



EMBARGOED UNTIL 11.00 AM WEDNESDAY 5 APRIL 2006

Business Organisations Want Lower, Flatter Tax Structure

Business organisations representing a broad cross-section of New Zealand businesses have told the government they want a lower, flatter tax structure to come out of the business tax review.

Federated Farmers, the New Zealand Business Roundtable and the New Zealand Chambers of Commerce advocate lowering the top and middle personal tax rates to 28 percent and the company rate to 25 percent in two steps by 2009/10. The Institute of Chartered Accountants of New Zealand supports the proposals, but has a preference to have the corporate and individual rates aligned.

In a letter to the prime minister accompanying the proposed package (copies attached), the organisations state: "We see it as consistent with the government's commitment to a 'bold' review. However, if the government is not prepared to go that far, we recommend reducing the top personal tax rate to 33 percent and the company rate to 28 percent as an immediate step."

Charles Finny, a director of the New Zealand Chambers of Commerce, said that the review was a business tax review, not a review of company tax alone. "Around 40 percent of New Zealand businesses are unincorporated – for example as sole traders or partnerships – and would not benefit directly from reductions in company tax.

"However, the Chambers are also concerned that New Zealand's company tax rate compares favourably with Australia's, which, at 30 percent, is already below ours and may fall further in the period ahead."

Federated Farmers president Charlie Pedersen said the personal tax rate mattered most for most farming businesses. Farmers favoured across-the-board tax reductions, not special tax concessions for favoured industries or activities.

Business Roundtable executive director Roger Kerr said that the group's approach was consistent with the advice the government received in 2001 from the McLeod Tax Review. It favoured a lower, flatter tax structure with an alignment of company and other entity tax rates, and the proposal was a major step in that direction.

The tax director of the Institute of Chartered Accountants, Craig Macalister, said that the Institute's emphasis on alignment of company, trustee and personal tax rates recognised the need to reduce taxation compliance costs and ensure more certainty in the use of one business structure over another.

The group said that the package would benefit investment, employment, productivity and economic growth in New Zealand; improve the international attractiveness of New Zealand's tax structure; and be fiscally responsible. Broad parameters of a strategy for funding the package had been considered, including the revenue benefits to the economy of the impetus to growth from a lower tax structure.

The introduction of a payroll tax to fund a reduction in the company tax rate was not seen as either necessary or as good tax policy.

Speaking for the group, Charles Finny stated: “The government has said it does not rule anything in or out in its review of business taxation.

“We believe the government would wish to hear what business wants from the review at an early stage. Our proposals would also benefit directly many other New Zealanders, and indirectly the economy as a whole.”

5 April 2006

For more information contact:

Charlie Pedersen
President
Federated Farmers of New Zealand (Inc)
Ph: +64 6 329 9896
Email: ptc.farm.nz@xtra.co.nz

Roger Kerr
Executive Director
New Zealand Business Roundtable
Ph: +64 4 499 0790
Email: rkerr@nzbr.org.nz

Charles Finny
Director
New Zealand Chambers of Commerce (Inc)
Ph: +64 4 914 6500
Email: CharlesF@wgtn-chamber.co.nz

Craig Macalister
Tax Director
Institute of Chartered Accountants of New Zealand
Ph: +64 4 474 7860
Email: craig.macalister@nzica.com