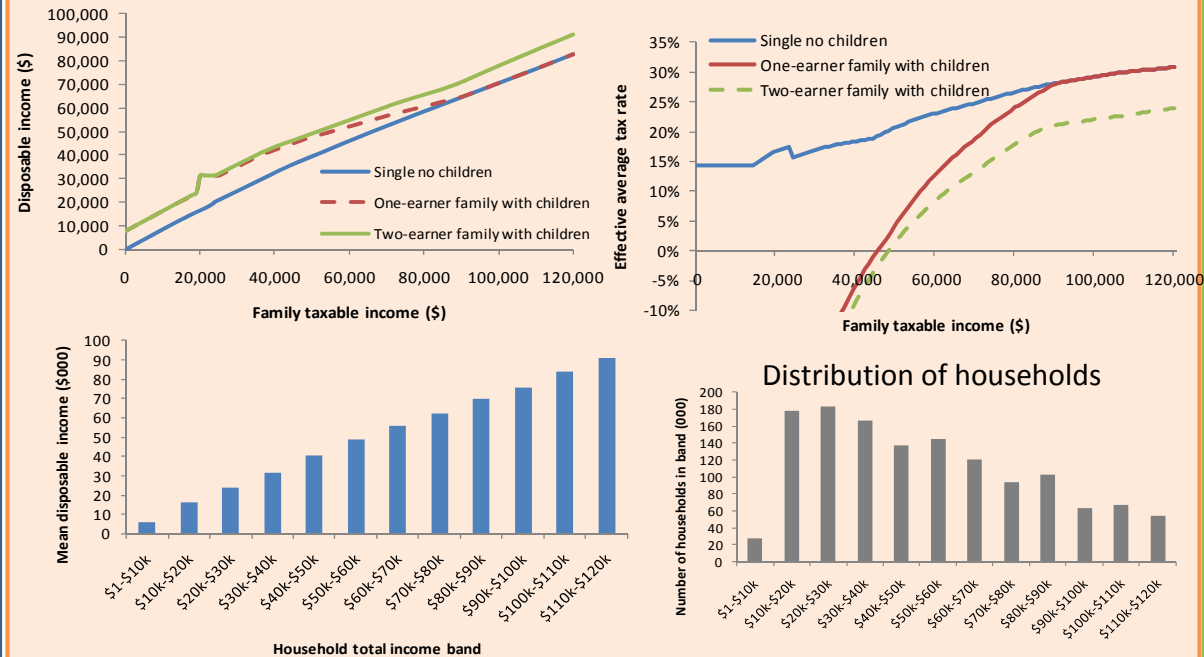


Status quo

TAX RATES

Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
\$48k-\$70k	33%
>\$70k	38%
Trust tax	
	33%
Company	
	30%
GST	
	12.5%

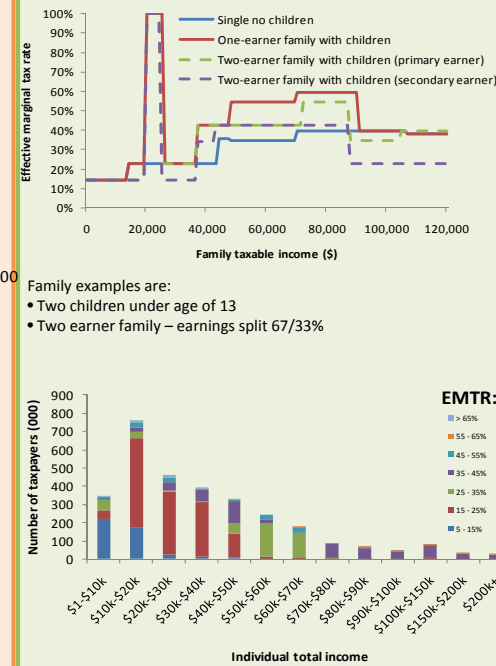
EQUITY/DISTRIBUTION



- Family examples are:
- Two children under age of 13
 - Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

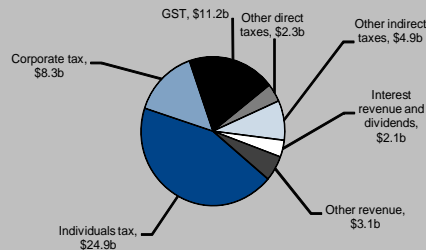
EMTRs



- Family examples are:
- Two children under age of 13
 - Two earner family – earnings split 67/33%

FISCAL REVENUE

Where does core Crown revenue come from?
2009/10: \$56.8b (32.4% of GDP)



Expenses and revenue are on a core Crown basis and so exclude Crown entities and state-owned enterprises.

From BEFU 2009 Key Facts for Taxpayers card

Equality measures		
Gini coefficient	0.34	
80/20 ratio	2.84	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30,345	
Fixed reference	\$22,714	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12%	15%
60% relative	24%	23%
50% fixed	5%	4%
60% fixed	9%	12%

Asset holdings



*Property excludes owner-occupied housing
*other includes other categories that would be liable to CGT

Align top personal and trust rates to company rate at 30%

DESCRIPTION

Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	30%
Trust tax	30%
Company	30%
GST	12.5%

FISCAL COST

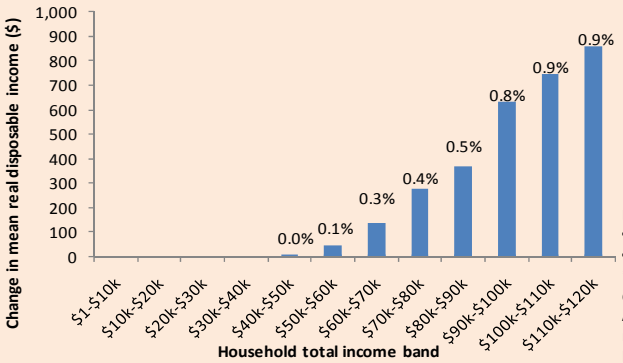
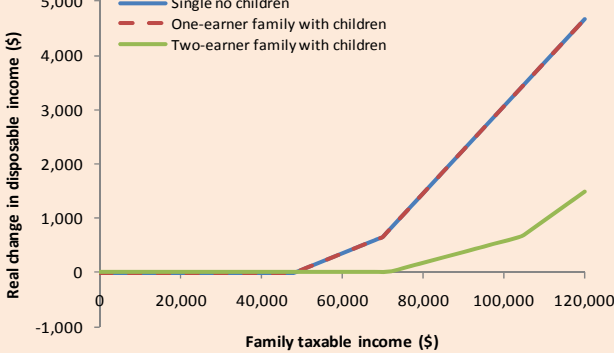
Personal: -\$1,370 million
Trust: -\$240 million

