Development of Tax Policy in New Zealand: The Generic Tax Policy Process

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INTRODUCTION

New Zealand has a tax policy process that is widely seen to work relatively well. There is a degree of cooperation between the private and public sectors that is quite rare internationally. There is a large element of working together to provide a tax system that is best for "New Zealand Inc." (New Zealand as a whole).

In understanding the tax policy process and why it works well, it is helpful to consider some important facts about New Zealand. New Zealand is a small country, where the key players involved in tax policy in the government and the private sector all know one another. There are repeated interactions. While these could potentially either build or destroy trust, there are strong incentives to cooperate and build trust. Private-sector tax professionals also are known by and have good access to government ministers, particularly through conferences and the work of the New Zealand Institute of Chartered Accountants and the International Fiscal Association. Open channels exist for expressing concerns to ministers if those in the private sector think that tax policy officials are getting things badly wrong.

New Zealand has a formalized generic tax policy process (GTPP), which importantly includes a strong consultative component. The GTPP has a high degree of support from the private sector, tax officials, and government ministers. The private sector voices strong concerns when important tax policy changes are not put through the full GTPP.

GENESIS OF THE GTPP

In 1984, New Zealand elected a reformist Labour government. Policy moved quickly in the direction of a "broad-base, low-rate" (BBLR) tax system. By lowering rates and broadening tax bases, the reforms were aimed at reducing the distorting impact of taxation, making things fairer, and ensuring the tax system's ability to raise the revenue necessary to fund government spending. In many ways, this policy shift paralleled tax changes that were taking place in other countries, including the United States and Australia, but in New Zealand the reforms arguably went further. With some chopping and changing, this BBLR framework has, for the most part, continued until today.

Not only was there a radical change in tax policy in the mid-1980s; there was also a fundamental shift in willingness to consult. The government established consultative committees to review and better implement proposed tax policy reforms.

The first of these committees was set up to consider the goods and services tax (GST). It worked spectacularly well and allowed a well-designed GST to be brought in very quickly. The original framework of the GST (which came into effect in 1985) continues to this day. There was a wealth of goodwill in making tax policy changes, and now a very open and consultative environment in which to do so.

It was clear that by the end of the 1980s, much had been achieved. There was, however, less consensus on the direction of future policy changes.

Concerns about the tax policy process were among the reasons for the government's decision, in 1993, to ask a review committee (chaired by Sir Ivor Richardson) to carry out a fundamental strategic review of the Inland Revenue Department and its activities. The scope of this review was broader than just tax policy, but tax policy was an important element in the review.

The Organisational Review Committee reported in April 1994.[1] On the policy side, the committee identified the following key concerns:

- Things were working much less well than they had during the early 1990s.
- It was difficult to see how tax policy fitted into the government's broader economic objectives.
- There was not a strong enough tax policy group within the Inland Revenue. The review expressed concern that while both Inland Revenue and Treasury were involved in tax policy, there was anecdotal evidence that "[Inland Revenue] tax policy advice [was] often overpowered by the advice from Treasury and the private sector."[2]

The committee suggested the establishment of a major policy arm in Inland Revenue able to match the intellectual capability of the Treasury and the private sector. The reasons for this recommendation are not made explicit. But there may have been a concern that practical tax problems were not being addressed in the legislation. There may have also been a concern that real compliance costs of tax legislation did not have a sufficient focus and that this focus might increase with a greater Inland Revenue presence on tax policy.

There was also a concern that policy and legislation were not sufficiently linked, leading to unnecessarily complex legislation. The Organisational Review Committee also suggested the establishment of a legislative function in Inland Revenue and a fundamental rewrite of the Income Tax Act.[3]

THE GTPP

Before the Organisational Review Committee had reported, the government had signed on to the committee's recommendation of a formalized GTPP. The main objectives of the GTPP were

- to encourage early consideration of key policy elements and tradeoffs,
- to provide an opportunity for substantial external input into the policy formation process, and
- to clarify the responsibilities and accountability of participants in the process.

