

GIFT DUTY ABOLITION IN NEW ZEALAND

It may come as a surprise to those who have dealings, in New Zealand, that New Zealand still retained gift duty legislation, until 1 October 2011. The current New Zealand Government has decided to review gift duty and some options were considered, before a decision was made to repeal the legislation for dispositions, made on or after 1 October 2011.

Gift duty has existed in New Zealand since 1885. Its original purpose was to protect the estate duty base (by discouraging the gifting of assets before death) and to raise revenue.

When estate duty was abolished in New Zealand, in 1992, the Government of the day decided to retain gift duty to protect against income tax avoidance and social assistance.

Importantly, the Government has now decided that gift duty no longer serves any substantive basis in generating revenue and compliance costs exceed any benefits to the *Revenue*. Therefore, for any dispositions of property made on or after 1 October 2011, gift duty in New Zealand no longer has application.

The abolition of gift duty, in New Zealand, will not have any impact upon any income tax anti avoidance rules, as any gift considered to be for the purpose of income tax anti avoidance, may still have adverse income tax implications in New Zealand.

Additionally, the New Zealand *Goods and Services Tax Act, 1985* provides rules for dealing with transactions when goods and services are supplied to final consumers on non arm's length terms.

Sydney - 18 October 2011