

Our tax system: Bases and regimes

Summary of submissions on the scope of Inland Revenue's long-term insights briefing

First published in November 2024 by Policy | Taukaea, Inland Revenue | Te Tari Taake, PO Box 2198, Wellington 6140.

Our tax system: Bases and regimes – Summary of submissions on the scope of Inland Revenue’s long-term insights briefing.



© Crown Copyright

This work is licensed under the Creative Commons Attribution 4.0 International Licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms.

Please note that this licence does not apply to any logos, emblems and trademarks in the publication. Those specific items may not be re-used without express permission.

The document is available at

<https://www.taxpolicy.ird.govt.nz/publications/2024/submissions-on-the-scope-of-ltib>

CONTENTS

Contents	3
Background	4
Long-term insights briefings.....	4
Proposed topic	4
Summary of Submissions	4
Overview	4
Theme 1 – fiscal pressures arising from superannuation and healthcare are a key trend.....	4
Theme 2 – flexibility is a useful focus for the LTIB	5
Theme 3 – analysis needs to consider policy design details	5
Theme 4 – analysis needs to consider tax and transfer system interaction	5
Theme 5 – LTIB should consider corrective taxes.....	5
Theme 6 – technological change will affect sustainability of tax bases	5
Theme 7 – interaction between the tax system and other social policy challenges	5
Theme 8 – progressive consumption taxes.....	6
Topic confirmation	6
Appendix 1	7

BACKGROUND

1. On 21 August 2024, Inland Revenue published a [consultation document](#) seeking feedback on the scope of the proposed topic of its next long-term insights briefing (LTIB). The closing day for feedback was 4 October 2024.
2. This document provides a summary of the feedback we received and confirms the topic of Inland Revenue's next LTIB.

Long-term insights briefings

3. LTIBs are future-focused think pieces that government departments produce every three years. They provide information on long-term trends, risks and opportunities that could affect New Zealand in the future, and policy options for responding to these matters. Their purpose is to help us collectively think about and plan for the future. They are developed independently of ministers and are not current government policy.
4. LTIBs go through two rounds of public consultation during their development: first on the proposed topic of a briefing; and second on a full draft of a briefing.

Proposed topic

5. The consultation document proposed that Inland Revenue's next LTIB explore what structure of the tax system would be suitable for the future. It included an environmental scan, which compared New Zealand's tax system to other countries and flagged the issues that are most likely to affect our tax system in the future. Based on the findings of the environmental scan, it set out Inland Revenue's view that the future tax system needs to be one with a stable core structure but with flexibility to adapt to changing revenue needs and distributional goals over time. It outlined how we would approach this topic, focusing on two elements of the tax system: the regimes through which we tax income and consumption, and our mix of tax bases. It proposed that the topic's title be "Our tax system: Bases and regimes".

SUMMARY OF SUBMISSIONS

Overview

6. We received a total of 35 submissions on the consultation. These were from 12 groups and 23 individuals (see [Appendix 1](#)).
7. Seventeen submissions were generally supportive of the topic. Only one submission supported a completely different topic. The remaining submissions expressed either mixed views about the topic or did not specify whether they supported it or not.
8. The main themes that came through from submissions are discussed below.

Theme 1 – fiscal pressures arising from superannuation and healthcare are a key trend

9. The consultation document outlined several trends that could have significant implications for our tax system in the future. It suggested that the most relevant trend is that of increased fiscal pressures from superannuation and healthcare costs. Many submissions agreed that this was a key trend impacting the future of the tax system.

Several submissions also stressed increasing fiscal pressures arising from climate change.

Theme 2 – flexibility is a useful focus for the LTIB

10. Several submitters agreed that uncertainty about future revenue needs means that it is important to think about whether the tax system has the right balance of flexibility and stability. For example, EY said “we agree that improvements to system flexibility should be the focus for this LTIB. In particular working through options for system integrity in the context of tax rate increases is, in our view, important. For example, considering options to support system coherence and integrity given the rate misalignment as between companies and other taxpayers.”

Theme 3 – analysis needs to consider policy design details

11. Many submissions welcomed a first principles look at the merits of alternative tax bases and regimes. Some submissions thought that such analysis needed to be supplemented with fuller consideration of the design of various tax bases and regimes. For example, Chartered Accountants Australia and New Zealand said “Sometimes it is the detail that can make things unworkable. The framework should consider the relative merits of expanded bases with different design parameters.”

