

**ENHANCING WELL-BEING IN NEW ZEALAND AND WALES THROUGH  
BROADENING THE SCOPE OF CONSULTATION IN TAX POLICY DESIGN**

**Sara Closs-Davies and Adrian Sawyer\***

**Abstract**

One of the recognised hallmarks of best practice tax policy development is public consultation with those who are affected by a tax as well as those that facilitate compliance with the tax. New Zealand and Wales, to varying degrees, incorporate consultation into the processes by which they develop and implement tax policy. The relative absence of consultation has come to the fore in New Zealand recently with the current government displaying a reluctance to consult publicly. In contrast, Wales has shown enthusiasm to consult more widely as it broadens its fiscal independence through ongoing devolution. Both jurisdictions are also developing measures of well-being that seek to incorporate tax policy engagement.

In this conceptual paper, the authors review the tax policy environment in the two jurisdictions, emphasising the role of public consultation and engagement with the wider community. New Zealand with its more extensive experience of fiscal independence compared to Wales has been held up to be a model of best practice with its generic tax policy process (GTPP). However, recent erosion in use of the GTPP and the narrow scope of engagement give rise to serious concern. As part of a positive move forward the authors argue that New Zealand would do well to look to Wales for guidance in increasing the scope of engagement in consultation. This paper not only offers practical recommendations to both nations, and worldwide, in this regard, but also about conceptualising how tax policy can integrate well-being initiatives and enhance the overall well-being of citizens.

**1.0 Introduction**

Tax policy consultation and well-being would typically be perceived to be two unrelated areas, with the former focussing on the extent to which a jurisdiction involves its inhabitants in the

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\* Lecturer in Accounting and Taxation, Bangor University, Wales and Professor of Taxation, University of Canterbury, New Zealand, respectively. This paper states the respective position of both countries as at 19 August 2022.

process of determining how it raises tax revenue and the other concerning how it applies its resources to support its inhabitants' overall welfare and endowments. We would suggest that tax revenue/expenditure and well-being are like two sides of a coin, inextricably linked and related to each other. Recently the two concepts have become more closely aligned, at least in the two jurisdictions that are the focus of this paper, namely New Zealand and Wales.

In a democratic state, the government is effectively a form of representation of the aspirations of the inhabitants of a nation, usually determined directly through some form of election process and an associated accountability for the government's actions. The government will, to varying extents, make decisions informed by the manifestos of its constituent party members (subject to compromise), and to the rule of law measured in part by the accountability mechanisms in place (such as a Parliament and through legislation/regulation).

Central to almost all nations is a need to raise revenue, with taxation being a major source. This revenue is raised to meet the priorities of the government, including those that may come within the umbrella of overall well-being of its inhabitants and the natural environment. An emerging focus in the tax policy area is the extent to which governments directly engage with their inhabitants through consultation as part of the policy development process. Traditionally, these processes involve an emphasis on features that are directly measurable through, for example, GDP (such as financial and physical capital). However, other features that are more challenging to measure are coming to the fore, including the state of the environment (natural capital), well-being and capability (human capital), and citizenship and cohesion (social capital).

This paper seeks to find out '*how tax policy-making processes engage with the public and integrate well-being*'. To address this research question, this paper takes a comparative exploratory case study approach focussing on two jurisdictions, New Zealand and Wales, with respect to their approach to tax policy consultation and well-being. When adopting a case study approach, the design and analysis considerations are of great importance, more so often than the description of events or the scenario(s) under review. The case study approach facilitates the authors' desire to understand complex social phenomena and enables us to review real-life events in a holistic and meaningful manner (Yin, 2017). Our approach is essentially positivist in that we seek to critically evaluate what we see as the reality behind the extent of public consultation in tax policy making and how tax policymaking is working to integrate (with the aim of improving) well-being in New Zealand and Wales.

Why select these two nations for comparison? Apart from both nations utilising democratically elected governments under a common law system (with some variations), they are small (populations of around 5 million and 3 million, respectively), are known to be politically innovative, and more recently are embarked upon journeys to incorporate well-being into their revenue and expenditure frameworks. They have significant differences, one of the most notable being the limited ability for Wales to self-determine its taxation policy compared to New Zealand, although the former is securing a greater ability for self-determination through devolution (key steps in the devolution process were achieved through the Wales Act 2014 and Wales Act 2017). More about the significance of these developments is discussed later in the paper.

In the next section of the paper, we briefly review tax policy and well-being, along with the importance of consultation; in effect this section forms our literature review. We then set out the two case studies in sections 3 (New Zealand) and 4 (Wales). Section 5 draws upon the individual case studies to set out our detailed analysis of how the two jurisdictions are utilising the importance of consultation in tax policy development and well-being assessment. Section 6 contains our concluding thoughts, recommendations, and highlights areas for future research.

## **2.0 Tax policy, well-being, and consultation – a brief review**

Tax policy can be analysed from several perspectives. It can be from a high level such as the broad fiscal policy of a jurisdiction, or more narrowly focussed in terms of the choices made within the particular taxes enacted in a jurisdiction. Tax policy analysis may also extend to the principles by which a tax policy is designed and implemented, such as equity (fairness), efficiency, simplicity, neutrality (or lack thereof), visibility, and administrative and compliance costs. A frequent starting point are the principles espoused by Adam Smith (1817), namely equity/ability to pay, certainty, convenience, and economy. Furthermore, tax policy may be analysed in terms of the process by which it is developed, such as whether it involves public consultation, and the level of overall transparency in the process.

Not only is tax policy a key lever to support a jurisdiction's fiscal and economic objectives, but it can also be a critical tool for achieving environmental and social objectives. One approach to achieving environmental and social objectives is to develop measures of overall well-being. Well-being is a difficult concept to define and measure but can be appreciated more clearly through some form of framework. For example, the NZ Wellbeing Budget 2019 defined well-

being as when “people are able to lead fulfilling lives with purpose, balance and meaning to them” (Government of New Zealand, 2019). In this regard, in NZ a comprehensive well-being policy framework has emerged that is guided by the NZ Treasury’s Living Standards Framework (LSF). In turn the LSF has shaped and influenced how the NZ government allocates spending and the metrics it chooses to measure and report on. In NZ’s case, this framework has also been informed by indigenous culture by way of incorporating Māori well-being concepts. We discuss this in more detail in Section 3.

In Wales’s case, the Welsh Government is committed to create a proportionate and progressive tax system in Wales to reduce the impact of tax policy on the socially and economically disadvantaged. Wales’s tax approach is facilitated by the Welsh Government’s Socio-economic Duty and its Well-being of Future Generations (Wales) Act 2015. Both aim to improve social and economic outcomes, in particular for the socio-economically disadvantaged in Wales. We discuss this in more detail in Section 4.

Such ‘radical’ changes in approach require a revisiting of existing features when assessing the effectiveness of tax policy measurable in financial terms, such as by tax impact on GDP, to incorporate aspects of wider well-being (such as physical and emotional well-being, and overall quality of life). Frequently there are a lack of tools by which to implement and assess well-being. This necessitates the development of tangible measures of well-being, including a range of statistical information on broad areas such as life satisfaction, finances, health, housing, human rights, and relationships. Collectively these statistics show how well-being varies across different groups in society and over time.

The third critical aspect in our analysis is consultation, which must not only be genuinely sought and carried out, but also be perceived to be so. Effective consultation starts with the party undertaking the consultation being clear about what they are seeking to achieve, who they are approaching to consult including thinking about how any feedback received will be used and how it may affect (if at all) the decision-making process. Consultation can be at any point on a spectrum, from merely informing (minimal external input at best), to consulting (considering external views), partnering (collaborating with others in shared decision-making), to empowering (supporting community-led decision making) (Allen & Clarke – nd). Consultation in a tax policy setting is unlikely to extend beyond the second position on this spectrum and all too often only makes it to the first. Moreover, rarely does the tax policy making process genuinely involve the wider public and not just the ‘usual suspects.’

The preceding discussion begs the question: “Why involve the wider public in consultation?” Bennett and Colon-Rios (2011) offer the following reasons in support of involving the public in the consultation process:

- a) increasing a regulator’s accountability and checking its decisions;
- b) the educational effects of participation (both for the public and the administration);
- c) potential positive effects on the quality of outcomes;
- d) increasing compliance; and
- e) democratic justifications for public participation.

They also suggest some reasons against public participation:

- a) it is unnecessary to secure regulatory legitimacy;
- b) it is too costly and time-consuming;
- c) citizens are not interested in participating;
- d) it might be captured by special interests; and
- e) decisions should be in the hands of experts.

On balance we would suggest that the reasons for public consultation outweigh the reasons against in almost all instances. That said, depending on the type of policy, consultation may be narrow in scope, such as to targeted individuals or organisations, or open widely to the public so that anyone that has an interest can take advantage of the opportunity to submit their views. Most frequently consultation on taxation and government initiatives follows a traditional process of releasing a consultation document for which submissions from the public are invited to be made in writing. On some occasions this may extend to inviting in person presentations, especially for those held before parliamentary committees.

Little effort is traditionally applied towards adopting a variety of measures such that the person or body seeking feedback uses a range of channels to meet at least halfway with those that might wish to offer their views. For example, this might involve hosting public polls that focus on key issues, running community focus groups (or hui in a NZ context), stakeholder meetings, and in particular ensuring as a wide coverage as possible of all sectors of society, including indigenous groups. The same can be said for the well-being side, with wide ranging consultation being significant. Nevertheless, one can get too much of a good thing. One significant weakness of extensive and frequent consultation is the pressure that significant consultation places on a relatively small group of skilled and directly affected people and

organisations to engage in the process, and doing so in a short amount of time, which could lead to undesirable and unintended outcomes that could have been avoided.

