Tax Working Group Public Submissions Information Release

Release Document

August 2018

taxworkinggroup.govt.nz/key-documents

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage;

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Submissions Included

Michael Kemsley
Hone Thorpe
Chris Lee
Grace Jay
Michael Cuncannon
Matt Vincent
Timothy C Bartram
John Rowland
John Wells
Warren Snow
Daniel Benson
Jay Thompson
Joseph McDonald
Angela McPherson
Nicola Russell
Simon Mark Vincent
Ian Wilson
Gail Duncan
Nickola Murray
Andrew Rutherford
John Scott
Matt Walkington
Richard Shaw
Simon and Janet Pay
Marilyn Smith
Christine Larking
Simon Schollum
David and Pamela Blowers
William Byfleet
Alex Campbell
Michael C Gibson
Brit Bunkley
Christine Avery
Nick Martelli

Lynne Dempsey
Craig Walker
Peter Plunket
Steve Laurence
Sharyn Barclay
Derek Wiseman
John Ryan
Avril Bell
Cath Wallace
Molly Harrison
Alan Dallas
Matiu Andrews-Cookson
Anna Macrae Goodwin
Rupert Rokeby-Johnson
Fraser Johns
Diana Youssif
Drew Tierney
Paul Hickson
Christopher Worth
Alan Forster
Paul Hill
Brian Porteous
Hayley Mitcheson
Angela Kneeshaw
Jack Realson
Wally Richards
Michael Barnett
John Clark
Piki Knap
Jennifer Cruden
Margaret Green
Keaton Lane
John Beker
Kenneth MacKenzie
Kathleen Gallagher
Valentino Luna Hernandez
John Howe
Norman Frodsham
M Gary Nicholls
Malcolm Anderson
Marianne Boekhoff
Susan Hutchinson
Lloyd Anderson
Richard Summers
R R Dawson
Valerie Morse
Chris Ward
Barry Newton
Amelia Smith
Sam Esler
Dean Dodds
Wayne Baker
Mate Marinovich

From: Michael Kemsley [1]
Sent: Monday, 30 April 2018 12:25 PM
To: TWG Submissions
Subject: Submission

Hi There,

Lot of people have 1 maybe 2 rental properties as investments to complement their existing income and retirement investments.

Currently borrowed money for other forms of investments and business is tax deductible. This is where the majority of rental property losses occur. Borrowing costs are a legitimate business expense, and a lot of businesses require the owners to top up toe accounts from time to time.

It could be more reasonable to tax gains i.e capital gains, on a regular basis, rather than just when they are sold. This value be linked to the value of capital value and also the amount borrowed against it to stop the transfer of personal mortgages to the rental investments.

It would be unfair for those, particularly those with one or two rentals, to have a different approach to business expenses.

Regards

Michael Kemsley
Transportation Projects Engineer

GHD
[1]

From: John Thorpe [1]
Sent: Monday, 30 April 2018 12:18 PM
To: TWG Submissions
Subject: Tax and Te Ao Māori submission from Hone Arohaina Riwaka Thorpe

Tēnā koutou e ngā kaimahi o te roopu tāke

Ngā mihi i runga i te kupu o te Matua Tuatahi.

Ānei ōku nei whakaaro e pā ana ki ngā whakahoutanga tāke e pā ana ki te ao Māori:

- Ko ngā mea rangatira i taua ao, ko te whakapapa, ko te waka, ko te maunga, ko te awa, ko te moana, ko te iwi, ko te hapū, ko Papatuānku, ko te marae, ko ngā mātua hoki. Ko te taha wairua, ko te taha oranga nga mea ake hoki.
- E noho ana te ao Māori ki te taha o te ao Pākehā. Ka whai ngā tikanga e rua i te nuinga o ngā Māori. E ai ki ētahi, he uaua tēnei whai. Nā te mea, e noho pōhara te nuinga o ngā Māori. Ka mau te here pōharatanga i aua Māori. He uaua te whakakoretia i aua here.
- Me pehea te rongoā mō tēnā?
- Tēnā pea whakahaeretia ngā tohu whakapoapoatanga ki aua ao e rua.
- Ko nga tāke he whakapoapoatanga. Engari i ētahi wā ko ngā tāke he whakapoapoatanga kore.
- Whakarangahau ngā huarahi tika hei hanga ngā whakapoapoa pai hei whakahaere ngā Māori ki te ara whai rawa.
- **Me pehea?**
- Ko tētahi whakautu: Āta titiro ki ngā māketi hoko ki tāwāhi. Hoatu ki nga kaipakihi nga whakapoapoa mehemea ka tāpiritia e tētahi, e ētahi ranei ētahi ahuatanga Māori ki a rātou whakaputanga, hua rānei. He tino whakapoapoa tēnei.
- Ko tētahi whakautu: Hanga nga tāke māmā ki ngā kaipakihi e mahia ana ngā tikanga Māori i roto i ā rātou whare kaipakihi.
- Ko tētahi atu whakautu: Hoatu ki ngā tauira Māori ngā karahipi tāke hei āwhinatia rātou hei akona ngā matauranga o te ao whānui mō tētahi pōtaetanga. Mehemea, ka mau aua tauira i ngā tūranga mahi e pā ana ki te ao Māori, katahi, ka hoatu ngā tukunga tāke.
- Ko tētahi whakautu: whakakoretia te GST i runga i ngā mea kai, whakakoretia te GST i runga i ngā whakaputunga whare.
- Ko tētahi whakautu: mō ia tau e ako ana i tētahi whare waananga, kura tuawha rānei hoatu tētahi tukunga tāke.
- Ko tētahi whakautu: he uaua mō ngā whaea anake ki te whiwhi mahi, ki te kimi mahi hoki, nā te mea he nui te utu hei whakatiaki i ngā pepi. Ki ahau nei, hoatu tētahi tukunga tāke ki a rātou hei awhi hei manaaki i a rātou. Katahi, ka whiwhi mahi, ka whai moni haere, ka hāpai i te pōharatanga. Ka tū te mana o aua whaea.

