



BRIEFING

International Visitor Conservation and Tourism Levy (IVL) – implications of recent decisions on the tourism allocation

Date:	17 February 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0009689

Action sought		
	Action sought	Deadline
Hon Louise Upston Minister for Tourism and Hospitality	Agree to discuss the implications for the tourism IVL appropriation with the Minister of Finance.	18 February 2025

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Heather Kirkham	General Manager, Economic Development and Tourism Branch	Privacy of natural persons	✓
Amanda Harrison	Principal Policy Advisor	Privacy of natural persons	

The following departments/agencies have been consulted

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



BRIEFING

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Date:	17 February 2025	Priority:	Medium
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Purpose

To provide you with information on the implications of recent Ministerial decisions regarding the allocation of International Visitor Conservation and Tourism Levy (IVL) revenue and to recommend that you discuss it further with the Minister of Finance.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** the Minister of Finance recently informed International Visitor Conservation and Tourism Levy (IVL) Ministers of the allocation of revenue going forward, which includes \$35 million of discretionary spending for tourism.

Noted

- b **Note** that these decisions will be effected through Budget 2025 and will result in a change to the way revenue is accounted, including all unspent revenue no longer being available for discretionary spending.

Noted

- c **Agree** to discuss the implications of these decisions on the revenue available for investment into your Tourism Growth Roadmap with the Minister of Finance and to seek an increase in the appropriated amount for tourism equivalent to the value of pre-committed decisions (\$19.988 million over four years).

Agree / Disagree

Privacy of natural persons

Heather Kirkham
**General Manager, Economic Development
and Tourism Branch**
Labour, Science and Enterprise, MBIE

17/02/2025

Hon Louise Upston
Minister for Tourism and Hospitality

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Background

1. Up until 1 October 2024, the International Visitor Conservation and Tourism Levy (IVL) was set at a rate of \$35 per eligible person. This was expected to generate around \$80 million¹ per year in revenue which is hypothecated to tourism and conservation investment. The previous Government had directed that the funds be spent equally across the two portfolios, with 50 per cent of the available revenue for tourism, managed by the Ministry of Business, Innovation and Employment (MBIE), and 50 per cent of available revenue for conservation, managed by the Department of Conservation (DOC).
2. When the IVL was originally set up, Cabinet agreed that the levy would operate via a memorandum account to track expenditure against actual IVL revenue [DEV-18-MIN-0194]. A memorandum account is commonly used for cost-recovery fees and levies and allows funds to be drawn down against the full value of the account. The aim of a memorandum account is to trend to zero over a realistic period. Operating a memorandum account for the IVL meant that expenditure was drawn down against the total value of revenue collected to date. The relevant appropriations for tourism and conservation were generally increased or decreased depending on the actual revenue collected in the year prior. It was not necessary to transfer underspends to the following financial year with the memorandum account demonstrating the full value of expenditure against revenue.
3. In 2024, the Government decided to increase the IVL from \$35 to \$100 per eligible person, effective from 1 October 2024. This is expected to increase the revenue collected from the IVL to around \$229 million per annum (an increase of \$149 million per annum), assuming visitor volumes return to pre-2019 levels. Following that decision, IVL Ministers continued to discuss the allocation of IVL revenue going forward based on the new expected level of revenue.
4. On 29 December 2024, the Minister of Finance wrote to the former Minister for Tourism and Hospitality to outline her plan for allocating IVL revenue from the 2025/26 financial year onwards (letter attached as **Annex One**). The Minister of Conservation also received a similar letter. The Minister of Finance outlined that each financial year from 2025/26 onwards, the following allocations would apply:
 - a. \$35 million in discretionary funding for tourism, provided as a fixed annual appropriation
 - b. \$55 million in discretionary funding for conservation, provided as a fixed annual appropriation
 - c. \$8 million for Ngā Haerenga New Zealand Cycle Trails, provided as a fixed annual appropriation
 - d. the remainder of revenue collected to be allocated to Tourism New Zealand and the Department of Conservation's baseline appropriations to replace existing Crown funding, with variable amounts allocated each year depending on the total IVL revenue collected.
5. The Treasury also advised that existing appropriations would not be increased to reflect unspent revenue or pre-commitments and that all the above decisions will take effect as part of Budget 2025. It may not have been clear when these decisions were taken that it would result in overturning the original Cabinet decision to operate the IVL through a memorandum account.

