

## Tax Policy Report: Revenue strategy 2009

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<b>Date:</b>	23 April 2009	<b>Priority:</b>	<b>High</b>
<b>Security Level:</b>		<b>Report No:</b>	T2009/992 PAD2009/063

### Action Sought

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	Action Sought	Deadline
Minister of Finance (Hon Bill English)	<b>Agree</b> to a three-year revenue strategy for the government	5pm Tuesday 28 April
Minister of Revenue (Hon Peter Dunne)	<b>Agree</b> to a three-year revenue strategy for the government	5pm Tuesday 28 April

### Contact for Telephone Discussion (if required)

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Name	Position	Telephone	
David Snell	Principal Advisor, Tax Strategy, Treasury	[deleted – privacy]	[deleted – privacy]
Matt Benge	Assistant Deputy Commissioner, Policy Advice Division, Inland Revenue	[deleted – privacy]	[deleted – privacy]

**Enclosure: Yes**

## **Tax Policy Report: Revenue strategy 2009**

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### **Purpose of Report**

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1. This report seeks agreement to a three-year revenue strategy for the government.

### **Analysis**

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2. As part of the Generic Tax Policy Process, the government is due to produce a three-year revenue strategy (RS). A draft strategy is attached to this report for your consideration.
3. The RS has been drafted to marry closely with the fiscal strategy report (FSR). The Minister of Finance has already been provided with this draft of the RS in conjunction with an outline of the FSR.
4. The revenue strategy outlines the government's objectives for the tax system, and draws reference to the fiscal/economic crisis, the tax policy work programme and government commitments through confidence and supply agreements. We note the following with respect to the draft strategy:
  - The RS contains specific mention of delaying the second two tranches of the tax cuts. We consider that being explicit helps to clarify any apparent contradiction of a tax-cutting government that is delaying tax cuts.
  - The RS allows for flexibility around how revenue flows will be used, i.e. for spending or reducing debt, or to what extent improvements in the fiscal position will allow further tax reductions. This is consistent with the approach being taken in the FSR.
  - The RS states that the tax system should bias economic decisions as little as possible. This is a slightly different focus from earlier government statements which have focussed on economic growth and prosperity, and less on economic decisions which may affect welfare but not growth.
  - The RS refers to having a tax system that should be fair but it is not explicit about what fairness means.
  - The RS includes specific reference to the tax policy work programme that was released in March this year.
5. It is proposed that the revenue strategy be published as an annex to the Fiscal Strategy Report, as in previous years. Due to the reference to delaying the tax cuts, we suggest that any public statements about the revenue strategy be coordinated with Budget communications.

## Recommended Action

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We recommend that the Minister of Finance and Minister of Revenue:

- (a) **agree** to a three-year revenue strategy for the government, as attached to this report;

*agreed/disagreed*

*agreed/disagreed*

- (b) **agree** this strategy is to be published as an annex to the Fiscal Strategy Report;

*agreed/disagreed*

*agreed/disagreed*

- (c) **note** that any communications on the release of the revenue strategy will fit within the Budget communications process and be coordinated with the release of Budget 2009.

*noted*

*noted*

**David Snell**  
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The Treasury

**Matt Benge**  
Assistant Deputy Commissioner,  
Policy Development  
Inland Revenue

**Hon Bill English**  
Minister of Finance

**Hon Peter Dunne**  
Minister of Revenue