The Treasury

Budget 2011 Information Release

Release Document

June 2011

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[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[5] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[8] 9(2)(h) - to maintain legal professional privilege

[9] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: [3]
Sent: Wednesday, 2 March 2011 12:36 p.m.
To: 'Carolyn Palmer (MIN)'
Cc: Steve Cantwell; Peter Martin
Subject: RE: First cut of aide memoire

FYI – the Greens have corrected their method of calculation. Now revised to $457m:

http://blog.greens.org.nz/2011/02/25/paying-to-rebuild-christchurch-a-small-temporary-earthquake-levy/

[3]

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From: **[3]**
Sent: Wednesday, 2 March 2011 12:09 p.m.
To: 'Carolyn Palmer (MIN)'
Cc: Steve Cantwell; Peter Martin
Subject: RE: First cut of aide memoire

Hi Carolyn

Just a few points to add to the email below:

A 1% levy on all personal taxable income would raise about $1.2b p.a. If it were applied on the same basis as the ACC levy (i.e. a narrower income base and capped at about $110,000) revenue would be about $950m p.a.

The figure mentioned by the Greens was $921m p.a. from a levy applied at 1% for those earning $48k - $70k and 2% for those earning over $70k. I haven't done the calculation myself but I suspect that they have calculated this as:
- People earning $48k - $70k pay 1% on *all* their income (not just the portion over $48k)
- People earning over $70k pay 2% on *all* their income (not just the portion over $70k)

So someone earning $48,000 would pay nothing while someone earning $48,001 would pay $480.01. If calculated on the same basis as the normal income tax (applying only to income earned over the thresholds), the revenue from this levy would be more like $530m.

[3]

[3]

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From: Peter Martin
Sent: Wednesday, 2 March 2011 11:40 a.m.
To: Carolyn Palmer (MIN)
Cc: **[3]** ; Steve Cantwell
Subject: FW: First cut of aide memoire

Re your call and the numbers mentioned by Duncan Garner and the Greens – here's what [3] did last week.

[3] if you've got some updated modelling, might be worth sharing with Carolyn.

Peter

Peter Martin | Director, Tax Strategy | **The Treasury**

[1]

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From: [3]
Sent: Friday, 25 February 2011 11:57 a.m.
To: John Janssen
Cc: Steve Cantwell; [3] Peter Martin
Subject: RE: First cut of aide memoire

Hi JJ

Some bullets for the aide memoire, as requested. Please note that the Tax team will be on a planning retreat all afternoon from 1pm.

In terms of the "how" we would note that if a one-off boost to revenue were deemed necessary, a specific levy could be implemented. The Australian Government has done this to fund part of the reconstruction costs following the Queensland floods:

- In Australia the levy apples at a rate of 0.5% on all taxable income between A$50,000 and A$100,000, and at a rate of 1% on taxable income over A$100,000 for the 2011/12 year only. Recipients of Disaster Relief Payments (related to floods) are exempt.

- To raise significant revenue, a levy would most likely have to be applied at a higher rate and/or a lower starting income threshold than the Australian example; a similar 0.5%/1.0% levy applied at income levels of $48,000 and $70,000 would only raise roughly $250m in one year. A flat 1% levy on *all* taxable income would raise roughly $1.2 billion.

- This would raise marginal tax rates, which is not ideal and would undo some of the recent tax cuts. However, a small credibly time-limited change is unlikely to have significant labour supply effects. One way to minimise the effect of higher marginal tax rates would be to lower the rate and maintain the levy for more than one year (i.e. spread out the cost to the taxpayer).

- Initial advice from IRD suggests that a levy administered through payroll systems would need a minimum lead time of 3 months for payroll providers and businesses to adapt their systems.

- In general, Treasury does not support temporary taxes; from an efficiency perspective it would be preferable to smooth the impact over a longer time-frame. However, given these somewhat exceptional circumstances, a small, time-limited levy (likely with minimal labour supply impact) may be advisable if the alternatives of increased government borrowing or a severe impact on the Government's fiscal strategy are deemed too costly.

[3]

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From: John Janssen
Sent: Friday, 25 February 2011 9:10 a.m.
To: Steve Cantwell; **[3]**
Subject: FW: First cut of aide memoire

This is a revised version of the note discussed with MoF on Wednesday. There is a placeholder for the idea of a "levy" – are you able to provide a few bullets on this (including a Tsy position)? By say noon. Thanks

John Janssen | Principal Advisor | **The Treasury**
[1]]

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From: John Janssen
Sent: Thursday, 24 February 2011 6:23 p.m.
To: Bill Moran; **[3]**

Cc: Tim Hampton
Subject: First cut

Aide memoire: 22 February Canterbury Earthquake: Macroeconomic policy issues (Treasury:2013753) Add to worklist

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