25OIA1533

21 November 2024

Dear

Thank you for your request made under the Official Information Act 1982 (OIA), received on 31 October 2024. You requested the following documents:

- *Inland Revenue Briefing Note BN2024/375: FamilyBoost information requested and contingency plans.*
- *Joint Report by the Treasury and Inland Revenue T2024/1960: Tax Policy Scorecard Update - Options around future of the Scorecard.*
- *Inland Revenue Briefing Note BN2024/389: Tax Justice Aotearoa report on high earner tax rates.*

Information being released

I am releasing the three documents requested, attached as **Appendix A**, **B** and **C** respectively, with some information withheld under section 9(2)(a) of the OIA, to protect the privacy of natural persons.

As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

Right of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: commissionerscorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

If you choose to have an internal review, you can still ask the Ombudsman for a review.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely

Thomas Allen
Domain Lead, Governance and Ministerial Services

Appendix A

Inland Revenue
Te Tari Taake

Briefing note

Reference:	BN2024/375
Date:	12 September 2024
To:	Private Secretary, Minister of Revenue – Angela Graham Private Secretary, Minister of Revenue – Helen Kuy Private Secretary, Minister of Finance – Emma Grigg
Copy to:	James Grayson, Acting Commissioner Lisa Barrett, Deputy Commissioner Joanne Petrie, Executive Support Advisor to Commissioner Denise Wright Management Support to Deputy Commissioner Sue Gillies, Customer Segment Lead - Families Joanne Taranaki, Enterprise Leader – CCS Planning, Design and Delivery
From:	Sue Gillies, Customer Segment Lead - Families
Subject:	**FamilyBoost information requested and contingency plans**

Purpose

1. The purpose of this note is to provide the information that you have requested about applying for children's IRD numbers and training for Early Childhood Education providers.

2. We have also outlined our contingency plans for FamilyBoost.

Information requested

3. You have requested information on how easy it is for a child to get an IRD number.

4. You have also asked about ECE providers being given an opportunity to be taught the claims process.

Applying for IRD numbers for children

5. In recent years, we have received over 200,000 individual IRD number applications each year. Applying for an IRD number is a relatively straight forward process.

6. A parent can apply for an IRD number for their newborn child when they register the birth with Department of Internal Affairs. Many people now use the 'SmartStart' website to register the birth of their child. SmartStart is a website managed by the Department of Internal Affairs (DIA), providing information to expecting and new parents about the services and financial assistance available to them. There is no cost for registering a birth or for applying for an IRD number.

7. If an IRD number wasn't issued as part of the DIA process, the parent or caregiver will need to complete an IRD number application for their child.

8. As part of the IRD number application process, the parent or caregiver will need to have identity documents for both themselves and their child.

9. If the parent or caregiver and child are in New Zealand and the child is a New Zealand or Australian Citizen or holds a New Zealand or Australian resident visa, they can apply online or with an IRD number application form (IR595). Once they have applied, they will need to take the required identity documents to an AA driver licensing agent or to an Inland Revenue office to be verified.

10. If the child is not a New Zealand or Australian Citizen or does not hold a New Zealand or Australian resident visa, the parent or caregiver will need to complete a non-resident/offshore individual IRD number application (IR742) for their child and email it to us. As part of this we will confirm that their parent or caregiver applying for FamilyBoost is a New Zealand tax resident.

11. Once the application has been received and the identity documents have been verified, the parent will receive their child's IRD number by text or email within 2 working days, or by post within 10 working days.

Supporting Early Childhood Education providers with the claims process

12. There is no one-to-one training being provided to Early Childhood Education (ECE) providers, but we are providing them with all the information they need to support caregivers.

13. To date this has included:
    - a webinar and Q&A session,
    - FamilyBoost fact sheets, and
    - regular email updates with information on invoicing requirements, what caregivers need to submit a claim and tips to help caregivers with their claims.

14. When invited we are attending meetings with ECE industry bodies to discuss FamilyBoost and the registration and claims process.

15. Our External Relationship Managers are regularly engaging with the Student Management Software providers that support the ECE providers and sharing information that they can pass on to their ECEs. We will send further reminder emails when registrations and claims open.