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1 New Zealand, Organisational Review Committee, *Organisational Review of the Inland Revenue Department: Report to the Minister of Revenue (and on Tax Policy, also to the Minister of Finance) from the Organisational Review Committee* (Wellington: Inland Revenue Department, April 1994).

2 Ibid., at 79.

3 All other government legislation is drafted by the Parliamentary Counsel Office (PCO). Inland Revenue is unique in this respect.

The committee suggested a multiphase formalized GTPP that included the following:

1. *Strategic phases*: economic strategy; fiscal strategy; three-year revenue strategy
2. *Tactical phases*: rolling three-year work program; annual work and resource plan
3. *Operational phases*: detailed policy design; formal detailed consultation and communication; ministerial and Cabinet signoff of detailed policy
4. *Legislative phases*: drafting of legislation; ministerial and Cabinet signoff of legislation; introduction of bill; select committee phase; passage of legislation
5. *Implementation and review phases*: implementation of legislation; post-implementation review; identification of remedial issues

Subject to a few minor amendments, these original suggestions continue to provide the basis for today's GTPP, which is illustrated in figure 1.

Another key legacy of the organisational review is that Inland Revenue and the Treasury are jointly responsible for developing tax policy—through the Policy Advice Division (now referred to as Policy and Strategy) within Inland Revenue and through a smaller policy group within the Treasury. This joint provision of tax policy advice is not common internationally. It does, however, create safeguards for the government by increasing the extent to which tax policy advice is tested internally before issues are put to ministers or released for public consultation.

Strategic Phases

The strategic phases of the GTPP involve the development of an economic strategy, a fiscal strategy, and a revenue strategy. Broad policy proposals may be publicized through channels such as budget documentation.