It is important to ascertain who is involved in the tax consultation process. In a NZ context, Marriott (2021, p. 164, emphasis added) observes with respect to tax policy consultation:

“This study investigated who is consulted in, and who submits to, the tax policy process. It finds *a homogeneous group of submitters*. Those consulted comprise a wider group of voices, but *Māori are not well represented among either the group of those consulted or those who are submitting on tax Bills.*”

Also in a NZ context, practical guidance on improving consultation with Māori is provided by Scobie and Love (2019, p. 3, emphasis added), who propose a framework, that:

“[i]f implemented in a genuine and committed way, the framework could be *world-leading in providing alternatives to reductive dominant development perspectives*. Additionally, the framework could assist the New Zealand government in meeting its *obligations to Māori through the principles of the Treaty of Waitangi and the United Nations Declaration on the Rights of Indigenous Peoples (‘UNDRIP’)*.”

Thus, in a NZ context at least, there is much to be done to ensure that tax policy consultation reaches all groups within the broad community.

In Wales’s case, the Welsh Government identifies five key principles, referred to as ‘five ways of working’ (see Figure 1) that are integrated within Welsh tax policymaking when making decisions and considering the impact of decisions on the current and future lives of people living in Wales. For example, its principle of *Collaboration* involves “acting in collaboration with any other person [...] that could help the body [Welsh Government] to meet its well-being objectives” (Well-being of Future Generations (Wales) Act 2015 Essentials Guide, p. 5). The principle of *Involvement* identifies the importance of involving relevant and a diverse mix of people with an interest in specific well-being goals. In the context of Welsh tax policymaking, this includes engaging with key stakeholders when assessing the impact of tax policy on disadvantaged people, communities and society, and ensuring its delivery and administration operates effectively in collecting tax revenue to help fund and provide public services to improve well-being in Wales. According to the Welsh Government, adhering to these five

principles will “help us work together better, avoid repeating past mistakes and tackle some of the long-term challenges we are facing.” (*ibid*, p. 5).

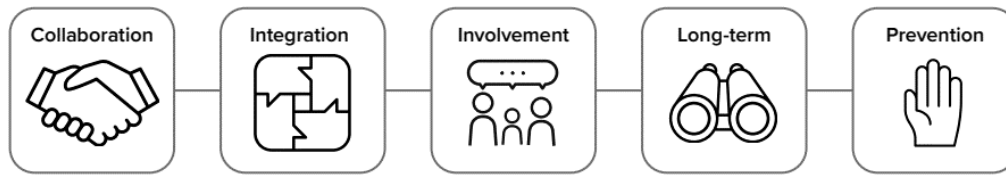


Figure 1 ‘Five ways of working’ as set out in the Well-being of Future Generations (Wales) Act 2015: Source: Well-being of Future Generations (Wales) Act 2015 Essentials Guide

We now turn to the first of our country case studies, New Zealand.

### **3.0 Case study one: New Zealand**

#### **3.1 Overview and background to the GTPP**

The major taxation statutes in New Zealand (NZ) the Income Tax Act 2007 (the latest incarnation following the 1993-2007 tax rewrite project – see Sawyer (2013b)), Goods and Services Tax Act 1985, Tax Administration Act 1994 and the Taxation Review Authorities Act 1994. Inland Revenue is responsible for the administration of all of these statutes, with departmental officials a major player in proposing and reviewing submissions on any proposed amendments to them.

The NZ approach to ‘formalised’ consultation on tax policy has its genesis in the organisational review of Inland Revenue undertaken under the leadership of Sir Ivor Richardson in 1994 (Organisational Review Committee, 1994). One of the key recommendations from this review was a new generic tax policy process (GTPP). Formal recognition of well-being as a factor to incorporate into tax policy development is a much more recent phenomenon, with its origins in work led by the NZ Treasury, with the current iteration released in October 2021 (NZ Treasury, 2021). Earlier the concept of well-being was adopted by the Labour-led government through its Tax Working Group 2017-19 (Tax Working Group (TWG), 2019) and it features in the annual budgets since 2019 (NZ Government, 2019; 2020, 2021; 2022).

A great deal has been written about the before and after-tax GTPP environment in NZ and it is not the purpose of this paper to discuss this in detail (for an early discussion see Sawyer, 1996). A brief overview will provide necessary context for this paper. Prior to the introduction of the GTPP, NZ’s tax policy was largely developed in secret (similar to the United Kingdom, as

discussed in Section 4.1), with a very limited number of ministers and the NZ Treasury being the major players. Inland Revenue played a much less significant role than it does now. Public consultation on tax policy was largely absent, with a few exceptions being the development of policy papers for major tax proposals, such as in the lead up to the introduction of the Goods and Services Tax (GST) in the mid-1980s (Government of New Zealand, 1985). Consultation on draft legislation is core to the parliamentary process via the select committees but is not mandatory (in the case of taxation, this comes within the ambit of the Finance and Expenditure Committee (FEC)).

Prior to the GTPP, the Parliamentary phase has been a critical feature of the law-making process, necessitating that all tax-related legislation and other regulatory items be referred to the Finance and Expenditure Select Committee (FEC) to call for submissions, unless the Government sought to have the item legislated for under urgency (where it could command a Parliamentary majority to do so). Figure 2 sets out the Parliamentary process, assuming a bill works through the entire process without urgency (where the select committee phase is bypassed) or where a supplementary order paper (SOP) introduces draft legislation at the second reading:



# How a bill becomes law

For further information:  
[www.parliament.nz](http://www.parliament.nz) or  
[parlinfo@parliament.govt.nz](mailto:parlinfo@parliament.govt.nz)

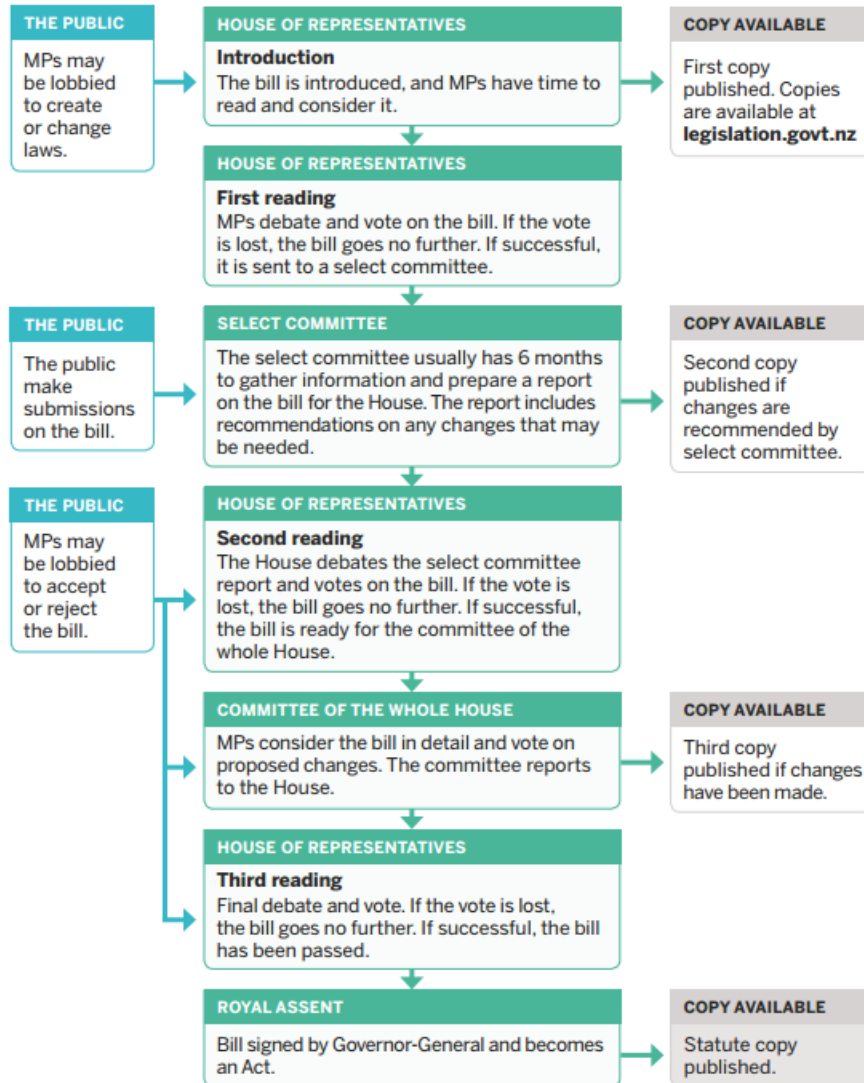


Figure 2: How a bill becomes law (source: NZ Parliament, online: [www.parliament.nz](http://www.parliament.nz))

Figure 3 sets out the GTPP, as proposed by Organisational Review Committee (1994, p. 81), that was adopted by the NZ government of the time by way of a Cabinet convention (Sawyer, 2013b). The GTPP has remained largely unchanged over the subsequent period of nearly thirty years. Nevertheless, is not enshrined in statute, which has been the catalyst for both its success and relative ease by which it can be set aside. Since this is a Cabinet convention, it necessitates that each successive government make a conscious decision as to whether to apply it or seek to short-circuit the process. The life of the GTPP has been a journey with several challenges

exhibited by way of hurdles and potholes to overcome, as has happened in 1999-2000, 2010 and 2019-2022 (Sawyer, 2013a, 2022; Vial 2012). The most recent challenge is extremely serious and ‘life-threatening’ – the high-trust consultation environment in NZ is heading down a slippery slope (Sawyer, 2022).