Net revenue change
-\$1,610 million

Excludes clawback

Figures for 2009/10 only

EQUITY



Equality measures		
Gini coefficient	0.34 (+0.01)	
80/20 ratio	2.87 (+0.03)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30438 (+\$93)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	15% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

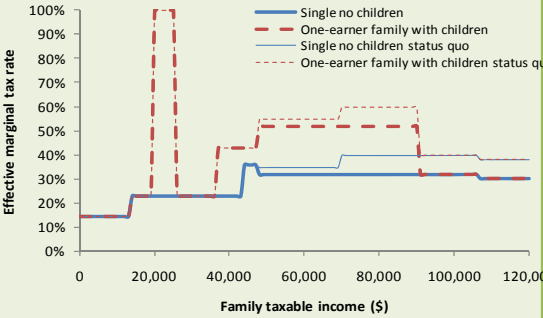
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income excludes WFF tax credits and capital income not currently taxed, disposable income excludes untaxed capital income

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



EMTRs – individual basis

Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	342	0	0	0	342
\$10k-\$20k	0	760	3	1	0	764
\$20k-\$30k	0	456	5	0	0	461
\$30k-\$40k	0	386	5	3	0	394
\$40k-\$50k	0	258	68	4	0	330
\$50k-\$60k	0	22	216	8	0	246
\$60k-\$70k	0	11	159	6	0	176
\$70k-\$80k	0	7	7	77	0	91
\$80k-\$90k	0	3	3	63	0	69
\$90k-\$100k	0	4	0	39	0	43
\$100k-\$150k	0	6	3	72	0	81
\$150k-\$200k	0	4	2	30	0	36
\$200k+	0	4	1	21	0	26
Total	0	2,263	472	324	0	3,059

Combine with base broadening

Extension of capital income taxation OR RFRM on investment property AND/OR Land tax AND/OR Other options

+\$4,350 million

Revenue figures are for steady state after full implementation

+\$760 million

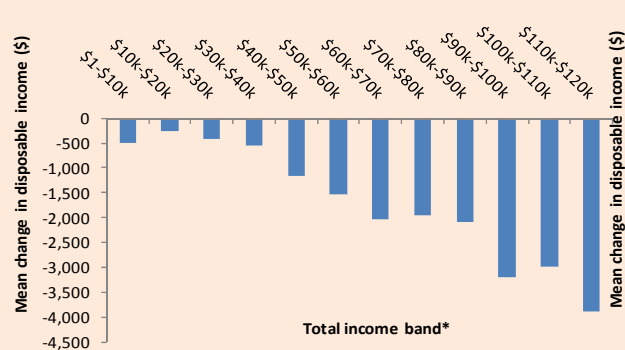
Revenue figure for rental property only

0.5% +\$2,130 million
1.0% +\$3,960 million

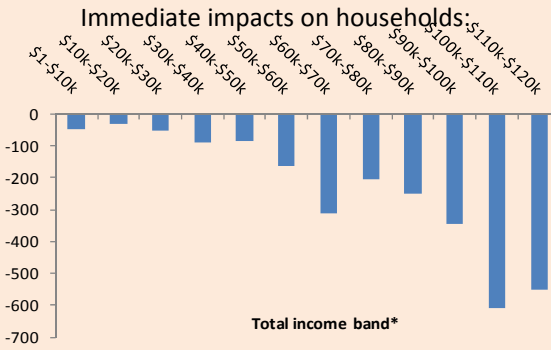
Deny building depreciation
+\$1,300m

Remove depreciation loading
+\$290m

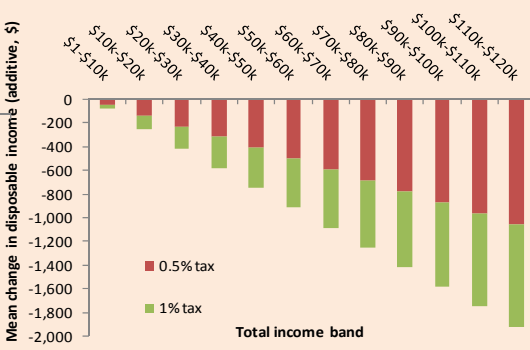
60% thin cap threshold
+\$180m



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets



Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value



Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align at 30%, increase GST to 15% incl. compensation

DESCRIPTION

Income tax	
0-\$14k	10.5%
\$14k-\$48k	19%
>\$48k	30%
Trust tax	30%
Company	30%
GST	15%

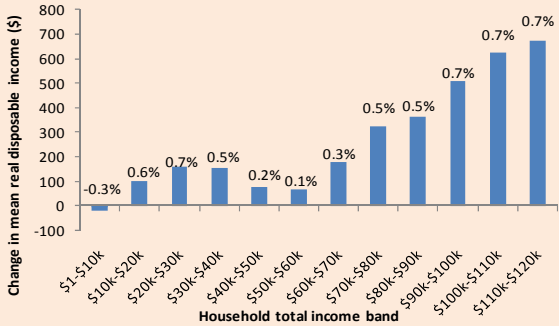
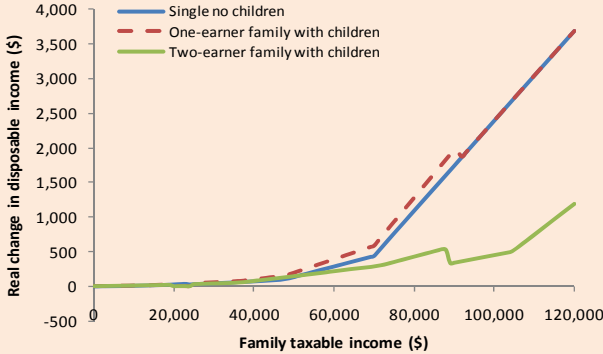
NZS, benefits and WFF compensated for 2.22% CPI

FISCAL COST

Personal: -\$3,320 million
Trust: -\$240 million
GST: +\$2,150 million
Net revenue change
-\$1,410 million

Excludes clawback

EQUITY



Equality measures		
Gini coefficient	0.34 (n/c)	
80/20 ratio	2.83 (-0.01)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30469 (+\$124)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	16% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

