



*Tax Working Group*  
*Te Awheawhe Tāke*

**Tax Working Group Information Release**

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**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

*This paper contains advice that has been prepared by the Tax Working Group Secretariat for consideration by the Tax Working Group.*

*The advice represents the preliminary views of the Secretariat and does not necessarily represent the views of the Group or the Government.*

# Summary of submissions from individuals

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*Summary prepared by the Secretariat  
for the Tax Working Group*

July 2018

*Prepared by Inland Revenue and the Treasury*



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## OVERVIEW

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This paper provides a summary of submissions to the Tax Working Group that were provided by individuals (excluding academics). A separate paper has already been provided to the Group providing a summary of submissions from organisations and academics.

The Working Group received 6,711 submissions. Members of the Group have access to the original submissions.

Of the 6,711 submissions, 4,778 were submitted through the Tax Working Group website and 1,900 were through e-mail. Of the 1,900 e-mail submissions, 1,054 were made using a template provided by the Taxpayers' Union. That template is included as Appendix A, and where one of their submission points is covered, that is identified with an asterisk (\*).

The paper starts by setting out the results from the five polls that were included on the Tax Working Group website and showing the topics submitters raised most often on the website when asked whether New Zealand taxes the right things, and which issues mattered most to them. The paper then provides a relatively high-level summary of submissions – focusing on areas which were raised by a large number of submitters, and setting out the main themes from those submissions. The topics covered in this part of the paper correlate closely to the topic submitters on the website indicated mattered most to them, and so are set out in a similar order.

The main issues raised by individual submitters were:

- Capital gains tax;
- Income tax; and
- GST, in particular exceptions from GST.

Due to the volume of submissions, a detailed analysis similar to that provided in the previous summary of submissions paper is not feasible.

For most topics, this paper sets out how many times it was raised by submitters. This is not always the case, however (e.g. to avoid double counting, or where multiple topics have been grouped together). For some topics, the percentage of submitters in favour or opposed is expressed, although not all topics lend themselves to such percentages.

This summary generally focuses on points raised in submissions that are within the scope of the Terms of Reference. However, some areas outside of scope have been included, in particular where there were a significant number of submissions on the matter.

In the event of another large-scale public submissions exercise, the Secretariat will look to learn from this process, particularly in respect of the questions asked of submitters.

# Key questions

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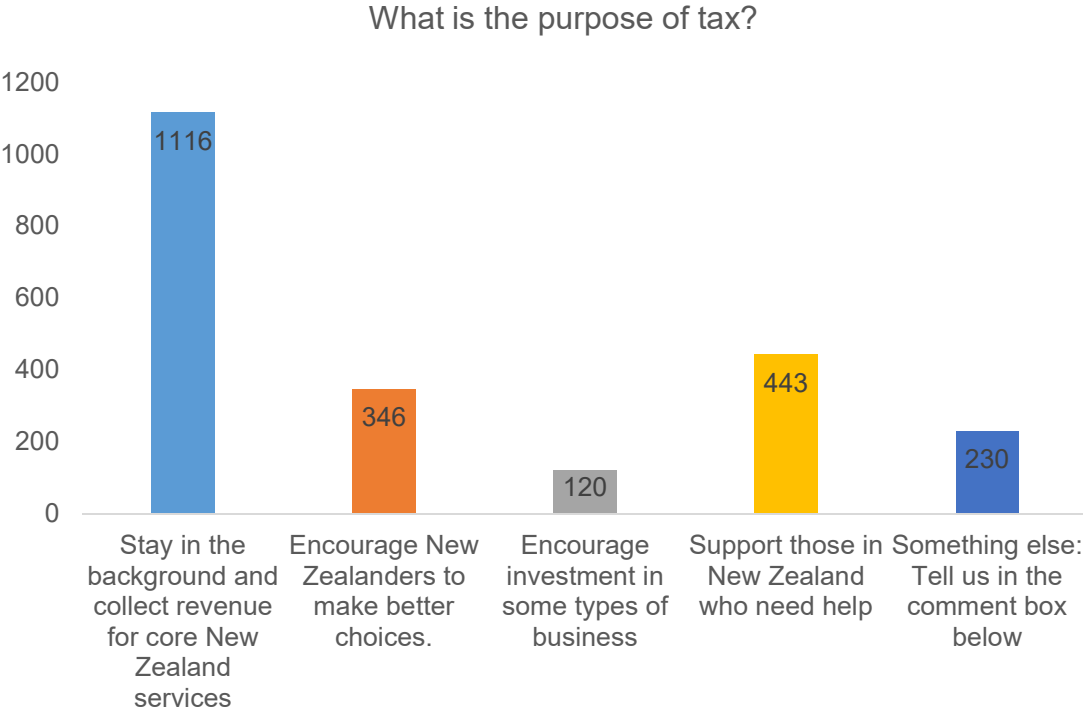
# KEY WEBSITE QUESTIONS