16. We will also be providing them with instructions they can use to either assist caregivers with their claims or share with caregivers. The instructions will cover the different steps in myIR and what action they need to take.

17. The instructions are currently being tested with customers to ensure they are helpful and provide the information they need to complete their claim.

FamilyBoost contingency plans

18. We have forecast up to 100,000 families may receive FamilyBoost during the first year, with up to 21,000 families receiving the full amount over the year.

19. FamilyBoost registrations will open in myIR on Tuesday 17 September. Caregivers can claim FamilyBoost for the July – September quarter in myIR from Tuesday 1 October. We will begin to see caregivers receiving payments from 4 October, allowing time to confirm income information.

20. Marketing and communications activities to support registrations and claims opening have already started and will continue through September and October. This includes advertising across digital and social media, radio and outdoor. From 17 September we will be suggesting to caregivers and ECE's that caregivers register before claims open on 1 October, so they are ready to claim.

21. We have resourced based on the forecast figures, and we’ve been working to ensure we have our core work in a good position, in preparation for delivery of FamilyBoost.

22. As FamilyBoost is a new product, we don’t know how customers will behave when registering and claiming. We know that some caregivers may wait until claims open before registering for FamilyBoost. Queries to date also indicate that caregivers may choose to wait and make multiple claims together (for example four claims at once).

23. Caregivers may contact us for assistance with their first claim, but we anticipate this will decrease over time as they become more familiar with the claims process.

24. Our people are ready to support caregivers with their claims. If a caregiver brings their own device into our Front of House, we will be able to step them through the process on their device. If the caregiver does not bring a device, they will be talked through the process and given a copy of instructions to take with them.

25. We have a contingency plan prepared for if FamilyBoost contacts or uptake are higher than anticipated and a contingency plan for if uptake is lower than anticipated. For FamilyBoost purposes, uptake refers to caregivers who have made a claim and received a FamilyBoost payment.

Potential actions if uptake is lower than anticipated

26. We can increase our advertising, this could include:
    - adding additional channels we aren't currently using (e.g. editorials in family-related magazines and other print publications),
    - increasing duration of advertising activity (e.g. running radio in longer bursts),
    - putting more money behind our advertising so it reaches more people at a higher frequency.

27. We can put out media releases which would be picked up and circulated by key media outlets with nationwide reach.

28. We can send more communications to Early Childhood Education providers directly.

29. We can also continue to liaise with community organisations, key industry bodies and other Government organisations that support caregivers to ensure they are promoting FamilyBoost to their customers.

Potential actions if uptake or contacts are higher than anticipated

30. While FamilyBoost will be delivered by specific teams, it is a priority, and we can bring in people from the wider business as needed.

31. We can offer overtime to our people to respond to web messages and complete manual review work.

Early life support

32. As part of our standard procedures, there will be an early life support period. During this period, we will be closely monitoring themes coming from our customers and people, so that we can quickly address any issues that may arise and opportunities to improve.

33. During the early life support period there will be standard reporting that will be created. We will share this with you on a weekly basis through the standard status report process. The report will include the following information:

- Registrations – number received and accounts registered
- Claims accepted - received and processed (accepted)
- Number of Claims and Registrations falling into manual review
- Total amount of FamilyBoost paid out over all quarters and/or per quarter
- How long to process claims from date received
- How long to process registrations from date received
- Call, web message and Front of House stats

Sue Gillies
Customer Segment Lead - Families
s 9(2)(a)

Appendix B

Inland Revenue
Te Tari Taake

POLICY AND STRATEGY

TE TAI ŌHANGA
THE TREASURY

Tax Policy Report: Tax Policy Scorecard Update - Options around future of the Scorecard

Date:	19 September 2024	**Report No:**	T2024/1960 IR2024/372
		File Number:	SH-13-5-8

Action Sought

	Action Sought	**Deadline**
Hon Nicola Willis **Minister of Finance**	**Note** the recommendations. **Agree** to an option for the future of the Scorecard.	4 October
Hon Simon Watts **Minister of Revenue**	**Note** the recommendations. **Agree** to an option for the future of the Scorecard.	4 October

Contact for Telephone Discussion (if required)

Name	**Position**	**Telephone**		**1st Contact**
Connor Haythornthwaite	Analyst, Tax Strategy, Treasury	s 9(2)(a)	s 9(2)(a)	✓
Jean Le Roux	Manager, Tax Strategy, Treasury	s 9(2)(a)	s 9(2)(a)	
Claire McLellan	Acting Policy Lead, Inland Revenue	s 9(2)(a)	s 9(2)(a)	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury and Inland Revenue.