Koia nā, kati rā, ka mutu aku nei kupu.

Ko te tumanako, e pai ana te huarahi mō koutou e pā ana ki te whakahoutanga tāke.

Nā reira i runga i aua whakaaro

Naku noa, nā
Hone Arohaina Riwaka Thorpe

From: Chris Lee [1]
Sent: Monday, 30 April 2018 11:58 AM
To: TWG Submissions
Subject: Submission to the Tax Working Group

Submission by:
Chris Lee
[1]

Vision:
The Tax Working Group needs to identify a New Zealand tax system which:

1. Supports New Zealand's democratic society of individuals
2. Supports and enhances the development of an egalitarian society
3. Is fair
4. Is simple to understand and implement
5. Is low cost (has low deadweight)

Achieving the Vision:
The Tax Working Group needs to spell out the changes required to transition, over a relatively short time frame of, say, 5 years, from our existing tax system to one which achieves the above vision.

Wealth Inequality:
Since the end of World War II wealth inequality has been increasing at an accelerating pace in New Zealand and the existing tax system and the changes to it have struggled with population growth, technology changes, and citizens' desires for a "better life". The results have been underfunded health and education systems and increasing disparity in social mobility and socio-economic status.

Tax system changes in the 1980s and the privatisation of many industries heavily reliant on natural resources (fisheries, forestry, ports, airports, railways, power generation, etc) have quickly divided New Zealand society into "haves" and "have nots".
In particular, the current tax system strongly encourages private acquisition of natural resources and the subsequent accumulation of unearned wealth by the retention of the economic rent for those resources.
In it's simplest form the evidence for this is in the many many examples of huge wealth gains by private individuals who invested in land on the outskirts of cities and simply waited for the city to grow past them, cashing in on the infrastructure and other investments made by society as a whole.

In their seminal work and subsequent book entitled *The Spirit Level*, Wilkinson and Pickett demonstrated that wealth inequality correlates closely with a variety of societal ills. This is why the tax system needs to achieve the vision.

The Solution:
In 1879 political economist and philosopher Henry George published his book *Progress and Poverty* which examined the conundrum of why poverty increased in a society in the face of increasing progress. He identified the problem as the retention of unearned wealth in the form of economic rent of land and proposed a simple solution - Land Value Tax (LVT).
Further resources for researching Georgism can be found here http://www.henrygeorge.org/bob/

Modern Georgism refers to “land” which is the collection of all natural resources (land, water, air, electromagnetic spectrum, etc). See https://en.wikipedia.org/wiki/Georgism.
It is a relatively simple matter to extend a Land Value Tax to “Land” Value Taxes.

> Incidentally, Henry George visited New Zealand and met with Governor Sir George Grey (see https://en.wikipedia.org/wiki/George_Grey).
> The Georgist influence in New Zealand remained for many years and is reflected, for example, in the works of Dr Rolland O’Regan and his father as reported in the obituary here https://hgarchives.files.wordpress.com/2017/03/keall-obituary-rolland-regan-1992.pdf by Robert Keall.

Conclusion:
There are a number of reasons why New Zealand society is becoming divided along racial and economic lines but wealth inequality is a significant contributor and New Zealand’s current tax system is a major culprit.
To Georgists the solution is obvious.
The Tax Working Group may like to ponder these thoughts:

Pay for what we hold or take*, not for what we do or make.
(from the “Land” Rent for Revenue & Justice Association)
(* of course, “take” includes “pollute”)

“Land" is not given to us by our parents - it is loaned to us by our children
(Kikuyu saying)

OTHER:

Other Wealth-Related Taxes:
The introduction of a Capital Gains Tax and/or an Inheritance Tax will simply create a new accounting industry to minimise and avoid these taxes. Arbitrary rules will need to be created and enforced. The deadweight will not be justified and the taxes will inevitably fall on those without the resources to mitigate them.

Greater Consumption Taxes:
Seriously? It is well recognised that GST is highly regressive tax - especially with current New Zealand law which supports and encourages the accumulation of unearned wealth.

Income Tax:
Ultimately, income tax should be phased out (what better incentive to get people involved in productive enterprise). In the meantime, the arbitrary imposition of various income tax rates is quite farcical. Surely our collective knowledge of mathematics is sufficient to introduce a single mathematical function to calculate the applicable rate.