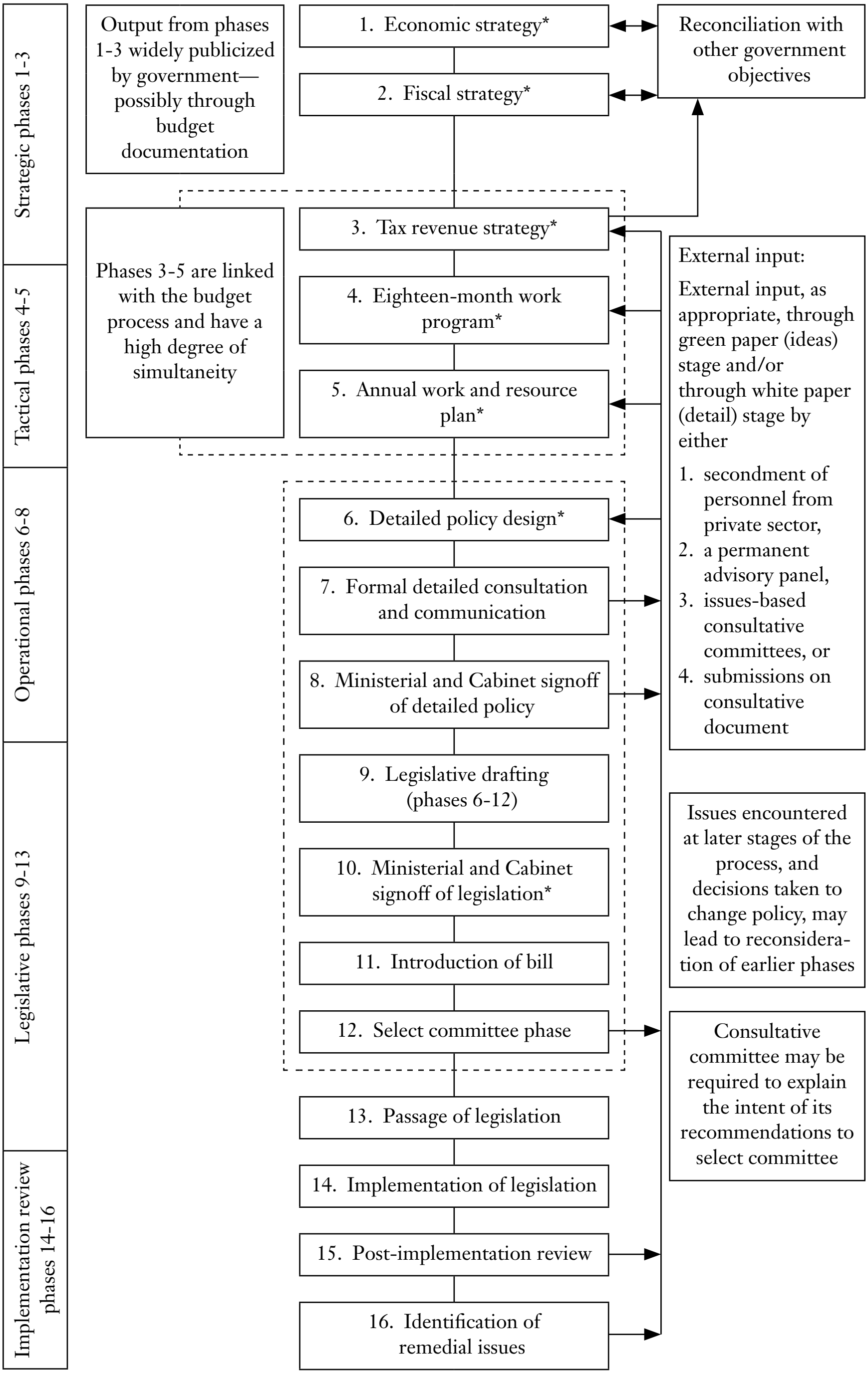
Tactical Phases

The tactical phases of the GTPP involve planning and form the basis for policy delivery for the following 18 months. An 18-month work program is developed jointly with the Treasury, consulted on, approved by ministers and Cabinet, and published. This published work program is consistent with the government's economic objectives.

In developing the work program, the international environment within which New Zealand operates is a key consideration. This includes identifying emerging trends in tax policy both internationally and politically. The role of the chief economist (a position within Policy and Strategy) is to provide expertise and leadership on the development of the economic and strategic direction of tax policy. In addition, the chief economist provides leadership for the forecasting function and economic advice across all tax and strategy matters.

A core aspect of the GTPP is research, including data analysis, and Policy and Strategy has a Forecasting and Analysis Unit. Data from this unit are used regularly in the development of tax policy. Another source of information is the specialist

FIGURE 1 New Zealand's Current Generic Tax Policy Process (2013)



* Cabinet decision.

research, evaluation, and analysis undertaken by the National Research and Evaluation Unit within Inland Revenue.

As noted above, monitoring international trends in tax policy is an important element of good tax policy design. New Zealand has strong links with international organizations. Staff within the policy unit are active members of a number of the Organisation for Economic Co-operation and Development (OECD) working parties.

Operational Phases

The operational phases consist of detailed policy design, detailed consultation, and gaining ministerial and Cabinet approval of recommendations. This phase culminates in government approval of practical tax policy initiatives that are ready to be introduced in Parliament and implemented.

On major reforms, consultation will often involve the release of a government discussion document. This gives people something specific to react to. It is critical for the language of the document to cater for its intended audience and especially to take into account whether or not readers are likely to be tax specialists. Normally, about six weeks are allowed for submissions, and during the submission period officials have intensive face-to-face meetings with affected taxpayers. After the submissions have been received and considered, officials will report to the government on them. The government may either decide to proceed to legislation taking into account what has been learned from submissions, or ask for further consultation on certain issues. This may involve direct consultation on specific points or the release of an officials' issues paper and subsequent consultation.

