



Meat Industry Association of New Zealand (Inc)

Submission to the Inland Revenue Department  
Policy Advice Division

Business Tax Review,  
Skills Training Tax Credits

30 November 2006

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## **I: About the Meat Industry Association**

1. The Meat Industry Association of New Zealand Incorporated (MIA) is a voluntary trade association representing New Zealand meat processors, marketers and exporters. It is an Incorporated Society (owned by members) that represents companies supplying the majority of New Zealand sheepmeat exports and all beef exports, producing 16 per cent of our nation's exports by value (27 percent of New Zealand's primary sector export revenue). The New Zealand meat industry earned \$5 billion in export revenue in the year ended May 2006 and \$1.22 billion from domestic meat sales in the year ended March 2006.
2. MIA member companies operate approximately 80 processing plants dispersed throughout the country. The plants slaughter and process approximately 24 million lambs, 4.4 million sheep and 4.2 million cattle and calves each year. Ninety percent of this production is processed into value-added products. Approximately 800,000 tonnes or 85% of the production is exported to overseas destinations. Our affiliate members add to the depth of expertise available from the membership, with representation throughout the meat supply chain, including road and rail transport, shipping lines, ports, packaging firms, specialist product exporters, research and technology.
3. The Association advocates on behalf of its members and provides advice on economic, trade policy, market access, employment relations, business compliance costs and technical and regulatory issues facing the industry, with a particular focus on:
  - Food safety trends and developments in importing countries
  - Economic and trade aspects of market access to key overseas markets
  - Major public policy proposals that could impact on industry operations
4. The MIA is also the interface between the meat industry and government (i.e., it is the consultative body referred to in various New Zealand statutes, such as the Meat Board Act 2004, Meat Act 1981 and the Animal Products Act 1999).
5. The Association's mission is to:
  - Provide a forum for consideration of industry-wide commercial, human resource, marketing, and sanitary and zoosanitary issues; and
  - Provide the means of formulating a collective view on issues of industry wide interest, and of conveying that position to government, departments of state, trade bodies, and other appropriate external agencies and organisations.
6. A list of Association members is attached as Appendix 1.

## **II: Background**

7. In July 2006 the government released the Business Tax Review discussion document for public comment. It set out a range of possible business tax initiatives that will help transform the New Zealand economy by enhancing our productivity and improving our international competitiveness.
8. The Government is now seeking further feedback on certain measures put forward in the discussion document, including the design of a skills training tax credit.

9. In preparing this submission all members and affiliate members were consulted and asked for input. MIA members may also make individual submissions reflecting concerns relating to their specific operations.

### **III: Executive Summary**

10. MIA supports the concept of skills training tax credits.
11. The tax credits should not be restricted to training linked to qualifications on the national Qualifications Framework, but encompass a wider range of approved training.
12. Tax credits should apply to all approved training irrespective of the level, including apprenticeships, and professional qualifications to contribute to increasing the skills of a wide section of the population.
13. "Eligible employer" should include all employers, and the definition of "employee" should include self employed, where the training being undertaken is approved. This should include government departments, universities and schools.
14. "Eligible expenditure" should include all direct expenditure, including travel and accommodation paid to third parties and the cost of wages and salaries paid to employees undertaking the training.
15. MIA submits greater benefits will accrue from having a broader range of criteria for approved training, eligible employer and employee definition and eligible expenditure to maximise productivity gains and therefore contribution to the economic transformation.
16. The introduction of an appropriate cap on expenditure per employee for approved training should be implemented to limit the overall cost, whilst enabling employers to prioritise such training to the most beneficial areas.