From: [1]
Sent: Monday, 30 April 2018 11:44 AM
To: TWG Submissions
Cc: [1]
Subject: Submission

FUTURE OF TAX

SUBMISSION TO THE TAX WORKING GROUP, April 2018

First Name: Grace Mairi

Last Name: JAY

Email: [1]

Preliminary

My name is Grace Mairi Jay. I have a PhD from the University of Waikato and a M.A. (Resources and Environmental Planning) from the University of Waterloo, Canada.

From 1995 to 2010 I was a Senior Lecturer in Environmental Planning at the University of Waikato. Before that, I practiced environmental and regional planning with the Department of Conservation (1990-1995), Hamilton City Council (1988-1990) Wellington Regional Council (1987-1988) and the Wainuiomata ward of Hutt County Council (now Lower Hutt City Council).

I am a New Zealand resident and citizen, now retired. I have a son and grandchildren who live in New Zealand and will be impacted by future tax policies.

My comments and answers to the questions asked by the Tax Working Group follow.

What does the future of tax look lie to you?

In addition to the trends outlined in the TWG background paper, government will experience greatly increased expenditure due to impacts of climate change and sea level rise. These will include:

- *Damage to settlements and communities* from storms, floods and drought. Predictions by the Parliamentary Commissioner for the Environment, NIWA and the Ministry for the Environment expect the impact of storms, floods and droughts to increase in future. The Insurance industry reported that damage from weather-related claims in 2017 amounted to $242 million; Insurance Council chief executive Tim Grafton indicated that premiums are likely to go up as a result of expected increases in extreme weather events.

- *Damage to significant infrastructure* Our active geology and erosion-prone landscapes make roads, rail, stormwater systems, power etc. vulnerable to landslips and flooding. For example, road and rail north and south of Kaikoura due to storm damage (2018); SH2 Manawatu Gorge road between Palmerston North and Dannevirke; regular closures of roads around Thames Coast (e.g.Thames to Manaia, (Jan 2018); Whangamata to Whiritoa (April, 2018); regular closure of Northland roads e.g. SH11 Paihia to Kawakawa (Lemons Hill); regular closure of roads to Milford Sound, Haast and Franz Josef; rail links between Napier and Gisborne, Blenheim and Christchurch, Palmerston North and Dannevirke, Wellington and the Wairarapa, Wellington and Kapiti Coast.

- *Loss of livelihood for farmers from flood and drought*. Examples include: Kaiawa area (flood, Jan 2018); Edgecumbe area (flood, April 2017); Bay of Plenty (flood, April, 2017); Taranaki, Wellington Manawatu and Whanganui (drought December 2017), Canterbury (2016), North Canterbury (2015), North Island and west coast of South Island (2013 flooding worst in 40 years), Northland (2010 worst drought in 60 years), Waikato (2008, driest January in a century).

- *Impacts of sea level rise (together with storm surges and high tides) on towns and coastal settlements*. Low-lying areas of Christchurch, Dunedin, Wellington and Auckland are already at risk of flooding from rising sea levels. A report by the Parliamentary Commissioner for the Environment noted that a minimum 30cm rise in average sea level by the middle of the century is already 'locked in'. A recent Ministry for the Environment report identifies an average sea-level rise since records began of 1.76mm/yr (Page 81) and projects sea level rises for the next 50 years (out to 2070) from 32cms (.32m) to 61cms. Further into the future, sea levels are expected to continue rising for the next several centuries.

- *Impacts of sea level rise on aquifers.* Many of New Zealand's most heavily used freshwater aquifers are coastal and vulnerable to salinization from saltwater intrusion. According to a report by M. Ingham et al , saltwater intrusion is an existing and potential problem in many of New Zealand's aquifers. Sea level rise and increasing incidence of coastal flooding is likely to increase the problem.

In summary, I think that future environmental disruptions to settlements, infrastructure and the country's farming base are going to increase dramatically and will require assistance from the public purse for humanitarian and practical reasons.

My Personal answers to specific questions asked by the TWG:

- *How, and to what extent, does the tax system affect housing affordability for owners and renters? Is there a case to change the tax system to promote greater housing affordability? If so, what changes would you recommend?*

  I think that stable and affordable housing, whether owner occupied or rented, is critical for human and community welfare; it impacts on so many other fundamentals such as health and education, particularly of children; the development of community identity and sense of belonging; the ability of families to find and maintain support networks. The current tax system provides incentive to invest in housing rather than non-residential options and this appears to make it harder for people with lower income (who are often also those with young children) to buy their own home. However, I do not think home ownership is essential if residents can have safe, secure and affordable rental housing. I think there should be a capital gains tax on non-owner occupied homes and also that houses owned for rental purposes should be subject to performance and monitoring of conditions of safety, healthfulness and affordability.

- *Should New Zealand introduce a capital gains tax (that excludes the family home)? If so, what features should it have?*

  Yes, I think New Zealand should introduce a capital gains tax that excludes the family home;

- *Should New Zealand introduce a land tax (that excludes the land under the family home)? If so, what features should it have?*

Yes. New Zealand should introduce a land tax on all **land used for commercial purposes,** including farming and commercial forestry. Land exempt from tax should include:

- land under the family home;
- land used for permanent protection of a natural or physical resource. **Note 1:** land used for riparian protection of lakes, rivers and streams should be excluded if registered for that purpose on the Certificate of Title. **Note 2:** Improved and unimproved land should be taxed at the same rate (i.e. relatively low); land used for intensive agriculture should not be penalised except as it is subject to a pollution tax. The whole aim of a tax on commercial use of land should be to encourage efficient use of productive land and protection/conservation of non-productive land.

