

The Marlborough Express

'Struggle will be harder'

By CLAIRE CONNELL - The Marlborough Express Last updated 12:00 10/02/2010

Marlborough Grey Power fears its members will be "drastically affected" if GST is increased to 15 per cent, as signalled Prime Minister John Key yesterday.

GST may be increased from 12.5 per cent to 15 per cent and personal tax rates may be slashed, Mr Key said in his opening speech to Parliament.

The Government also proposes a rise in benefits, superannuation and Working for Families payments to compensate for the GST rise, which would add about \$20 a week to the average household's living costs.

"Suffice to say, the Government would not embark on a policy of increasing GST unless it would benefit the New Zealand economy in the long term and unless it saw the vast bulk of New Zealanders better off," Mr Key said.

However, Marlborough Grey Power president Jean Wilson said she was not confident that any increase in superannuation or other benefits, would match the increase in costs.

Her 6500 members were likely to be drastically affected, with rates, winter power bills, rent and groceries having the biggest impact, Ms Wilson said.

The proposals would not only be tough for her members. "For those people struggling to cope now, it's just going to make it harder.

"Everybody is very apprehensive. It just means no matter what we do [expenses are] going to go up and up."

However, Marlborough Chamber of Commerce general manager Brian Dawson said Marlborough would see only a "short-term squeeze" until people made adjustments if GST was raised.

Some shopowners may choose to absorb the increase in GST rather than raise prices, Mr Dawson said.

It was more effective and easier for the New Zealand Government to tax spending rather than income, but he wanted to see an overall decrease in taxes rather than an increase.

Marlborough Family Budgeting Service co-ordinator Joan Farrow believed the Government had reasons behind its proposal but questioned its timing.

Ms Farrow was also concerned that spending would decrease and local businesses would struggle.

Those on higher incomes may not feel the pinch as hard as those on low or fixed incomes.

"The one concern is if you're already on a limited income and already finding it difficult to manage, how is it going to help those people?"

GST was introduced at 10 per cent in 1986. Three years later it was bumped up to 12.5 per cent.

Mr Key said no final decisions had been made on GST, but the rise seems likely to be confirmed in the May Budget. The package was "potentially [worth] somewhere in the order of \$3 billion to \$4 billion so it gives us quite a lot of room to move in terms of personal tax cuts and potentially corporate tax cuts [which] we haven't ruled out".

The upfront compensation is understood to have been a key factor in ensuring the Maori Party would not cross the floor of what would be a confidence and supply measure, despite its opposition to a rise in GST.

EFFECT ON PRICES

If the Government increased GST from 12.5 per cent to 15 per cent it would mean the following approximate price rises:

Filling up a medium-sized car with petrol - \$95.15 to \$97.24

Movie ticket - \$13.50 to \$13.80

2 litres milk - \$4.80 to \$4.91

Loaf of bread - \$3.79 to \$3.87

2.5 kilograms potatoes - \$2.99 to \$3.05

15 pack beer - \$23.99 to \$24.51

Hamburger - \$5 to \$5.11

46-inch widescreen television - \$2491 to \$2546

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