

Treasury Report: Speech 'Raising Living Standards: The Role of Tax Policy'

Date:	26 March 2010	Report No:	T2010/478
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Action Sought

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Minister of Finance (Hon Bill English)	Note the attached speech the Secretary to the Treasury will deliver on 31 March 2010 and the suggested talking points if you are asked to comment on the speech.	Wednesday, 31 March 2010
Prime Minister (Hon John Key)	Note the contents of this report and the attached speech.	
Minister of Revenue (Hon Peter Dunne)	Note the contents of this report and the attached speech.	
Associate of Minister of Finance (Hon Simon Power)	For your information.	
Associate of Minister of Finance (Hon Steven Joyce)	For your information.	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[deleted – privacy]	Consultant, Tax Strategy	[deleted – privacy]	✓
Bill Moran	Manager, Tax Strategy	[deleted – privacy]	[deleted – privacy]

Minister of Finance's Office Actions (if required)

Please refer this report to relevant media staff.

Enclosure: Yes [\(John Whitehead tax speech - draft 15.3.10:1788563\)](#)

Treasury Report: Speech 'Raising Living Standards: The Role of Tax Policy'

Executive Summary

The Secretary to the Treasury will deliver a speech entitled '*Raising Living Standards: the Role of Tax Policy*' to the New Zealand Institute of Management's annual and regional general meeting on Wednesday 31 March 2010.

A copy of the speech is attached for your information. In brief, the speech canvasses:

- The public review of the tax system conducted by the Tax Working Group, the Treasury's role in this process and what the process can teach the public sector more broadly;
- How New Zealand's current tax policy settings stack up in comparison with the rest of the world; and
- What the Treasury believes matters for tax policy and, if starting from a blank slate, where that would take you in terms of tax policy design.

The speech is the first of two 'set piece' speeches that the Secretary will deliver before the Budget. The other is entitled '*Raising Living Standards: Why Fiscal Policy Matters*' and will be delivered to an invited audience on Friday 6 May 2010 in Wellington. As a combined package, the speeches aim to contribute to the pre-Budget public debate, setting out the Treasury's 'big picture' thinking around the choices and tradeoffs the Government faces going into this year's Budget.

Communications

Given high public and media interest in both tax policy and this year's Budget, it is likely that the speech will be widely reported in the media and you may be asked to comment on the messages delivered. Suggested question and answer material is outlined below, which you may wish to use if asked to comment on the speech:

1. *Isn't the Treasury still saying you should have a land/capital gains tax?*

The Treasury has been offering the same advice on tax for some time. There's nothing in this speech that's any different from what they were saying in the *Briefing to the Incoming Government*. This Government wants and asks for a range of advice - we're comfortable with making decisions and saying what we do and don't agree with.

2. *Is this speech indicating what's going to be in the Budget?*

The Government has said what it is thinking about for the Budget. We want the tax system to help New Zealanders get ahead, we want to lower personal taxes and we want a fairer system – we want to close some of the loopholes. Mr Whitehead was explicit about the fact this speech wasn't about the Budget. In terms of tax policy, Treasury is saying that the key considerations are growth and fairness – that's true.

3. *Is the Government happy that the Treasury is questioning your objective of an aligned tax system?*

As I said, we're happy for Treasury to provide its advice. The Government will make decisions. The Tax Working Group said an aligned system was important to address integrity issues, and we are concerned about the way different tax rates are creating loopholes and driving investment decisions. But the Working Group also pointed out that New Zealand had to be competitive with other countries, especially Australia, and this may mean company tax rates had to be different to personal rates. That's what the Treasury is saying. And both the Treasury and the Tax Working Group are saying that we can't afford to have the gap between the top personal and trust tax rates.

4. *Mr Whitehead says the public sector needs to learn from the Tax Working Group process?*

Ministers have said several times that it was a very useful process. This Government wants public discussion around issues – well-informed debate is really important. And the public sector does need to ensure that it looks outside and tests itself.

Recommended Action

We recommend that you:

a **note** that the Secretary to the Treasury will deliver the attached speech entitled '*Raising Living Standards: the Role of Tax Policy*' to the NZIM national and regional AGM in Wellington on 31 March 2010; and

noted

b **note** the suggested question and answer material you could use if asked to comment on the speech.

noted

Bill Moran
Manager, Tax Strategy
for Secretary to the Treasury

Hon Bill English
Minister of Finance