

# The Treasury

## Budget 2023 Tax Initiatives Information Release

July 2023

This document has been proactively released by the Treasury, Inland Revenue, Minister of Finance (Hon Grant Robertson) and Minister of Revenue (Hon David Parker) on the Treasury website at:

<https://www.treasury.govt.nz/publications/information-release/budget-2023-tax-initiatives>

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## Treasury Report: Medium-term Revenue Strategy - slides for Finance Priorities Meeting

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<b>Date:</b>	15 July 2022	<b>Report No:</b>	T2022/1565
		<b>File Number:</b>	SH-13-5-3

### Action sought

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	Action sought	Deadline
<b>Minister of Finance</b> (Hon Grant Robertson)	Discuss attached slides at Finance Priorities Meeting Agree to recommendations	Tuesday, 19 July 2022

### Contact for telephone discussion (if required)

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Name	Position	Telephone	1st Contact
Shane Domican	Senior Analyst, Tax Strategy	[35]	✓
Stephen Bond	Manager, Tax Strategy	[39]	

### Minister's Office actions (if required)

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<p><b>Refer</b> a copy of this report to the Minister of Revenue</p> <p><b>Return</b> the signed report to Treasury.</p>
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Note any  
feedback on  
the quality of  
the report

**Enclosure:** Yes (<https://portia.hamlet.treasury.govt.nz/work/link/d/IMANAGE!4669318.4>)

## Treasury Report: Medium-term Revenue Strategy - slides for Finance Priorities Meeting

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Please find attached a slide pack on the medium-term revenue strategy. We will discuss this with you at the Finance Priorities Meeting of 19 July 2022.

In the slides we look at short-term options for the revenue strategy to help meet your fiscal objectives through better aligning the Budget and tax policy processes. We recommend you commission further advice on these options at a Joint Ministers meeting in August or September.

We also provide our initial thinking on the medium-term revenue strategy. We are considering these issues as part of our stewardship role. We will provide further advice as the work progresses but can brief you further at your request.

The four key points in the slides are:

1. Revenue growth, largely as a result of fiscal drag, has helped fund growing expenditure demands. It could continue to do so. However fiscal drag is likely to involve greater trade-offs, particularly distributional trade-offs, than it has in the past.
2. Misalignment between personal, company, and other tax rates continues to be a long-standing challenge. It constrains our ability to raise revenue, particularly in a progressive way, and creates costs for living standards.
3. There are both short-term and longer-term options for the revenue strategy. In the short-term we recommend you commission advice on how revenue policy could better support year-on-year fiscal management.
4. In the medium-term we see three main ways we could look to address medium-term pressures. These are:
  - a. Minimise additional misalignment and address fiscal pressures through broad-based increases to tax rates, alongside targeted integrity measures.
  - b. Structural reform to manage misalignment.
  - c. New or significantly expanded tax bases. This could be done in addition to the other two approaches.

We propose that the meeting focus on what further advice you want on short and longer-term options. We do not intend to go through the slide pack in detail but can verbally brief you on any particular element if you want further context or advice.

## Recommended Action

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We recommend that you:

a **discuss** the attached slides with officials at Finance Priorities Meeting of 19 July 2022.

b **refer** a copy of this report to the Minister of Revenue and discuss at a future Joint Ministers meeting.

Refer/Do not refer

c **agree** to commission further advice from Treasury and Inland Revenue on revenue raising options and aligning the Tax Policy Work Programme with your fiscal and revenue strategy.

Agreed/Not agreed

d **note** that Treasury and Inland Revenue will undertake further work on the medium-term fiscal and revenue strategy, and we will provide you with further advice as the work progresses.

Stephen Bond  
**Manager, Tax Strategy**

Hon Grant Robertson  
**Minister of Finance**

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