



## BUSINESS DECISION MAKERS' VIEWS ON TAX REFORM

This ShapeNZ survey reports the views of business decision makers (defined by occupations business manager, proprietor, self employed) on personal income tax reform issues.

The second (filter group) panel provides results for decision makers, the top panel results for the total sample of 901 respondents. The survey is weighted by age, gender, personal income, employment status and party vote 2005. At a confidence level of 95%, the maximum margin of error is 3.5%.

The Interim result covers responses between 5pm 29 September – 4.15pm 2 October, 2007. The respondents are a representative sample of the New Zealand population compared with the 2006 Census.

This survey was conducted to inform discussion on personal tax reform options at the Business Budget Summit 2007 (details at [www.budgetsummit.org.nz](http://www.budgetsummit.org.nz))

ShapeNZ is an online panel operated by the New Zealand Business Council for Sustainable Development to give the public an opportunity to have a say on policy options.

### CURRENT TAXATION

The New Zealand Government will this year spend about \$55 billion, covering the cost of health, education, benefits and other services.

Long term Treasury forecasts say to continue the present level of spending and growth of Government services the Government will need to keep spending about 30% of the country's production (Gross Domestic Product).

Do you think the current level of Government spending is

Please select one

#### Results for 903 total responses (format: Multichoice)

A. Much too low		2%
B. Too low		23%
C. About right		31%
D. Too high		26%
E. Much too high		11%
F. Don't know		7%

#### Results for the 272 people who meet the filter criteria

A. Much too low		2%
B. Too low		15%
C. About right		28%

D. Too high		35%
E. Much too high		16%
F. Don't know		5%



Do you think the current level of spending (30% of gross domestic product), if spent appropriately, is enough or not enough to give everyone a fair go in New Zealand?

Please select one

**Results for 901 total responses (format: Multichoice)**

A. More than enough		12%
B. Enough		41%
C. Not enough		34%
D. Much less than required		5%
E. Don't know		8%

**Results for the 272 people who meet the filter criteria**

A. More than enough		28%
B. Enough		48%
C. Not enough		16%
D. Much less than required		3%
E. Don't know		5%

If well spent, do you think the \$55 billion, or 30% of GDP the Government spends is too much or too little to help New Zealand grow and lift living standards?

Please select one

**Results for 900 total responses (format: Multichoice)**

A. Too much		15%
B. About right		44%
C. Too little		33%
D. Don't know		8%

**Results for the 271 people who meet the filter criteria**

A. Too much		29%
B. About right		47%
C. Too little		21%
D. Don't know		4%

Do you expect the government to cut personal tax next year?

Select one

**Results for 903 total responses (format: Multichoice)**

A. Yes		41%
B. No		42%
C. Don't know		11%
D. Comment		6%

**Results for the 272 people who meet the filter criteria**

A. Yes		55%
B. No		31%
C. Don't know		7%

D. Comment  7%

## FUTURE TAX POLICY

Currently New Zealand has a Goods and Services Tax (GST) rate of 12.5% and a corporate tax rate of 30%.

Personal tax rates are:

- 19.5% on income up to \$38,000 but because of low income rebate the effective tax rates are 15% up to \$9,500
- 21% between \$9,500 and \$38,000
- 33% between \$38,000 and \$60,000, and
- 39% above \$60,000.

We also pay on top of these rates 1.3% of income to the Accident Compensation Corporation.

Personal preferences

Do you believe the Government should lower personal income taxes?

Select one

### Results for 901 total responses (format: Multichoice)

A. Yes		76%
B. No		21%
C. Don't know		4%

### Results for the 271 people who meet the filter criteria

A. Yes		78%
B. No		21%
C. Don't know		1%

Do you believe the Government can afford to reduce personal income tax rates?