A good tax policy process cannot be just written down in a set of rules of engagement. There needs to be considerable goodwill. The public and private sectors need to be willing to engage and listen to each other (not talk at each other). Consultation needs to be real, with the government being willing to pick up valid suggestions put forward by the private sector.

Not every proposed reform requires a government discussion document. For smaller issues, consultation may involve discussions or correspondence with a much smaller group of people or even just a telephone call. Often remedial issues are dealt with as raised rather than through a large-scale review.

During these phases, an Inland Revenue design area (outside Policy and Strategy) supports the development of policy, such as exploring the administrative impacts of various policy options. This design area has responsibility for engaging the wider Inland Revenue. This also allows for the consideration and suggestion of practical options to ensure a sustainable and reliable outcome that still meets the policy intent. The result is that the design area directly contributes to robust policy design, ensuring that the resulting law can be properly administered, that it is suited to its intended purpose, and that costs and impacts for both the government and taxpayers are minimized.

Legislative Phases

In the legislative phases, the detailed policy recommendation is translated into legislation. This occurs in parallel with the operational phases described above, which speeds up the process by ensuring that legislation is ready for introduction in Parliament once all policy issues have been resolved. It also ensures that the proposed reforms can be expressed clearly in legislation.

Once a bill has been introduced, it is publicized on Inland Revenue's website (as well as Parliament's website), along with a specially prepared commentary that explains the rationale for the proposed policy changes. External consultation takes place through public submissions to the select committee considering the bill. A benefit of the GTPP is that by the time legislation comes before a select committee, the private sector should be thoroughly familiar with the reasons for change.

Implementation and Review Phases

The implementation and review phases include the post-implementation review of new legislation, after it has had time to "bed in," and the identification of any remedial issues that need to be addressed for the new legislation to have its intended effect. Opportunities for external consultation are also built into this stage.

HOW THE GTPP OPERATES IN PRACTICE

There have been a number of major reviews in recent years. One example is the 2006 Business Tax Review. An initial discussion document was released in July 2006,[4] seeking consultation on proposals to reduce the company tax rate, along with the tax rate on certain widely held savings vehicles, from 33 percent to 30 percent, and to introduce targeted tax credits for research and development (R & D), export market development, and skills training. Three officials' issues papers followed, in November 2006, which refined the original policy proposals and initiated further consultation.[5]

Interestingly, not all business-friendly options proposed by the Business Tax Review were supported by business groups. In particular, there was little public support for export market development and skills training tax credits. These were dropped. However, there was support, on balance, for an R & D tax credit and strong support for rate cuts.

Legislation introducing tax rate cuts for companies and savings vehicles was introduced, went through the select committee process, and was ultimately passed. The company tax rate and tax rates for widely held savings vehicles were cut from 33 percent to 30 percent for the 2008-9 income year. A 15 percent R & D tax credit was also introduced, starting that year.

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4 New Zealand, Inland Revenue Department, *Business Tax Review: A Discussion Document* (Wellington: Inland Revenue Department, Policy Advice Division, July 2006).

5 New Zealand, Inland Revenue Department, Policy Advice Division and New Zealand Treasury, *R&D Tax Credits: Definition, Eligibility Criteria, Eligible Expenditure—An Officials' Issues Paper on Matters Arising from the Business Tax Review* (Wellington: Inland Revenue Department, November 2006); *Market Development Tax Credits: Definition, Eligibility Criteria, Eligible Expenditure—An Officials' Issues Paper on Matters Arising from the Business Tax Review* (Wellington: Inland Revenue Department, November 2006); and *Skills Training Tax Credits: Definition, Eligibility Criteria, Eligible Expenditure—An Officials' Issues Paper on Matters Arising from the Business Tax Review* (Wellington: Inland Revenue Department, November 2006).