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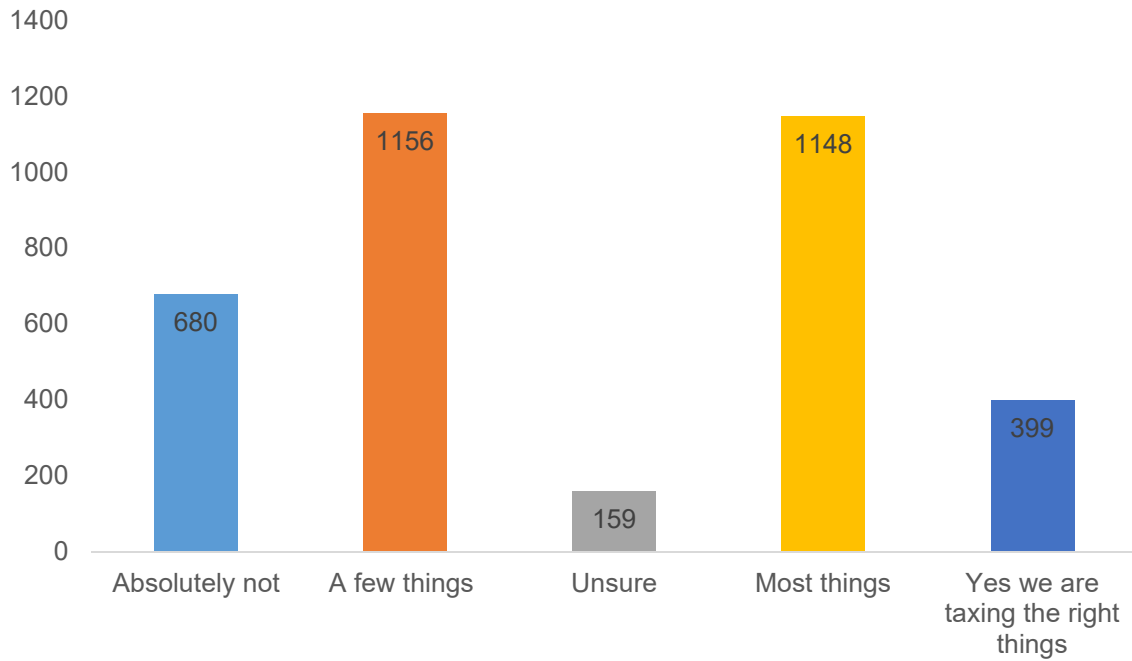
The Tax Working Group Website included polls for submitters to provide their views on the direction of tax in New Zealand. The results of these polls indicate that:

- The majority of submitters thought tax should remain in the background and collect revenue for core New Zealand services
- Submitters were split on whether New Zealand was taxing the right things
- A capital gains tax was the issue that mattered the most to submitters
- The majority of submitters thought that major changes were needed to the tax system
- Submitters were split on whether tax should make housing more affordable

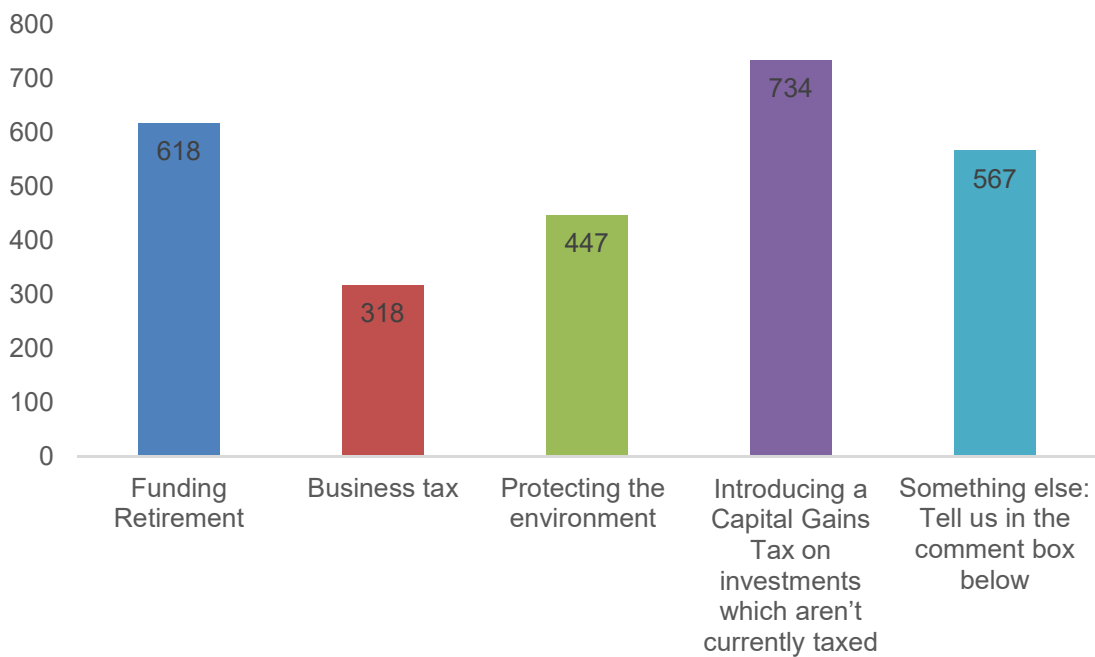
The responses to the polls are illustrated in the following graphs.