¹ The impacts of COVID-19 significantly impacted the amount of IVL revenue collected between 2019 and 2024.

These recent Ministerial decisions have implications for the tourism allocation of revenue

6. As outlined to you in BRIEFING-REQ-0008302, the unspent tourism allocation of revenue to date (approximately \$67.5 million) had previously been available to the Minister for Tourism and Hospitality via the memorandum account. As part of the Minister of Finance's decisions related to the reallocation of IVL revenue, we understand that all existing revenue in the memorandum account will no longer be available for discretionary spending and the appropriation for 2024/25 will not be increased to reflect the balance of the memorandum account. Only the funds which have been appropriated for 2024/25 are now available for discretionary spend (\$31.968 million for 2024/25).
7. In addition, these changes carry implications beyond 2024/25 for the allocation of IVL revenue to tourism. Prior to the Minister of Finance's decisions, a range of commitments had been made to fund projects using IVL revenue between 2024 and 2028. Those funding decisions were made against the total value of the memorandum account. However, as the memorandum account will no longer operate and unspent funds not appropriated to tourism, these commitments will now need to be met through the annual \$35 million discretionary appropriation. This has reduced the available discretionary funding for tourism by a total of \$19.988 million over four years (shown in **Table One** below).

Table One: Tourism IVL appropriation – pre-committed expenditure and remaining revenue (\$million)

	2024/25	2025/26	2026/27	2027/28
Total appropriation	31.968	35.000	35.000	35.000
Pre-committed projects	11.565	7.333	0.590	0.500
Total revenue available to you	20.403	27.667	34.410	34.500

8. We understand that the same constraints will not apply to the conservation allocation of revenue as DOC did not have significant unspent revenue and had undertaken technical revenue transfers to outyears when funding decisions were taken. This has resulted in pre-commitments being able to be funded over and above its new \$55 million allocation. We understand that it was not the Minister of Finance's intention that different outcomes would eventuate for the way revenue was treated across the two portfolios but that it is likely to have resulted from the difference in the way the two agencies' have allocated funding.

A reduced tourism allocation will constrain the Government's tourism growth agenda

9. The discretionary revenue available to you from 2025/26 onwards (\$35 million per annum less pre-commitments) is less than has been available for discretionary tourism spend under the lower \$35 IVL amount. This will be noticeable to the tourism sector who have been seeking information on the allocation of IVL revenue since the decision to increase the IVL rate to \$100 per eligible person.
10. Further, a reduced IVL appropriation constrains your ability to deliver the Tourism Growth Roadmap (with trade-offs due to funding limitations outlined in BRIEFING-REQ-0009287). A further reduction of available revenue for 2025/26 because of the precommitments (less \$7.333 million) means significant trade-offs for the Tourism Growth Roadmap at a time when tourism growth is a core lever in the Government's wider economic growth objectives. The IVL is the primary tool for delivering activities that will drive tourism growth.

11. Tourism has made a significant contribution to the Government's fiscal savings, particularly given the increase to the IVL and subsequent allocation of more than 50 per cent of the revenue generated by the IVL to Crown fiscal costs going forward.
12. Given these implications and the difference in consequences that the Minister of Finance's decisions have had on conservation and tourism revenue, you may like to consider proposing that at least the pre-committed funding for tourism is met through additional appropriation over and above the allocated \$35 million in discretionary spend. This will have a negative impact on the Crown fiscal position at Budget 2025 but would deliver a positive return on investment relative to the Government's economic growth objectives if the funds are made available for investing into your Tourism Growth Roadmap.

Next steps

13. We recommend that you discuss the discrepancies in IVL funding further with the Minister of Finance and request that pre-commitments made prior to her decisions on the forward allocation are funded over and above the newly appropriated amounts. This would recoup around \$19.988 million over four years for you to allocate to your Tourism Growth Roadmap.

Annexes

Annex One: Letter of 29 December 2024 from the Minister of Finance to the former Minister for Tourism and Hospitality

Annex One: Letter of 29 December 2024 from the Minister of Finance to the former Minister for Tourism and Hospitality



29 December 2024

Hon Matt Doocey
Minister for Tourism and Hospitality
Parliament Buildings

Dear Matt

I have considered advice from Treasury officials regarding the allocation of the additional revenue that will be created following Cabinet's decision to increase the International Visitor Conservation and Tourism Levy (IVL) to \$100 per person. I wish to take the opportunity to set out my expectations for how this funding should be allocated, particularly as the updated forecasts already show a reduction in predicted revenue over this and the next financial year as visitor numbers continue to recover at a slower than expected rate. I can confirm my intent to continue to allocate all IVL revenue within the Tourism and Conservation portfolios, consistent with the purposes of the IVL.

