

# Hon Simon Watts, Minister of Revenue

## Information Release

### Ministerial Response to the Petition of Alisha Riley on Increase the GST threshold

June 2024

#### Availability

This information release is available on Inland Revenue's tax policy website at <https://www.taxpolicy.ird.govt.nz/publications/2024/leg-24-sub-0108>

Documents in this information release

#	Reference	Type	Title	Date
1	LEG-24-SUB-0108	Cabinet paper	Ministerial Response to the Petition of Alisha Riley on Increase the GST threshold	23 May 2024
2	LEG-24-MIN-0108	Minute	Ministerial Response to the Petition of Alisha Riley to Increase the GST threshold	23 May 2024
3	CAB-24-MIN-0188	Minute	Report of the Cabinet Legislation Committee: Period Ended 24 May 2024	27 May 2024

#### Additional information

The Cabinet paper was considered by the Cabinet Legislation Committee on 23 May 2024 and confirmed by Cabinet on 27 May 2024.

One attachment to the Cabinet paper is not included in this information release as it is publicly available on the parliament website:

- Ministerial Response to the referral of the Petition of Alisha Riley on Increase the GST threshold: <https://bills.parliament.nz/v/4/afc0c2c3-4ead-4528-cf38-08dc7eae9552>

#### Information withheld

- Not in scope

#### Accessibility

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In Confidence

Office of the Minister of Revenue  
Chair, Cabinet Legislation Committee

## **Ministerial Response to the Petition of Alisha Riley on Increase the GST threshold**

### **Proposal**

- 1 This paper seeks approval of the Minister of Revenue's response to the Petitions Committee's referral of the Petition of Alisha Riley.

### **Background**

- 2 The Petition of Alisha Riley was presented to the House on 23 February 2024.
- 3 The petition requests that the House of Representatives urge the Government to increase the GST registration threshold in its 2024 tax policy work programme.
- 4 The petitioner proposes increasing the GST registration threshold from \$60,000 to \$130,800. This figure was derived by calculating the proportional increase in the minimum wage since GST was introduced in 1986.
- 5 The petitioner also provided a written submission to support their petition. The submission outlines the petitioner's argument that wage inflation is the main driver of expenses for low GST input businesses, and consequently these businesses are adversely impacted by the existing GST registration threshold.
- 6 The Petitions Committee has also requested the Minister of Revenue consider and comment on the possibility of legislation or a regulation that would allow the GST threshold to be updated on an annual basis in line with inflation.

### **Comment on petition's request and Ministerial response**

- 7 On 11 March 2024, the Petitions Committee referred the petition to a Minister for response.
- 8 Upon reflection, I recommend the GST registration threshold is not increased at this time. Increasing the registration threshold would likely have consequences for other small and medium sized businesses and would likely impose a significant fiscal cost.
- 9 Currently, businesses with an annual turnover of \$60,000 or more are required to be registered for GST. They are required to charge and collect GST on their sales, and they can claim back GST they have paid on their business costs.
- 10 The purpose of the registration threshold is to strike a balance between applying a broad-based GST system to almost all forms of consumption, not distorting business competition, and ensuring compliance costs are minimised where possible (especially

for small businesses). While inflation may be indirectly considered when evaluating the impact of compliance costs, inflation or changes to the minimum wage are not explicitly considered when setting the registration threshold.

- 11 New Zealand's GST system is highly regarded internationally, in part, because it broadly applies to a wide range of goods and services with very few exemptions. The GST system's broad base means there is a reduced risk of market distortion between GST registered and GST unregistered suppliers, as it's likely sale prices are subject to GST. Increasing the registration threshold to \$130,800 would narrow the GST base because it would apply to fewer goods and services sold in New Zealand. Furthermore, the costs of complying with GST have decreased for small businesses since the threshold was last increased in 2009.
- 12 There are concerns that adjusting the registration threshold annually may drive commercial behaviour and interfere with natural business growth. This is because some unregistered businesses whose annual turnover is approaching the registration threshold may choose to reduce their growth in the understanding they will remain under the increased threshold for another 12 months.
- 13 In the 2023 calendar year, GST registered taxpayers with an annual turnover between \$60,000 and \$130,800 accounted for approximately \$463.38 million of GST collected (or 1.7% of total GST collected). Although it is unlikely that all taxpayers would consequently deregister if the registration threshold was increased, these figures provide an indication of the potential impact if taxpayers were otherwise able to delay registering for GST.
- 14 Although adjusting the registration threshold by only inflation or minimum wage would not be the most appropriate methodology, as they do not take into account the considerations noted above, inflation would be the more appropriate measure given it relates to a broader range of costs for all businesses. When GST was introduced in 1986, the registration threshold was \$24,000. If the original threshold was inflation-adjusted to March 2024, it would be approximately \$65,774.
- 15 Micro and small and medium enterprises (SMEs) face the highest compliance costs relative to the amount of tax paid by them. There are several potential policy initiatives which seek to remove barriers and reduce compliance costs for SME taxpayers. These will be considered for prioritisation as part of setting the Government's Tax and Social Policy Work Programme.