Note any feedback on the quality of the report

Enclosure: No

Tax Policy Report: Tax Policy Scorecard Update - Options around future of the Scorecard

Purpose of report

1. This report provides you with the regular update on the Tax Policy Scorecard's balance,[1] the likely effect on the balance of upcoming changes, which changes officials have prioritised, and why.

2. This report also seeks decisions on your preferred option for managing the financial impacts of tax policy changes through the Scorecard.

The Tax Policy Scorecard

3. The Scorecard is a memorandum account that allows the fiscal impacts of tax policy changes to be offset against one another, rather than being managed through Budget allowances or the between-Budget contingency. The Scorecard is expressed as a balance of the cumulative fiscal impact of all revenue-positive and revenue-negative policies managed against it. The balance covers all years from commencement of the Scorecard in 2008/09 to the end of the forecast period (which is currently 2027/28).

4. In November 2021, the then Ministers of Finance and Revenue agreed, in order to improve accountability and transparency, that:[2]

   a the Scorecard should be the default mechanism for managing the direct fiscal impacts of tax policy changes that improve the tax system, excluding structural changes, social policy, and departmental spending; and

   b the Scorecard should be broadly revenue-neutral over time, and its balance should not fall below zero nor exceed $200 million over the forecast period; and

   c Inland Revenue and the Treasury should report approximately 2-3 times each year on the Scorecard's balance, the likely effect on the balance of upcoming changes, which changes officials have prioritised, and why.

5. The Scorecard provides a way for tax revenue to be reprioritised outside of the Budget process for the maintenance and improvement of the tax system. Tax policy and remedial changes managed against the Scorecard are by default traded-off against each other and not against other Budget priorities. The November 2021 report described this as a principled deviation from the Fiscal Management Approach.[3]

6. Tax revenue changes that are managed against the Scorecard are included in the tax revenue forecasts with a corresponding impact on the operating balance before gains and losses (OBEGAL) and/or net core Crown debt.

[1] The previous Scorecard update report was provided to you in February 2024 (Tax Policy Scorecard Update February 2024, T2024/472 refers).

[2] Tax Policy Scorecard Review (T2021/1273, IR2021/551 refers).

[3] Tax Policy Scorecard Review (T2021/1273, IR2021/551 refers).

7. Changes that cannot be managed through the Scorecard should instead be considered through the Budget process. If Ministers consider that the change is sufficiently urgent and high-value, in exceptional circumstances, they can recommend to Cabinet to consider pre-committing the fiscal impacts against the Budget allowance or managing them through the between-Budget contingency (BBC).

The Scorecard's balance

8. The Scorecard's balance was $27.232 million over the forecast period as of 29 February 2024 when officials last reported on it.

9. Since then, there have been 21 changes (largely connected to the current Annual Rates Bill) charged to it at a total net cost of $9.994 million as per the table in Appendix One, taking the balance to $17.238 million as of 19 September 2024.

10. The decline of the balance over this period has largely been driven by a single change (R&D Tax Incentive: filing under incorrect entity name), the other 20 changes have had a net impact of ~$1 million.

11. We note that, as has been the practice in previous years, the forecast period will roll out to include the 2028/29 year from October 2024. This roll-out will increase the Scorecard balance to $25.805 million over the forecast period.

12. There is currently one pending policy change (deductibility of Fonterra's distributions, IR2024/273 refers), which could be charged against the Scorecard. If this change is agreed to, and charged against the Scorecard, this would bring the balance to $1.238 million ($0.805 million after the roll-out of the balance in October 2024).

Issues arising from the low balance of the Scorecard

13. Between 2016 and 2023, the Scorecard remained broadly revenue-neutral, operating on a model of larger revenue-positive changes being offset by a stream of smaller revenue-negative changes. Since its inception in 2009 the Scorecard has never been funded from the centre (i.e. through Budget operating allowances).

