What business wants from Budget 2017

Every year the Budget provides an opportunity to focus on what's important for NZ's future.

Business has a clear interest in decisions about where and how to invest available surplus funds: in 2017 the greatest needs are to reduce tax and invest in exports, innovation and infrastructure.

Ability to spend has improved markedly - only a couple of months ago the projected surplus was around half a billion while now it's close to $1.5 billion, sufficient to allow for tax cuts and reasonably significant investment.

Business tax

For business, a key need is to reduce corporate tax. The biggest contributor to the current surplus is more than half a billion from business tax revenue and business tax is therefore the highest priority for reduction.

Reducing business tax helps to grow investment, productivity and jobs.

It's also important for international competitiveness to keep the NZ business tax rate below that of key trading partners - Australia is currently reducing its business rate from 30 to 25 percent while the US is moving to a 15 percent federal business rate.

Reducing NZ's rate of business tax from 28 percent to 20 percent or lower would be a positive Budget move.

Personal tax

Reducing personal tax rates - and changing the thresholds – would also be positive. Cutting personal tax would give more spending power to households, help household debt reduction and stimulate the economy. Also, many small businesses taxed at personal tax rates would benefit from lower rates.

The case for adjusting tax brackets is strong. New Zealanders are already taxed steeply on modest incomes and subject to further tax because of bracket creep through inflation, so higher tax thresholds would more realistically reflect people's earnings and aspirations.

There are many options for adjusting tax brackets, for example KPMG suggests thresholds could be increased by about 9 percent –

- 10.5 percent rate for incomes up to $14,000 could apply to incomes up to $20,000
- 17.5 percent rate for the next income band up to $48,000 could apply up to $64,000
- 30 percent rate for the next band up to $70,000 could apply to those up to $80,000
- 33 percent rate for incomes over $70,000 could apply to incomes over $80,000

The simple move of adjusting tax brackets could release a significant amount of financial wellbeing in the community.

Invest in infrastructure

Modern transport infrastructure is required to support business and economic growth, especially roading in and around main centres - business supports the new expenditure in Budget 2017 for transport infrastructure and would recommend the use of public-private partnerships and further investment in IT-enabled smart transport solutions.

Tourism infrastructure in the regions deserves significant Budget investment. The tourism sector delivers around $13 billion in annual export earnings and needs more investment to continue to deliver at this level. It would be good to see a Budget plan for regional investment in roading, carparks, walkways, cycleways, toilets and other tourist facilities, including investment in facilities that can be operated on a user-pays basis.

Invest in exports and innovation

A good Budget will invest in key sectors, such as the export sector. Already-announced Budget investment supporting new trade agreements and access to markets will be well received.

And innovation is now the main way that companies compete internationally - with new products, services and processes and through rapid commercialisation of new ideas – so the signalled Budget investment in support of R&D is also welcome.

Spending restraint

Meanwhile, the risks of a spendthrift Budget in election year are well known. Business would like to see the 2017 Budget assign expenditure in areas that help the future growth of the economy - and show restraint otherwise.

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