### Are we taxing the right things?

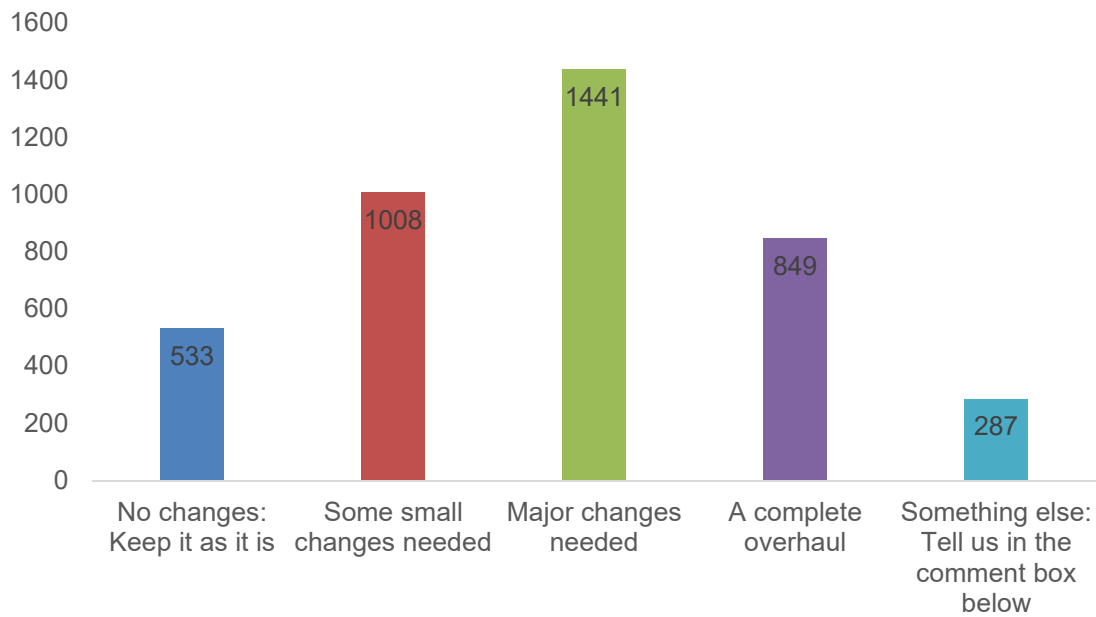


### What tax issues matter most to you?

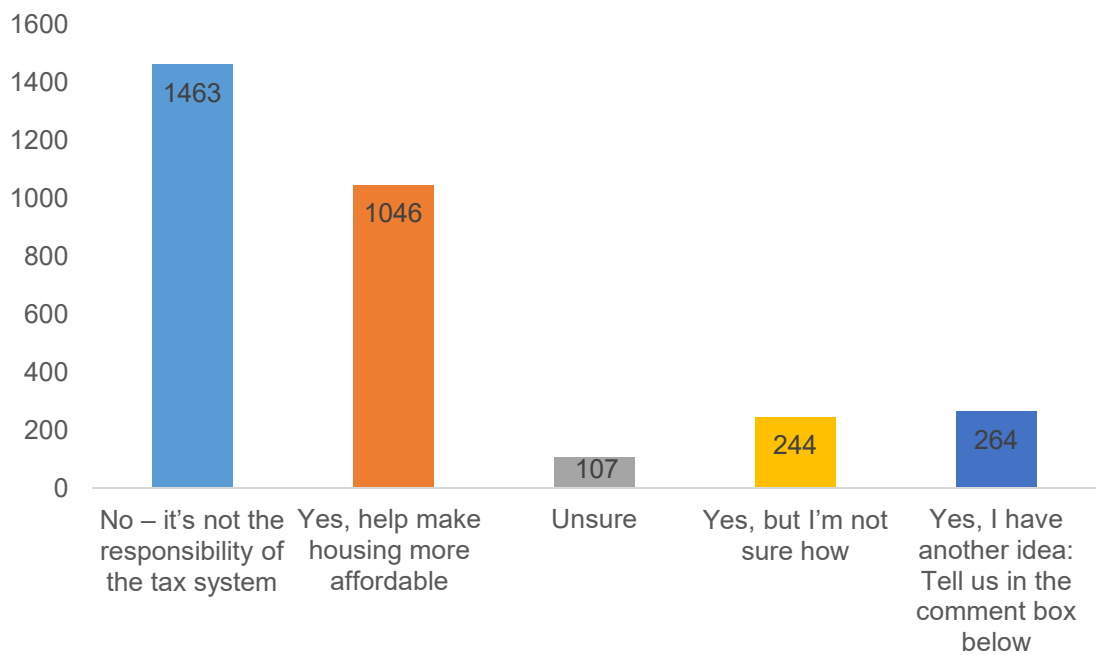




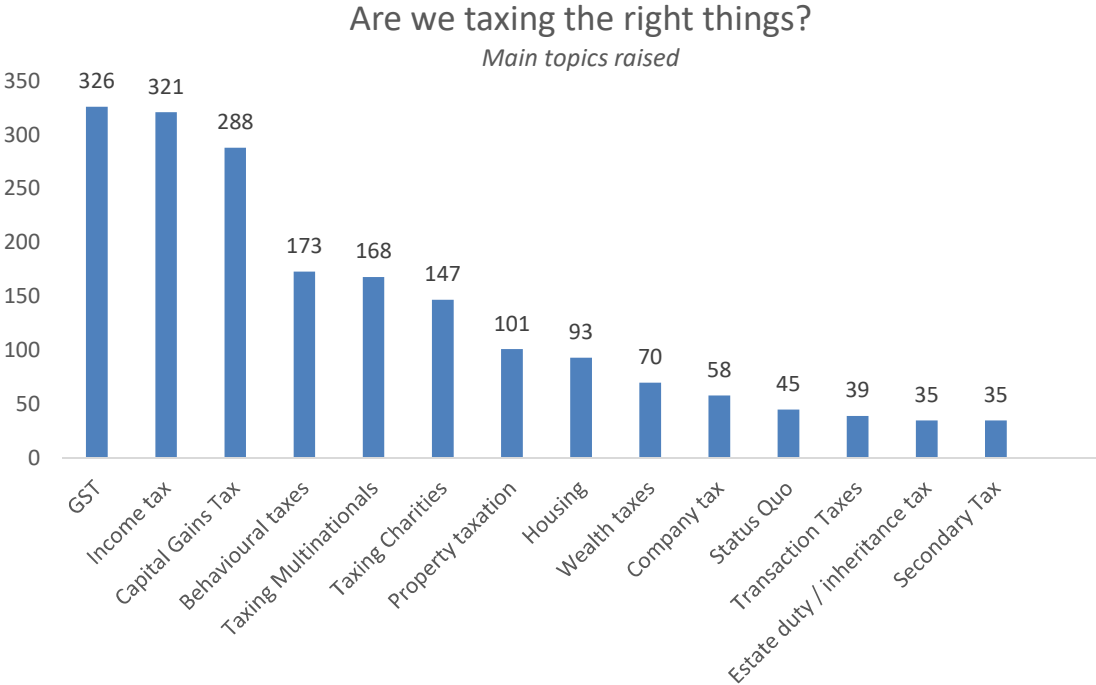
### How much does our tax system need to change to be ready for the future?