### **IV: Submission**

#### **Definition of eligible training**

17. MIA agrees the National Qualifications Framework (NQF) should be used as the core for the definition of eligible training, but submits that this should not be the sole criteria. A significant amount of training occurs "in house" in the meat industry, designed for example to enhance operator skills in boning, through recognition of the anatomy of specific muscles and muscle groups, such as the training courses conducted by Ausmeat, which do not form part of the NQF, but are internationally recognised.
18. MIA also agrees that for training not included in the NQF, approval to qualify for tax credits should be issued by a nominated authority following recommendations from either employers or training organisations, and that such approval would result in the training being added to the list of training qualifying under the Skills Training Tax Credit Scheme.
19. MIA considers the added complexity of widening the coverage as relatively minor as approval for specific non-NQF training to qualify under the scheme would only be provided once for the training to be permanently registered.

## Targeting of tax credit to particular levels of qualifications

20. MIA submits that tax credits for qualifying training should **not** be restricted to specific qualification levels.
21. A key objective of the Government's policies is economic transformation, which will be better realised if skills and knowledge at all levels are enhanced. Skills requirements within the meat industry cover an extremely wide range of disciplines, including professional qualifications such as accountancy, trades and engineering, where increased knowledge and skill will result in increased productivity and therefore contribute to the overall economic transformation.
22. MIA contends there is as much to be gained from lifting the skills base through tertiary qualifications such as engineering and accountancy, and apprenticeships where the gaining of such qualifications is undertaken during employment. Similarly there is much to be gained from lifting basic skill levels areas such as numeracy and literacy through such vehicles as adult literacy programmes.
23. Limiting the tax credit regime to a specific level of training will restrict the improvements in the knowledge base and therefore not realise the potential gains by having better trained personnel at all levels within the workforce.

## Who should qualify for the tax credit?

24. MIA submits the eligibility criteria should be as inclusive as possible to encourage increased commitment to training and upskilling of all employees.
25. The tax credit should apply to all employers<sup>1</sup> who invest in approved training options for their employees. In addition self employed operators have a need to maintain knowledge on advances in technologies and should also qualify for tax credits, where they attend approved training towards certification by international standard-setting bodies or certification in proprietary technologies that have widespread application (such as licensed software).
26. In addition the tax credit should apply to employers who undertake training of employees of independent contractors, for example where an independent contractor may supply electrical maintenance services to a plant, and training of the contractor's staff is undertaken by the company receiving the service.
27. The tax credit should apply to all employees, including government departments, universities and schools, provided training meets the qualifying criteria.

## Eligible expenditure

28. MIA agrees eligible expenditure should include direct expenditure incurred by the employer including tuition and course fees; payments for external instructors, industry training organisations, assessment specialists and in-house trainers; purchase price of training materials, including supplies, textbooks and manuals; and attributable costs of training facilities, equipment or other assets required for training.

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<sup>1</sup> An employer is defined in the Income Tax Act as a person who pays or is liable to pay a source deduction payment. A source deduction payment is defined in section OB 2(1) and includes a payment by way of salary or wages, an extra pay or a withholding payment.

29. MIA submits that travel and accommodation expenses required to be paid to enable employees to undertake approved training, and paid to third parties should also be included as eligible spending.
30. MIA supports capping the tax credit on a per employee training basis as this allows flexibility to employers to allocate their training spend in the areas which provide the greatest return.

## **V: Conclusions**

31. MIA supports the concept of skills training tax credits with the philosophy that the scheme should provide flexibility to enable employers to target the spend in areas that provide the greatest benefits.

## **VI: Recommendations**

32. The tax credits should not be restricted to training linked to qualifications on the National Qualifications Framework, but encompass a wider range of approved training.
33. Tax credits should apply to all approved training irrespective of the level, including apprenticeships, and professional qualifications to contribute to increasing the skills of a wide section of the population.
34. "Eligible employer" should include all employers, and the definition of "employee" should include self employed, where the training being undertaken is approved. This should include government departments, universities and schools.
35. "Eligible expenditure" should include all direct expenditure, including travel and accommodation paid to third parties and the cost of wages and salaries paid to employees undertaking the training.
36. The introduction of an appropriate cap on expenditure per employee for approved training should be implemented to limit the overall cost, whilst enabling employers to prioritise such training to the most beneficial areas.