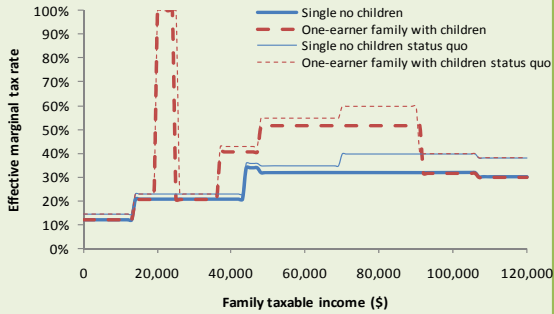
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	0	342	0	0	342
\$10k-\$20k	3	2	757	1	0	763
\$20k-\$30k	1	3	456	0	0	460
\$30k-\$40k	3	2	387	2	0	394
\$40k-\$50k	3	2	321	4	0	330
\$50k-\$60k	2	0	237	8	0	247
\$60k-\$70k	0	0	169	6	0	175
\$70k-\$80k	0	0	13	77	0	90
\$80k-\$90k	1	0	6	63	0	70
\$90k-\$100k	0	0	4	39	0	43
\$100k-\$150k	0	0	9	72	0	81
\$150k-\$200k	0	0	5	30	0	35
\$200k+	0	0	5	21	0	26
Total	13	9	2,711	323	0	3,056

Combine with base broadening

Extension of capital income taxation

OR RFRM on investment property

AND/OR

Land tax

AND/OR

Other income options

+\$4,310 million

Revenue figures are for steady state after full implementation

+\$740 million

Revenue figure for rental property only

0.5%
1.0%

+\$2,130 million
+\$3,960 million

Deny building depreciation

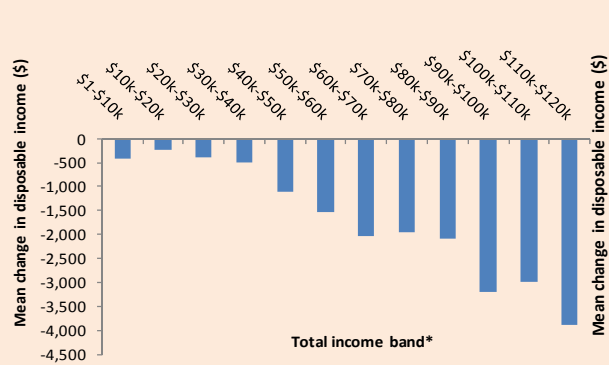
+\$1,300m

Remove depreciation loading

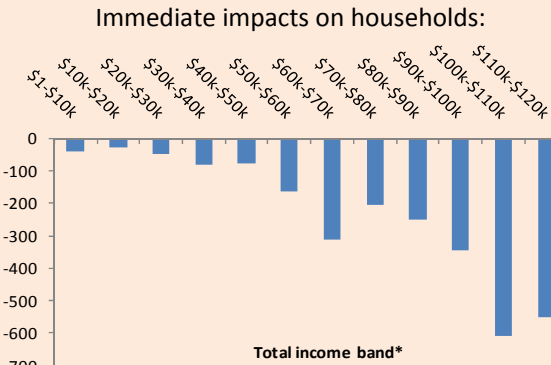
+\$290m

60% thin cap threshold

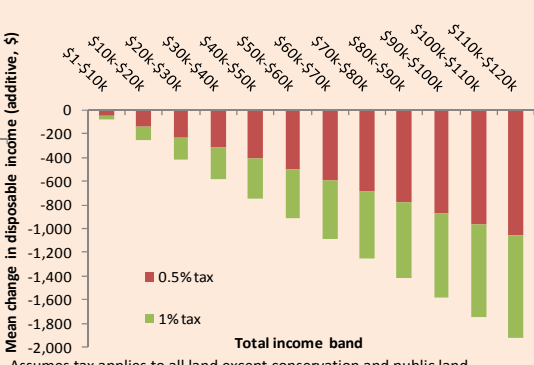
+\$180m



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets



Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value



Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align at 30% and semi-universalise WFF

DESCRIPTION

Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	30%
Trust tax	
30%	
Company	
30%	
GST	
12.5%	

WFF abates to a minimum of \$2000 per child per year (other parameters unchanged)

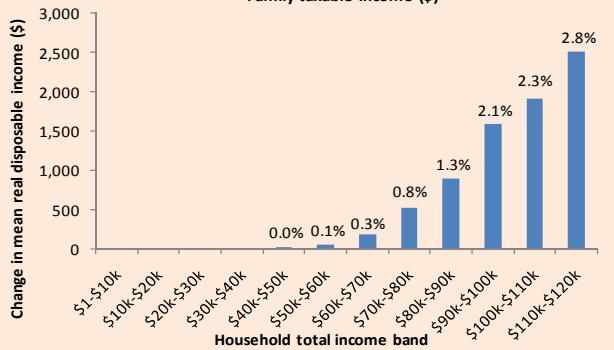
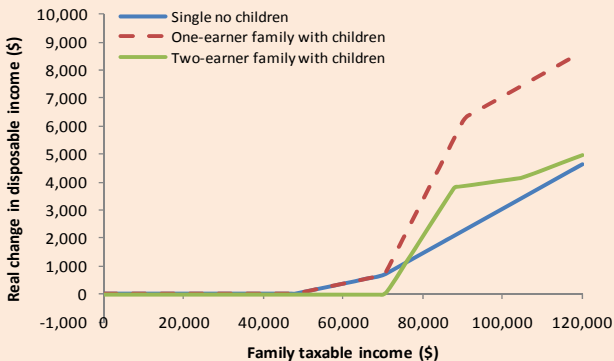
FISCAL COST

Personal: -\$1,370 million
Trust: -\$240 million
WFF: -\$640 million
Net revenue change
-\$2,250 million

Excludes clawback

Figures for 2009/10 only

EQUITY



Equality measures		
Gini coefficient	0.35 (+0.01)	
80/20 ratio	2.89 (+0.06)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30586 (+\$241)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	16% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

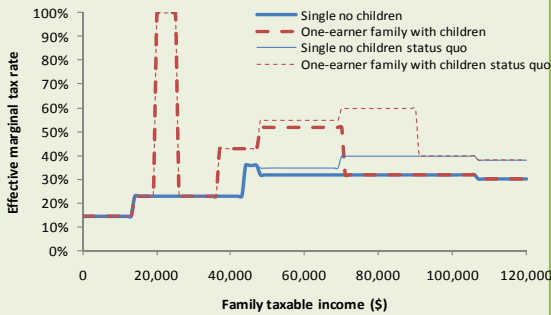
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income excludes WFF tax credits and capital income not currently taxed, disposable income excludes untaxed capital income

