

VICTORIA UNIVERSITY TAX WORKING GROUP

Fifth Session: Scenarios

9 November 2009

The fifth session included:

- Discussion of papers from officials requested by the Tax Working Group from previous sessions
- Discussion of a range of illustrative scenarios for possible change
- A session with the Ministers of Finance and Revenue, where the TWG set out key themes to date
- Planning and preparation for the December 1 tax conference at Rutherford House, and the TWG's report

Session five of the Tax Working Group was a full-day meeting that worked as a summary session of previous meetings, and allowed the Group to discuss broad issues of future tax system design in preparation for its conference and report. This involved getting further information on questions that had arisen in previous sessions, and looking at a range of scenarios that modeled the effects of various packages of tax changes. Some of these scenarios will be presented at the public tax conference the TWG is holding on December 1.

The scenarios considered included changes to align the top personal and corporate and trust rates, and options where these rates were not aligned. Each of these systems was combined with base broadening options; which included extension of capital income taxation, land taxes, the risk free return method of taxation, changes to the taxation of investment property, and changes to the rate of GST. These combined scenarios were assessed for their revenue, efficiency, equity and system integrity implications.

The conference and the TWG's report, which is likely to be released early next year, will discuss the role of the tax system and principles for reform; problems with New Zealand's current system; options for improvement; and a range of scenarios.

The Group's preferred options for reform will be finalised following the conference. It agreed, however, that New Zealand's current tax system is not sustainable as there are major growth, fairness and integrity issues. There was also agreement that the principle of a broad-based low-rate tax system should be maintained and that base broadening was required. Consideration needed to be given to changing and extending the taxation of capital to make it more consistent and principled across the capital base.

The conference will be held on 1 December at Rutherford House, Victoria University, Wellington. Details about the conference programme and registration can be found here:

<http://www.victoria.ac.nz/sacl/cagtr/twg/conference-2009.aspx>