

APPENDIX VII

Commissioned paper by
Chris Murphy, Econtech

Committee's terms of reference for Chris Murphy's review of the Dixon and Rimmer paper

The Select Committee on a New Tax System wishes to commission a review of Professor Dixon's project involving macro-economic modelling of the effects of the proposed new tax package.

The review should comment on Professor Dixon's paper and undertake parallel simulations of the following issues using MM303.

1. Tourism. The key sector identified in evidence as problematic is tourism. The full effect depends on the elasticity of demand, and further work is needed on different scenarios here. Also, the Committee would like to see what the effect would be if inbound tourism packages were zero-rated.
2. Food. If food (excluding restaurants and takeaways) is excluded, offset by income tax cuts being reduced, what effect does this have on the CPI, and on the "pessimistic" wages assumption and macroeconomic variables in the short and long terms.
3. The Government's booklet "Tax Reform – not a new tax – A New Tax System (ANTS) as it currently stands.

Another requirement of the review will include the use of MM2 and MM303 to undertake a range of parallel modelling on each of the seven tasks listed in the main project to identify the difference between Professor Dixon's results and the MM303 results.