

11 November 2005

Hon Peter Dunne
Minister of Revenue
Parliament Buildings
WELLINGTON

Email: peter.dunne@parliament.govt.nz

Dear Minister

Recommended Aim for the Business Taxation Regime Review

Set out below are our recommendations for the Business Taxation Regime Review that is currently being established. We believe that the aim should take into account both what the outcomes of a successful review should be, as well as the essential issues that should be taken into account. This recommended aim has been compiled after consultation with Business NZ's Tax and Compliance Cost Committee.

Aim of the Business Taxation Regime Review

The overall aim of the current business taxation regime review in New Zealand should be to ensure the end results provide increased long-term sustainable economic growth for the country.

Specifically, a successful business taxation regime review and implementation would:

- Increase productivity
- Increase domestic and foreign direct investment
- Increase job growth
- Increase innovation
- Reduce business compliance costs in a meaningful and measurable way
- Be timely in terms of outcomes being introduced

In addition, it is essential that any review to the business taxation regime take into account all of the following issues:

- Consideration of previous review work carried out to help determine best steps forward.
- A focus on business taxation competitiveness, not just business taxation parity with other countries.
- A whole of business tax system approach, as well as realigning the headline company rate.
- Consideration of the link between changes to business tax and its effect on the personal tax regime and recognition that many businesses are sole traders or partnerships and are subject to the personal income tax regime.
- A need to prevent market and trade distortions due to taxation reform.
- Solutions that take account of the structure of the New Zealand economy.
- Business taxation reform that is beneficial for all businesses, whether domestically or overseas owned.
- The need for wide public understanding and support of the business taxation changes outlined.

We would welcome any comments you may have on the suggested aim.

Regards,

A handwritten signature in black ink, appearing to read 'P. O'Reilly', with a long horizontal stroke extending to the right.

Phil O'Reilly
Chief Executive
Business New Zealand