Select one

### Results for 900 total responses (format: Multichoice)

A. Yes		71%
B. No		22%
C. Don't know		7%

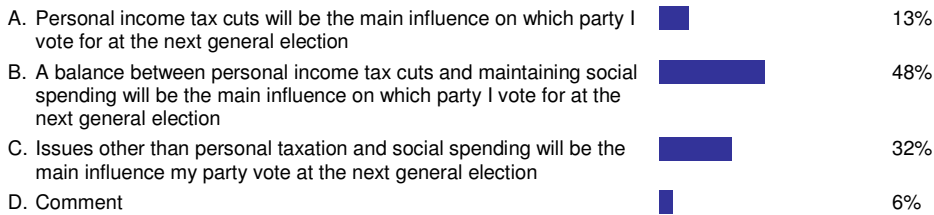
### Results for the 271 people who meet the filter criteria

A. Yes		77%
B. No		19%
C. Don't know		4%

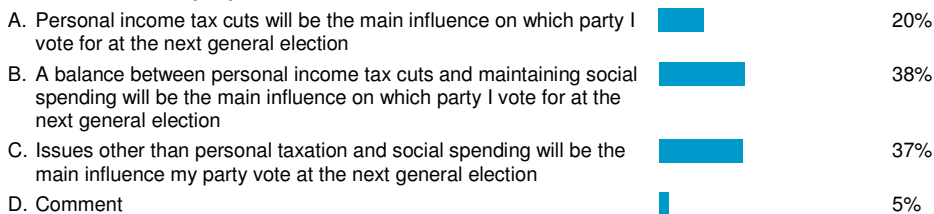
Thinking about how a political party's personal tax policy will influence which party you will vote for at the next general election, please select from the following

Select one

**Results for 895 total responses (format: Multichoice)**



**Results for the 268 people who meet the filter criteria**



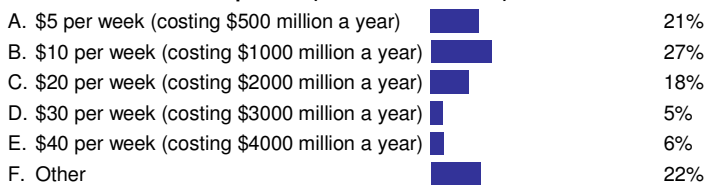
TAX CUT COSTS AND IMPACTS

**A \$10 per week tax cut given evenly to all personal tax payers would cost the government around \$1 billion dollars (\$1000 million) a year**

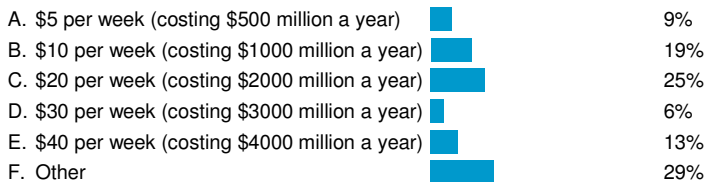
In dollar terms what size of tax cut would be personally acceptable to you?

Please select one

**Results for 881 total responses (format: Multichoice)**



**Results for the 265 people who meet the filter criteria**



Given a personal tax cut of \$10 per week would cost \$1 billion a year, would you still support a tax rate reduction if it meant the same or less spending in social areas like benefits, health and education?

Please select one

**Results for 894 total responses (format: Multichoice)**

A. Yes		31%
B. No		58%
C. Don't know		11%






**Results for the 270 people who meet the filter criteria**

A. Yes		46%
B. No		47%
C. Don't know		7%






Would you support or oppose a cut in personal income tax rates if a reduction meant a rise in prices and inflation?

Please select one

**Results for 893 total responses (format: Multichoice)**

A. Strongly support		3%
B. Support		17%
C. Oppose		50%
D. Strongly oppose		23%
E. Don't know		8%






**Results for the 269 people who meet the filter criteria**

A. Strongly support		9%
B. Support		27%
C. Oppose		39%
D. Strongly oppose		19%
E. Don't know		5%






Would you support or oppose a cut in personal income tax rates if a reduction meant a rise in prices and interest rates?

Please select one

**Results for 891 total responses (format: Multichoice)**

A. Strongly support		3%
B. Support		16%
C. Oppose		51%
D. Strongly oppose		22%
E. Don't know		8%

**Results for the 269 people who meet the filter criteria**

A. Strongly support		9%
B. Support		26%
C. Oppose		43%
D. Strongly oppose		18%
E. Don't know		4%

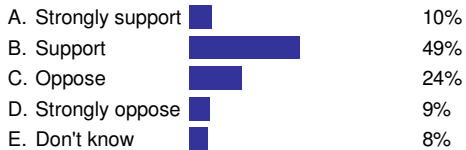
**TAX REFORM POLICY OPTIONS**

We would appreciate your views on three possible options for tax reform. Each option would allow Government spending to stay at the current level. One involves a short term smaller lowering of personal and corporate tax rates. A medium term option proposes greater lowering of personal and corporate tax rates. The third involves a significant reform, involving raising the Goods and Services Tax (GST) while introducing a single lower personal and corporate tax rate.