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



EMTRs – individual basis

Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	332	0	0	9	341
\$10k-\$20k	0	747	3	1	13	764
\$20k-\$30k	0	444	5	0	12	461
\$30k-\$40k	0	367	5	3	20	395
\$40k-\$50k	0	236	65	3	25	329
\$50k-\$60k	0	21	203	8	14	246
\$60k-\$70k	0	8	146	5	17	176
\$70k-\$80k	0	7	5	69	9	90
\$80k-\$90k	0	3	3	58	6	70
\$90k-\$100k	0	4	0	39	1	44
\$100k-\$150k	0	6	3	71	2	82
\$150k-\$200k	0	3	2	29	2	36
\$200k+	0	4	1	21	0	26
Total	0	2,182	441	307	130	3,060

Combine with base broadening

Extension of capital income taxation

OR RFRM on investment property

AND/OR

Land tax

AND/OR

Other options

+\$4,350 million

Revenue figures are for steady state after full implementation

+\$760 million

Revenue figure for rental property only

0.5%

+\$2,130 million

1.0%

+\$3,960 million

Deny building depreciation

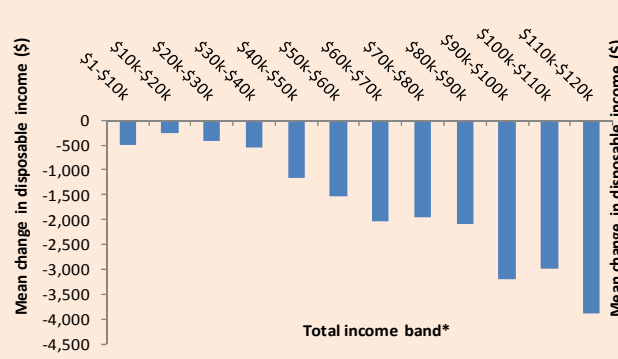
+\$1,300m

Remove depreciation loading

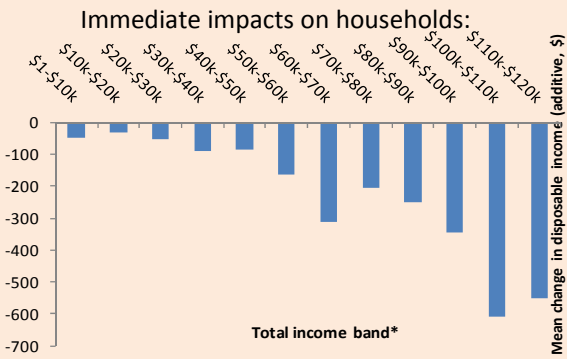
+\$290m

60% thin cap threshold

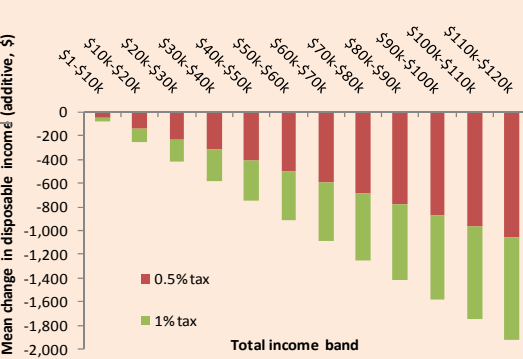
+\$180m



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets



Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value



Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align top personal and trust rates to company rate at 27%

DESCRIPTION

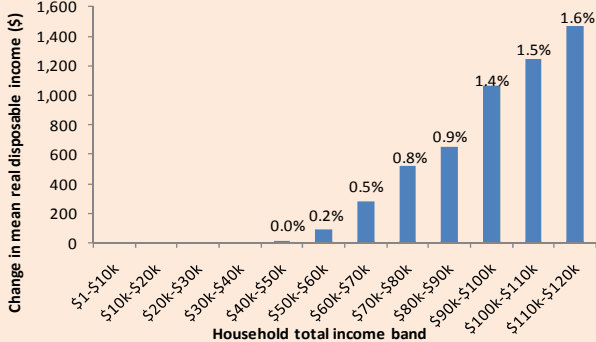
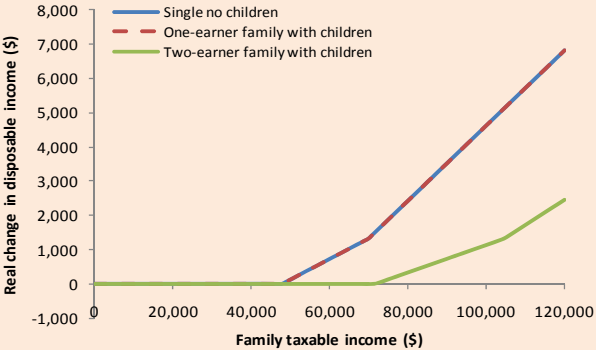
Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	27%
Trust tax	
	27%
Company	
	27%
GST	
	12.5%

FISCAL COST

Personal: -\$2,100 million
Trust: -\$490 million
Company: -\$500 million

Net revenue change
-\$3,090 million
Excludes clawback

EQUITY



	Equality measures	
Gini coefficient	0.35 (+0.01)	
80/20 ratio	2.89 (+0.05)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30464 (+\$119)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	15% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

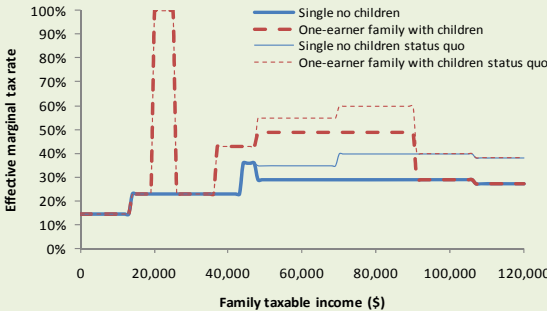
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	342	0	0	0	342
\$10k-\$20k	0	760	0	3	1	764
\$20k-\$30k	0	456	0	5	0	461
\$30k-\$40k	0	386	0	5	3	394
\$40k-\$50k	0	258	0	67	4	329
\$50k-\$60k	0	22	0	216	8	246
\$60k-\$70k	0	11	0	159	6	176
\$70k-\$80k	0	7	0	7	77	91
\$80k-\$90k	0	3	0	3	63	69
\$90k-\$100k	0	4	0	0	39	43
\$100k-\$150k	0	6	0	3	72	81
\$150k-\$200k	0	4	0	2	30	36
\$200k+	0	4	0	1	21	26
Total	0	2,263	0	471	324	3,058

