

Convening Group Information Request

New Zealand's GST increase and its informing process

In 2010, John Key and the New Zealand Parliament raised their broad GST from 12.5% to 15% while simultaneously reducing the top personal tax rate to 33% and the company tax rate to 28%. These were the headline changes among other budgetary decisions made in the Government's May 2010 Budget.

These decisions were the result of a considered national discussion originating from the establishment of a Tax Working Group.

The Tax Working Group (TWG) was established by Victoria University of Wellington's Centre for Accounting Governance and Taxation Research, in conjunction with the Treasury and Inland Revenue, in May 2009.

The TWG brought together expert tax practitioners, academics, businesspeople and officials – those whose job it is to examine and set tax policy and those who deal with its impacts – to see if there was a common understanding of the issues and options for reform. It held six meetings between June and December 2009, where the Group discussed various aspects of the tax system.

The aims of the Tax Working Group (TWG) were to:

- (i) identify concerns with the taxation system,
- (ii) describe what a good tax system should be like,
- (iii) consider options for reform, and
- (iv) evaluate the pros and cons of these options.

Due to New Zealand's then fiscal circumstances, the TWG accepted the constraint to consider tax reform on a fiscally neutral basis, and primarily focused on revenue raising taxes. The TWG argued that New Zealand's tax system was not working effectively and reform was necessary if the country were to have a fair tax system that minimised the costs of raising taxes, reduced barriers to productivity and growth and positioned it well for future challenges.

The TWG diagnosed the then system as incoherent, unfair, lacking in integrity, unduly discouraged work participation and biased investment decisions.

The TWG found three core concerns with the New Zealand tax system, and made 13 recommendations including both raising the GST to 15% and reducing top personal tax rates.

John Key considered the recommendations for the TWG and took many of their core recommendations in to the Government's May 2010 Budget.

Further reading:

A Tax System for New Zealand's Future – Report of the Victoria University of Wellington Tax Working Group: <https://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf>

Tax cuts, GST up: The key to success – John Key in The Daily Telegraph: <http://www.dailytelegraph.com.au/news/opinion/tax-cuts-gst-up-the-key-to-success/news-story/663e10c97afea85783f45c79b0160a27>