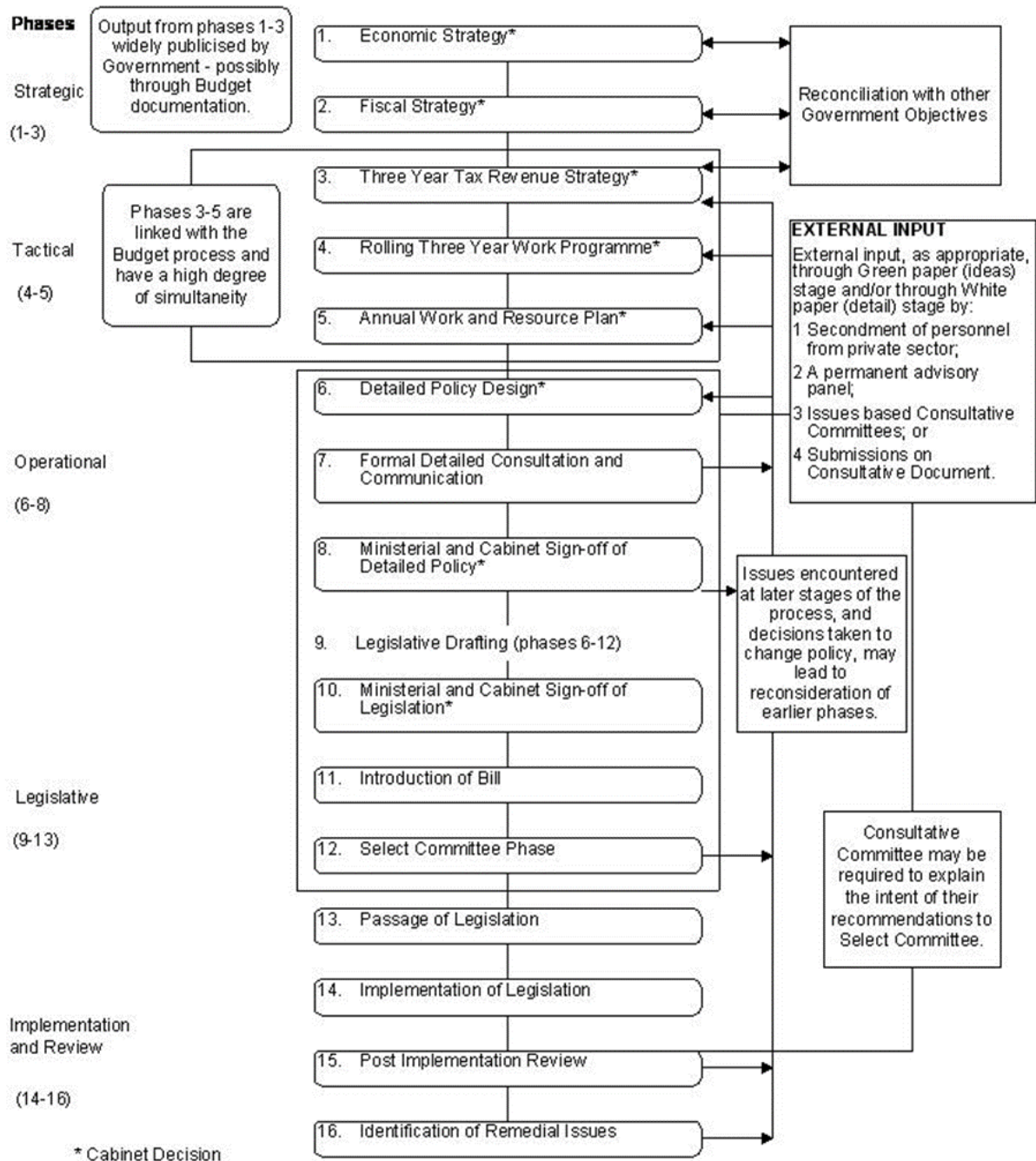


Figure 3: The Generic Tax Policy Process (GTPP)

Consultation lies at the heart of the GTPP. The Organisational Review Committee (1994, p. 63) made the following statement on consultation:

“Consultation must be genuine. External people must not feel their views are requested for the sake of appearance. The GTPP makes provision for the form of consultation most appropriate to the particular part of the process. Possible forms include:

- consultative committees formed to address specific issues;
- a panel of private sector advisers; and
- specialists seconded from the private sector.”

### **3.2 *The GTPP in operation – an assessment***

External recognition of the importance of the GTPP is well illustrated in the work of Wales and Wales, where at a University of Oxford conference, the authors concluded that the GTPP is a sound and successful framework. Their subsequent report provides further evidence that the authors were impressed by the strength of tax policy making in NZ, although they expressed caution over the risks that are posed when the GTPP’s operation is challenged (Wales and Wales, 2012, p. 161).

The most significant review of the GTPP occurred in August 2019 when Inland Revenue released a document entitled: *Tax and social policy engagement framework* (Inland Revenue, 2019). In this document Inland Revenue (on behalf of the NZ government) reaffirmed their commitment to the existing GTPP processes for all stages of policy development, indicated that they expect good faith consultation from all involved, and reiterated that they are committed to five principles for engagement, namely (Inland Revenue, 2019, p. 5):

- wider engagement;
- engagement with Māori;
- earlier and more frequent engagement;
- the use of a greater variety of engagement methods; and
- greater transparency and accountability.

While these principles are laudable, of particular concern is the sharp focus placed on exceptions to following the GTPP, the most fundamental being (Inland Revenue, 2019, pp. 15-16):

65. Urgent Government priorities may sometimes require a more truncated policy development process. However, the principles of earlier and wider engagement and greater transparency will still be adhered to, where appropriate, but adapted to suit the tighter timeframes.

These exceptions have come to the fore under the 2017-2020 Labour-led government and the 2020-2023 Labour government. Due to the GTPP being an administrative process without statutory backing, there is no formal mechanism in place to hold the government accountable should it fail to apply its own stated policy approach. That said, there is one positive development emerging from this 2019 document, namely a clearer link between tax policy and social policy, including formal recognition of well-being.

### **3.3 *Well-being – a New Zealand approach***

Taking a step back, a significant catalyst to the work of the NZ Treasury on well-being is the work of the Organisation for Economic Cooperation and Development (OECD), amongst others, that have been promoting measures that capture well-being and living conditions, rather than just measuring impacts on GDP (OECD, 2019). The OECD's 2019 framework formed the basis for creating the NZ Treasury's LSF.

Well-being was promoted by the 2017-2020 Labour-led government in conjunction with the NZ Treasury, with its first real application being seen in the 2020 NZ Budget (NZ Government, 2020). Well-being is being assessed by various statistical measures concerning how people feel about their lives. Measures of well-being used in NZ include life satisfaction, finances, health, housing, human rights, and relationships. Well-being is being assessed through the NZ Treasury's LSF, with the latest refresh released in October 2021 (NZ Treasury, 2021). The current iteration of the LSF is set out in Figure 4:

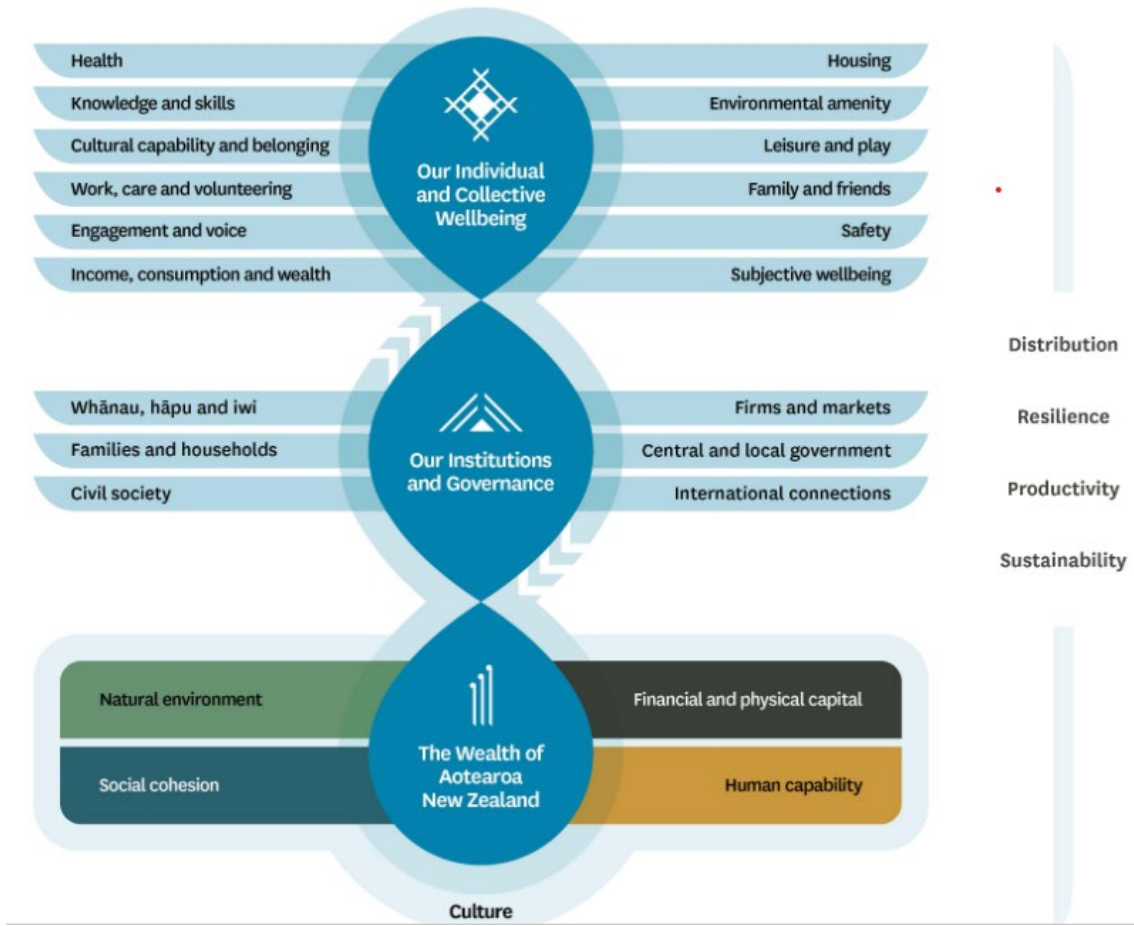


Figure 4: The 2021 NZ Treasury LSF

The LSF contains data measures across twelve areas, including health, housing, safety, and social connections. It seeks to assess the current and future well-being of New Zealanders broken by several demographic factors, such as ethnicity, age, gender, region, family time and deprivation areas over time. Progress towards improving the LSF is measured through the LSF Dashboard (Dashboard), a process which commenced in December 2018 with the intention of periodic updates; the most recent update occurred in April 2022 (NZ Treasury, 2022).