Combine with base broadening

Extension of capital income taxation OR RFRM on investment property AND/OR Land tax AND/OR Other options

+\$ 3,920 million
Revenue figures are for steady state after full implementation

+\$720 million
Revenue figure for rental property only

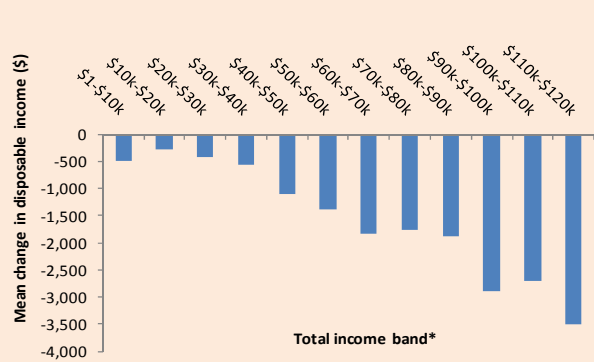
0.5%
1.0%

+\$2,130 million
+\$3,960 million

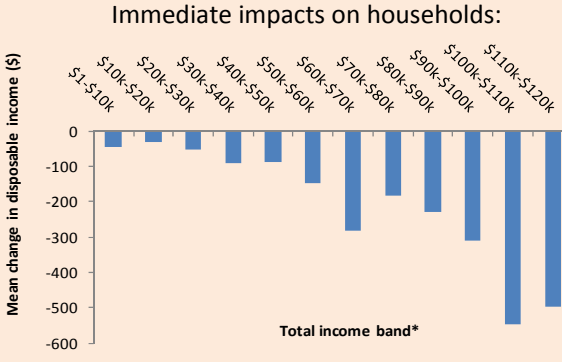
Deny building depreciation
+\$1,300m

Remove depreciation loading
+\$290m

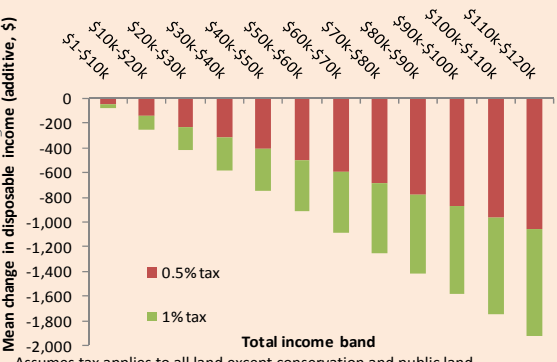
60% thin cap threshold
+\$180m



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets



Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value



Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align at 27%, increase GST to 15% incl. compensation

DESCRIPTION

Income tax	
0-\$14k	10.5%
\$14k-\$48k	19%
>\$48k	27%
Trust tax	27%
Company	27%
GST	15%

NZS, benefits and WFF compensated for 2.22% CPI

FISCAL COST

Personal: -\$4,050 million

Trust: -\$490 million

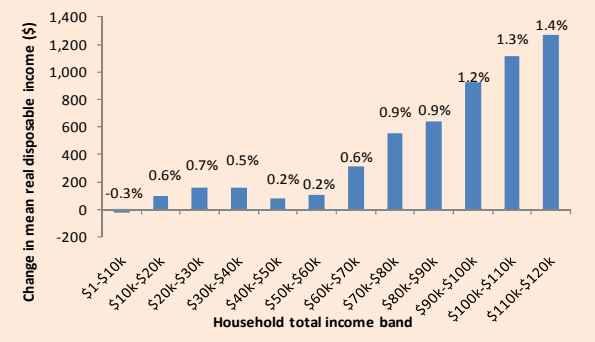
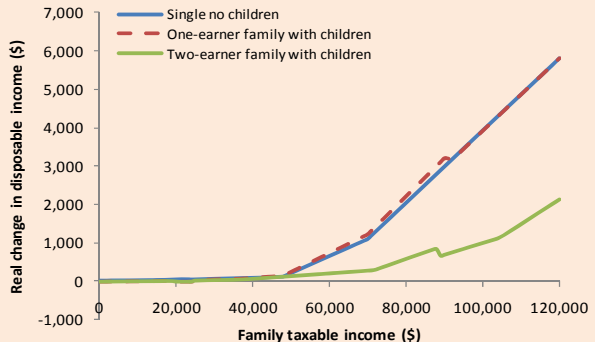
Company: -\$500 million

GST: +\$2,150 million

Net revenue change

Excludes clawback - \$2,890 million

EQUITY



Equality measures		
Gini coefficient	0.34 (+0.01)	
80/20 ratio	2.85 (+0.01)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30517 (+\$172)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	16% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

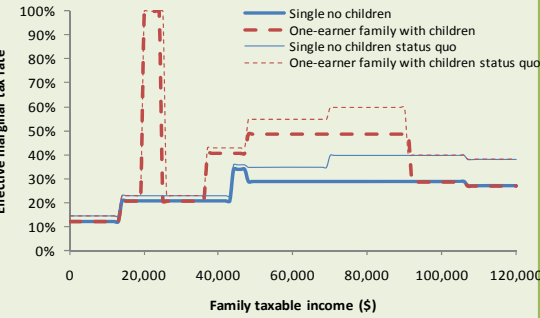
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



Total income	Number with change in EMTR from status quo (thousands)					All
	Increase	No change	0-5% fall	5-10% fall	>10% fall	
\$1-\$10k	0	0	341	0	0	341
\$10k-\$20k	3	2	755	3	1	764
\$20k-\$30k	1	3	451	5	0	460
\$30k-\$40k	3	2	382	5	2	394
\$40k-\$50k	3	2	254	67	4	330
\$50k-\$60k	2	0	22	214	8	246
\$60k-\$70k	0	0	11	158	6	175
\$70k-\$80k	0	0	7	7	77	91
\$80k-\$90k	1	0	3	3	63	70
\$90k-\$100k	0	0	3	0	39	42
\$100k-\$150k	0	0	6	3	72	81
\$150k-\$200k	0	0	4	2	30	36
\$200k+	0	0	4	1	21	26
Total	13	9	2,243	468	323	3,056