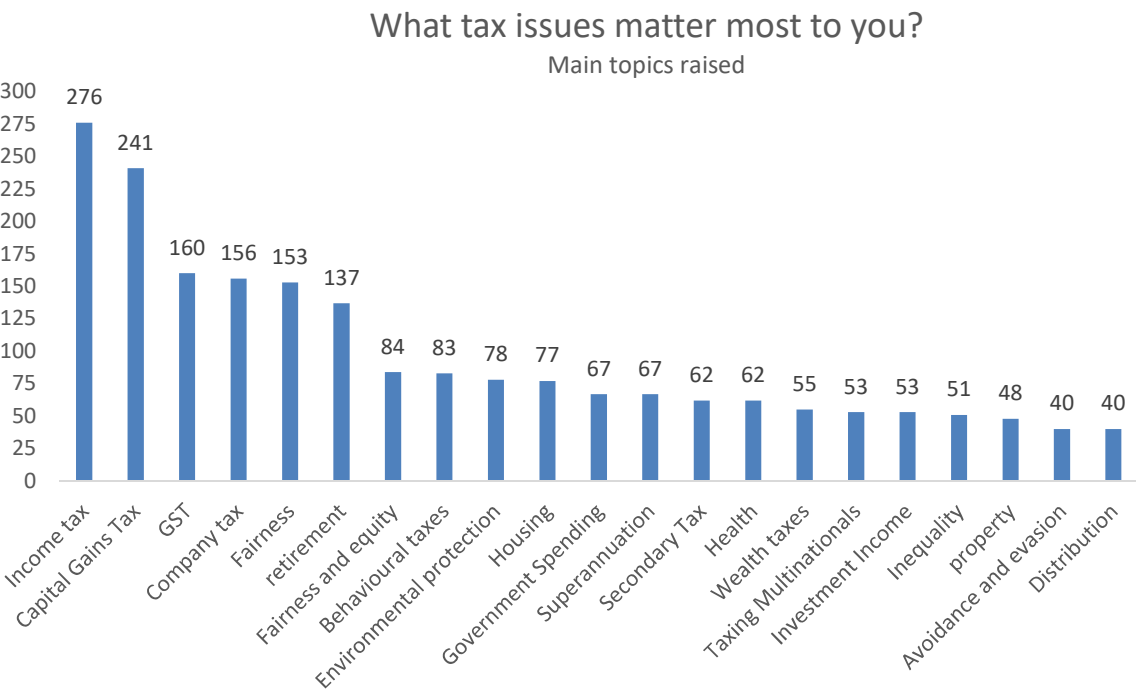
### Should the tax system make housing more affordable?



The following graph shows the main topics raised when submitters were asked whether New Zealand is taxing the right things. The main three topics raised were GST, income tax and capital gains tax. Within these topics the main issues raised were exemptions from GST, income tax reductions for the poor and increases for the rich and support or opposition to a capital gains tax.



When asked what tax issues mattered most to submitters the main two issues raised were income tax and capital gains taxes.



# Income Tax

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The areas that submitters raised the most often when talking about level of taxation were:

- Income tax (approximately 1,400)
- Progressivity of income tax (170)
- Tax brackets (262)
- Transaction taxes (294)
- Secondary tax (223)
- Inequality (341)
- Tax free threshold (308)
- Welfare system (including submissions that were out of scope) (281)
- Wealth redistribution (245)

Other topics raised in submissions included flat tax, work related expenditure, income splitting, low income, tax breaks, and double taxation.

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## **Income tax**

### *Support for repealing income tax*

- Revenue should come from other sources (businesses, land tax, capital gains tax, etc.) rather than wage-earners
- Income tax is theft
- Should tax wealth, not income

### *Opposition to repealing income tax*

- Tax Working Group proposals should be revenue neutral\*
- People who earn more should be taxed more

### *Increase income tax*

(Submitters were more likely to discuss income tax increases than decreases)

- High earners can afford to pay more tax so they should
- This would reduce inequality

### *Opposition to increasing income tax*

- Higher income tax results in unemployment
- Higher income tax rates disincentivises hard work
- Lower tax rates give people more choice as to how they spend their money
- Tax Working Group proposals should be revenue neutral
- Revenue should come from other sources (businesses, land tax, capital gains tax, etc.) rather than wage-earners

### *Support for income tax exemptions*

- Members of the military (and reserves) and emergency services are serving our country so shouldn't have to pay income tax

### *Opposition to income tax exemptions*

- Tax system should be as simple as possible
- Everyone should pay tax; loopholes are unfair

### **Progressivity of income tax**

#### *Support for the progressivity of income tax*

- To reduce inequality
- Taxing people on low incomes makes no sense
- Income tax should be increased on the rich; they can afford to pay more
- A new top tax bracket should be introduced (threshold could be anywhere from 80k to 200k; the rate 30% to 60%)
- The middle class are under increasing pressure

#### *Opposition to the progressivity of income tax*

- A regressive or flat tax system would encourage people to work harder and upskill
- Government should not target specific groups with additional taxes (i.e. 'the rich')
- The rich create employment that benefits wider society

### **Tax brackets**

- Tax brackets need to be increased to account for inflation; there has been 'bracket creep'\*
- Introduce an additional (top) tax bracket (e.g. a person earning \$200,000 should be paying more than a person earning \$70,000)

### **Transaction taxes**

- Repeal all other taxes and implement a transaction tax
- Introduce transaction taxes to prevent high earners and large companies from avoiding tax (i.e. all financial transactions which result in profit should be taxed)
- GST is too regressive; replace it with a financial transaction tax instead
- Would enable Inland Revenue to drastically reduce in size and save the government a lot of money in tax administration

### **Secondary tax**

(Almost all submissions on secondary tax were opposed to it)

- Secondary tax should be abolished
- Secondary tax is particularly heavy hitting given its propensity to affect low income earners
- Secondary tax should be abolished and one tax code used for all income

### **Tax Free Threshold**

(Almost all submissions on a tax free threshold supported it)

- People on lower incomes should be able to keep more of their money
- More administratively efficient for lower income earners to pay no tax than for the Government to supplement their income with transfers

- Many other countries have tax free thresholds
- Submitters suggested a tax free threshold to be anywhere from \$2,000 to \$70,000 (although most suggested somewhere between \$10,000-25,000).

