

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Russell Holden, Accounting Manager
FILE NO: C753
DATE: 18 March 2010
RE: **Implications to Council of Proposed GST Increase – RFN10-04-01**

Purpose of report

To update Council on the ramifications of the proposed GST increase.

Background

The last time GST was increased in New Zealand was in July 1989.

In light of recent media releases surrounding the Tax Working Group's report released in January 2010 there is a general expectation there will be an increase in GST in the coming financial year.

We have been in contact with Council's tax consultants and it is their opinion there is an 80% likelihood of an increase in GST to 15% being included in the May 2010 budget with an effective date of 1 October 2010.

Discussion

This proposed GST increase part way through a financial year has a number of implications for Council that need to be given serious consideration.

Key issues are:

- The additional increase this will add to the annual rates rise for ratepayers who are not GST registered.
- Administrative and compliance issues in relation to rating, including timing of payment vs invoicing of rates, and the appropriate application of rates penalties.
- Ensuring the final 2010 Annual Plan addresses the GST issue where necessary if the increase is passed in the May 2010 budget.
- Updating and evaluating Council's information systems to ensure the change is dealt with appropriately.

Currently SOLGM (Society of Local Government Managers) is looking to move forward with an industry initiative on behalf of Local Government to help ease the transition and to ensure adequate consideration is given by Central Government to Local Government issues when setting the legislative change. As the increase in GST is likely to occur during the Council's financial year this would include the possibility of having a provision for a

composite GST rate legislated specifically for rates to deal with the unique issues surrounding these.

(Note: the composite GST would be a GST rate that would be applicable on rates invoices from 1 July 2010 to 30 June 2011).

Tasman District Council staff are supportive of any initiative put forward by SOLGM and have been advised by SOLGM's Chief Executive David Smith that the proposed contribution from Tasman District Council is to be in the vicinity of \$418 + GST.

Should the increase be confirmed in the May 2010 budget it is likely that Council will need to include in the final 2010 Annual Plan an allowance of around \$30,000 to take into account the additional consulting support that will be necessary to facilitate the change.

Recommendation

That the report on the implications to Council of the proposed GST increase (RFN10-04-01) be received.

Russell Holden
Accounting Manager