Combine with base broadening

Extension of capital income taxation

OR RFRM on investment property

AND/OR

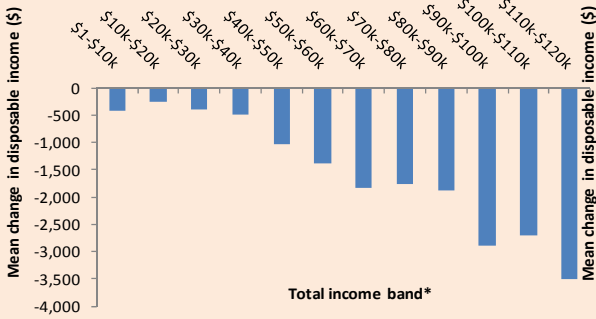
Land tax

AND/OR

Other options

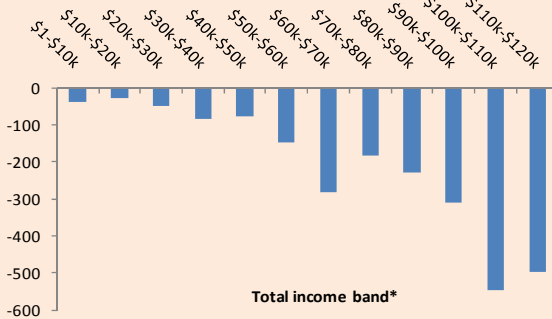
+\$ 3,880 million

Revenue figures are for steady state after full implementation



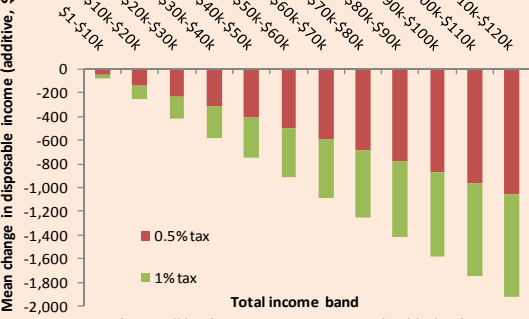
+\$700 million

Revenue figure for rental property only



0.5%
1.0%

+\$2,130 million
+\$3,960 million



Deny building depreciation

+\$1,300m

Remove depreciation loading

+\$290m

60% thin cap threshold

+\$180m

*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets

Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value

Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align top personal and trust rates to company rate at 25%

DESCRIPTION

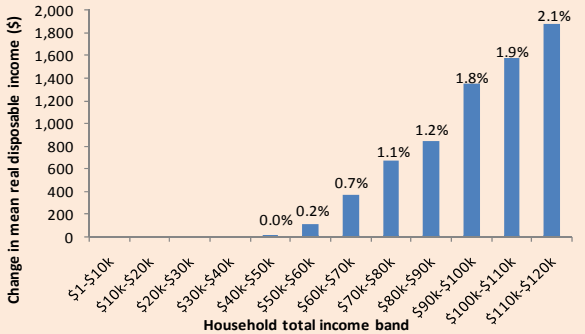
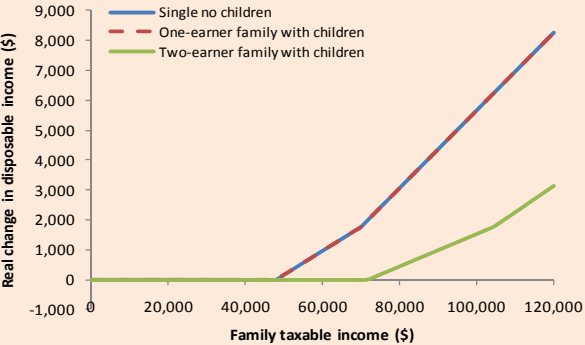
Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	25%
Trust tax	25%
Company	25%
GST	12.5%

FISCAL COST

Personal: -\$2,580 million
Trust: -\$650 million
Company: -\$830 million
Net revenue change
-\$4,060 million

Excludes clawback

EQUITY



Equality measures		
Gini coefficient	0.35 (+0.01)	
80/20 ratio	2.91 (+0.07)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30476 (+\$131)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	15% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

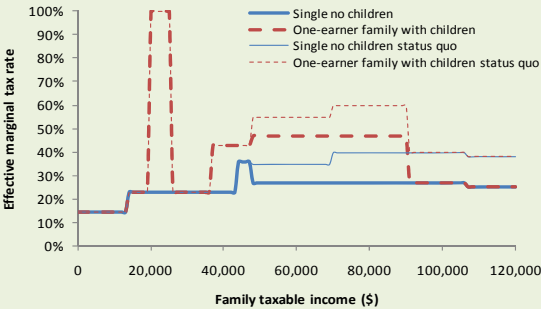
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	342	0	0	0	342
\$10k-\$20k	0	760	0	3	1	764
\$20k-\$30k	0	456	0	5	0	461
\$30k-\$40k	0	386	0	5	3	394
\$40k-\$50k	0	258	0	68	4	330
\$50k-\$60k	0	22	0	216	8	246
\$60k-\$70k	0	11	0	159	6	176
\$70k-\$80k	0	7	0	7	77	91
\$80k-\$90k	0	3	0	3	63	69
\$90k-\$100k	0	4	0	0	39	43
\$100k-\$150	0	6	0	3	72	81
\$150k-\$200	0	4	0	2	30	36
\$200k+	0	4	0	1	21	26
Total	0	2,263	0	472	324	3,059

Combine with base broadening

Extension of capital income taxation OR RFRM on investment property AND/OR Land tax AND/OR Other options

