

Building levy

The building levy (the levy) is payable by building owners or developers on successful building consent applications for projects that are worth more than a specified threshold. The revenue from the levy is used to fund a range of MBIE functions and activities under the *Building Act*.

MBIE wants your feedback on three proposals

- 1 Reduce the levy from \$2.01 to \$1.50 including GST (per \$1,000).
- 2 Standardise the levy threshold at \$20,444 including GST.
- 3 Amend the *Building Act* to enable MBIE's chief executive to spend the levy on broader stewardship of the building sector.

1. Reduce the levy from \$2.01 to \$1.50

The current levy rate is higher than it needs to be. The rate was set in 2005 when there was significantly less building activity. The levy has generated a surplus that exceeds Treasury best practice guidelines.

This proposal will reduce levy revenue, which will help to reduce a large and growing surplus in the building levy memorandum account down to Treasury best practice levels.

The impact of reducing the levy would be lower building consent fees, but the level of service that levy payers receive would remain the same.

On a \$310,000 private house development¹ the levy bill would reduce from around \$623 to \$465.
On a \$20 million commercial build, the levy bill would reduce from \$40,200 to \$30,000.

¹ Based on QV data on the average cost of building work for a new 150m², three bedroom, one bathroom home, in Auckland, as at June 2018.



2. Standardise the threshold that the levy applies at \$20,444

Different building consent authorities (BCAs) use different thresholds for the building levy. This is because when the GST rate increased in 2010, it had the effect of increasing the threshold. Not all BCAs adopted this change.

Standardising the threshold at \$20,444 will reduce confusion about when the levy applies. It will also mean that fewer consent applicants would trigger the levy.

The impact of BCAs moving to the new threshold is that building consents valued between \$20,000 and \$20,443 will no longer be subject to the levy. Those affected would benefit from a minor reduction in the costs of construction.

Standardising the threshold supports one of the desired outcomes in the building sector by reducing the costs of residential and commercial building consents that pay the levy.

3. Amend the *Building Act* to enable MBIE's chief executive to spend the levy for purposes related to broader stewardship responsibilities in the building sector

The revenue from the levy is used to fund MBIE's functions under the *Building Act*, which also governs how those funds can be used. For the most part, the functions in the Act are specific and operationally focused. The *Building Act* does not specifically allow MBIE to use levy funds on overall stewardship of the building sector, which the Government considers central to the development of integrated, high quality regulation.

In 2017, the Government updated its expectations for regulatory stewardship. These expectations include responsibilities for:

- monitoring, review and reporting on regulatory systems
- robust analysis and implementation support for changes to regulatory systems, and
- good regulator practice.

At a practical level, these stewardship expectations require MBIE to analyse the building environment, understand where the future might take us, and assess whether the building regulatory system is equipped to cope with the future.

The impact of enabling MBIE's chief executive to spend the levy on building sector stewardship activities, will help MBIE to see the building regulatory system as an asset and:

- ensure that the building regulatory system is well designed and fit for purpose over the medium to long term
- monitor and oversee the system as a whole
- fulfill the government's broader stewardship expectations.

Enabling the chief executive to support their building sector stewardship responsibilities is consistent with the all-of-system approach being taken in other parts of the building system reform programme and the government's approach to fostering modern regulatory systems.

How it would work



The proposed change to the Act would enable the chief executive to consider their wider stewardship responsibilities when deciding on the best areas to target levy spending.

Case-by-case work will still be needed to show how spending the levy on stewardship initiatives links to the chief executive's functions under the *Building Act*.

Tell us what you think



Do you agree that the levy rate should be reduced from \$2.01 to \$1.50?

For building consent authorities:

What impact, if any, would a reduced levy rate have on building consent authorities?

Other than reduced building consent costs, what are the other impacts from reducing the current levy rate?

Do you have any comments on standardising the threshold at \$20,444?

Do you agree with the proposed start date of 1 July 2020 for the changes to the building levy rate and threshold?

Do you agree that the *Building Act* should be amended so MBIE's chief executive may spend the levy for purposes relating to building sector stewardship?



**Submissions close
on 16 June 2019**



Have your say

Find out more about the building levy proposals and have your say at:

www.MBIE.govt.nz/building-reform