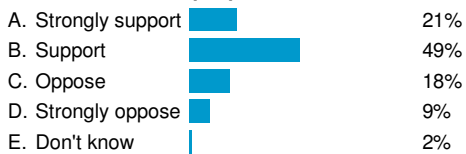
OPTION ONE - Shorter term tax rate reductions

OPTION ONE. This involves keeping GST at 12.5% and modest reductions in current tax rates: reducing the top individual tax rates of 39% and 33% to 30%, keeping the corporate tax rate at 30% and keeping the lower and middle tax rate at 19.5%. The Low Income Rebate would be kept for people earning \$9500 or less. Would you support or oppose this option?

**Results for 874 total responses (format: Multichoice)**



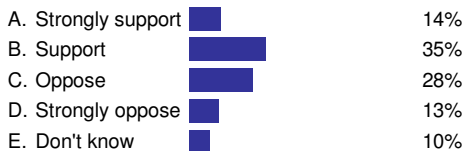
**Results for the 265 people who meet the filter criteria**



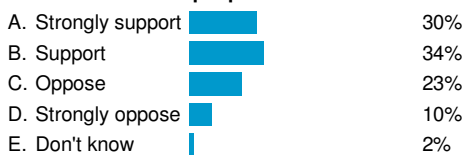
OPTION TWO - Medium term tax rate reductions

OPTION TWO - This involves keeping GST at 12.5% and reducing the two top individual tax rates of 39% and 33% to 28%, the corporate tax rate from 30% to 28% and keeping the lower and middle tax rate at 19.5%. The current Low Income Rebate would be kept for people earning \$9500 or less. Would you support or oppose this option?

**Results for 877 total responses (format: Multichoice)**



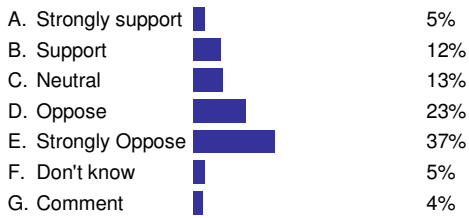
**Results for the 266 people who meet the filter criteria**



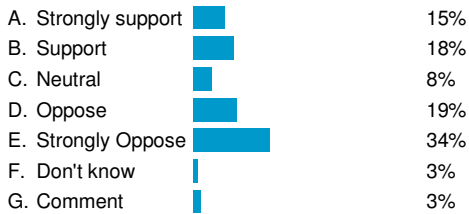
OPTION THREE - One policy option is to look at increasing GST from 12.5% to 20% and using the revenue to lower both personal and company tax to one rate of 20%. There would be a rebate for people earning \$10,000 or less to keep their tax rate at 15%.

Thinking about increasing GST to 20% and cutting personal and corporate tax rates to one rate of 20 cents in each dollar earned, while maintaining Government spending and increasing benefits to compensate for initial price rises caused by the GST increase, do you support or oppose this idea?

**Results for 844 total responses (format: Multichoice)**



**Results for the 258 people who meet the filter criteria**



Do you think the proposal to increase GST to 20% and introduce a single tax rate of 20 cents for each dollar earned is worthy of further investigation by policy makers?

**Results for 839 total responses (format: Multichoice)**



**Results for the 258 people who meet the filter criteria**



The proposal for a 20% rate for GST and tax will have the following possible outcomes. Please rate the importance of these to you, 1 being least important, 5 being very important

Costs of collection and compliance may be lower

**Results for 829 total responses (format: Rating)**



**Results for the 255 people who meet the filter criteria**



At 20% companies may choose to pay more tax in New Zealand than overseas (corporate rates are 30% in Australia and the UK, 35% in the USA)

**Results for 834 total responses (format: Rating)**



**Results for the 257 people who meet the filter criteria**



The use of trusts and other structures to minimise tax would be reduced as the benefits from their use would be less

**Results for 811 total responses (format: Rating)**



**Results for the 247 people who meet the filter criteria**



Fiscal drag from inflation, which pushes people into higher tax brackets, would cease, encouraging some people to work more hours for higher pay

**Results for 821 total responses (format: Rating)**



**Results for the 254 people who meet the filter criteria**



No matter at what level you are earning you could keep at least 80c of every additional dollar earned

**Results for 821 total responses (format: Rating)**



**Results for the 252 people who meet the filter criteria**



Some smart people being employed to find ways to minimise tax could instead use their skills in something more beneficial to society