+\$3,640 million

Revenue figures are for steady state after full implementation

+\$690 million

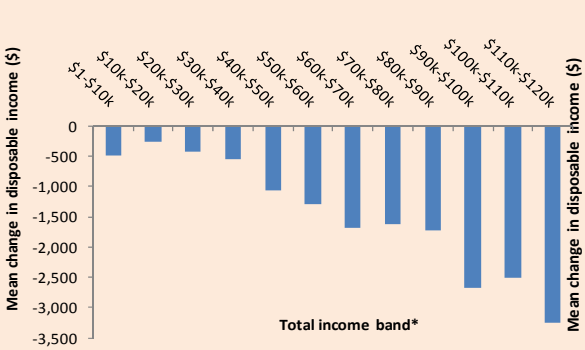
Revenue figure for rental property only

0.5%
1.0%
+\$2,130 million
+\$3,960 million

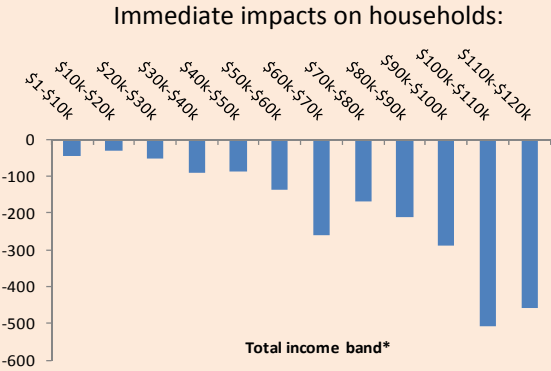
Deny building depreciation
+\$1,300m

Remove depreciation loading
+\$290m

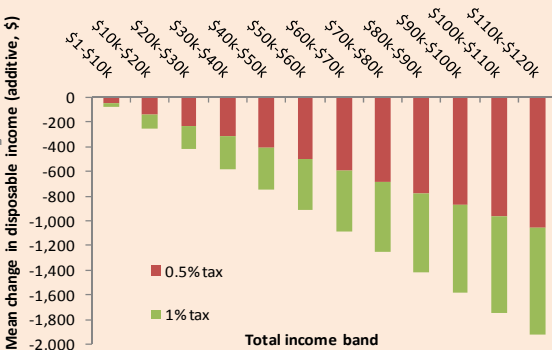
60% thin cap threshold
+\$180m



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets



Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value



Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

Align at 25%, increase GST to 15% incl. compensation

DESCRIPTION

Income tax	
0-\$14k	10.5%
\$14k-\$48k	19%
>\$48k	25%
Trust tax	25%
Company	25%
GST	15%

NZS, benefits and WFF compensated for 2.22% CPI

FISCAL COST

Personal: -\$4,530 million

Trust: -\$650 million

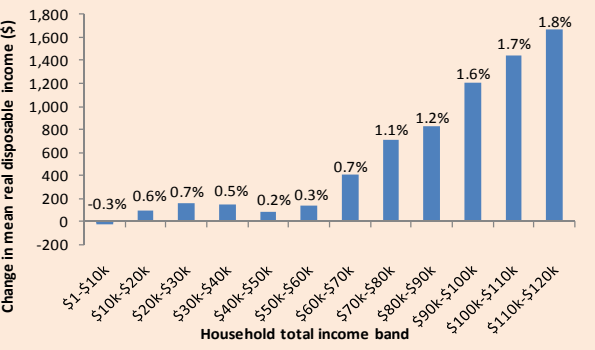
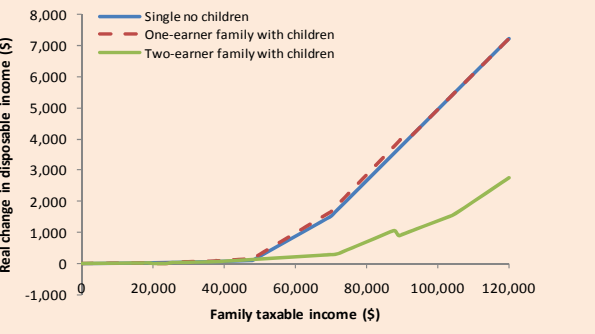
Company: -\$830 million

GST: +\$2,150 million

Net revenue change

Excludes clawback -\$3,860 million

EQUITY



Equality measures		
Gini coefficient	0.35 (+0.01)	
80/20 ratio	2.87 (+0.03)	
Poverty reference line	Median household disposable income (equivalised)	
Relative reference	\$30556 (+\$211)	
Fixed reference	\$22714 (n/c)	
Poverty line: % of reference line	% households below poverty line	% children below poverty line
50% relative	12% (n/c)	16% (n/c)
60% relative	24% (n/c)	23% (n/c)
50% fixed	5% (n/c)	4% (n/c)
60% fixed	9% (n/c)	12% (n/c)

Change from status quo shown in parentheses; n/c = no change
Numbers may not add due to rounding errors

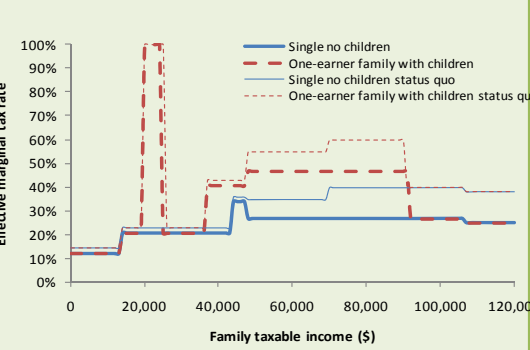
Family examples are:

- Two children under age of 13
- Two earner family – earnings split 67/33%

*Total income and disposable incomes exclude WFF tax credits and capital income not currently taxed

All distributional analysis of changes to personal, trust and company rates needs to be read in context with the distributional impact of the base broadening aspects of the package (shown below)

EFFICIENCY & GROWTH



Total income	Number with change in EMTR from status quo (thousands)					
	Increase	No change	0-5% fall	5-10% fall	>10% fall	All
\$1-\$10k	0	0	341	0	0	341
\$10k-\$20k	3	2	755	3	1	764
\$20k-\$30k	1	3	451	5	0	460
\$30k-\$40k	3	2	382	5	2	394
\$40k-\$50k	3	2	253	68	4	330
\$50k-\$60k	2	0	22	214	8	246
\$60k-\$70k	0	0	11	158	6	175
\$70k-\$80k	0	0	7	7	77	91
\$80k-\$90k	1	0	3	3	63	70
\$90k-\$100k	0	0	3	0	39	42
\$100k-\$150	0	0	6	3	72	81
\$150k-\$200	0	0	4	2	30	36
\$200k+	0	0	4	1	21	26
Total	13	9	2,242	469	323	3,056

