



Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

Tax Working Group Secretariat
PO Box 3724
Wellington 6140
New Zealand

Dear Members of the Tax Working Group,

GST exemptions for particular goods

Significant positive features of our GST system are that it is a broad based system with a single rate of GST. While introduction of exemptions or different rates for particular goods may appear attractive in order to achieve other policy objectives (e.g. to encourage consumption of fresh fruit and vegetables), there are likely to be a range of problems:

1. A GST exemption may have little or no effective impact on that other policy objective. In the case, for example, of fresh fruit and vegetables the GST cost saving may not be passed on to consumers by supermarkets.
2. Even if some or all of the cost saving of a GST exemption is reflected in the retail price of the particular goods, e.g. fresh fruit and vegetables, it may have limited effect on changing consumer behaviour.
3. In light of the above points a GST exemption may be an ineffective and inefficient way of promoting changes in consumer behaviour, such as encouraging a healthy diet.
4. GST exemptions will complicate the administration of the tax system, both for the IRD and for tax payers.
5. Creation of GST exemptions will create an unnecessary industry of lobbyists and experts on what specific goods should or shouldn't qualify for the exemption.

The broad based, single rate and comparatively simple nature of our GST system makes it what many consider to be one of the best value added tax systems in the world. These positive features should not be discarded lightly. Accordingly, I submit that there should be no GST exemptions for particular goods.

It is acceptable for the Tax Working Group and the Secretariat to contact me to discuss the points raised, if required.

Yours sincerely,

[1]

John Redmayne