### **Welfare system**

- The welfare system is needed to support the poorer members of society
- The welfare system is needed to support people who are unable to work
- People who are able to work but choose not to should not be supported by the welfare system

### **Inequality**

- There is growing inequality in New Zealand society
- The gap between the rich and the poor is growing because of tax policy that favours owners of capital and burdens lower income wage earners
- The level of inequality in New Zealand is unacceptable and the tax system needs to incorporate measures to mitigate it

### **Wealth redistribution**

(Approximately 93% of submissions on wealth redistribution supported it)

- The tax system should redistribute wealth to mitigate the inequality between rich and poor (majority view)
- Wealth redistribution should be the primary objective of the tax system
- The purpose of the tax system is not to redistribute wealth – it should focus solely on raising the minimum revenue it needs to fund core services (minority view)

# Capital gains tax

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The areas that submitters raised the most often when talking about capital gains tax (approximately 1,700) were:

- Capital gains tax (1773)
- Family home exemption (257)

Other topics raised in submissions included realisation basis versus accruals basis, speculation, and the brightline test.

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### **Capital gains tax?**

(Approximately 70% of submissions on a capital gains tax supported it)

#### *Support for a capital gains tax*

- All income should be taxed equally
- A capital gains tax would help improve property ownership and prevent property speculation
- The lack of a capital gains tax benefits the wealthy and contributes to wealth inequality. It is unfair that the wealthy avoid tax.
- A capital gains tax will help the tax system be more progressive
- The revenue from a capital gains tax could be used for tax cuts or useful government expenditure

#### *Opposition to a capital gains tax*

- A capital gains tax would not positively affect the housing market. A capital gains tax could instead negatively affect the housing market and increase rents.
- Those who have earned capital gains have paid tax on earnings used to purchase the capital asset. It is unfair to tax them again on sale of the asset.
- A capital gains tax is an envy tax and is a tax on those who have worked hard and saved.
- A capital gains tax would have a negative impact on retirees and would punish those who have taken time to build a nest egg.
- A capital gains tax would discourage investment, stifling wage growth and distorting the economy. It would also cause a 'lock-in' effect, meaning investors would be discouraged from shifting capital out of unproductive investment.\*
- A capital gains tax would discourage landlords from investing in rental property and many would leave the rental market, causing supply issues

### **Family home exemption**

(Approximately 91% of submissions on a family home exemption supported it)

#### *Support for a family home exemption*

- Taxing people's main homes is not a tax on speculators; it's a tax on ordinary people trying to build their wealth for retirement etc.



*Opposition to a family home exemption*

- A family home exemption will lead to distortions such as people upgrading their homes more and more, in order to get the highest possible untaxed capital gain when they sell it.
- Family homes account for around 60% of all houses, so exempting gains from them means exempting the majority of the potential base

# GST

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The areas that submitters raised the most often when talking about goods and services tax (approximately 1200) were:

- GST exemptions
  - Repealing GST
  - The rate of GST
  - General comments (56)
  - Goods purchased online (42)
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### **GST exemptions**

(Submitters who mentioned them were more likely to support GST exemptions, than not)

#### *Support for GST exemptions*

- For necessities (fresh fruit & vegetables, utilities, feminine hygiene products)
- To encourage healthy eating
- To reduce poverty
- To support NZ businesses
- Should tax 'bads' not 'goods'

#### *Opposition to GST exemptions*

- Exempting certain goods from GST introduces unnecessary administrative complexity, and is a poorly targeted way of helping the poor
- Better to use transfer system instead of introducing GST exemptions
- Countries that have GST exemptions have ongoing problems with disputes over where the line is drawn between exempt and taxable items
- The strength of the GST system is its comprehensiveness and unavailability

### **Repeal GST**

- It is regressive
- It causes poverty, inequality

### **The rate of GST**

#### *Decrease GST rate*

- Would take pressure off people given cost of living
- Would help low income people
- In order to reduce total tax take

#### *Increase GST rate*

- GST is an effective way of raising revenue and should therefore be increased (with reductions in income tax to compensate)

## **General comments**

- Consumption most accurately reflects ability to pay, and is therefore the best framework for a tax system
- The tax system should focus on consumption taxes rather than income or wealth taxes

## **Goods purchased online**

- GST should be levied on goods purchased online so that local retailers can compete with large overseas retailers
- Applying GST to goods purchased online would raise more revenue for the Government

# Business tax

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The areas that submitters raised the most often when talking about business tax were:

- Business/company tax (687)
- Provisional tax

Other topics raised in submissions included small businesses.

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## **Business/company tax**

### *Increase company tax*

- Companies should be paying more tax
- The company tax rate should be aligned with the top individual rate
- Companies pay less tax compared to individuals

### *Decrease company tax\**

- High company tax rate means weak incentive to do business
- Businesses are competing internationally
- Government spending wastefully
- Businesses provide employment
- Company tax is a disincentive
- People have worked hard
- Current rate is relatively high
- Compliance is a hassle

### *Progressive company tax rate*

- Would result in more employment, more revenue from other sources
- Helps small businesses get started
- Small and medium enterprises (SMEs) struggle with cash flow
- Could be used to reward / incentivise businesses which:
  - are based in New Zealand
  - are sustainable
  - create employment
  - do not pay their senior employees excessively

## **Provisional tax**

- Provisional tax is complex, too hard to estimate and should be abolished.
- 5% uplift is unrealistic and too high.
- Small and medium enterprises (SMEs) struggle with cash flow
- People have to borrow to pay provisional tax
- The (recently introduced) Accounting Income Method (AIM) is too complicated, and there will be limited uptake.
- Inland Revenue does not pay interest (or equivalent) if there has been an overpayment

# Frameworks

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The areas that submitters raised the most often when talking about frameworks were:

- Fairness, equity and balance
- Incentives/disincentives (372)
- Government spending (265)
- Core services and infrastructure (354)
- Accountability
- Transparency

Other topics raised in submissions included productive versus speculative economy.