- *What are the main opportunities for effective environmental taxation?*

In my view, we need to encourage the most efficient use and conservation of natural and physical resources by taxing commercial consumption and providing incentives for the protection of non-commercial uses. Taxes should be imposed on:

- water used for commercial purposes;
- land used for commercial purposes based on a standard rate, but which could perhaps vary in accord with zoning (to distinguish between urban and rural land, for example). That means land not used for commercial purposes, such as native forest and regenerating scrub, is not taxed; it also means that capital improvements on land (whether urban or rural) are not taxed.
- air – where the use of that air reduces or excludes its use by others (e.g. as with air space, and as when a use causes pollution of air);
- minerals, including aggregate and sand
- marine and coastal space.

Commercial use of all natural and physical resources should be subject to taxes on externalities that cause social or environmental harm. For example, cars powered by fossil fuel should be taxed at a higher rate than electric vehicles. Water used for agricultural or horticultural irrigation or cleaning of dairysheds and intensive agricultural and industrial facilities should also be taxed (i.e. farms should be treated the same way as other commercial enterprises).

- *Should the tax system do more to support small businesses? In particular, is there a case for a progressive company tax?*

Yes. This would encourage people to start their own small business rather than depend on welfare.

It would especially help parents of young children (mostly women) to start a business at home while they have children to care for.

It would also help people in rural and regional communities to engage in small-scale business that serves the need of their local community, and help to support local and regional self-sufficiency.

- *Should the tax system exclude some goods and services from GST? If so, what should be excluded? What else should be taxed to make up for the lost revenue?*

Yes. GST on milk and bread and on **unprocessed** fruit, vegetables and meat should be excluded. The GST on processed foods should be increased to make up for the lost revenue.

Acknowledgement

I am aware that my submission will be released on the website with my email address withheld, and have noted the Official Information Act and privacy conditions that apply

Parliamentary Commissioner for the Environment, 2014. Climate Change and Rising Seas.

Ministry for the Environment, 2017. Coastal Hazards and Climate Change.

Julie Iles, Premiums to rise after record year of weather-related insurance claims. Business Day December, 6, 2017. Downloaded from https://www.stuff.co.nz/business/99578862/climate-change-blamed-for-record-year-of-weatherrelated-insurance-claims.

Climate Change and Rising Seas, November, 2014

Coastal Hazards and Climate Change, December 2017.

M. Ingham, JA McConchie, SR Wilson and No Cozens, Measuring and monitoring saltwater intrusion in shallow unconfined coastal aquifers using direct current resistivity traverses (J. of Hydrology (NZ) 45 (2):69-82, 2006.

From: Michael Cuncannon [1]
Sent: Monday, 30 April 2018 11:15 AM
To: TWG Submissions

Dear Sir Michael and members of the Tax working group,
One question: Why is there GST on Council Rates? After all aren't rates a form of local body tax on property.
While some may say rates are a form of service charge for the services city/rural bodies provide to residents the same could be said about central government. Surely the government provides services like Health(hospitals), Police, Defense, etc. GST on rates in effective are a tax on what is another tax in all but name, and an added burden on low income and beneficiaries.
Kind regards
Michael Cuncannon

From: Matt Vincent [1]
Sent: Monday, 30 April 2018 10:21 AM
To: TWG Submissions
Subject: Re: Tax working group Submission

Further:

1. For clarity any tax increase will make housing less affordable for me and my family.
2. A simpler tax system would be appreciated.
3. I do not believe in increased funding on university education. As someone who has complete a degree and is currently studying the courses are often of little value and are very much just about ticking the boxes to get the piece of paper at the end. In saying that I generally support educating sciences, engineering and supporting these industries in nz.
4. I can be contacted for discussing these points and have many other comments about issues around spending of tax money in nz.

Kind regards

Matt Vincent
Commercial Contract Services Ltd
[1]

On 30 April 2018 at 10:12, Matt Vincent [1] wrote:

Submission of Matthew Parkes Vincent, 28yo saving to try and by a farm one day, self employed earn approx $110,000 and living with parents as is financially beneficial for both parties. Saving approximately $50K a year while I've not got a family.

GST

1. Any increase in GST would be bad for nz retailers and businesses as this will further increase the incentive to go overseas for holidays and to purchase goods etc where there is lower sales taxes and the products are already significantly cheaper.
2. GST does capture people such as tourists who use NZ's infrastructure without paying any tax but any increase will increase the cost of living especially for the people who can afford it the least. I.e. if a family spends nearly all of their income on getting by an increase in GST will increase that cost. This increasing hardship and increasing dependency on welfare.

CAPITAL GAINS TAX and LAND TAX

1. The need for these seams to be as a result of increasing property prices. NZers incomes have not been increasing at the same rate as property prices therefore either the lending criteria is to relaxed or money in coming in from outside NZ pushing up prices past what a lot of NZers can affort. Assuming it is the second these taxes are a bandaid and are not fixing the actual problem.
2. If the idea is to reduce speculation on property from NZers and foreigners as apposed to increasing the governments revenue then I would think the solution would be to actually put restrictions on

doing so. It would be very easy to restrict overseas buyers which would also likely reduce the speculation by residents.