An interesting aspect of the tax environment in New Zealand is the extent to which private-sector practitioners are prepared to push for tax changes that are not in their own direct financial interest. The R & D tax credit provided strong business benefits to major accounting firms; there was a considerable amount of financially rewarding work in helping firms to identify which expenditures could reasonably be considered to be R & D. Nevertheless, these firms strongly opposed the R & D credit, on the ground that it was not in New Zealand's best interests. In their view, it would be better to abandon the credit in favour of a non-incentivized BBLR framework. The R & D tax credit lasted only a year and was dropped by the new National Government elected in November 2008.

The Role of the Private Sector

Key participants in the private sector that are engaged in the tax policy process include professional bodies, sector-specific groups, and the large accounting and advisory firms.

The New Zealand Institute of Chartered Accountants has a national Tax Advisory Group (TAG) with a long history of engaging with government on tax policy development. The members of the TAG are volunteers and include two tax partners from each of the Big Four firms along with four to six other tax experts drawn from corporate, academic, and public practice. The TAG is supported by a secretariat provided by the institute, consisting of three to four full-time equivalent tax professionals. The TAG makes submissions on all tax legislation and policy changes, and engages frequently with officials and government during policy formation, legislation, and implementation.

The TAG operates with a stated objective of achieving tax policy outcomes that are in the public interest. Where the commercial interests of the institute's members seem in conflict with the public interest, the TAG's view of the public interest prevails. This is evident in the R & D example outlined above, and in recent policy proposals developed by the TAG to radically simplify tax compliance for small and medium-sized enterprises (SMEs). (Simplification would reduce the tax compliance fees earned by members from clients but may improve the economic performance of SMEs.)

The New Zealand Law Society operates a Tax Committee that also engages in tax policy development. It is not as well resourced as the TAG and tends to focus more on the legal position of the policy, but it too is a respected participant in the GTPP. It also operates with the public interest as its key framework.

Another important participant is the Corporate Taxpayers' Group (CTG), comprising 39 of New Zealand's major corporate taxpayers. The CTG's model includes a subscription basis (with corporate members funding through shared costs), secretarial support, submissions, and advice provided by major law and accounting firms. Unlike the TAG and the Law Society's Tax Committee, the CTG's primary focus is the interests of its 39 corporate members. However, it also pursues those interests within a wider public interest framework, recognizing that New Zealand is a highly interdependent and small economy.

The Big Four accounting and advisory firms in New Zealand also devote considerable senior resource and research capability to tax policy development. Partly this arises from the desire to be involved in the process, in order to remain in touch and retain professional credibility with their clients. But it also arises from a strongly held belief and tradition in these firms that contributing resources to tax policy development is in the best interests of New Zealand and the wider economy. Because the firms themselves are significant NZ businesses, they see this as an appropriate contribution to make.

Contributing to tax policy development in the public interest is not always an easy path for the private sector. Private firms must balance the (at times) competing interests of their clients (which themselves are often in conflict as between clients) and their own commercial interests (with respect to the expenditure of non-billable time on policy engagement), and competitive tensions between the various firms. Managing these conflicts while making a meaningful contribution with New Zealand's best interests as the focus is, at times, a delicate task.

Having a shared understanding of what is in the best interests of New Zealand in the long run makes it possible to navigate a path through these conflicts. This shared understanding has been established and is maintained by extensive interaction between the private sector, government, and officials through forums such as conferences and working groups, and through open and constructive engagement. This climate of cooperation was further enhanced by direct and open access to the previous, long-serving minister of revenue (the Honourable Peter Dunne), who devoted considerable time and effort to meeting with and speaking to those working in the private sector. The Honourable Peter Dunne resigned as minister of revenue in June 2013. The new minister of revenue, the Honourable Todd McClay, has continued the previous minister's high level of engagement with the private sector.

Because of the willingness of private firms to argue for what they believe is in New Zealand's best interests, the private sector has a very important role in initiating policy changes as well as modifying proposals and making them work better. The process only works, however, if there is a willingness by officials and the government to engage and listen, and to accept good suggestions. As noted earlier, a key factor that makes the GTPP work well is the high level of buy-in by the private sector to the government's BBLR framework.