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### **Fairness, equity and balance**

- The tax system needs to be fair and equitable for everyone
- The balance of the current tax system is wrong
- The current system disproportionately burdens the poor, and favours owners of capital
- The current system does not treat all types of income equally

### **Incentives/disincentives**

- The tax system is a powerful tool for incentivising or disincentivising behaviour
- Because the tax rules create incentives, it is important to create the right ones
- The current tax and transfer system disincentivises employment due to abatement rules

### **Government spending**

(Most submitters who mentioned Government spending were opposed to it)

- Government administration creates deadweight costs
- Government can't competently manage the funds it presently collects
- Government should live 'within its means'
- Tax revenue goes to undeserving welfare recipients
- Government provides necessary services such as health and education

### **Core services & infrastructure**

- The purpose of tax is to enable the government to provide core services that society needs to function
- Tax revenue should support the funding of infrastructure
- Tax should only be used to fund core services and infrastructure
- Tax should be used both for core services & infrastructure, and encouraging/discouraging behaviour

### **Accountability**

- The Government must be more accountable for the way it spends taxpayer money (spending should target core services and infrastructure, stop wasting money on overpriced consultants and wasteful public sector spending)
- Members of Parliament need to be more accountable to taxpayers (reduce perks).



- Everyone should be accountable and pay their fair share of tax (multinationals, large corporates and charities)
- Large corporates should be accountable for pollution and penalised accordingly.

### **Transparency**

- Making all taxpayers' tax records public would incentivise compliance and make tax avoidance more visible.
- The Government should be more transparent on how taxpayer money is spent. This would increase public confidence in the tax system.
- The tax system should be fair and transparent (remove loopholes that allow people to not pay their fair share of tax).
- There is a lack of transparency internationally – multinationals are not paying their fair share of tax. This is a global problem that New Zealand can contribute to.

# Savings and retirement

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The areas that submitters raised the most often when talking about savings and retirement were:

- Funding retirement (337) / superannuation (167)
- KiwiSaver (109)

Most people who submitted about savings wanted the Government to change the rules to encourage more private savings by individuals.

Other topics raised in submissions included support for the idea that interest income should be inflation indexed.

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### **Funding retirement / superannuation**

- People should be encouraged to save for their retirement, in order to be less reliant on the state
- An “EET” system would encourage retirement saving more than the current “TTE” system
- Superannuation should be kept as a safety net, with people saving as much for their retirement as possible
- Superannuation should be abated according to income, and/or number of years spent in New Zealand paying tax
- Taxpayers should be able to deduct inflation from income earned from long term savings\*

### **KiwiSaver**

- Exclude KiwiSaver from a capital gains tax
- Provide more incentives for saving (to help people get ahead / prepare for retirement)
- Allow KiwiSaver to be used to buy first home (home ownership important)
- Increase employer contributions to 5%
- Make KiwiSaver or other retirement savings scheme compulsory

# Corrective taxes

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The areas that submitters raised the most often when talking about corrective taxes were:

- Behavioural taxes (524)
- Pigouvian tax (158)
- Health (269)
- Environment (437)
- Pollution tax (189)
- Water tax (89)
- Tobacco tax
- Hypothecation (66)

Submitters who mentioned corrective taxes tended to support them.

Other topics raised in submissions included “user pays”.

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### **Behavioural taxes**

(Approximately 84% of submissions on behavioural taxes supported them)

#### *Support for behavioural taxes*

- Help people to make good choices
- Tax should tax things that are bad for society / that we want to discourage
- Education alone is not effective

#### *Opposition to behavioural taxes*

- Public education is preferable
- Government interfering too much / should respect people’s choices
- Tax should stay in the background
- Behavioural taxes would harm poor people more/are regressive\*

### **Pigouvian taxes**

(Almost all submissions on Pigouvian taxes supported it)

- The full costs of business activities should be internalised, instead of being left as externalities that the public and the environment pays for

### **Health**

- Taxes should be used to encourage people to make healthy choices
- The healthier people are, the less strain there is on the healthcare system and tax revenue in general
- Decreasing GST on healthy foods and increasing it on unhealthy foods will encourage healthier eating

## **Environment**

### *Support for environment tax*

- The current negative state of the environment
- Companies profiting from environmental degradation
- 'Polluter pays' principle

### *Opposition to environment tax*

- The Government should not interfere too much.

## **Pollution tax**

(Approximately 96% of submissions on pollution tax supported it)

### *Support for pollution tax*

- There should be heftier pollution taxes to discourage people from polluting and help the environment (vast majority view)
- There should be carbon taxes
- There should be taxes on waste disposal, both landfill and recycling

### *Opposition to pollution tax*

- The government should leave people alone when it comes to pollution; no evidence tax will help environment, or that environment needs to be helped
- Not good for poor people

## **Water tax**

(Approximately 96% of submissions on water tax supported it)

### *Support for water tax*

- The current negative state of waterways
- Water bottling wrong / bad in the long term
- Farmers profiting from water pollution / irrigation

### *Opposition to water tax*

- Water should be free
- Bottled water should be cheap

## **Tobacco Taxes**

### *Support for tobacco tax*

- Tobacco taxes work to reduce consumption
- Help people to make healthy choices / better lives

