECT FARMERS?

There are already specific provisions in the tax legislation that deal with agricultural environmental expenditure. Farmers now also have the benefit of qualifying for deductions under the general environmental expenditure rules. This enables tax deductions for a broader range of environmental expenditure, such as site restoration and large-scale riparian planting.

WHAT DO THE CHANGES MEAN FOR THE WASTE INDUSTRY?

The changes introduce better matching of income and expenditure for tax purposes. While certain costs are tax deductible over a longer period, a waste business can apply for tax deductions over a shorter period using the new environmental determination process. The changes also clarify that construction and restoration costs associated with a landfill are immediately deductible.

WHEN DO THE CHANGES APPLY?

Changes apply for income years beginning and environmental expenditure incurred after 10 June 2005. Environmental tax deductions for dealing with non-industrial waste are retrospective.

WANT TO KNOW MORE?

More information is available from Inland Revenue's Tax Information Bulletin (September issue). You can download this bulletin as a pdf document on www.ird.govt.nz/aboutir/newsletters/ If you want more information you can contact Carolyn Palmer on (04) 474 7043 at Inland Revenue.

If you want to know more about sustainable businesses, please visit the Ministry for the Environment's website: www.mfe.govt.nz or contact Arti Prasad on (04) 439 7634.