## **VII: Contact Details**

37. For any queries relating to this submission, please contact Rowan Ogg on 04 495 8374 or email [rowan.ogg@mia.co.nz](mailto:rowan.ogg@mia.co.nz)

## VIII: Appendix 1 – MIA Members (year commencing 1 July 2006)

Members	Head Office Location
Advance Marketing Ltd	Auckland
AFFCO New Zealand Ltd	Hamilton
Alliance Group Ltd	Invercargill
ANZCO Foods Ltd	Wellington
ANZCO Green Island Ltd (ANZCO group)	Dunedin
ANZPAC Foods Ltd	Auckland
APJ Meats Ltd	Mapua
Auckland Meat Processors Ltd	Auckland
Ballande New Zealand Ltd	Auckland
Bernard Matthews New Zealand Ltd	Waipukurau
Blue Sky Meats (NZ) Ltd	Invercargill
<i>Brookland (NZ) Ltd (in receivership)</i>	<i>Auckland</i>
Canterbury Meat Packers Ltd (ANZCO group)	Ashburton
CMP Rakaia	Rakaia
Columbia Exports Ltd	Auckland
Crown Marketing Ltd (ANZCO group)	Wellington
Crusader Meats New Zealand Ltd	Benneydale
Dairy Meats NZ Ltd (AFFCO group)	Auckland
Davmet New Zealand Ltd	Napier
Fern Ridge Ltd	Napier
Frasertown Meat Company Ltd	Auckland
Garra International Ltd	Christchurch
Glovers Foods Ltd	Auckland
Greenlea Premier Meats Ltd	Hamilton
Harrier Exports Ltd	Auckland
Horizon Meats New Zealand Ltd (wholly owned subsidiary of Blue Sky Meats (NZ) Ltd)	Auckland
Hygrade Casings Company (wholly owned subsidiary of New Zealand By-Products)	
Lamb Packers Feilding Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)	Waipukurau
Land Meat (NZ) Ltd (AFFCO group)	Hastings
Lanexco Ltd	Tauranga
Lowe Corporation Ltd	Hastings
Malvern Meat Processors Ltd (AFFCO group)	Malvern
Mathias International (Mathias Meats NZ Ltd)	Auckland
New Zealand By-Products	Havelock North
Pilot (NZ) Ltd	Christchurch
PPCS Ltd	Dunedin
Progressive Gisborne Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)	Waipukurau
Progressive Meats Ltd	Hastings
Riverlands Ltd (ANZCO group)	Eltham
South Pacific Meats Ltd	Invercargill
Tara Exports Ltd	Auckland
Taylor Preston Ltd	Wellington
Te Kuiti Meat Processors Ltd	Te Kuiti
Towers Thompson (New Zealand) Ltd	Christchurch
Universal Beef Packers Ltd (UBP)	Te Kuiti
Wallace Corporation Ltd	Waitoa, Waikato

Affiliate Members	
AgResearch-MIRINZ Centre	Hamilton
Aon New Zealand Limited	Wellington
Axis Intermodal (Ports of Auckland Ltd)	Auckland
Carter Holt Harvey, Packaging	Auckland
CentrePort Wellington	Wellington
Energy for Industry (ex Meridian Solutions)	Wellington
Hamburg-Sud New Zealand Ltd	Auckland
Hapag Lloyd (New Zealand) Ltd	Auckland
Maersk New Zealand Ltd	Auckland
Oceanic Navigation Ltd	Auckland
Port of Napier	Napier
Port Otago Ltd	Port Chalmers
Port Taranaki Ltd (previously Westgate Transport Ltd)	New Plymouth
ProAnd Ltd (Meatek Ltd)	Feilding
Rissington Breedline Ltd	Napier
Sealed Air (New Zealand), Cryovac Division	Wellington
Thompson Clarke Shipping Pty Ltd (ANZ Marketing Representative for the Port of Los Angeles)	Australia
Vero Marine Insurance	Auckland