### **Timing of the response**

- 16 The Ministerial response must be presented to the House by 5 June 2024, in accordance with Standing Order 380.

### **Consultation**

- 17 This Cabinet paper was prepared by Inland Revenue. Treasury was informed of this Cabinet paper.

## **Communications**

- 18 The Minister of Revenue will present the Minister's response to the petition in the House of Representatives. No further publicity is required.

## **Proactive Release**

- 19 The Minister proposes to release this paper proactively following the presentation of the Ministerial response.

## Recommendations

The Minister of Revenue recommends that the Cabinet Legislation Committee:

- 1 note that on 11 March 2024 the Petitions Committee referred the Petition of Alisha Riley to a Minister for response;
- 2 note the petitioner's request, that the Government increases the GST registration threshold to \$130,800;
- 3 note the submission of the Minister of Revenue and in particular their advice that the GST registration threshold should not be increased, as a higher registration threshold would likely have consequences for other small and medium sized businesses and would likely impose a significant fiscal cost;
- 4 approve the Ministerial response to the Petition of Alisha Riley, attached to this submission;
- 5 note that the Ministerial response must be presented to the House by 5 June 2024;
- 6 invite the Minister of Revenue to present the Ministerial response to the House in accordance with Standing Order 380;
- 7 invite the Minister of Revenue to write to the petitioner enclosing a copy of the Ministerial response to the petition, after the response has been presented to the House.

Hon Simon Watts

Minister of Revenue



# Cabinet Legislation Committee

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Ministerial Response to the Petition of Alisha Riley to Increase the GST Threshold

**Portfolio**                      **Revenue**

On 23 May 2024, the Cabinet Legislation Committee:

- 1        **noted** that on 11 March 2024, the Petitions Committee referred the Petition of Alisha Riley to a Minister for response;
- 2        **noted** the petitioner's request, that the Government increase the GST registration threshold to \$130,800 in annual turnover;
- 3        **noted** the response of the Minister of Revenue, in particular the advice that the GST registration threshold should not be increased, as a higher registration threshold would likely have consequences for other small and medium-sized businesses and would likely impose a significant fiscal cost;
- 4        **approved** the response to the Petition of Alisha Riley, attached to the paper under LEG-24-SUB-0108;
- 5        **noted** that the response must be presented to the House by 5 June 2024;
- 6        **invited** the Minister of Revenue to present the response to the House in accordance with Standing Order 380;
- 7        **invited** the Minister of Revenue to write to the petitioner enclosing a copy of the response, once the response has been presented to the House.

Sam Moffett  
Committee Secretary

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**Present: (see over)**

**Present:**

Rt Hon Winston Peters  
Hon Chris Bishop (Chair)  
Hon Dr Shane Reti  
Hon Paul Goldsmith  
Hon Tama Potaka  
Hon Nicole McKee  
Hon Casey Costello  
Hon Simon Watts  
Hon Andrew Bayly  
Hon Penny Simmonds  
Hon Andrew Hoggard  
Jamie Arbuckle, MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for LEG





# Cabinet

## Minute of Decision

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### **Report of the Cabinet Legislation Committee: Period Ended 24 May 2024**

On 27 May 2024, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 24 May 2024:

Not in scope



Not in scope



Portfolio: Revenue

Not in scope

Diana Hawker  
for Secretary of the Cabinet