Consultation

Much has been said about the importance of consultation. But what is consultation? Useful consultation will depend on the subject. In many cases, tax consultation works through the publication of consultative documents, and much of the consultation is with tax practitioners. This is often but not always appropriate. For example, for consultation on the taxation of charities, it was useful to run things in a much less formal way and have large informal meetings to discuss issues, including town hall meetings. This ended up involving people that the government might not otherwise have reached. For consultation on student loan arrangements, it was useful to have a blog and to release discussion documents through an online forum. For consultation on the tax treatment of indigenous authorities, regional hui (meetings) were organized using indigenous networks.

Full-scale consultation is not required on everything, and is not always possible. At times, consultation may just involve discussions with key affected parties. With respect to base maintenance provisions, it is understood that often there cannot be full consultation, especially if tax changes are closing some loophole. This base maintenance exception to the GTPP is acknowledged and accepted by the private sector as being appropriate (although at times there are different views as to what qualifies as base maintenance).

THE ROLE OF INDEPENDENT TAX REFORM BODIES—THE VICTORIA UNIVERSITY OF WELLINGTON TAX WORKING GROUP

While the GTPP has led to very good links and considerable collaboration with private-sector tax practitioners, there have in the past been fewer links with the academic community. There has also been a limited pool of academics doing research on tax policy in New Zealand.

Concerns about New Zealand's tax system had been voiced in Inland Revenue and Treasury briefings to incoming ministers following the election of a national government in November 2008. Both Inland Revenue and the Treasury were concerned about the integrity of the tax system, but the Treasury was also concerned about whether or not New Zealand's tax structure, and in particular its reliance on personal and company income tax, was having an adverse impact on growth. There was a general concern about the fairness, efficiency, and effectiveness of current tax settings.

One approach to these concerns has been to consciously build a role for academic institutions into the policy process. In 2009, a Tax Working Group (TWG) was set up by the Centre for Accounting, Governance and Taxation Research at the Victoria University of Wellington, in conjunction with Inland Revenue and the Treasury. Although an independent group, the TWG was formed with the support of both the minister of finance and the minister of revenue. It was chaired by Professor Bob Buckle of Victoria University and brought together expert tax practitioners, academics, business people, and officials to consider key problems with the current tax system and options for reform.

The TWG proved to be a considerable success. It was a good forum for debate of the pros and cons of various tax changes. The TWG provided an open discussion process, with papers from the meetings and a record of debates being published on the Internet. This helped to inform the wider public on key tax policy issues.

The TWG reported in January 2010.[6] It expressed concerns about the structure of the tax system and its reliance on tax bases that impeded growth; about the coherence,

6 Victoria University of Wellington Tax Working Group, *A Tax System for New Zealand's Future: Report of the Victoria University of Wellington's Tax Working Group* (Wellington: Victoria University of Wellington, Centre for Accounting, Governance and Taxation Research, January 2010).

integrity, and fairness of the system; and about the system's revenue-raising capabilities. The TWG recommended a number of tax changes, including a reduction in personal tax rates and alignment between the company, trustee, and top personal marginal tax rates (or, failing that, at least between the trustee and top personal marginal tax rates). The TWG also recommended that a number of base-broadening reforms should be considered. In addition, it canvassed the possibility of a capital gains tax, while noting that most members of the TWG had significant concerns about the practical challenges of such a tax, and indicated that there was majority support for a land tax.

The government quickly announced that it would not introduce either a capital gains tax or a land tax, but the other measures recommended by the TWG were largely reflected in tax policy changes announced in the government's budget in May 2010.[7] In particular, the budget announced cuts in all personal tax rates, with the top rate falling from 38 percent to 33 percent. This aligned the top personal marginal tax rate with the trustee tax rate. There was also a reduction in the company tax rate from 30 percent to 28 percent, along with the base-broadening measures (including raising the GST to 15 percent) that had been canvassed by the TWG.