3. Any tax will effect the mobility of the people selling. If they are selling one place to buy another for personal reasons they cannot buy the equivalent because they have had to pay a significant sum in tax.
4. The any new tax as current tax does will be on the increased dollar value on the increased actual value. Just because the property has increased by 30% does not mean the owner would have 30% more purchasing power. Due to inflation the "value increase" of the money would be significantly less than 30% but that would not be considered when the tax is paid. Consider hyper inflation, if a property increase in dollar value by 1000% it doesn't mean that the property owner could sell the property and buy 1000% more food than they could before yet the tax would be on the 1000% increase.
5. These taxes (particularly the land tax) would be a burden to farms more so than city developments. Development of land increases pollution and the need to do so due to requiring a higher future return. Two properties of the same value will be taxed differently if one's value is significantly higher in improvement values. Thus any increase in costs for farmland and any other land will need to be met with an increased revenue to pay for this cost putting proportional more pressure on environmental outcomes and likely mental health outcomes of farmers increasing subdivision and intensification of land. The pressure on farmland concerns me as most of the worlds food is produced on commercial farmland which is daily reducing in area to feed an increasing population. This adds to this pressure which will increase pollution, food cost and a possible shortage of food in the future.
6. Increased taxes on these items will become a tax on people who have saved their income (which has already been taxed) and gained long term assets as a result. Isnt this something we want to encourage all NZer's to do?

INCOME TAX

1. Nearly half of all NZers make no net tax contributions after credits etc. Any increase in income tax will be the burden of those who do already contribute. Any increase in tax will make it more difficult to save money to be able to buy a farm or even a house making these items even more unaffordable to everyday NZers. Every single day I make sacrifices to have the income I do for which I am currently paying approximately $27,000 a year in tax. Working 10hr days plus studying after work and trying to stay healthly leaves little time for a family and social life. The alternative would be to take a lower paying job without the stress and time commitment make the most of the tax credit system, live what would definitely less stressful and probably a more enjoyable life but effectively pay no net income tax. Any increase would make that option more appealing.
2. While my current savings rate is very high, if my partner and I decided to have children the loss of income and increased costs would significantly reduce this and a tax increase could significantly reduce my/our ability to save money for the future making housing and land even more expensive.
3. I very rarely go to hospital, have never required any government assistance other than receiving a student loan which is now paid off, I have never cost the country much (highest cost was most likely education) and have always paid my tax and not tried to avoid contributing to my country. Any increase in income tax would negatively affect my life and future despite trying to do my best and in the process contributing to NZ. If this money is not enough when will it be and maybe the politicians need to stop promising the world during election campaigns.

OTHER CONSIDERATIONS

1. Increasing taxes now while in a growth cycle will make the government and the country more dependent on tax spending which generally has a negative impact when reduced. It is a lot easier to increase spending than decrease spending which is often painful financially and politically. If there was a downturn a spending decrease may be required and any tax increases now may reduce the ability to raise extra revenue to reduce the shortfall when it is really required.

2. Any increase tax now will also reduce the governments ability to increase tax rates to pay for items such as wars, natural disasters or economic contractions if they were to occur in the future.
3. To meet a personal budget it requires trade offs and sacrifices and is not always easy. It is not possible for me to just take more money when I do not do that. I believe I pay a fair amount of tax. Considering there are also may other taxes than come out of my "after tax" income (GST, rates, road user charges etc) I am fundamentally opposed to a tax increase as I do not think that NZers get value for money for the tax they pay. Like myself the government needs to control the spending so that it is sustainable.
4. Increasing tax does not fix the problems that the money will go towards. Massive infrastructure upgrades are the result of a significant increase in the population. Encourage families with no more than two children and reduce immigration. Property value speculation would better be fixed by addressing the problem than taxing those just trying to get into the market to work their way up etc.

Kind regards

Matt Vincent
Commercial Contract Services Ltd
[1]

From: Matt Vincent [1]
Sent: Monday, 30 April 2018 10:12 AM
To: TWG Submissions
Subject: Tax working group Submission

Submission of Matthew Parkes Vincent, 28yo saving to try and by a farm one day, self employed earn approx $110,000 and living with parents as is financially beneficial for both parties. Saving approximately $50K a year while I've not got a family.

GST

1. Any increase in GST would be bad for nz retailers and businesses as this will further increase the incentive to go overseas for holidays and to purchase goods etc where there is lower sales taxes and the products are already significantly cheaper.
2. GST does capture people such as tourists who use NZ's infrastructure without paying any tax but any increase will increase the cost of living especially for the people who can afford it the least. I.e. if a family spends nearly all of their income on getting by an increase in GST will increase that cost. This increasing hardship and increasing dependency on welfare.

