

## **Introduction to “A tax system for New Zealand’s future”**

Bob Buckle

Ministers and guests, good morning and welcome to this conference on the New Zealand Tax system. My name is Bob Buckle. I am Pro Vice-Chancellor and Dean of Commerce at VUW and Chair of the TWG. It is my pleasure to welcome you on behalf of the Tax Working Group, the Centre for Accounting Governance and Taxation Research and Victoria University.

Thank you for coming. We have a full day ahead of us which I hope you will find interesting and take the opportunity to engage with questions during the sessions and discussion during the breaks. I would like to clarify why it is we are here and set out expectations for the day.

The Tax Working Group was established by Victoria University, in conjunction with the Treasury and Inland Revenue, in May. The Group was set up following an international conference in February, held by the University with the support of those departments, on tax policy in New Zealand. That conference identified significant concerns with the current taxation system.

We agreed that we would try something new – an independent group, engaging with officials, which would contribute to the policy process and provide some recommendations on a future tax system for New Zealand.

While an independent group, it was formed with the endorsement of the Minister of Finance Bill English and the Revenue Minister Peter Dunne. We had two major tasks: identifying the major issues that Ministers will need to consider in reviewing medium-term tax policy; and better informing public debate on tax. Today we certainly hope to advance public debate and understanding, and the discussions will also help the Group in clarifying the big issues.

The TWG brought together expert tax practitioners, academics, businesspeople and officials – those whose job it is to examine and set tax policy, those who deal with its impacts, and those who are watching international developments and research – to see if there was a common understanding of the issues and options for reform.

Everyone in the Tax Working Group – all those who are presenting today – donated their time. They have done it because of the importance of this issue, but I know how much time and effort it has demanded, and I am very grateful to all of the members.

I would also like to thank the officials who have provided the background papers and secretarial assistance to the Group. We have worked through a series of excellent papers and material through our five meetings, nearly all of which you've had the chance to see on-line, and much of which will be referred to today

If you have read the summary material of the Group you will know that we have not focused on any single aspect of the tax system, or single options for change. We have looked at the system as a whole and a number of options for reform.

And through five meetings over six months, we have had to keep our focus at this high level, and rule some things out of scope.

The TWG has focused on revenue-raising taxes, which is the dominant role of the tax system, and how to raise revenue to fund government spending as fairly and efficiently as possible.

We have not looked at corrective taxes - those that are specifically designed to promote or discourage behaviours or to address the perceived costs of some activities (for example, carbon taxes and excise duties). Those have other goals and would have taken us into areas well beyond tax policy and into areas well beyond our expertise.

And the Group has focused on New Zealand as a whole, and the discussions have how the tax system impact on people and firms, and the role of tax in improving peoples' lives and the country's economic performance.

We have not focused on specific sectoral issues – although I have to say the tax treatment of property has featured – and we don't want to get caught up in sectoral or individual lobbying today.

The Group at its first meeting agreed that it would keep six principles in mind as it examined options for the future tax system: fairness; efficiency and the impact on economic growth; system coherence; the integrity of the system; simplicity of compliance and administration; and fiscal cost.

You will see reference to these principles throughout the day – and the need for a tax system to be sustainable over time.

Before I pass over to the Minister, and then the Group members take you through our areas of consideration, I want to say there are three key things we have learned so far.

The first is that we need change. There is a strong view within the Group that the current tax system is not working effectively and that reform is necessary if New Zealand is to have a fair tax system, one that minimises the costs of raising taxes, is less damaging to productivity and economic growth, and positions it well for future challenges. The current system was designed for a different set of circumstances. Since then, the international tax environment has changed, the impact of population ageing and the global financial crisis have changed the expected future demands on the New Zealand tax system, and meanwhile piece-meal changes to the NZ tax system has undermined the integrity and coherence of our tax system.

The second thing we have learned is that there are options for the future design of the tax system. Reform should involve changes to the tax mix, to tax levels and to the tax base (that is, the base should be broadened). But there is a range of options around how those changes can be achieved.

We have also learned that the public is deeply interested in tax. Over the period that the TWG has been in existence, there has been increasing expectations around what the

Group would do. In part this is because we have worked very transparently, with material being released after each session, and I think that it is also partly due to greater awareness of the importance of tax policy – maybe in part also because of the review of taxation in Australia and its relevance to New Zealand.

It's very heartening for me that you have all come to hear about, and talk about, tax policy. We think there is a once-in a generation chance for New Zealand to get a world-class tax system; one that sets us up for the challenges of the 21<sup>st</sup> century.

We're here to explain why we think that, to listen, and to clarify our thinking.

Once again, thank you for coming.

I would now like to welcome the Minister of Finance and Acting Prime Minister, the Honorable Bill English.

Rutherford House,  
Victoria University of Wellington.  
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