The most significant application of the LSF in taxation to date was by the TWG 2017-19, where the LSF was specifically incorporated into its Terms of Reference (TWG, 2019). That said, the only example where the TWG specifically applied the LSF was to incorporate a wider view of evaluating tax policy in relation to ecological and environmental taxes (TWG, 2019). To date the NZ government has yet to give effect to the TWG’s recommendations in this regard.

A second enhancement to well-being assessment is very much NZ-centric through incorporating Te Ao Māori perspectives that will inform the understanding and application of

the LSF. At the centre of this framework is the concept of waiora (well-being), which draws upon four tikanga principles:

1. manaakitanga (care and respect);
2. kaitiakitanga (stewardship);
3. whanaungatanga (the relationships/connections between us); and
4. ōhanga (prosperity).

This framework is set out in Figure 5 (TWG, 2019, pp. 25-27):

### Bringing together Te Ao Māori perspectives and the Living Standards Framework

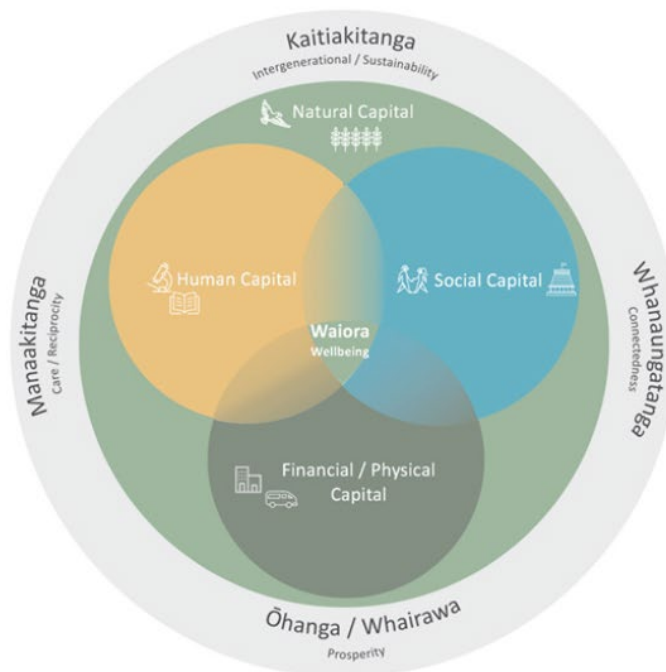


Figure 5: Te Ao Māori perspectives and the LSF

The TWG's (2019) incorporation of He Ara Waiora provides a prototype framework that integrates the four capital stocks in the LSF with established principles of tax policy design. Through combining the GTPP with the LSF, as well as the uniquely NZ He Ara Waiora, NZ is evolving a unique framework for developing tax policy that goes beyond traditional tax principles and consultation processes. That said, a major handbrake is being applied through the current government's failure to fully utilise the GTPP, coupled with an absence of tangible evidence (to date) of tax policy design incorporating the LSF and He Ara Waiora. The first four NZ government well-being budgets (2019-2022) have not contained any significant new

tax policies (policies have instead largely been made through ministerial decree), so once again we cannot at this time assess how the LSF may impact tax policy design and thinking. Consequently, at best we can only speculate what this combination may yield, although as noted earlier, Scobie and Love (2019) provide valuable analysis of what inclusion of Māori centric frameworks may look like.

What can be speculated upon are the ways that the LSF may be incorporated into tax policy development (incorporating the GTPP and traditional tax principles). Sawyer (2020) suggests that one approach could be to undertake the analysis using the traditional principles, and then run a second analysis of the proposals using the LSF. He suggests that this would give visibility to both the traditional and LSF approaches but is likely to lead to duplication and greater use of resources. It may create an appearance that the LSF is an afterthought and not really a core part to tax policy development.

A second approach suggested by Sawyer (2020) is to include the LSF as a core part of the policy development process, using the measures alongside the traditional tax policy principles. This has the advantage of giving an appearance of integration and potentially reducing duplication. However, it may overcomplicate the tax policies that emerge raising the question of whether this results in implementation of the most appropriate tax policies (whatever measures are selected to be applied).

It is perhaps unfortunate that as at the time of writing there are no clear examples of how the LSF has been used to directly inform tax policy development in NZ. As noted earlier, an excellent opportunity was provided by the TWG in its 2019 Report in its overview of how a much wider perspective to evaluating how the tax system can support enhancement of the environment is possible. However, the NZ Government has so far chosen not to take up this opportunity.

The first example is set out early in the TWG's *Final Report I* (2019, paras 40 and 41):

“40. Over the past year, the Group has carefully examined the tax system in order to form a view about its overall structure, fairness and balance. Although the tax system has many strengths, the Group has found that the tax system is not particularly progressive and relies on a relatively narrow range of taxes (although the taxes that are levied by New Zealand have broad bases).

41. The outcomes generated by the tax system reflect deep structural choices about what is taxed and what is not taxed. Two issues have been particularly prominent in the Group’s discussions: the treatment of capital gains and the treatment of stocks of natural capital. In the Group’s view, these structural choices have significant impacts on the fairness and balance of the tax system as a whole.”

Later, the TWG comments more specifically (2019, paras 134 and 135):

“134. The tax system can play a greater role in delivering positive environmental and ecological outcomes in New Zealand. It can help change behaviours and fund transitions towards a more regenerative, circular economy. ...

142. This chapter identifies opportunities for using tax to achieve positive environmental and ecological outcomes. Further work is needed to rigorously assess how taxes can complement other environmental policy measures and to work through the design principles identified in this chapter.”

### **3.4 Summary**

To summarise, NZ’s engagement with well-being has been world leading with respect to the work of the NZ Treasury, and to a much lesser degree the NZ government through its four well-being budgets to date. From a tax perspective, however, efforts to date represent strong rhetoric rather than provide any tangible evidence of the incorporation of the LSF within tax policy development. The most significant development, from a tax perspective to date, has been the work of the TWG 2017-19, as evidenced in their 2019 Report (TWG, 2019). Clearly there is significant room for improvement, not only with respect to incorporating the LSF in tax policy development, but more clear evidence of the NZ government returning to a transparent and consultative approach through full adoption of the GTPP. To use an analogy, while it might appear to be relatively straightforward to come up with a recipe, the cooking/baking process has yet to produce a product to the liking of the government, necessitating ongoing refinements to the recipe.

### **4.0 Cases study two: Wales**

Wales shares its legal jurisdiction with England, forming one of three legal jurisdictions across the United Kingdom (UK) (Scotland and Northern Ireland being the other two). Since the transfer of legislative power for self-governance (devolution) to Wales, tax powers in Wales



have increasingly become distinct with further potential tax differences taking place in the near future. To understand the aims and progressive nature of tax policymaking in Wales requires firstly an overview of its development within the context of the United Kingdom (UK). Appreciating this background, helps to understand tax policymaking in Wales for two reasons. First, some of its taxes continue to be developed and legislated by the UK Government (e.g., corporation tax, inheritance tax and capital gains tax). Second, an overview of the UK tax policymaking process provides context and highlights the stark contrasts between policymaking in Wales as compared to the UK since Wales received devolved tax powers. Providing a brief description of the UK's tax policy making processes will deepen our understanding of Wales's aims, objectives and motivations surrounding the way it makes tax policy. This paper only provides a brief summary of the legislative processes in the UK, because the main focus is on Wales's policymaking processes since devolution.

#### ***4.1 Tax policymaking in the UK: brief description and challenges***

For several decades, the UK tax system has been based on a combination of law (Acts), regulations and cases<sup>1</sup>. These rules and regulations encompass all nations of the UK (England, Scotland, Northern Ireland and Wales), such as the Income and Corporation Taxes Act 1988 (ICTA), Income Tax Act 2007 (ITA), Value Added Tax Act 1994 (VATA), Inheritance Tax Act 1984 (IHTA), Social Security & Benefits Act 1992, National Insurance Contributions Act 2011 & 2015, Taxation of Chargeable Gains Act 1992 (TCGA), and the Taxes Management Act 1970 (TMA) and Commissioners for Revenue and Customs Act 2005 (CRCA) which deal with direct tax administration.

The rules contained in these Acts are subject to changes and amendments via the announcement of the Budget by the Chancellor. Corporation and income tax are considered to be annual taxes which means they have to be renewed every year in the Budget to retain parliamentary control over these two main tax revenues. Other taxes can be introduced, increased or reduced in the Budget for a specific period or permanently. The UK Budget occurred twice-yearly (usually in

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<sup>1</sup> Although to a much lesser extent than the UK Parliament's legislation and rules, it is important to note that tax policy also incorporates guidance provided by Her Majesty's Revenue and Customs (HMRC), via Statements of Practice (HMRC's interpretation of the law), Extra Statutory Concessions (relaxations of specific areas of UK tax law), and published News Bulletins, online guidance and manuals.