CAPITAL GAINS TAX and LAND TAX

1. The need for these seams to be as a result of increasing property prices. NZers incomes have not been increasing at the same rate as property prices therefore either the lending criteria is to relaxed or money in coming in from outside NZ pushing up prices past what a lot of NZers can affort. Assuming it is the second these taxes are a bandaid and are not fixing the actual problem.
2. If the idea is to reduce speculation on property from NZers and foreigners as apposed to increasing the governments revenue then I would think the solution would be to actually put restrictions on doing so. It would be very easy to restrict overseas buyers which would also likely reduce the speculation by residents.
3. Any tax will effect the mobility of the people selling. If they are selling one place to buy another for personal reasons they cannot buy the equivalent because they have had to pay a significant sum in tax.
4. The any new tax as current tax does will be on the increased dollar value on the increased actual value. Just because the property has increased by 30% does not mean the owner would have 30% more purchasing power. Due to inflation the "value increase" of the money would be significantly less than 30% but that would not be considered when the tax is paid. Consider hyper inflation, if a property increase in dollar value by 1000% it doesn't mean that the property owner could sell the property and buy 1000% more food than they could before yet the tax would be on the 1000% increase.
5. These taxes (particularly the land tax) would be a burden to farms more so than city developments. Development of land increases pollution and the need to do so due to requiring a higher future return. Two properties of the same value will be taxed differently if one's value is significantly higher in improvement values. Thus any increase in costs for farmland and any other land will need to be met with an increased revenue to pay for this cost putting proportional more pressure on environmental outcomes and likely mental health outcomes of farmers increasing subdivision and intensification of land. The pressure on farmland concerns me as most of the worlds food is produced on commercial farmland which is daily reducing in area to feed an increasing population. This adds to this pressure which will increase pollution, food cost and a possible shortage of food in the future.

6. Increased taxes on these items will become a tax on people who have saved their income (which has already been taxed) and gained long term assets as a result. Isnt this something we want to encourage all NZer's to do?

INCOME TAX

1. Nearly half of all NZers make no net tax contributions after credits etc. Any increase in income tax will be the burden of those who do already contribute. Any increase in tax will make it more difficult to save money to be able to buy a farm or even a house making these items even more unaffordable to everyday NZers. Every single day I make sacrifices to have the income I do for which I am currently paying approximately $27,000 a year in tax. Working 10hr days plus studying after work and trying to stay healthly leaves little time for a family and social life. The alternative would be to take a lower paying job without the stress and time commitment make the most of the tax credit system, live what would definitely less stressful and probably a more enjoyable life but effectively pay no net income tax. Any increase would make that option more appealing.
2. While my current savings rate is very high, if my partner and I decided to have children the loss of income and increased costs would significantly reduce this and a tax increase could significantly reduce my/our ability to save money for the future making housing and land even more expensive.
3. I very rarely go to hospital, have never required any government assistance other than receiving a student loan which is now paid off, I have never cost the country much (highest cost was most likely education) and have always paid my tax and not tried to avoid contributing to my country. Any increase in income tax would negatively affect my life and future despite trying to do my best and in the process contributing to NZ. If this money is not enough when will it be and maybe the politicians need to stop promising the world during election campaigns.

OTHER CONSIDERATIONS

1. Increasing taxes now while in a growth cycle will make the government and the country more dependent on tax spending which generally has a negative impact when reduced. It is a lot easier to increase spending than decrease spending which is often painful financially and politically. If there was a downturn a spending decrease may be required and any tax increases now may reduce the ability to raise extra revenue to reduce the shortfall when it is really required.
2. Any increase tax now will also reduce the governments ability to increase tax rates to pay for items such as wars, natural disasters or economic contractions if they were to occur in the future.
3. To meet a personal budget it requires trade offs and sacrifices and is not always easy. It is not possible for me to just take more money when I do not do that. I believe I pay a fair amount of tax. Considering there are also may other taxes than come out of my "after tax" income (GST, rates, road user charges etc) I am fundamentally opposed to a tax increase as I do not think that NZers get value for money for the tax they pay. Like myself the government needs to control the spending so that it is sustainable.
4. Increasing tax does not fix the problems that the money will go towards. Massive infrastructure upgrades are the result of a significant increase in the population. Encourage families with no more than two children and reduce immigration. Property value speculation would better be fixed by addressing the problem than taxing those just trying to get into the market to work their way up etc.

Kind regards

Matt Vincent
Commercial Contract Services Ltd
[1]

[1] [1]

From: Timothy C Bartram [1]
Sent: Monday, 30 April 2018 9:30 AM
To: TWG Submissions
Subject: Submission to the Tax Working Group by Tim Bartram

My details

email: [1] [1]

First name: Timothy (Tim)

Last Name: Bartram

My submission

Thank you for the opportunity to put forward my ideas about the New Zealand tax system. I put forward my thoughts as a private citizen.

I imaging there will be a vast quantity of submissions on a capital gains tax and other tax areas of obvious contention. I do not have anything to add to these arguments that have not been made elsewhere.

My submission is focused on four areas which are unlikely to have had much attention.

1. Tax relating to superannuation pay back;

2. Tax system levelling

3. Wider application of GST

4. Fringe benefit tax exemptions for commercial vehicles

I do this because I believe these areas have been overlooked, specifically in terms of the established criteria for reviewing tax:

- Efficiency
- Equity and fairness
- Revenue integrity
- Fiscal adequacy
- Compliance and administration costs
- Coherence

1. Additional mechanism to assist with the looming “Grey Tsunami"

On a number of occasions your paper, Future of Tax: Submissions Background Paper, identifies the well-known issue of public expenditure increasing to pay for New Zealand’s ageing population in terms of both NZ Superannuation and, also, increasing health spending.