The TWG worked well from the government's perspective. It allowed possible tax changes to be aired publicly and debated openly, and it brought the academic community into important tax policy debates. However, a large element in its success was the cooperation and engagement of key tax practitioners. This was built on the engagement and cooperation that had been built up through many years of working with the GTPP.

THE ROLE OF THE MEDIA

Tax policy matters are widely debated in the NZ media. This has been a phenomenon for many years, but it gained further traction with the wide public discussion on the work of the TWG. The media report tax changes and seek a wide range of commentary from private-sector experts, and they are prepared to give space to opinion pieces on tax matters. While this does not always result in consistently balanced reporting, it does raise the level of public consciousness with respect to tax policy matters and engages with the public on the tradeoffs in decision making.

For example, the introduction of a broad-based capital gains tax in New Zealand has for many years had little support. However, in recent years the issue has been canvassed extensively from all perspectives in the media, such that there is a vigorous public debate about the desirability or otherwise of such a tax.

The higher level of public sophistication around tax policy choices achieved by media coverage has helped governments to largely resist sector-specific pressure for a departure from the BBLR framework in several areas, such as the introduction of tax incentives targeted at particular industries or exemptions from the GST.

7 New Zealand, Budget 2010 Minister's Executive Summary, May 20, 2010, at 6-9.

COSTS AND BENEFITS OF THE GTPP

The GTPP provides a number of important benefits. It affords an explicit focus on how tax policy fits in with the government's broader economic objectives. Consultation with the private sector on the development of the work program, combined with published information about the current work program, means that the private sector has a high degree of awareness of changes being contemplated. Because there is extensive public and private-sector consultation, by the time legislation is drafted officials normally have a very clear understanding of potential concerns. Private-sector views will often lead to changes in and improvements to proposed tax policies before legislation is introduced.

The more transparent the economic framework, the better the process works. As described above, there are constant interactions between officials and the private sector. This not only improves the particular policies being consulted on, but also creates a climate in which the government, officials, and the private sector are working together to do what is best for New Zealand as a whole. In addition, taxpayers can participate and raise issues of policy concern. Among tax practitioners, the GTPP is very well accepted. If practitioners feel that the GTPP is not being honoured, they will complain.

There are inevitably some costs associated with the GTPP. The process involves considerable time and resources for both the private sector and policy officials. It also means that tax policy reforms take longer to enact than would otherwise be the case, possibly resulting in the loss of certain strategic advantages for New Zealand.

As noted above, consultation can result in the improvement of policy proposals before legislation is introduced. However, this is not always the case. The willingness to consult and address every concern can also result in compromises being made to the detriment of good tax policy design, for both the government and the private sector. There is a risk that, in the process, the original policy intent may be lost. Compromise does require tradeoffs to be made, but are those tradeoffs the right ones?

Also, consultation is based on the premise that interested parties will engage at the appropriate stage of the GTPP. A recent scenario highlighted the fragile nature of the GTPP. Although a full consultative process was undertaken, the depth of private-sector concern was not truly evident (at least from the perspective of government officials) until the bill was before a select committee. This resulted in a solid policy proposal being overturned at the 11th hour. In this case, perhaps officials and private-sector representatives were only talking past each other, and a degree of "consultation fatigue" set in.[8]

8 New Zealand, Inland Revenue Department, Policy Advice Division and New Zealand Treasury, *Recognising Salary Trade-Offs as Income—An Officials' Issues Paper* (Wellington: Inland Revenue Department, April 2012). Also see www.stuff.co.nz/national/politics/8440084/Government-ditches-controversial-car-park-tax-plan.

Frequent and sometimes informal interaction raises the danger that officials may be "captured" by key people in the private sector. There is no perfect way of guarding against this. The process requires both officials and private-sector stakeholders to operate with high levels of integrity.