**Results for 821 total responses (format: Rating)**



**Results for the 253 people who meet the filter criteria**



A lower, single level of tax and potentially a lower government revenue to GDP ratio, could help boost the growth rate

**Results for 813 total responses (format: Rating)**



**Results for the 253 people who meet the filter criteria**



Lower income taxes and higher GST would encourage savings and possibly help reduce the balance of payments deficit by encouraging exports

**Results for 819 total responses (format: Rating)**



**Results for the 252 people who meet the filter criteria**



People on incomes over \$38,000, and particularly earning \$60,000 or more would probably enjoy the greatest benefit in the short term

**Results for 826 total responses (format: Rating)**



**Results for the 257 people who meet the filter criteria**



Once a single tax is in place it will ensure politicians who want to spend more will have to increase tax rates, rather than rely on inflation increasing the tax take

**Results for 828 total responses (format: Rating)**



**Results for the 257 people who meet the filter criteria**



For some earning between \$10,000 and \$15,000 a year there will probably be a tax rise of about \$500 per year if a single 20% tax rate were introduced. Do you think special arrangements should be made to compensate these people during the transition to new tax rates?

**Results for 840 total responses (format: Multichoice)**








**Results for the 257 people who meet the filter criteria**








C. Don't know  7%

Of the three possible tax policy options please select the one you most prefer

**Results for 830 total responses (format: Multichoice)**







A. Option one: Short term - cutting the higher income tax rates of 39% and 33% to 30%, leaving middle/lower and corporate rates the same		25%
B. Option two: Medium term - cutting corporate and higher income tax rates to 28%, leaving middle/ lower rates the same		21%
C. Option three - Increasing GST to 20% and introducing one corporate and personal tax rate of 20%, with rebates for low income earners		24%
D. Don't know		15%
E. Comment		14%

**Results for the 255 people who meet the filter criteria**







A. Option one: Short term - cutting the higher income tax rates of 39% and 33% to 30%, leaving middle/lower and corporate rates the same		18%
B. Option two: Medium term - cutting corporate and higher income tax rates to 28%, leaving middle/ lower rates the same		29%
C. Option three - Increasing GST to 20% and introducing one corporate and personal tax rate of 20%, with rebates for low income earners		34%
D. Don't know		8%
E. Comment		11%

In its 2007 Budget the Government made it compulsory for companies to make contributions of 4% of salary to employees' retirement savings, being phased in over two years. Do you support or oppose this policy?

**Results for 841 total responses (format: Multichoice)**

A. Strongly support		25%
B. Support		43%
C. Oppose		14%
D. Strongly oppose		7%
E. Don't know		9%
F. Other		2%

**Results for the 258 people who meet the filter criteria**

A. Strongly support		31%
B. Support		37%
C. Oppose		16%
D. Strongly oppose		10%
E. Don't know		4%
F. Other		1%

Do you agree or disagree that New Zealand personal income tax rates should match or be lower than those in Australia?

**Results for 841 total responses (format: Multichoice)**







A. Agree		40%
B. Disagree		29%
C. Don't know		16%
D. Other		5%

**Results for the 260 people who meet the filter criteria**







A. Agree		47%
B. Disagree		25%
C. Don't know		15%
D. Other		9%

The Government's 2007 Budget introduced incentives for voluntary savings of 4% of personal income into KiwiSaver. Do you support or oppose this policy?

**Results for 842 total responses (format: Multichoice)**







A. Strongly support		25%
B. Support		50%
C. Oppose		11%
D. Strongly oppose		4%
E. Don't know		8%
F. Other		2%

**Results for the 260 people who meet the filter criteria**







A. Strongly support		34%
B. Support		45%
C. Oppose		9%
D. Strongly oppose		5%
E. Don't know		5%
F. Other		1%

As an alternative to tax cuts, would you support employers being required, over a period of years, to increase their compulsory contribution to employees' KiwiSaver accounts from 4% to 8%?

**Results for 839 total responses (format: Multichoice)**

A. Strongly support		11%
B. Support		29%
C. Oppose		30%
D. Strongly oppose		14%
E. Don't know		15%
F. Other		2%

**Results for the 257 people who meet the filter criteria**

A. Strongly support		9%
B. Support		24%
C. Oppose		32%
D. Strongly oppose		24%
E. Don't know		12%
F. Other		1%