Spring and in the Autumn). However, since 2017 the Budget became one annual event (reflecting the general international approach), taking place in the Autumn<sup>2</sup>.

Generally, there are two main stages for a Budget to become law. The first stage allows for consultation surrounding the policies announced in the Budget that take place over Winter and Spring following the announcement of the Budget in the Autumn. This process involves several debates and a series of votes in Parliament. This includes ‘budget resolutions’ (also known as ‘ways and means’ resolutions’) for each tax policy which take place in the House of Commons over a course of four days. The resolutions must be agreed within ten sitting days following the Budget, and the whole process allows the government to make provisional changes to tax until it becomes Law. Here, each agreed budget resolution becomes the foundation of the Finance Bill.

The second stage transforms the Finance Bill into law (an Act) making the provisional tax changes permanent. This involves the Finance Bill being considered and passed through Parliament, mainly through the House of Commons. A crucial ‘ping-pong’ process of considering and amending the Bill, reaching agreement of the proposed tax plans and changes, and is a method of holding the government to account. The Bill is also considered by the House of Lords, although not quite as detailed as the House of Commons and is not usually expected to make any changes to the Bill. Arguably this might be because the main control of taxes and spending is exercised by the House of Commons: The House of Lords’ role in respect of taxes is “to agree, and not to initiate or amend” (Erskine May, 2019, Chapter 37, para. 37.2). Following the parliamentary stage, the Finance Bill seeks formal approval by the Queen (Royal Assent) after which the Bill becomes an Act of Parliament (a Finance Act) and thus becomes law. A Finance Bill is expected to become law within seven months from the passing of the budget resolutions.

In addition, to this two-stage process, the Commons Treasury Select Committee (a cross-party committee of MPs) whose role is to scrutinise the work carried out by HMRC Treasury, carry out a short enquiry into the Budget’s proposals. This involves gathering information and oral evidence from experts followed by publishing a report containing their conclusions and any

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<sup>2</sup> With the exception of the period between 2019 and 2021 when the Budget was delayed twice, and three economic statements were announced by the Chancellor due to a General Election in 2019 and the Covid-19 pandemic that followed.

recommendations. The Government then responds to the Committee's findings by issuing a report that usually includes input from the Office for Budget Responsibility (OBR).

It must be noted that some provisional tax changes can be implemented after the Chancellor has finished their announcement speech on Budget Day; these have usually related to alcohol and tobacco taxes in previous years. This is done via a single motion to the House of Commons asking for agreement to such changes (known as the 'Provisional Collection of Taxes') meaning that some tax changes can take effect from 6pm on the day of the Budget. This can also occur after the four-day 'budget resolutions' period upon agreement in the House of Commons, if necessary. However, such changes still require a Finance Bill to be permanent and legal.

The new process of having one annual fiscal cycle for making tax changes, instead of two per year, was welcomed by practitioners and taxpayers as it gave more opportunity for consultation and planning, improved efficiency (economy, as referred to by Adam Smith) in terms of reducing administrative burdens and promoted certainty and stability. However, after considering the above mechanics of how tax policy is made in the UK, there does not seem to be much openness, dialogue and consultation with external stakeholders. Especially when considering that non-tax policy making decisions are usually subjected to drawn out negotiations and external scrutiny through consultation and calls for evidence, together with internal considerations at the House of Commons and House of Lords. They are scrutinised for their value for money and impact on individuals and businesses. However, the process of making tax policy in the UK is different and "shrouded in secrecy" (Rutter, et al, 2017). The Chancellor has the privilege of designing tax policy (the Budget), from which HMRC Treasury leads, and Cabinet Ministers only get access to the Budget a few hours before it is announced to the public: "no provision is made for collective discussions" (*ibid*). Furthermore, other government departments are not privy to government financing matters or details to be able to challenge HMRC Treasury.

Part of the government's justification for such secrecy is that if tax-related information were published before Budget Day, this could have an effect on markets and tax planning decisions. Delaying planned tax changes also creates a grand unveiling event for the Chancellor on Budget Day. As implied by the former Chancellor, Nigel Lawson, who stated, "quite apart from the fact that it can be fun, it seems to me no bad thing that for one day in the year the attention of the entire nation should be focused on the national economy and on the issues

involved” (1992, p. 274). The former Treasury Second Permanent Secretary, Sir John Kingman, refers to some of the processes associated with the Budget as “gimmicks” (2016). In other words, and put simply, tax policy making in the UK has become a political tool rather than about the people and businesses it impacts. Waiting until the ‘rabbit comes out of the hat’ on Budget Day creates uncertainty, does not give sufficient time for tax practitioners, taxpayers, and other stakeholders to digest and understand the changes and plan, and they do not have much input.

This also potentially leads to an inefficient tax system whereby an ill-thought through tax policy can have detrimental effects on taxpayer behaviour and revenue – making it ineffective at achieving its aims and costing more to resolve. For example, the abolition of capital gains tax taper relief for business assets in 2008 led to the Chancellor having to quickly create a new (entrepreneurs) relief after pressure from stakeholders. Such reversals also come with a political cost which far outweigh short-term gains. However, ultimately, it is the taxpayer who pays for insular, restricted, and closed-off mechanics of UK tax policymaking.

Figure 6 illustrates the significant increase in the number of tax changes (measures) year-by-year as announced, annually, on UK Budget Day. Ultimately, an increase in tax changes leads to increased uncertainty and complexity for taxpayers and tax practitioners making it difficult for them to understand, challenge and plan around tax policy changes. This can also lead to additional costs for taxpayers who base their decisions on tax rates that have since increased or tax reliefs that have since been abolished, and a lack of awareness of new tax reliefs and exemptions amongst taxpayers. This approach also runs the risk of a lack of transparency and accountability by the UK Government in terms of tax policymaking.

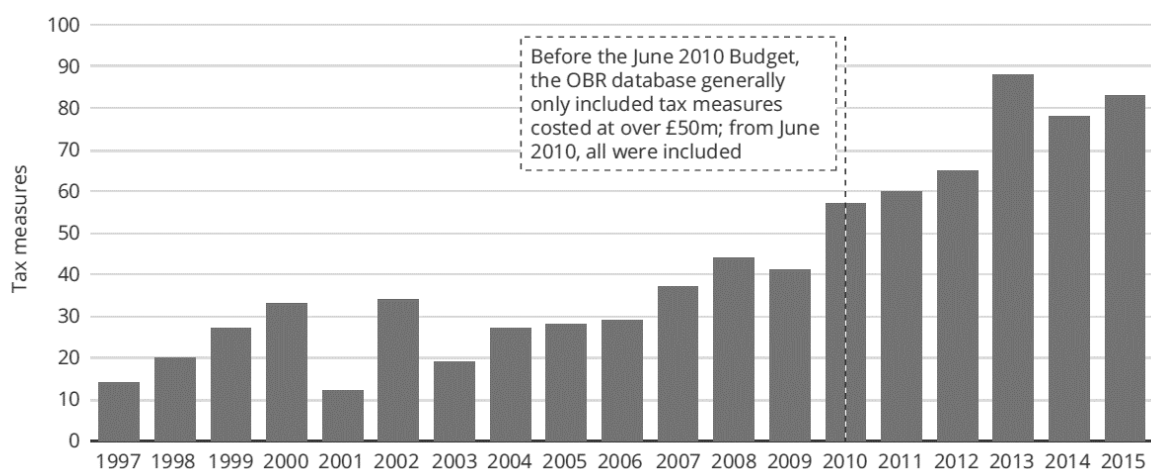


Figure 6 The number of tax measures, year-by-year in the UK  
Source: Rutter et al., 2017, page 10

We mention earlier in this section that the OBR does have some input on the Commons Treasury Select Committee's report on the Budget before it becomes law. However, their scrutiny does not involve detailed analysis of and extended access to the evidence behind tax policy changes (Sense about Science, 2016). In his 2016 Report, the Chair of the Social Security Advisory Committee also commented that "legislation required to deliver policies announced by the Chancellor during his Budget or Autumn Statements is often developed at pace to meet challenging deadlines set by HM Treasury. This has regularly resulted in secondary legislation being presented to us without meaningful analysis of impact or interactions with other parts of the benefit system. The absence of evidence underpinning some of the Government's policy choices has been a significant concern to us over the past year" (Gray, 2016, p. 5).

Introducing several tax changes and implementing them quickly can create major difficulties for tax administrators (HMRC) due to lack of consultation and time to setup adequate systems in place to implement and operate new tax policy changes. There are several examples of this in the UK: the (quick) introduction of Tax Credits (Closs-Davies et al., 2021), the roll out of Universal Credits and the digitised transformation of the UK tax system (known as 'Making Tax Digital') (Tyrie, 2016). This leads to more costs, paid from the taxpayers' purse, and loss of trust, transparency and confidence in the tax system which can, arguably, encourage future non-tax compliance.

According to the Institute of Fiscal Studies' (IFS) 2011 Mirrlees Review, "Good tax policy requires an open, transparent, and well-informed public debate based on credible data [...] At present in the UK, there is arguably a more limited level of discussion and debate about tax policy within government, and as part of the legislative process, than in other areas of policy". Drawing on this, the Chartered Institute of Taxation (CIOT) (professional body for practitioners), the IFS and the Institute for Government launched a project and published a report in 2017 investigating how the UK can improve its tax policy making processes. The report contained several recommendations, some of which repeated similar recommendations presented in the IFS 2011 report. It is since their report, that the Chancellor changed the Budget from a twice-yearly announcement to one annual event (as described earlier), partly addressing one of the report's recommendations and allowing "for greater Parliamentary scrutiny of Budget measures ahead of their implementation" (Hammond, 2016). However, since the IFS' report in 2017, much more is needed in terms of open consultation, scrutiny and debate in tax

policy development. Concern still exists of its lack of scrutiny compared to other UK public policies (Lymer and Oats, 2021). We now turn our focus onto Wales.