Theme 4 – analysis needs to consider tax and transfer system interaction

12. Our consultation document discussed the importance of understanding potential distributional impacts of different tax bases and regimes. Several submissions suggested this needs to be supplemented with analysis of the transfer system. It was suggested that progressivity can only be understood by looking at the tax and transfer system as a whole.

Theme 5 – LTIB should consider corrective taxes

13. Our consultation document suggested the LTIB would focus on tax bases that were primarily aimed at raising revenue. Some thought that revenue from corrective taxes could be a way of managing higher revenue scenarios. The Young IFA Network submitted that examination of environmental taxes fits well with Inland Revenue’s proposed topic and the objective of LTIBs to look at long-term trends.

Theme 6 – technological change will affect sustainability of tax bases

14. In our consultation document, we suggested that issues arising from disruptive technology and the changing nature of work are most relevant to tax administration or have highly uncertain impacts, and therefore we proposed not to consider these issues in our LTIB. Some submitters thought that these issues warranted examination in the LTIB. PwC thought the uncertain impacts of technology strengthened the case for examining potential impacts in the LTIB. It cited an International Monetary Fund study highlighting the high number of jobs that could be exposed to artificial intelligence in advanced economies. Relatedly, it was acknowledged by some submitters that technology may create opportunities for the feasibility of new tax regimes and increased compliance.

Theme 7 – interaction between the tax system and other social policy challenges

15. Some submissions emphasised that it was important to consider how the tax system impacts a wider range of social outcomes. For example, Andrew Coleman suggested the LTIB should consider a wider range of retirement savings reforms; and several submissions suggested the tax system could support productivity in New Zealand.

Theme 8 – progressive consumption taxes

16. Several submissions supported the LTIB exploring progressive consumption taxes. It was noted that such taxes have received relatively little attention in New Zealand.

TOPIC CONFIRMATION

17. Inland Revenue thanks those who submitted on the consultation for their feedback. The feedback generally provides support for our proposal, so we have decided to confirm the topic.

18. We have taken account of feedback in determining the scope and focus of the LTIB. We note that while some submissions called for a wider scope (eg, including detailed design parameters), others called for a more targeted scope (eg, focusing on efficiency impacts of various tax bases). We therefore think we have pitched the breadth of the content about right.

19. Some areas where we have refined our scope based on feedback are:

- We will discuss the arguments for lower taxes on savings and touch on the tax treatment of retirement savings as part of our discussion on social security taxes.
- To manage the scope, we think we could reduce discussion of some tax bases that are less likely to be the subject of significant public discussion, such as financial transaction taxes.
- While we do not propose to expand the scope to include a full review of the interaction of the tax and transfer system, our chapter on consumption taxes will discuss using transfers to offset GST rate increases.
- The tax regimes chapters will largely focus on how to make our main tax bases more flexible to rate changes, including considering options to support system coherence and integrity.

20. While we will consider design parameters of various options at a high level, our topic is not meant to explore detailed design issues. Rather, our intention is to provide an analytical base to support further consideration of these issues in the future. For example, our focus on tax bases is on understanding the relative costs of taxing different underlying factors and what the overlaps and differences are in those tax bases. Our focus on tax regimes is on exploring how to make our main tax bases more flexible to rate changes without undermining equity or efficiency goals.

21. While we recognise that corrective taxes are an important and growing issue, we consider that this topic requires its own in-depth analysis. We will therefore consider this as a topic for future LITBs.

Next steps

22. There will be further opportunity to provide feedback when Inland Revenue releases a draft of its second LTIB for public consultation in early 2025. The LTIB will then be finalised and provided to the House of Representatives in mid- to late-2025.

APPENDIX 1

Groups	Individuals
Deloitte	Andrew Body
KPMG	Anna Muir
PwC	Basil Walker
EY	Bianca Fledderus
Tax Justice Aotearoa	Dan McGuire
Young IFA Network	Daniel McAuliffe
NZCCSS	Giacomo Lizzadro
Corporate Taxpayers Group	Individual 1
New Zealand Taxpayers' Union	Laird Madison
Professional bodies	Marg Ruyer
Chartered Accountants Australia and New Zealand	Michael Hern
CPA Australia	Michael Locke
Institute of Certified NZ Bookkeepers	Mike Brunner
Commentators/academics	Michael Rutland
Andrew Coleman	Murray Gough
Eric Crampton	Stan Thompson
Andrew Jackson	Stuart Haselden
Max Rashbrooke	
John Cantin	
Roger Douglas	