Date: 8 December 2009   SH-13-5

To: Mike Nutsford, Office of the Minister of Finance
        Ainslie Fenwick, Office of the Minister of Revenue

AIDE MEMOIRE: BUDGET PROCESS FOR POTENTIAL TAX REFORM

This aide memoire outlines a suggested process for progressing tax reform in Budget 2010. This note is to support the agenda item on TWG issues for discussion at the Tax Policy meeting between the Ministers of Finance and Revenue on Tuesday 8 December at 5pm.

The Tax Working Group (TWG) is due to release its final report to the public in mid to late January. Following the release of the TWG report, a process will be required for considering tax reform options in Budget 2010. A potential process is outlined on the following page. The proposed process parallels the Budget Ministers' process for considering other aspects of the budget package.
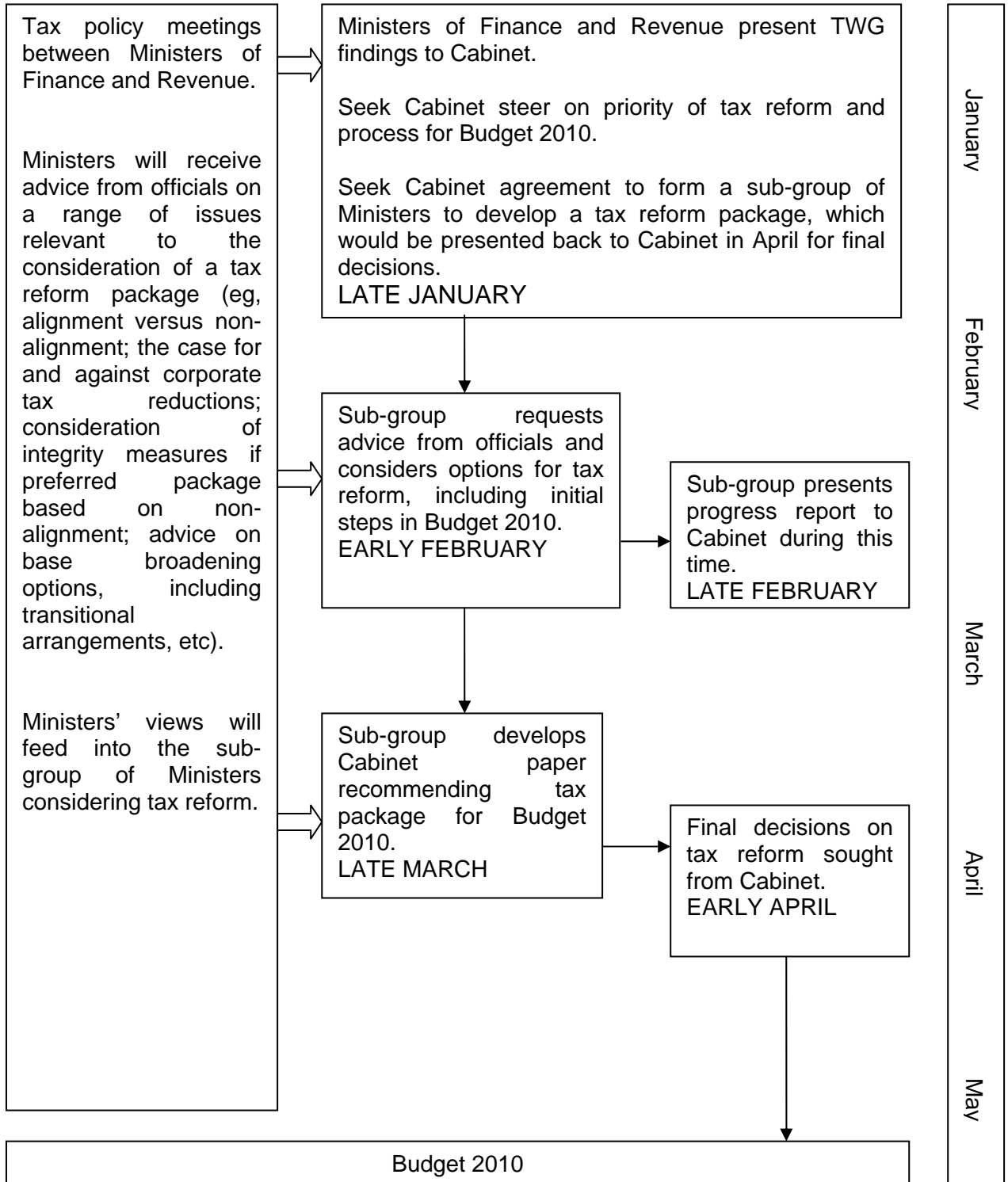
In order to finalise the details of a potential process, officials would like Ministers' views on the following questions:

1. Which Ministers (other than Finance and Revenue) should be involved a sub-group to consider the development of a tax package for Budget 2010?

2. Which agencies should be involved in the development of a tax package? (Officials from Treasury, Inland Revenue, and Ministry of Social Development. Who else?) Should Budget secrecy provisions with named lists of those involved apply?

3. Do Ministers want a process for public consultation over the February – April period as a tax package is developed?

4. Do Ministers want a process over the February – April period for involving or consulting support parties in the development of a tax package?

NOTE: Some tax changes may require implementation post-budget (e.g. to allow for consultative and legislative processes). Although not covered in this note, consideration of process beyond Budget 2010 may be required.

[privacy], Analyst, Tax Strategy, [privacy]
Bill Moran, Tax Strategy, [privacy]

Proposed process for Budget 2010 tax reform

Tax policy meetings between Ministers of Finance and Revenue. Ministers will receive advice from officials on a range of issues relevant to the consideration of a tax reform package (eg, alignment versus non-alignment; the case for and against corporate tax reductions; consideration of integrity measures if preferred package based on non-alignment; advice on base broadening options, including transitional arrangements, etc). Ministers' views will feed into the sub-group of Ministers considering tax reform.	Ministers of Finance and Revenue present TWG findings to Cabinet. Seek Cabinet steer on priority of tax reform and process for Budget 2010. Seek Cabinet agreement to form a sub-group of Ministers to develop a tax reform package, which would be presented back to Cabinet in April for final decisions. LATE JANUARY

January

February

Sub-group requests advice from officials and considers options for tax reform, including initial steps in Budget 2010.
EARLY FEBRUARY

Sub-group presents progress report to Cabinet during this time.
LATE FEBRUARY

March

Sub-group develops Cabinet paper recommending tax package for Budget 2010.
LATE MARCH

Final decisions on tax reform sought from Cabinet.
EARLY APRIL

April

May

Budget 2010

Until Budget dates are finalised, timeframes are indicative only.