#### ***4.2 Wales's tax policymaking in operation – description and assessment***

Welsh law has, effectively, been generated in Wales since the Government of Wales Act 2006 which identified specific areas of responsibility devolved to the National Assembly for Wales. The 2006 Act separated the Executive from the Legislative, whereby the National Assembly makes primary legislation and represents the interests of the people of Wales, and the Welsh Government (WG), consisting of the First Minister and Ministers, is responsible for making and implementing decisions, policies and subordinate legislation. The WG is accountable to the National Assembly. This 2006 Act granted legislative competence to the National Assembly for making laws on specific matters, known as 'Assembly Measures'. Assembly Measures are a lower form of primary legislation, and similar to other types of legislation, were scrutinised and needed to be passed by the National Assembly and approved by the head of state, Her Majesty Queen Elizabeth II. However, since a referendum held on 3 March 2011, the National Assembly gained the power to make primary legislation. Up to 2017, the National Assembly operated on a 'conferred powers model' whereby legislative powers were granted to Wales on specific areas. However, following the Wales Act 2017, this was replaced with a 'reserved powers model', which meant the National Assembly could legislate on all areas that are not explicitly reserved to UK Parliament. In other words, Acts created by the National Assembly cannot relate to any of the reserved matters set out in the new Schedules 7A and 7B of the Wales Act 2017 (these include matters of policing, justice, currency and most benefits). By 2020, the National Assembly was recognised as an established, full-fledged Welsh Parliament. It led to its change of name to Senedd Cymru (*Welsh Parliament*) on 6 May 2020 to reflect its law-making and tax-setting status, now commonly known as the Senedd.

Laws made by the Senedd are known as Senedd Acts, and share the same status as Acts of the UK Parliament. A Senedd Act begins as a Senedd Bill, as an early proposal for a new Act. The Senedd then considers and decides whether to 'pass' the Bill or not. Usually, members of the WG (Ministers) introduce a Bill to the Senedd. However, Members of Senedd, or the Senedd Commission or Committee, can also introduce a Bill. The Bill is introduced into the Senedd and is published on the Senedd's website by the next working day. The Member in charge of the Bill may deliver a statement in Plenary about the Bill's main aims and objectives after its



introduction. Following the statement, Senedd members can ask questions about the aims and objectives of the Bill. What then follows is a four-stage legislative process in the Senedd.

Stage 1 of this legislative process involves the consideration and agreement of the Bill's general principles by a committee. At this stage, the Committee considers the principal purpose of the Bill without examining its details (this takes place at Stages 2 and 3). There are no specific rules as to how the Committee should conduct its scrutiny of the Bill at Stage 1, however it is expected that the Committee will invite representatives of interested stakeholder groups and academics to provide oral/written evidence. The Committee will publish a Call for Evidence on its website and email known interested parties directly to collect evidence. This can involve several meetings between a range of interested stakeholders as well as with the relevant Welsh Minister and the Member in Charge of the Bill. The committee may, if relevant, consider the financial implications of the Bill as part of its consideration at this stage, e.g., whether or not additional funding is needed, or revenues raised. Stage 1 ends with a published Committee Report which includes the Committee's recommendations and any amendments to the Bill on the grounds of the evidence considered. At least five days after the publication of the report, the Senedd will debate the Bill in Plenary to decide whether or not to agree to the Bill's general principles. Then Stage 1 is complete following a vote by the Senedd, and if the Senedd agrees to the general principles of the Bill, its legislative process proceeds to Stage 2, otherwise the Bill falls and no further action is carried out.

Stage 2 commences on the next working day following the completion of Stage 1. The Bill, and any of its amendments (recommended at Stage 1) is considered by a responsible Committee or may be considered by a Committee of the Whole Senedd involving all Senedd Members. At least 15 working days between the beginning of Stage 2 and the first meeting of the Committee must elapse to ensure there is sufficient time for the Bill and its amendments to be considered. The majority of Committee Members need to agree for an amendment to be made or withdrawn, and an amended version of the Bill is then published on the Senedd's website. There is no limit to the number of amendments. Stage 3 commences on the first working day following Stage 2 completion and involves line-by-line scrutiny of the Bill by Senedd Members in Plenary, who also consider any (additional) amendments. Similar to Stage 2, at least 15 working days must elapse between the beginning of Stage 3 and the Senedd's first meeting to ensure enough time of available for Senedd Members to consider the Bill and its amendments. Following completion of Stage 3, the amended Bill is published on the Senedd's webpage. The final stage of the Bill's legislative process, Stage 4, requires the Senedd to vote on a motion to

pass the Bill. Usually, the Bill cannot be considered by the Senedd until at least 5 working days have elapsed after Stage 3 completion. The Senedd holds a debate followed by a vote on whether or not the Senedd should pass the Bill. The Bill needs the majority of Senedd Members to vote in favour of it to be passed. When passed by Senedd Members, the Bill goes through a four-week process (known as the ‘period of intimation’) whereby it is checked to be within the Senedd’s legislative competence by the Supreme Court. The Secretary of State also considers its submission for Royal Assent. Following the four-week period, the Bill is submitted for Royal Assent, and once this is received, it becomes an Act of Senedd Cymru.

From reviewing the four-stage legislative process of a Welsh Bill becoming an Act, it seems that consultation and engagement with external stakeholders primarily take place at Stage 1 only. From there, it seems the rest of the process is mostly dealt by Government Committees and Senedd Members. Moving specially to matters of tax policymaking in Wales, a lot of activity has taken place in Wales since the UK Government launched a crucial Commission on Devolution in Wales in October 2011, known as the Silk Commission, in which it reviewed future powers for Wales. In addition to this, and as can be seen in the rest of this section, multiple reports and the creation of a range of principles, objectives and aims have been published by the WG to illustrate how it aims to consult more with external stakeholders and citizens during tax policymaking and how tax policy contributes towards the well-being of Welsh citizens and society. Firstly, we focus on the important outcomes of the Silk Commission, before we move on to discuss the tax policymaking process in Wales and how it considers well-being.

The Silk Commission published Part 1 of its report in 2012 that focused on financial powers of the Senedd (Part 2 was published in 2014 which related to legislative powers as briefly discussed earlier in this section). Part 1 resulted in the creation of the Wales Act 2014 which bestowed tax (and borrowing) powers to Wales, and later the Tax Collection and Management (Wales) Act 2016 to exercise powers in the 2014 Act. The way tax policy is made in Wales reflects the way it is made in the UK in terms of non-devolved taxes (e.g., corporation tax and inheritance tax, as discussed in the previous section). However, the Wales Act 2014 bestowed powers on certain taxes (devolved tax powers) to Wales, making it possible for the Senedd to control particular taxes and create certain new taxes in Wales.

The first two fully devolved taxes came into operation on 1 April 2018, when Wales replaced the UK Stamp Duty Land Tax (SDLT) and the UK Landfill Tax with Land Transaction Tax



(LTT) and Landfill Disposals Tax (LDT) respectively: the first Welsh taxes in almost 800 years. This meant that from April 2018, land-based transactions were taxed differently in Wales as compared to other nations of the UK. Together with the Wales Act 2017, Wales enjoyed further devolved, yet limited, power over Welsh Income Tax Rates (WITR), and also established the Welsh Revenue Authority (WRA) to implement and administer devolved taxes in Wales. However, changes to WITR are yet to take place in Wales, thus at the time of writing they remain the same as in England and Northern Ireland. A large proportion of public service funding in Wales currently stems from LTT, LDT, WRIT and local taxes (council tax and non-domestic rates (NDR))<sup>3</sup>.

Since the Wales Act 2014, and devolvement of tax powers, the WG is placed in a unique position to explore and be innovative in their approach to tax policymaking, as compared to operating within an old, traditional, long-established UK tax institution. This has allowed Wales the opportunity to develop their own approach that considers the needs of stakeholders and other societal aspects, such as well-being and sustainability. This was formalised by the WG in their Tax Policy Framework (Welsh Government Tax Policy Framework Update, 2021), published in 2017, which identifies the need to work collaboratively with “stakeholders, partners, taxpayers and citizens” (*ibid*, p. 4), present a “clear direction and certainty in respect of [the WG’s] priorities for taxes in Wales” (*ibid*, pp. 4-5), and commit “to working transparently and [...] remain accountable to [...] partners, stakeholders and citizens” with whom they “will continue to involve and engage” (*ibid*, p.6).

The Tax Policy Framework is underpinned by five core tax principles that provide a platform for shaping Welsh tax policies. These are shown in Figure 7.

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<sup>3</sup> Prior to Wales receiving devolved tax powers, the Welsh Government’s budget was primarily funded primarily from a block grant from the UK Government. It was then agreed between the UK and Welsh Governments to adjust the block grant to take into account the devolved Welsh taxes.