Combine with base broadening

Extension of capital income taxation

OR RFRM on investment property

AND/OR

Land tax

AND/OR

Other options

+ \$3,590 million

Revenue figures are for steady state after full implementation

+ \$670 million

Revenue figure for rental property only

0.5%

+ \$2,130 million

1.0%

+ \$3,960 million

Deny building depreciation

+ \$1,300m

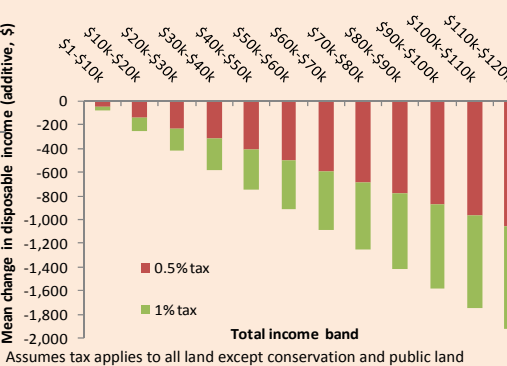
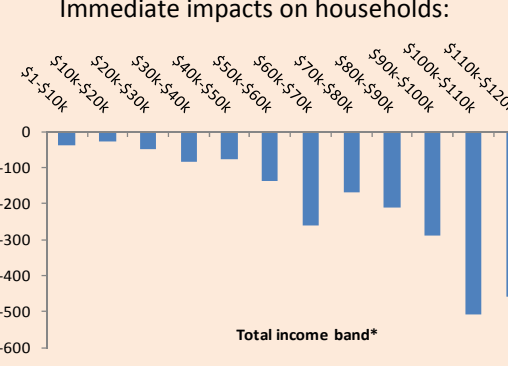
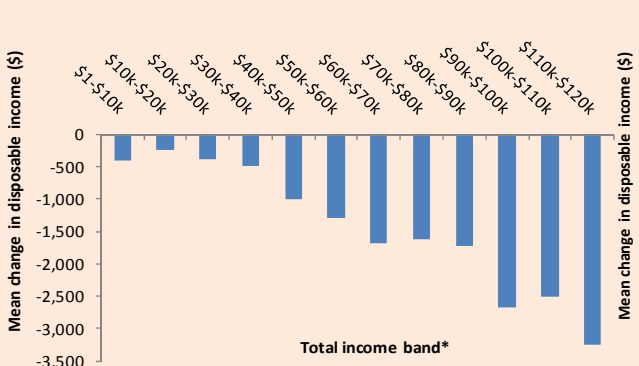
Remove depreciation loading

+ \$290m

60% thin cap threshold

+ \$180m

Immediate impacts on households:



*Capital taxation excludes owner-occupied housing
Assumes 4.2% nominal gain on property, 2.6% on financial assets and 5.4% on net business assets

Assumes nominal risk-free rate of 6%
Tax applied to net equity assumed at 30% of property value

Assumes tax applies to all land except conservation and public land
Revenue and distributional impact will reduce by about 18% if made deductible
Assumes 16.7% reduction in land value per 1% land tax

4

Align top personal and trust rates at 30% and reduce company rate to 25%

DESCRIPTION

Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	30%
Trust tax	30%
Company tax	25%
GST	12.5%

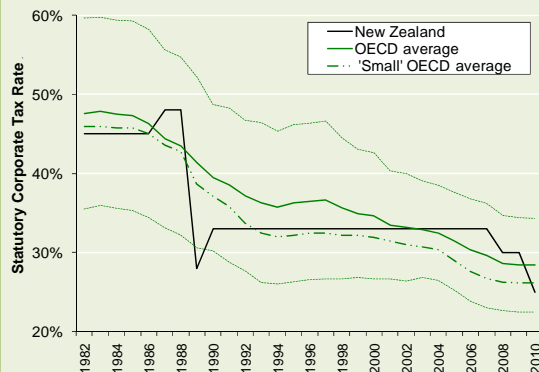
FISCAL COST

Personal: -\$1,370 million
 Trust: -\$240 million
 Company: -\$730 million
Net revenue change
-\$2,340 million

Excludes clawback
 Figures for 2009/10 only

EFFICIENCY & GROWTH

Equity and efficiency measures for households and individuals are unchanged relative to scenarios 1A-1C. The impacts of base broadening measures and fiscal costs are similarly unchanged.



COMPLIANCE & ADMIN

- Rate differentials are reduced but remain. An ongoing focus on encouraging and enforcing compliance will be necessary.

- Achieves a moderate level of simplicity: Single concept of income, but sector specific rules, debt/equity and capital/revenue boundaries and range of entities create complexity.

FISCAL INTEGRITY

- There will be incentives to shelter income in companies with top personal tax rates above corporate rates. This will require continuing remedial measures to promote integrity.
- The scenario improves on the status quo as passive investment vehicles such as LAQCs and QCs are aligned at the top personal rate. Other measures such as a capital gains tax or excess retention surcharges could further enhance integrity.

5

Reduce top personal and trust rates to 30% and company rate to 20%, remove imputation

DESCRIPTION

Income tax	
0-\$14k	12.5%
\$14k-\$48k	21%
>\$48k	30%
Trust tax	30%
Company tax	20%
GST	12.5%

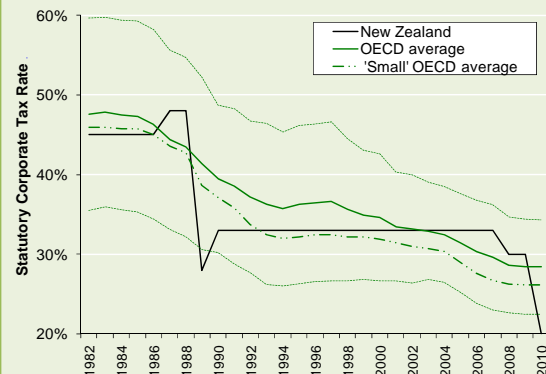
FISCAL COST

Personal: -\$1,370 million
 Trust: -\$240 million
 Company: -\$1,600 million
Net revenue change
-\$3,210 million

Excludes clawback
 Figures for 2009/10 only

EFFICIENCY & GROWTH

Equity and efficiency measures for households and individuals are unchanged relative to scenarios 1A-1C. The impacts of base broadening measures and fiscal costs are similarly unchanged.



COMPLIANCE & ADMIN

- There will be added complexity relative to status quo because this structure requires definition of active and passive incomes, surcharges on closed companies, a capital gains tax and multiple rates of tax on different forms of income.

FISCAL INTEGRITY

- There will be incentives to shelter income in companies with top personal tax rates above corporate rates. This will require additional remedial measures and resourcing to maintain base integrity.
- Potential measures to maintain integrity include and excess retention surcharge for companies and an accumulation surcharge for trusts, a capital gains tax and the double taxation of dividends.