14. The last significant revenue-positive change ($11 million per annum from 2024/25 onwards) managed against the Scorecard was in January 2023.[4] In August 2023, there was a significant revenue-negative change charged against the Scorecard,[5] costing $58 million over the forecast period. Since that change, the Scorecard balance has declined steadily from $52.232 million to $17.238 million (as noted above, an upcoming change could reduce the balance to $1.238 million, if agreed).

15. In recent times, within a tight fiscal environment, significant revenue-positive tax changes have been consolidated into the Budget process (e.g. Crypto-Asset Regulatory Framework being managed against the Budget 2024 operating allowance instead of the Scorecard). In the meantime, revenue-negative tax changes have tended to be charged against the Scorecard. This practice is particularly problematic given the already low balance of the Scorecard.

[4] Gig Economy (Income Tax Compliance) – IR2022/366 refers.

[5] Extending deductibility of co-operative dividends - CAB-23-MIN-0397, DEV-23-MIN-0186 refers.

16. The low balance of the Scorecard will make it increasingly difficult to progress revenue-negative tax policy changes that support the functioning and improvement of the tax system. A well-functioning tax system is important to the broader economy and is particularly important to taxpayers. Inland Revenue considers that trust in the system can be undermined where policy settings, or interpretation of existing legislation contrary to intended policy outcomes, result in situations where taxpayers are overpaying tax and the inability to manage the financial cost means that reasonable policy results cannot be achieved.

17. We note that issues will arise during the select committee process for the Annual Rates Bill that have financial implications, either through public submissions, or as matters raised by officials. Accordingly, decisions may need to be made with relative urgency on whether to progress changes with financial implications, and what funding mechanism to use. The Scorecard is the default mechanism to fund these changes, and in the absence of an appropriate alternative funding mechanism, important changes to the Bill may be constrained.

18. In general, Annual Rates Bill processes do not align well with the Budget cycle. Budget policy decisions, and associated funding requests, are typically approved in April prior to Budget announcements in May. Annual Rates Bill policy and remedial decisions (and associated funding requests) are typically approved in June or July (and much later in the year for changes arising out of the select committee stage).

19. In the absence of out-of-cycle funding (which the Scorecard facilitates), the Bill process would need to have funding requests made significantly earlier. This would impact the Annual Rates Bill timeline, and the relevance and speed of delivery for proposed changes. The current timeline is framed around an August introduction date, with a four to six-month period for the Select Committee to consider the Bill, and enactment before 1 April of the following year.

Options to manage the financial impacts of tax policy changes

20. Considering the low balance of the Scorecard and the potential issues covered above, officials have identified three options for managing the financial impacts of tax policy changes going forward:

    Option 1: Maintain the current scope of the Scorecard and direct officials to report back on what revenue-positive tax policy changes from the Tax and Social Policy Work Programme (the Work Programme) could be managed against the Scorecard. (***Officials' recommended option***).

    Option 2: Limit the scope of the Scorecard as a funding mechanism to minor tax policy and remedial changes only (e.g. changes below $1 million per annum). This would involve directing officials to report back with further advice on amending the scope of the Scorecard.

    Option 3: Disestablish the Scorecard. This would involve directing officials to report back with further advice on disestablishing the Scorecard.

21. Officials have outlined the options in further detail in the tables below:

Option 1 – Maintain current scope

Details	Keep the Scorecard as the default funding mechanism for tax policy and remedial changes. Would require revenue from changes progressed through the Work Programme to be managed against the Scorecard.
Impact on funding of changes	Tax policy and remedial changes would be by default traded-off against each other and not against other Budget priorities. Would reduce the amount of revenue from tax policy changes that can be used to fund Budget priorities. Ministers retain discretion around which avenue to manage the financial impacts of tax policy and remedial changes (Scorecard or Budget operating allowance or the between-Budget contingency). Would not result in an increase in out-of-cycle funding requests.
Impact on the tax system	Prioritises the maintenance and improvement of the tax system. Remedial changes managed against the Scorecard will continue to only require Joint Ministers approval. This retains the ability to progress changes in a timely manner by avoiding the need to go through the Budget process or out-of-cycle funding process (both requiring Cabinet approval). Policy changes tend to need Cabinet approval. However, the Scorecard ensures that you retain the ability to progress these quickly without the need for an out-of-cycle funding request.
Other considerations	Ministers could manage a portion rather than the entire amount of revenue from a tax policy change against the Scorecard. Clear prioritisation of which tax policy and remedial changes are progressed would help to ensure that the Scorecard remains revenue-neutral over time. Additionally, a revenue-positive Work Programme would allow you to improve the balance of the Scorecard sufficiently to prevent these issues from recurring.