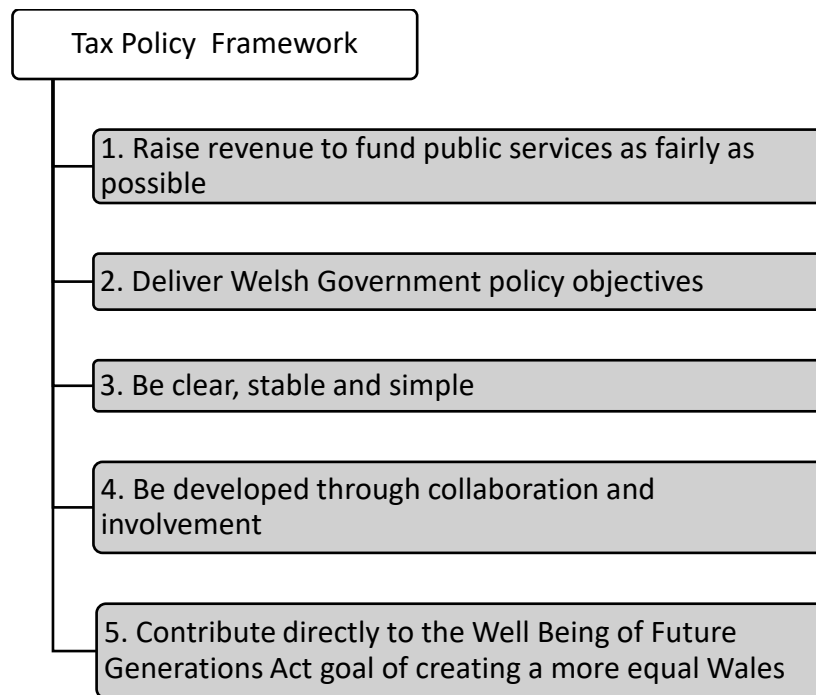


Figure 7 The Welsh Government's five core tax principles

The five core tax principles are aligned with existing WG objectives and so act as the criteria on which to aid tax policies achieve WG's strategic aims (points 1 to 3), how it engages with stakeholders (point 4) and how it integrates with aspects of well-being (point 5). In order to deliver these principles, the WG created a set of values and commitments to which it holds itself accountable, known as their 'tax approach'. The 'tax approach' includes a commitment to evidence-based policymaking at different stages of policy development – see Figure 8. This involves engaging with research expertise within the WG, other devolved and national governments, stakeholders and commissioning external researchers and institutions, for example the Office for Budget Responsibility (OBR), the Organisation for Economic Co-operation and Development (OECD), and Wales Fiscal Commission.

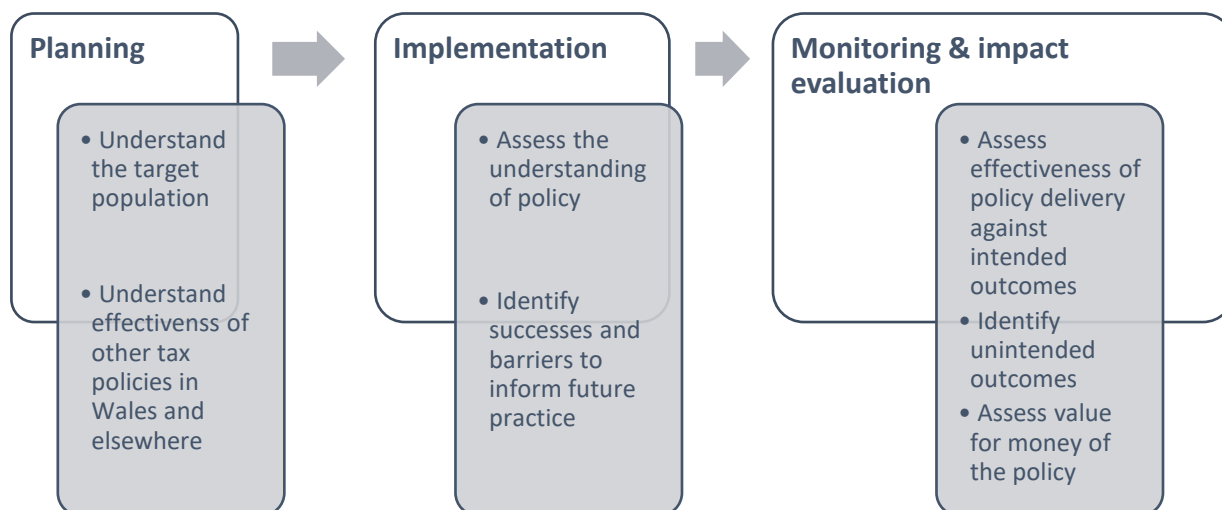


Figure 8 The three main stages of Welsh policymaking and the role evidence plays

The WG’s ‘tax approach’ includes engagement with taxpayers and the public as a way of understanding the target population, their needs and behaviours, and the effectiveness of tax policy in achieving intended outcomes. Engagement manifests in several ways, for example, in formal targeted and open public consultation processes, and consulting with academics for independent scrutiny and input. In addition, the WG’s Tax Engagement Group - a forum of professional and practitioner experts - meet to consider the potential impacts of Welsh tax policy, legislation and administration on businesses, citizens and communities in Wales. The Group also identify areas and ways of increasing awareness and wider understanding of Welsh tax policy. The WG also hosts an Annual Tax Conference to engage with key stakeholder groups, academics and citizens, and also reaches out to the public, taxpayers and businesses through its website and social media channels, making it possible to communicate in different modes (e.g., videos, animations and images, as well as reports, press releases and Twitter posts.

### 4.3 *Well-being – a Welsh approach*

Figure 9 illustrates the WG’s ‘tax approach’ and shows how it links to the five core tax principles. In addition to evidence-based approaches, and as can be seen in Figure 9, the WG’s ‘tax approach’ also includes the ambition to create a proportionate and progressive tax system in Wales to lessen the tax impact on the socially and economically disadvantaged. This links to the WG’s Socio-economic Duty<sup>4</sup> (referred to as ‘the Duty’ throughout the rest of this section) and its Well-being of Future Generations (Wales) Act 2015<sup>5</sup> (referred to as the ‘Well-being

<sup>4</sup> The Socio-economic Duty came into force on 31 March 2021 in Wales. Further information is available at: <https://gov.wales/socio-economic-duty-overview>

<sup>5</sup> Further information about the Well-being of Future Generations (Wales) Act 2015 is available at <https://www.futuregenerations.wales/about-us/future-generations-act/>

Act’ throughout the rest of this section) act as useful tools with which tax policy can help reduce socio-economic inequality. The main aim of the Duty is to ensure improved outcomes for the socio-economically disadvantaged in Wales which can include collecting and reviewing evidence of impact, consultation and wide engagement with key stakeholders, understanding the needs of those impacted by policy, and welcoming scrutiny and challenge. This approach helps improve economy (Adam Smith) of the Welsh tax system as the tax policy planning and implementation stages include impact assessments and reviews of (changes to) tax policy making it possible to identify and address unexpected issues and challenges early, before implementation and delivery.

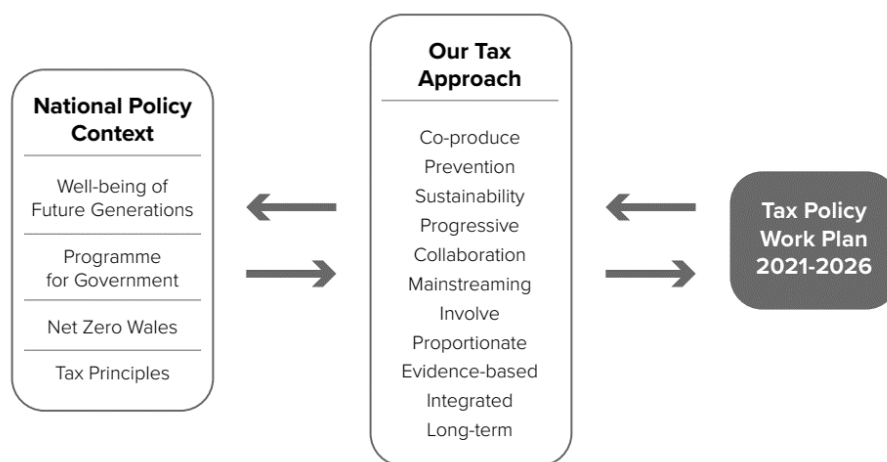


Figure 9 How Welsh tax policy supports the Welsh Government’s strategic objectives  
Source: Tax Policy Framework update, 2017

Adhering to the Duty via its ‘tax approach’ and core tax principles enables the WG the opportunity to integrate equity (Adam Smith) within tax policy in terms of ‘ability to pay’ and strives towards making the Welsh tax system more fiscally fair. In turn, this helps improve the lives of disadvantaged groups in Wales and thus improve well-being. In 2015, Wales became the first country in the world to legislate for the well-being of (current and future) generations in regard to its economy, society, culture and environment via its’ Well-being Act. The Act sets out seven well-being goals (see Figure 10) to which the WG is committed and enacts upon through its policymaking and delivery, including tax policy. For example, *A More Equal Wales* fosters equality in society, encouraging and enabling citizens to reach their full potential no matter what their socio-economic backgrounds. To help achieve this goal, the WG promised to “not take more in Welsh Rates of Income Tax from Welsh families for at least as long as the economic impact of coronavirus lasts” (Programme for Government Update, 2021, p. 14). The WG has also set out plans to reform the way council tax is assessed and collected to ensure a progressive system, and is committed to “develop further effective tax, planning and housing

measures to ensure the interests of local people are protected” (*ibid*, p. 14) such as imposing additional tax on owners of second homes in Wales and empty homes. *A Prosperous Wales* enables the development of skilled and educated citizens to aid wealth generation, employment opportunities and secure work. This links to the WG’s plans to “grow our tax base” (*ibid*, p. 14) as part of achieving this goal through retaining and increasing the number of working people in Wales and attracting more business investment. Increasing the Welsh tax base helps achieve another well-being goal, *A Healthier Wales*, as an increase in tax revenue can help fund “effective, high quality and sustainable healthcare” (WG’s Tax Policy Framework, 2021, p. 8) to improve people’s physical and mental well-being.