My proposal is to have estates partially or fully pay back NZ superannuation upon death. To make this fair, I propose repayment only commences above an agreed threshold and only after death or the passing of the surviving spouse/partner (if any). Payback would be progressive depending on the total value of the estate. Below is my proposal for this mechanism and my reasoning for why this is equitable.

Superannuation payback mechanism

My proposal for the partial or full repayment of superannuation is as follows:

- The repayment is applied after the passing of a single person OR, if there is a married or de facto couple, the repayment is only applied after the death of the surviving spouse or partner. If say a husband or partner were to pass in 2028 and the wife or other partner were to pass in 2036, the mechanism is not applied until after 2036 for the combined remaining estate.
- The repayment is capped at 100% of the value of superannuation received by the person, or the couple (whichever applies). Interest would not be applied.
- Shortfalls cannot be recovered if the estate cannot meet the value of superannuation received. Any outstanding amount from the above calculation would be written off, with inheritors not liable for any shortfall.
- I propose that the repayments from the estate would be collected on a progressive basis up until the point at which the full amount of superannuation is fully repaid or to a point that the estate has funds to pay. I propose that:
    - There should be a portion of the estate that exempt from any repayment. In effect, a portion of the estate would have a repayment rate of 0%. I propose the exempt amount, say $500,000, is free to be distributed to the estate. The proposed mechanism would not apply to the first $500,000. If an estate leaves $499,999.99, no Superannuation clawback would apply.
    - After this point (e.g.$500,000), the estate would have to pay back the Superannuation on a progressive basis. The system would need to be set up so that it is not unduly punishing moderate savers i.e. those who have saved just over the exemption threshold. An example may be to require payback of 40 cents in the dollar of the total estate for any amount over the exemption threshold.
    - At a point, 100% of the Superannuation received by the person and/or couple will be repaid.
- There should be recognition of a time period to release assets following death, fitting in with any existing estate rules.
- The government should have priority for payment ahead of inheritors

Examples

To show how my proposal would work, I have developed four examples with assumptions of $500,000 exempt from repayment and a repayment rate of 40 cents in the dollar.

Mary and John **No Superannuation Clawback**

- John passed first and Mary two years later
- Total superannuation received by both: $1 million
- Estate at the time of death of $300,000
- Estate is less that the $500,000 threshold
- **Repayment total $0 – it is written off**
- **The estate keeps $300,000**

Portion of the estate	Percentage clawback	Percentage retained by the estate	Portion of Estate	Estate Retains	Super-annuation Clawback
$0 - $500,000	0%	100%	$300,000	$300,000	$0
$500,000 to fully paid back	40%	60%	$0	$0	$0
Fully paid back	0%	100%	$0	$0	$0
Total			**$300,000**	**$300,000**	**$0**

Sally and Sarah **Partial Superannuation Clawback**

- Sally passed first and Sarah one year later
- Total superannuation received by both: $1 million
- Estate at the time of death of $2 million
- The first $500,000 of the estate is exempt (0% repayment rate), effective estate value available for clawback becomes $1.5m
- The estate retains $900,000 in addition to the exempt $500,000
- **Repayment totals $600,000 – the remaining $400k is written off**
- **The estate keeps $1.4 million in total**

Portion of the estate	Percentage clawback	Percentage retained by the estate	Portion of Estate	Estate Retains	Super-annuation Clawback
$0 - $500,000	0%	100%	$500,000	$500,000	$0
$500,000 to fully paid back	40%	60%	$1,500,000	$900,000	$600,000
Fully paid back	0%	100%	$0	$0	$0
Total			**$2,000,000**	**$1,400,000**	**$600,000**

Pete and Jeff **Full Superannuation Clawback**

- Jeff passed first and Pete six years later
- Total superannuation received by both: $1 million
- Estate at the time of passing of $3 million
- The first $500,000 is exempt (0% repayment rate), effective estate value available for clawback becomes $2.5m
- The estate retains $1.5 million in addition to the exempt $500,000
- **Repayment totals $1 million – this is a full repayment**
- **The estate keeps $2 million in total**

Portion of the estate	Percentage clawback	Percentage retained by the estate	Portion of Estate	Estate Retains	Super-annuation Clawback
$0 - $500,000	0%	100%	$500,000	$500,000	$0
$500,000 to fully paid back	40%	60%	$2,500,000	$1,500,000	$1,000,000
Fully paid back	0%	100%	$0	$0	$0
Total			**$3,000,000**	**$2,000,000**	**$1,000,000**

Sione and Moana **Full Superannuation Clawback**

- Sione passed first and Moana two years later
- Total superannuation received by both: $1 million
- Estate at the time of passing of $5 million
- The first $500,000 is exempt (0% repayment rate), effective estate value available for clawback becomes $4.5m
- In addition to the exempt $500,000, the estate retains an additional $4.5 million ($2.5 million after clawback plus $2 million with no clawback as the superannuation is fully paid back)
- **Repayment totals $1 million – this is a full repayment**
- **The estate keeps $4 million in total**

Portion of the estate	Percentage clawback	Percentage retained by the estate	Portion of Estate	Estate Retains	Super-annuation Clawback
$0 - $500,000	0%	100%	$500,000	$500,000	$0
$500,000 to fully paid back	40%	60%	$2,500,000	$1,500,000	$1,000,000
Fully paid back	0%	100%	$2,000,000	$2,000,000	$0
Total			**$5,000,000**	**$4,000,000**	**$1,000,000**

My rationale for the proposed Superannuation payback mechanism

The NZ Superannuation is extremely successful. It is simple to administer and ensures that complex rules do not exclude anyone who needs the payments. Previous attempts to move away from a universal payment were not successful.