### *Opposition to tobacco tax*

- Smoking is a personal choice and the Government should not interfere

### **Hypothecation**

(Approximately 91% of submissions on hypothecation supported it)

### *Support for hypothecation*

- Hypothecated taxes are an effective way to support key initiatives. Common examples included using a sugar and unhealthy food tax to fund removing GST from fruit/vegetables, or taxing corporate polluters/tourists and using the money for environmental initiatives.
- Others approached the issue from a more general view of hypothecation and simply felt that tax should be levied (although nothing specific was suggested) to support areas like retirement, home ownership and a more extensive education/health care system
- Implement a luxury tax on large ticket discretionary spending (e.g. luxury cars or boats)

### *Opposition to hypothecation*

- Hypothecated taxes do not accord with a broad base, low rate (BBLR) framework
- Hypothecated tax would have a distortionary effect on people's behaviour
- Tax should be for key infrastructure only and should not be used to influence behaviour in any other way. All other key services can be privatised for efficiency
- Some mentioned unfairness (for example "ring fencing" rental losses but not business losses)

# Land, wealth, and property taxes

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The areas that submitters raised the most often when talking about land, wealth and property taxes were:

- Housing affordability (973) / supply and demand (173)
  - Land tax
  - Wealth taxes (409)
  - Property taxes (158)
  - Estate duty (123)
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### **Housing affordability / supply and demand**

- The tax system should promote better housing affordability
- The tax system cannot make housing more affordable
- A capital gains tax would make housing more affordable by stopping speculators from driving up house prices
- Housing will only be made more affordable by an increase in supply
- A capital gains tax would not improve housing affordability, because the issue is one of supply and demand:
  - Examples of demand side drivers: uneven regional development, immigration, overseas buyers
  - Examples of supply side drivers: the Government needs to build more affordable houses

### **Land tax**

#### *Support for a land tax*

- A land tax does not create any economic distortions, because the supply of land is fixed
- A land tax recognises the wealth tied up in land ownership
- Would incentivise more productive use of land
- Would regulate property prices

#### *Opposition to a land tax*

- A land tax is unfair on people who are asset rich but income light and may not have the ability to pay the tax easily
- Land is often a personal and ancestral thing, and it is unfair to encroach on the benefits of that
- Land tax is already being paid through local rates that are levied on the property value, which includes the value of the land

### **Wealth taxes**

(Approximately 85% of submissions on a wealth tax supported it)

#### *Support for a wealth tax*

- A wealth tax is needed to redistribute some of the wealth rich people have that is capital and not income

- It is unfair that the rich can have millions of dollars in wealth and not be taxed on any of it

#### *Opposition to a wealth tax*

- Wealth taxes are unfair as they burden people who are asset rich but income poor, and may struggle to pay it
- Wealth taxes are an envy tax that punishes people for working hard and saving responsibly to support themselves and not rely on the state

#### **Property taxes**

(Approximately 84% of submissions on property tax supported it)

- Property taxes are needed to balance out the favouring of capital over other forms of income
- Property is taxed enough already through local government rates

#### **Estate duty**

(Approximately 69% of submissions on estate tax supported it)

#### *Support for estate tax*

- Inheritances should be taxed to stop intergenerational wealth banking that widens inequality

#### *Opposition to estate tax*

- It is unfair to tax the wealth that people have worked to save and pass onto their children
- It is unfair to levy a tax on wealth when the person receiving it had no say over receiving it

# International tax

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The areas that submitters raised the most often when talking about international tax were:

- Taxing multinational companies (422)
- Base erosion and profit shifting (174)

Other topics raised in submissions included Fair Dividend Rate (FDR), and the Foreign Investment Fund (FIF) regime.

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### **Taxing multinational companies**

(Almost all submissions on international tax supported the idea of multinationals paying more tax in New Zealand)

- Multinationals need to pay their fair share of tax
- Tax New Zealand businesses/companies less so they can compete with multinationals operating in New Zealand
- Offshore suppliers to New Zealand consumers should pay GST, not fair on New Zealand companies

### **Base erosion and profit shifting (BEPS)**

- Multinationals and large corporates are not paying their fair share of tax. Close the loopholes that allow this
- Implement larger penalties for all multinationals who avoid paying tax in New Zealand

### **Fair dividend rate / Foreign Investment Fund regime**

- Fair Dividend Rate (FDR) discourages investment in foreign equities, which would benefit the New Zealand economy as a whole
- The Foreign Investment Fund (FIF) regime encourages bad investment behaviour as it forces people to sell assets to pay tax

# Charities and Māori Authorities

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The areas that submitters raised the most often when talking about charities and Māori authorities were:

- Taxing charities and religious organisations (289)
  - Māori authorities
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### **Taxing charities and religious organisations**

- Charities should be taxed on the business component of their income; it is not fair that a charity's business income is exempt from income tax while other businesses have to pay tax on their business income (majority view)
- Charities should be taxed on all their income
- Businesses operated by charities should only be allowed deductions for profits distributed to the charity\*
- Religious organisations should not be considered charities; furthering religion is not a charitable activity

### **Māori Authorities**

- The Māori Authority Regime is unfair, as the lower tax rate favours Māori businesses over others\*
- The tax system should not tax people differently based on demographic factors
- The Māori Authority Regime is racist

# Tax administration

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The areas that submitters raised the most often when talking about tax administration were:

- Avoidance and evasion; loopholes (484)
- Ease of administration (49)

Other topics raised in submissions included administration costs, compliance costs, future opportunities for tax administration, automaticity, and design issues.