Part of achieving the two well-being goals of *A Resilient Wales* and *A Globally Responsible Wales* is to strive towards making Wales a low-carbon society. As part of this the WG aim to ensure that Welsh businesses and industries continue to be eligible for the UK-wide Climate Change Agreements (Welsh Government Net Zero Wales Carbon Budget 2 (2021-25), 2021). These are voluntary schemes which award a discount to operators from the UK’s Climate Change Levy (CCL) upon the condition that they agree to improve their energy efficiency targets. In addition, the WG are committed to continue working with the UK Government on the introduction of a plastics packaging tax.



Figure 10 The Welsh Government’s seven well-being goals (Well-being of Future Generations (Wales) Act 2015)  
 Source: Well-being of Future Generations (Wales) Act 2015 Essentials Guide

The Well-being Act provides the framework from which the WG can develop and deliver tax policy that can protect and improve well-being. The WG assesses how well it achieves its well-being goals by publishing its annual ‘Well-being of Wales’ Report that provides an update on its progress on achieving its 7 well-being goals in Wales, referring to several surveys, national indicators alongside other relevant statistics and data. For example, the report uses Gross Value Added (GVA) per hour worked and Gross Disposable Household Income per head to assess its economic performance and tax base. It measures emissions of greenhouse gases, the capacity (in MW) of renewable energy equipment installed, and the amount of waste generated that is (not) recycled, in Wales to assess low-carbon performance and environmentally friendly behaviours. It examines the percentage of Welsh people in (un)employment, and who are on (non)permanent contracts, to assess economic performance and inequality.

The WG holds itself accountable in terms of tax policymaking, implementation, delivery, administration and tax revenue collection by providing clearly articulated tax policies and information, annual reporting and publication of tax and spending plans together with progress reports. Being accountable and transparent strengthens trust between the WG, taxpayers and citizens which can encourage and improve tax compliance. It also helps provide certainty and equity (Adam Smith) by providing clear and accessible tax policy information so that taxpayers and businesses are aware, understand and can plan around tax rules and any changes. In turn, this also helps create a more efficient (Adam Smith) tax system as it reduces uncertainty and confusion that can lead to expensive errors in terms of lost tax revenue and the administrative burden of audits and collection of unpaid tax.

#### **4.4 Summary**

It is clear from our analysis and discussion that Wales has put in place a vast array of legislative reform, policies, frameworks, goals and principles and has formalised and communicated this with the public via several pieces of literature available on its website, through press releases, tax forums and conferences. According to the WG, “all citizens in Wales have a stake in Welsh taxes, whether as taxpayers or as beneficiaries of public services funded through taxation, or both” (Tax Policy Framework update, 2017, p. 14). Welsh tax policy and its policymaking processes link the WG’s core tax principle of raising revenue to fund public services as fairly as possible (Figure 7) with fostering closer collaboration and engagement with stakeholders (Figure 8) and taking into account the well-being of people in Wales (Figure 9). The WG clearly shows a commitment to engage widely with different sectors of Welsh society to

identify and understand people's awareness and understanding of Welsh taxes, their needs and well-being. According to the Welsh Minister for Finance and Local Government, engagement is one of the key ingredients in effective tax policymaking. This means "properly working together" (Welsh Minister for Finance and Local Government, *ibid*, p. 3), establishing clear processes of engaging with organisations who represent certain groups of people, involving tax and industry-specific experts and partners (such as other devolved governments) to "effectively co-design, co-produce and co-deliver tax policy which fits the Welsh context" (*ibid*, p. 14).

## **5.0 Discussion, recommendations, and analysis**

The previous two sections explore the experiences of two jurisdictions with respect to how tax policy is developed and eventually translates into law. Consultation is a hallmark of the policy development process. This paper seeks to find out '*how tax policy-making processes engage with the public and integrate well-being*'. We find that although New Zealand is moving away from its well-respected benchmark reflected in the GTPP, this backward move, in the view of the authors, is attributable to a number of factors, including the lack of legislative backing to the GTPP (implemented only by Cabinet convention), and a single party that controls both the Government and Parliament. Nevertheless, New Zealand has taken a positive step to align its social policy developments more closely with that of tax policy through the 2019 modification of the GTPP (Inland Revenue, 2019). On the other hand, this newly disseminated approach also aggravated the underlying flaw in the design of the GTPP, namely its lack of legislative backing, through the significant extension to the 'permitted' exceptions to the GTPP being fully applied. Somewhat ironically the GTPP was not employed to bring about significant changes in its core structure and operation!

On the other hand, we find that Wales is embracing consultation with a wide cross section of its populace as it seeks to utilise its devolved powers more fully with respect to taxation. When a nation has a severely limited capacity to make its own fiscal choices that reflect the desires of its population, small moves to enhance self-determination are normally embraced with enthusiasm and innovation. In this regard Wales's actions are to be applauded and New Zealand has much to gain from closely examining how Wales is embracing consultation. However, Wales is yet to see these initiatives fully play out and their effectiveness in terms of wide consultation and improving well-being, due to it only recently receiving devolved tax powers.



Nevertheless, the prior discussion provides an initial assessment of how each nation has commenced its journey with developing the concept of well-being and how this may be translated into, and moderate, tax policy. Well-being is a contestable term in that there is no clear definition of what it means or the scope of what it embraces. Buttressing this statement is the fact that measures of well-being are not universal, and what is measured is largely determined by what a society believes are the aspirations for its populace from a well-being perspective, limited in part by that for which data can be obtained.

From a well-being perspective, New Zealand appears to be slightly ahead of Wales from a conceptual appraisal through the work of the NZ Treasury (and to a lesser extent Statistics NZ) in developing measures to assess well-being (in sum and in its constituent parts), including the close alignment with the cultural values of the indigenous Māori people. Unfortunately, this is where it largely stops, as the application of these well-being measures fails to indicate how tax policy is incorporating well-being measures. Four well-being NZ Budgets (2019-2022 inclusive) provide minimal evidence of the influence of well-being on tax policy. The most significant opportunity for the NZ Government to tangibly demonstrate its commitment to well-being within tax policy was provided by the Tax Working Group (2019) with respect to recommendations for environmental taxation. To date there is publicly available evidence to suggest any movement in this area. Furthermore, there is no tangible publicly available evidence to illustrate how the NZ Government is utilising more inclusive approaches to consultation with other sectors in society other than through traditional mechanisms (in the limited cases where these are still used).

Wales, on the other hand, notwithstanding its earlier stage on the journey towards applying well-being standards, shows much more promise of implementing tangible change from a tax perspective, especially in the context of its commitment to genuine and widespread consultation. Our paper demonstrates Wales's commitment to integrating well-being and the wider public in its tax policy-making processes via its announcement of several key and core tax principles and frameworks, and the creation of the Welsh Government's Socio-economic Duty and the Well-being of Future Generations (Wales) Act 2015. Thus, showing great potential of reaping the fruit from the seeds that they have recently sowed.



## **6.0 Conclusions, limitations, and future research**

Exploratory comparative case study research is most appropriate when the objective is to examine complex phenomenon, such as is the subject of this paper. While a single case study of whether New Zealand or Wales would be of interest and likely yield important insights, the comparative approach provides additional insights and alternative approaches to a common activity, in this case tax policy development and well-being. Indeed, an exploratory case study can be a precursor to a larger scale research project.

While there are, to the best of the authors' knowledge, no formal rules for evaluating comparative case studies, it is important that reasonable criteria exist against which the studies' findings can be assessed and explored further. In this study, we have sought to establish the importance of genuine and effective consultation to effective tax policy making, and to place this within a context of an emerging paradigm within the two jurisdictions (New Zealand and Wales), namely developing measures of well-being and incorporating these within tax policy design.

Our study finds that a jurisdiction once held up as the benchmark by which good tax policy design should be undertaken (New Zealand) via the GTPP, is no longer justified by evidence of practical application. While social policy and tax policy have been more closely aligned in theory, the practice strongly suggests otherwise. Little evidence also exists to demonstrate effort to consult more widely than traditional approaches. The other jurisdiction (Wales), which has a much shorter history of (limited) tax policy development with genuine consultation, is performing much better and is becoming an example of other jurisdictions to examine, including New Zealand. While Wales may not be as far down the track of developing well-being measures and assessing them as New Zealand, there is minimal publicly available evidence to demonstrate how New Zealand's tax policy is reflecting principles of well-being through legislation and regulations more generally.

Thus, both nations would, to use the old school report scorecard, could do much better, and in the case of New Zealand, is failing to put in its best-efforts with its standards slipping. A report scorecard, we acknowledge, is a statement at a point in time, with trends being much more instructive. In this regard, from a tax policy perspective the two nations are heading in different directions, and from a well-being and tax perspective, are showing promise but with little tangible evidence of application.

Given the exploratory nature, and sheer size of the subject matter at hand, these case studies only employ qualitative research methods, namely documentary (and policy) analysis. In this regard, our approach is a necessary limitation to the findings. Nevertheless, empirical analysis, such as by way of interviews or surveys, could form part of future research on the subject matter of tax policy design and well-being. Furthermore, other jurisdictions embarking upon a review of their tax policy processes, or contemplating incorporating well-being into their tax policy, must be cautious when assessing our findings, as they are very much country specific and time dependent on their respective journeys.

Future research may also explore in more detail the well-being concepts used in both jurisdictions, comparing how each jurisdiction is advancing its well-being aspirations. It could also recommend policy pathways by which tax policy may have a greater influence on supporting well-being, including through modifications to traditional tax policy principles, along with incorporating more encompassing public consultation in the development of that policy.

In this study, one goal is to provide evidence that establishes the need for further investigation, potentially from a much more comprehensive perspective. Also, through employing a comparative case study approach, a further goal is to extract information that enables us to formulate further arguments for a new (potentially larger) comparative study.

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