Option 2 – Limit scope

Details	Any tax policy or remedial changes exceeding the set threshold (e.g. changes larger than $1 million per annum) would require funding through alternative mechanisms (such as the Budget operating allowance or the between-Budget contingency).
Impact on funding of changes	Minor tax policy and remedial changes would by default be traded-off against each other and not against other Budget priorities. Changes exceeding the set threshold would be traded-off against other Budget priorities.

	Remedial changes exceeding the set threshold would require Cabinet approval for funding (they only require Joint Ministers approval if managed against the Scorecard). This would make it difficult to progress these changes in a timely manner. Ministers retain ultimate discretion to manage the financial impacts of tax policy and remedial changes against the Scorecard or alternative funding mechanisms. Revenue from tax policy changes would be available to fund changes to the tax system with a cost larger than the set threshold and/or other Budget priorities through the Budget process. May result in an increase in out-of-cycle funding requests, particularly as Bill processes do not align well to the Budget cycle.
Impact on the tax system	Prioritises the maintenance and improvement of the tax system only through minor tax policy and remedial changes. Deprioritises changes that target maintenance and improvement of the tax system with costs that exceed the set threshold. May undermine trust in the tax system if the Government is unable to respond to issues in a timely manner.
Other considerations	Setting the threshold will create a relatively arbitrary cut-off point and will lead to further issues (such as whether the threshold should be inflation indexed). Diminishes the ability to reprioritise in the tax revenue space, for changes that exceed the set threshold, outside of the Budget process. In theory revenue-neutral or revenue-positive packages are possible for tax policy and remedial changes (outside of Budget). In practice, any change over the set threshold that is unable to be netted-off against other changes, at the time of approval, would require central funding.

Option 3 – Disestablish Scorecard

Details	Disestablishing the Scorecard would mean that all tax policy and remedial changes would require funding through alternative mechanisms (such as the Budget operating allowance or the between-Budget contingency).
Impact on funding of changes	All tax policy and remedial changes would be traded-off against other Budget priorities. All tax policy and remedial changes would require Cabinet approval for funding. This would make it difficult to progress changes in a timely manner. Revenue from tax policy and remedial changes would be available to fund changes to the tax system and/or other Budget priorities.

	Would result in an increase in out-of-cycle funding requests, particularly as Annual Bill processes do not align well to the Budget cycle.
Impact on the tax system	Deprioritises the maintenance and improvement of the tax system. Would undermine trust in the tax system as the Government becomes less able to respond to tax issues in a timely manner.
Other considerations	Removes the ability to reprioritise in the tax revenue space, outside of the Budget process. In theory revenue-neutral or revenue-positive packages are possible for tax policy and remedial changes (outside of Budget). In practice, any change that is unable to be netted-off against other changes, at the time of approval, would require central funding.

Tax and Social Policy Work Programme Implications

22. Officials have recently reported to you on the setting of the Work Programme. (TR2024/2482; IR2024/362 refers).

23. There are a number of tax policy changes being considered for the Work Programme that improve the tax system and are not structural or social policy changes and therefore would by default be managed against the Scorecard.

24. The current low balance of the Scorecard means that none of the revenue-negative changes can be charged without revenue-positive changes being managed alongside them. If you agree to Option 1, officials will report back to you on what revenue-positive tax policy changes from the Work Programme could be managed in whole or partially against the Scorecard. Managing revenue-positive tax policy changes against the Scorecard would have to be traded-off against funding other Budget priorities through the Budget process.

25. Progressing a revenue-positive Work Programme would allow you to improve the balance of the Scorecard sufficiently to prevent these issues from recurring, provided that there was also clear prioritisation of what revenue-negative items are progressed.

26. Inland Revenue considers the Scorecard to be important for the remedials aspect of the work programme. Outstanding remedial items with financial impacts will be more publicly visible if a remedial issues log is published (the Minister of Revenue has asked Inland Revenue to prepare a proposal for this). Inland Revenue expect that not progressing remedials in a timely manner because of their cost would result in complaints from stakeholders.