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### **Avoidance and evasion; Loopholes**

- Multinationals and large corporates are avoiding tax and the law must be amended to prevent this from happening
- There are too many loopholes in the law that allow rich people to avoid tax (e.g. family trusts, and using imaginative structures dreamt up by lawyers and accountants)
- Lack of a capital gains tax allows people to generate wealth and avoid paying tax
- Middle class is overtaxed (tax withheld at source, and regressive nature of GST) whereas the law is too generous to self-employed/companies (who have ways to under declare income or too many deductions)
- If tax rates were reduced tax then people would not feel the need to try avoid or evade.
- Companies operated by charities should be made to pay tax
- Tradesmen avoiding tax by offering ‘cash jobs’ needs to be addressed

### **Ease of administration**

- Retain a broad base, low rate (BBLR) system with as few exemptions and incentives as possible
- A capital gains tax does not fit in a BBLR framework and would be too hard to administer
- GST concessions make the tax system too complicated
- Abolish secondary tax (unfair)
- It is inefficient to tax people and then give them the money back through social policy entitlements. Should look at adjusting tax rates accordingly

### **Automaticity**

- All taxes should be as automatic and as unavoidable as PAYE
- Those subject to a withholding tax regime end up paying more tax. This is unfair and we must find a way to automate all taxes
- Make tax simpler and automated so we don’t have to pay lawyers and accountants
- Automation of tax can be supported by having banks withhold tax from all ‘payments’
- Scrap tax on income and tax on wealth and productivity. A model like this can be more easily automated.



# Other tax issues

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## **Non-residents**

- Ban the sale of property to foreigners (especially residential property) or alternatively, tax them. Need to make housing more affordable for New Zealanders
- Tax foreign companies with no base in New Zealand at a higher rate than New Zealand companies

## **Māori**

- The tax system should support Māori (employment, business etc.)
- The tax system should incorporate Māori values (tikanga Māori, and keep with the principles of the Treaty of Waitangi)
- The tax system should not favour Māori over any other group – should be treated the same as anyone else

## **Transport (107)**

- Tax system should encourage use of public transport by making it cheaper (through hypothecated taxes raised by taxing road users, polluters and congestion)
- Tax system should encourage uptake of electric vehicles

## **Tourism levy (136)**

- A tourism levy should be introduced to help support maintenance of New Zealand tourism infrastructure, national parks etc.
- Should be a universal flat rate levied on every tourist entering the country
- Have a duration-of-stay below which the tax is levied (e.g. 30 days); possibly exempt business people

## **Future opportunities for tax administration**

- With increased automation, more people will lose their employment and a universal basic income should be introduced to address that scenario
- Concern about the impact artificial intelligence would have on taxation and the preservation of jobs
- We should tax robots to make up for the revenue lost from the non-employment of people
- How do we ensure tax compliance with the growth of cryptocurrencies and systems where wealth can be exchanged anonymously?
- Using technology to make tax compliance simpler for individuals

## **Appendix A – New Zealand Taxpayers’ Union submission template**

Dear Sir Michael and members of the Tax Working Group,

This is a submission on the future of tax in New Zealand, with particular reference to the proposals and questions set out in the Working Group’s Background Paper.

Sir Michael has said that the Tax Working Group is not about how to raise more revenue for the Government. I submit that this promise should be upheld.

### **Revenue neutrality**

Where new taxes and tax hikes are recommended by the Working Group, I submit that the Working Group should identify other areas where the burden can be reduced to compensate taxpayers.

### **Bracket creep / fiscal drag**

The effect of inflation pushing taxpayers into higher income tax brackets is a dishonest policy that allows politicians to tax New Zealanders harder, without ever having campaigned on it.

I submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation. I note that many government benefits and entitlements are indexed — income tax thresholds should be no different.

### **Company taxation**

New Zealand has one of the highest company tax rates in the OECD. The result is a low-investment, low-productivity economy.

I submit that if the Government is interested in encouraging greater investment and growth in our productive sector, it should cut the headline business rate. This is preferable to the Background Paper’s proposal of just cutting rates just for smaller businesses, creating a two-tier business tax regime with the associated complexities and incentives for business to stay small.

### **Expensing of capital**

The Government must be committed to increasing New Zealand’s productivity and allowing for greater growth in incomes.

I submit that the Working Group recommend allowing businesses full capital expensing within the first year of capital purchase. This would increase incentives for business to invest in capital (accelerating productivity growth) and increase wages (productivity growth is the most relevant factor in determining income growth).

## **Maori Authorities and charities**

New Zealand's company tax system should not include loopholes that give certain groups competitive advantages.

I submit that the 17.5% income tax rate for Maori Authorities should be abolished – so that Maori Authorities are not provided with a cash flow advantage over non-Maori competitors.

I submit that companies owned by charities should only be allowed to have the charitable tax deduction for profits actually distributed back to the parent charity, or specifically applied to the charitable purpose of the parent.

## **Capital gains tax**

A tax on capital gains would discourage investment, stifling wage growth and distorting the economy. It would also cause a 'lock-in' effect, meaning investors would be discouraged from shifting capital out of unproductive investments.

I submit that the Government should not implement such a tax.

## **Taxes on savings**

We should not allow the tax system to discourage saving. Savers (namely those with retirement funds and investment schemes) currently pay tax on 'interest' that, in practice, partially just reflects the effects of inflation.

I submit that we should allow taxpayers to deduct inflation from taxable income earned via long term saving.

## **Environmental taxes**

I submit that any proposed environmental taxes should come with recommendations which make them revenue neutral.

I submit that any taxes on water should operate in a similar way to water rights pricing and be sector neutral – politicians should avoid targeting specific industries or uses of water.

As an alternative to recommending specific environmental taxes, I submit that the Working Group develop an objective framework for future proposed environmental taxes to be measured against.

## **Lifestyle taxes**

I submit that the Working Group recommend against the expansion of behavioural taxes, and instead outline the regressive financial damage they inflict on our most vulnerable communities.

Specifically: I oppose the introduction of a sugar tax, a fat tax, or any other form of additional tax on food products. I oppose varying GST for different products.

Beyond the points made above, I endorse the broader submission made by the *New Zealand Taxpayers' Union*.