International tourists to New Zealand enjoy visiting our natural and public spaces, and in return provide significant economic and cultural benefits. Preserving our ability to sustainably fund public goods and mitigating any negative impacts on the conservation estate due to tourism is important to protect and enhance the visitor experience, and to retain public consent for relatively high visitor numbers. Successfully doing so will help ensure a sustainable and productive tourism sector that makes a positive contribution to our natural environment, a key part of our overall export strategy. Therefore, my intention is to extend the use of IVL revenue to fund these activities.

Allocation of additional IVL revenue

The additional revenue generated by the new IVL rate allows us to consider new ways to support and enhance the vital contribution the tourism sector makes to our overall export strategy. I intend to allocate an additional \$15 million per year for new investment within the Tourism portfolio. This will commence from the 2025/26 year onwards and bring the total available for discretionary investment up to \$35 million per year – almost double current levels.

To provide certainty and maximise the value of investment decisions this level of funding will be baselined, guaranteeing an appropriate level of Government support for the sector. This will be delivered through the *Tourism Strategic Infrastructure and System* appropriation, which going forward will be used to fund new investments only.

	2025/26	2026/27	2027/28	2028/29
Tourism and Hospitality: Tourism Strategic Infrastructure and System Capability (\$m)	35	35	35	35

As well as continuing to fund New Zealand Cycle Trails any remaining additional tourism IVL revenue will be allocated to the *Marketing of New Zealand as a Visitor Destination* appropriation. This will enable us to place this valuable activity on a sustainable fiscal footing and allow scarce Crown resources to be deployed elsewhere. These activities will retain their current overall levels of funding, but the proportion funded by IVL revenue will vary year to year.

Objectives for investment

Going forward I will be establishing a process to set direction on shared priorities for the Tourism and Conservation portfolios. From 2025/26 this significantly enhanced level of investment will be targeted at the following objectives.

Visitor numbers

Increase visitor numbers to maximise the economic contribution tourism makes to New Zealand:

- Prioritise recovery and growth of visitor numbers.
- Reduce seasonal visitor variance in high variance regions by transforming New Zealand into a year-round destination.
- Identify high-growth potential countries and grow the market share of visitors from those countries.
- Increased infrastructure capacity to attract and support visitors.

Sustainable growth

Enhance the visitor experience, managing the impact on the conservation estate and retaining public consent to allow for continuous growth.

- Preserve and enhance a world class conservation estate.
- Enhanced regional dispersal of visitors outside of the main tourist centres.
- Retain and enhance the social contract.

Delivering high value investment

All investments funded by the IVL need to demonstrate robust value for money and alignment with overall Government priorities, including:

- strong investment discipline
- whole of life costings
- cohesive decision-making process.

Please instruct your officials to develop a 2025/26 Investment Plan reflecting these objectives and the increased level of funding for me to consider by the end of February. To ensure this investment provides maximum value this process will be formalised going forward. The current delegated decision limits will still apply.

Given the uncertainty over the level of actual revenue this year existing spending plans for 2024/25 will continue to apply.

Governance and decision making

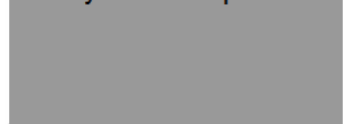
We need to ensure we give levy payers and the wider public clarity over how IVL revenue is spent and assurance that Government investment decisions are creating maximum value. Please instruct your officials to develop proposals for a new bi-annual public reporting process aligned with the existing fiscal update cycle, working with Treasury and the Department of Conservation. This should set out in a transparent manner the level of forecast & actual IVL revenue, how that revenue is allocated each year and detail on investment performance.

These changes will be confirmed through the Budget 2025 process, to take effect from next financial year. To provide certainty to the sector I recommend we make public the allocation alongside the Budget 2025 process.

I have asked my office to find time for us to discuss our collective priorities and public handling at the earliest possible opportunity.

Yours sincerely,

Privacy of natural persons



Hon Nicola Willis
Minister of Finance