Next steps

27. Officials will report back to you in line with the option you choose.

28. Officials propose to report in February 2025 on any further changes to the Tax Policy Scorecard's balance, if you wish to continue to support its operation.

Recommended Action

We recommend that you:

a **note** that Ministers previously instructed officials to provide regular updates on the balance of the Tax Policy Scorecard (“the Scorecard”);

Hon Nicola Willis	Hon Simon Watts
Noted	Noted

b **note** that the Scorecard’s balance as of 19 September 2024 is $17.238 million over the forecast period;

Hon Nicola Willis	Hon Simon Watts
Noted	Noted

c **note** that you have a pending decision that could reduce the balance of the Scorecard to $1.238 million over the forecast period (IR2024/273 refers);

Hon Nicola Willis	Hon Simon Watts
Noted	Noted

d **note** that the low balance of the Scorecard and the current fiscal environment (tension around managing any significant revenue-positive changes against the Scorecard or the Budget operating allowance) will make it increasingly difficult to progress revenue-negative tax policy changes that support the functioning and improvement of the tax system;

Hon Nicola Willis	Hon Simon Watts
Noted	Noted

EITHER:

e **agree** to maintain the current scope of the Scorecard and direct officials to report back on what revenue-positive tax policy changes from the Tax and Social Policy Work Programme could be managed against the Scorecard (Option 1 - ***Officials’ recommended option***);

Hon Nicola Willis	Hon Simon Watts
Agreed/Not agreed	Agreed/Not agreed

OR

e **agree** to limit the scope of the Scorecard as a funding mechanism to only minor tax policy and remedial changes (e.g. changes below $1 million per annum), and direct officials to report back with further advice on amending the scope of the Scorecard (Option 2);

Hon Nicola Willis	Hon Simon Watts
Agreed/Not agreed	Agreed/Not agreed

OR

e **agree** to disestablish the Scorecard and manage the financial implications of all future tax policy and remedial changes against alternative funding mechanisms such as the Budget operating allowance or the between-Budget contingency, and direct officials to report back with further advice on disestablishing the Scorecard (Option 3).

Hon Nicola Willis
Agreed/Not agreed

Hon Simon Watts
Agreed/Not agreed

Jean Le Roux
Manager
The Treasury

Claire McLellan
Acting Policy Lead
Inland Revenue

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Hon Simon Watts
Minister of Revenue

_____/_____/_______

Appendix One: Changes added to the Scorecard between 29 February 2024 and 19 September 2024

	$m – increase / (decrease)					
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28 & Outyears**	**Total (over current forecast period)**
R&D Tax Incentive: Filing under incorrect entity name	(9.000)	-	-	-	-	**(9.000)**
AIL retrospective registration	-	(0.050)	(0.200)	(0.200)	(0.200)	**(0.650)**
Exempt ESS increase	-	(0.017)	(0.070)	(0.070)	(0.070)	**(0.227)**
R&D Credit – ICA's and Continuity Breaches	-	(0.050)	(0.200)	(0.200)	(0.200)	**(0.650)**
GST – Platform Economy – Time of Supply – Accommodation	-	(0.200)	-	-	-	**(0.200)**
GST – Zero rating and international vessels exempt from import entries	-	(0.050)	(0.200)	(0.200)	(0.200)	**(0.650)**
GST – Flat rate credit and apportioned expenses	-	0.200	0.200	0.200	0.200	**0.800**
GST – Supply correction information amendment	-	0.200	0.200	0.200	0.200	**0.800**
GST – Property developer definition	-	0.050	0.200	0.200	0.200	**0.650**
Trusts and foreign tax credits	-	-	0.007	0.007	0.007	**0.021**
Repeal of land tax spreading provision (sale to Crown)	-	0.028	0.131	0.169	0.094	**0.422**
Veteran affairs lump sum payments	-	(0.020)	(0.080)	(0.080)	(0.080)	**(0.260)**
Section CB 15E – subdivided land expanded scope	-	(0.050)	(0.200)	(0.200)	(0.200)	**(0.650)**
Section CB 15E (3) – correct understated income	-	0.050	0.200	0.200	0.200	**0.650**
NRWT/Transfer pricing time bar adjustment	-	-	-	-	-	**-**
Thin cap – interest free loan exclusion – settlors of trusts	-	-	(0.500)	(0.500)	(0.500)	**(1.500)**
Thin cap – interest free loan exclusion – grouping	-	-	(0.200)	(0.200)	(0.200)	**(0.600)**
GST – Sale of land between associated persons	-	1.000	1.000	1.000	1.000	**4.000**
Employer reimbursements for offsite vaccinations	-	(0.090)	(0.370)	(0.370)	(0.370)	**(1.200)**
Qualifying Registered Overseas Pensions	-	-	-	-	(1.600)	**(1.600)**
GST changes related to imports	-	-	(0.050)	(0.050)	(0.050)	**(0.150)**
Total	**(9.000)**	**1.001**	**(0.132)**	**(0.094)**	**(1.769)**	**(9.994)**

