







Q

Volume 48, Issue 2 ► Can fiscal drag pay for the public spend ....

#### New Zealand Economic Papers >

Volume 48, 2014 - Issue 2: Population Ageing and Long-Run Fiscal Sustainability in New Zealand

Views CrossRef citations to date Altmetric

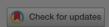
**Original Articles** 

# Can fiscal drag pay for the public spending effects of population ageing in New Zealand?

#### John Creedy & Norman Gemmell 💟

Pages 183-195 | Received 26 Aug 2013, Accepted 04 Dec 2013, Published online: 04 Apr 2014

**66** Cite this article ▶ https://doi.org/10.1080/00779954.2013.874394



Sample our Business & Industry Journals to the latest two volumes for 14 days

Full Ar

🖶 Repri

Abstra

This pap associat

expecte

mode The N

projecte

tax thres

New Zea

tax rates

discusse

the aggi

We Care About Your Privacy

We and our 899 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. Here

We and our partners process data to provide:

I Accept

Reject All

Show Purpose hanges, in

to finance

arate

are used.

e tax rate

g income

ce about the

d marginal

e paper

increase in

s, is

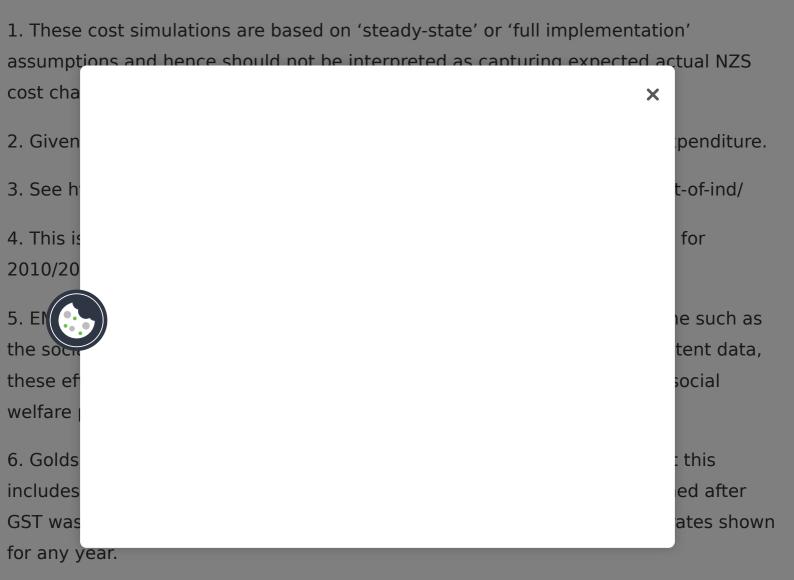
desirable compared with alternative fiscal policy changes.



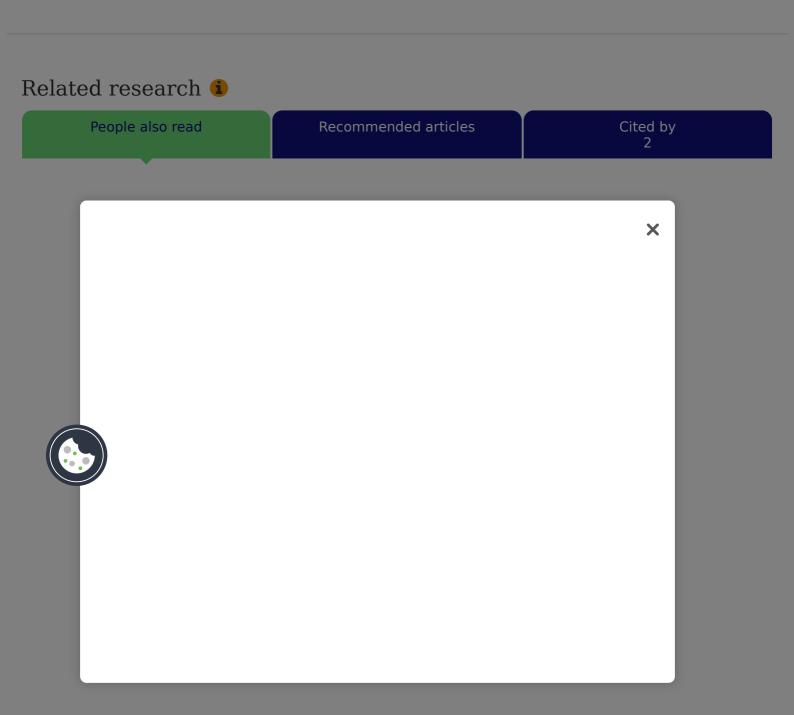
## Acknowledgements

We should like to thank Chris Ball, Bob Buckle, Anita King and Richard Disney for comments on an earlier version. The views expressed in this paper are strictly those of the authors and do not necessarily reflect the views of the NZ Treasury.

### Notes



- 7. The BC model projects a 4.4 percentage point increase in the combined PIT + GST average tax rate (as a percentage of taxable income, including capital income) over 50 years from 2011. This is composed of a +5.2 and -0.8 percentage point change for PIT and GST, respectively. These are converted from ratios of taxable income to ratios of GDP using the 2010 taxable income/GDP ratio of 0.625, and added to the 2010 tax/GDP ratios in Figure 5 to arrive at the 2060 values shown.
- 8. Recognition that several dimensions are usually involved and trade-offs must be specified explicitly, the New Zealand Treasury (2011) has recently proposed a 'living standards framework', which encourages quantification of a number of criteria against which to evaluate the outcomes of a policy change; see Karacaoglu (2012).
- 9. For example, the BC model projects a rise in the ratio of capital income tax revenue to taxable income from 1.1% in 2011 to 3.1% by 2060.



Information for Open access Authors Overview R&D professionals Open journals Editors **Open Select** Librarians **Dove Medical Press** Societies F1000Research Opportunities Help and information Reprints and e-prints Advertising solutions Newsroom Accelerated publication Corporate access solutions Books Keep up to date Register to receive personalised research and resources by email Sign me up X or & Francis Group Copyright