TRANSPORTABILITY OF THE GTPP

When considering the transportability of the GTPP, it is important to recognize that because New Zealand's relatively small size facilitates interactions between key tax practitioners and officials, it is easier for the GTPP to work in New Zealand than would likely be the case in a much larger economy. The GTPP also works well in New Zealand because there is a clear and coherent policy paradigm that is well understood, and the private sector has bought into the process. To that extent, policy settings that are amenable to the GTPP will be less flexible than would otherwise be the case. For example, New Zealand's BBLR framework requires reasonable alignment between the company tax rate and the top personal marginal tax rate. This is a reasonably inflexible paradigm if a government wishes to push up the top personal marginal rate or reduce the company rate.

RESOURCES DEVOTED TO THE FORMULATION OF TAX POLICY

For the year ended June 30, 2012, Inland Revenue's Policy Advice Division had 43.5 full-time equivalent staff devoted to the formulation of policy advice. This figure includes policy analysts, managers, forecasting staff, and analysts seconded to ministerial offices. The Treasury has 8 full-time equivalent staff devoted to the formulation of policy advice, including manager time.

Inland Revenue policy analysts have a range of qualifications, mainly in the fields of law, economics, and accounting; some analysts also have an arts or science degree.

Professional development is encouraged, and analysts and managers regularly provide or participate in training in a number of areas. A professional development session occurs every week, with attendance encouraged for analyst staff. This session is led by policy managers or analysts and covers a range of topics, including current tax policy issues, current economic research, or the fundamentals of the NZ tax system (entity taxation, residence, fringe benefit tax, etc.).

Graduate analysts attend a "Principles of Taxation" course, which is a five-day residential course. All analysts attend a Tax and Policy course repeated on an 18- to 24-month cycle, with new case studies being presented in each cycle. (The current case study, for example, is a GST issue.)

Optional training includes courses covering the following:

- machinery of government
- microeconomics
- presentation/writing skills

- New Zealand Institute of Chartered Accountants and Law Society one-day courses on a range of tax and/or legal issues
- a senior leaders technical conference (internal)
- regimes training (a four-day course)
- managing policy costs
- courses provided by the New Zealand Association of Economists
- select committee training
- OECD outreach (by nomination)

For the first seven years of an analyst's career (from entry at the graduate analyst level to the level of senior analyst), salaries are aligned to market rates for similar roles.

For the year ended June 30, 2012, a small number of private-sector consultants were engaged at a cost of $135,641. However, regular input on a confidential basis is provided by interested parties in the private sector on an informal basis, as policy matters are developed and move through the GTPP.

Policy and Strategy does not regularly use temporary secondments from the private sector.

CONCLUSION

Tax policy works fairly well in New Zealand. An important reason is the formalized GTPP process, which encourages consultation early and often in the development of tax policy.

However, a good tax policy process goes beyond formalized consultation. For the GTPP to work well, there need to be coherent policy settings that the private sector can buy into. Moreover, a good tax policy process is not something that can be captured in a written road-map. It requires willingness between the government, officials, and the private sector to truly listen and engage. It is critical that the government be open to acting on good suggestions put forward by the private sector.

While the GTPP has led to a very open and collaborative approach to tax policy reform between tax professionals and the government, New Zealand has been less successful, until recently, in engaging with the academic community. The Victoria University TWG provided a good forum for such engagement, allowing major policy changes to be debated openly and leading to some major tax policy changes. Further work on collaborating on tax research is under way.

There will never be a finalized point with the GTPP. Tax reforms will continue, and so will consultation. Mistakes will be made. A strong benefit of the GTPP, however, is that by maximizing consultation and engagement with the private sector, the process ensures that tax policy development is as good as it can be, barring occasional mistakes. It also ensures that when mistakes are made, the framework for correcting them is already in place.