Appendix C

Inland Revenue
Te Tari Taake

Policy
Taukaea
55 Featherston Street
PO Box 2198
Wellington 6140
New Zealand

T. 04 890 1500

Briefing note

Reference:	BN2024/389
Date:	20 September 2024
To:	Revenue Advisor, Minister of Finance – Emma Grigg Revenue Advisor, Minister of Revenue – Angela Graham Private Secretary, Minister of Revenue – Helen Kuy
cc:	Peter Mersi, Commissioner David Carrigan, Deputy Commissioner Paul Kilford, Policy Director Kerryn McIntosh-Watt, Policy Director Phil Whittington, Policy Director Joanne Petrie, Executive Support Advisor to the Commissioner Jill Compton, PA to Deputy Commissioner Governance, Ministerial & Ministerial Services
From:	Phil Whittington
Subject:	**Tax Justice Aotearoa report on high earner tax rates**

1. On 19 September 2024, Tax Justice Aotearoa released a report they commissioned from Max Rashbrooke, looking at the taxation of high-income earners in New Zealand compared with those from other developed countries.[1] The report is based on an OECD paper.[2] The Minister of Finance's office asked for a note on the report.

2. Officials' view is that it is challenging to draw strong conclusions from the OECD study and the Rashbrooke note. This is because it relies on stylised scenarios and assumptions. Different assumptions could lead to different outcomes.

3. For example, Rashbrooke's comparison focuses on salary and capital gains and does not consider the taxation of business income and retained earnings in companies. This is likely to be important as business income is important for top earners.

4. In addition, the OECD study includes social security contributions that are common in many other countries. However, it does not include consumption taxes such as GST which is higher in New Zealand (when accounting for its broad base in New Zealand) than some other countries.

5. Despite these observations, we can conclude that top earners in New Zealand who earn significant capital gains are likely to have relatively lighter taxation than in many other countries. However, it is challenging to draw broader conclusions about the overall taxation of top earners from the research.

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[1] Rashbrooke, M. (2024). *High earner tax rates: New Zealand in context*. School of Government, Victoria University of Wellington.

[2] Hourani, D., Millar-Powell, B., Perret, S., & Ramm, A. (2023). *The taxation of labour vs. capital income: A focus on high earners*. OECD Taxation Working Papers No. 65. https://dx.doi.org/10.1787/04f8d936-en

6. The report compares tax rates for high earners in New Zealand and nine other countries under different scenarios (100% salary, 100% capital gains, and a 50:50 split). New Zealand's effective tax rate for a high earner with a 50:50 income split is 14%, significantly lower than the 28-44% range in comparator countries.

7. Rashbrooke presents the following table for someone earnings 5x the average wage in each individual country.

Country	Tax rate if income is 100% salary	Tax rate if income is 100% capital gains	Tax rate if half salary, half capital gains
New Zealand	33%	0%	14%
Australia	41%	17%	29%
US	37%	20%	28%
UK	42%	17%	28%
Canada	45%	17%	31%
Denmark	51%	42%	44%
Norway	42%	31%	35%
Germany	44%	26%	35%
Belgium	55%	0%	26%
Spain	37%	22%	26%

8. Treasury was consulted on this briefing note and agrees with our view of the report.

Phil Whittington
Chief Economist
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