However, although a good many retirees rely on superannuation, some people do not need to receive financial assistance through the state. Someone who has $10, $20 or $50 million dollars does not need state aid, but still receives it. This does not meet the requirement for *equity and fairness.*

More than this, the beneficiaries of a deceased person's estate should not benefit from NZ Super. Currently, some such recipients of estates do benefit. I cannot see how it is fair that a couple leaving $5 million to their kids when the couple have received, say, $1 million Superannuation. I propose that the $1 million of the Superannuation is paid back and the estate can then distribute the remaining $4 million dollars.

Benefits of my proposed mechanism are:

- Administration of this mechanism should be relatively simple. There would be no change to the administration of NZ Superannuation. There would be a simple calculation on the passing of retired people and a calculation and payment by the estate at the time of death (or of the death of the surviving spouse/partner)
- Increased public revenue at a time of increasing costs specifically NZ Superannuation and health costs associated with retired people

- This mechanism is equitable. It reduces payments from taxpayers, some of whom struggle, ending up in the hands of beneficiaries of multimillion dollar estates (rich people's kids)

2. Benefits of levelling out between tax types

The analysis in Future of Tax: Submissions Background Paper shows that NZ has a relatively simple tax system especially with regards to the three main tax sources - GST, personal income tax and company tax. I am personally grateful for this when I see what hoops others overseas have to jump through especially in countries with states such as the USA and Australia.

My proposal is, over time, to make this mechanism simpler still (for the three main sources of tax). Below is my proposal for simplification and my reasoning for why this is equitable.

Further simplification of the tax system

My proposal is as follows:

- Over time the tax rates for GST, personal income tax and company tax should be the same (or within one or two percentage points of each other)
- I am not in a position to calculate the rate but I would assume a charge in the order of 19% to 22%
- This change should happen over a period of, say, 5 to 7 years, in incremental steps
- Should a capital gains tax be introduced, the rate should be the same
- Specifics by tax type include:
    - A threshold should be implemented below which no personal income tax is applied. No income tax should be applied to, say, the first $20,000 or $30,000 of income we all earn.
    - Should it be desirable, personal income tax could still be progressive with a higher rate of an additional 1% or 2% after, say, the current $70,000

My rationale for levelling out between tax types

I believe there are a number of benefits to moving towards a common tax rate across tax types:

- GST is a tax that is incredibly effective at minimising avoidance. NZ, like most countries, has tax accountants spending huge portions of their time trying to help individuals and companies minimise tax reducing the tax payments from individuals and organisations through mechanisms such as working through a small company to reduce the tax rate. An increase in GST is unavoidable for these people and organisations
- I would also imagine that tax evasion on GST is difficult for similar reasons
- In NZ, individuals take steps to arbitrage between taxes. In addition to the points made above, this is incredibly wasteful. Untold hours are being spent by individuals and their accountants with no economic value
- I propose a tax-free threshold for income tax of say somewhere between $20,000 and $30,000. My rationale is:
    - Such a threshold would reduce or remove the impact on poorer families and individuals of increasing GST
    - When I look at the charts in Future of Tax: Submissions Background Paper I cannot figure out why such significant effort is applied to tax people on lower incomes, only to turn around and apply benefits. It would be simpler and fairer for all to have a tax-free threshold.
    - This further reduces the incentive for people to set up companies to minimize their tax. In almost all circumstances, an individual would be better off paying personal income tax

Benefits of my proposed mechanism are:

- Increased efficiency – too much time is spent with small companies and accountants arbitraging tax rates. Instead they could focus their efforts on growing their businesses.

- Reduced tax evasion

- Fairer for low income earners

3. Wider Application of GST

I propose two amendments to GST - application on electronic actions and application on all imports.

- GST should be applied to all imports, even goods with values less than the current threshold. This would include internet purchases. These transactions have boomed due to the internet. Mechanisms could easily be put in place for offshore companies to pay GST. Large internet companies such Amazon could easily collect GST and pay the IRD each month. This would make up the vast majority of such imports. For smaller companies, mechanisms could be put in place. Firstly, the IRD has made payment very easy and even a small company could easily do this. Alternatively, mechanism could be set up on the border for these smaller companies.
- GST should include electronic actions that take place on NZ soil, including ad click-throughs on the internet. If I click on a Goggle or Facebook advertisement, that transaction has taken place here and GST should be applied to that transaction.

My rationale for levelling out between tax types

- This creates a more level playing field for NZ retailers vis a vis international suppliers. A company such as Amazon is likely making a large number of sales to New Zealand. It is unfair that they do not collect GST just because each transaction is small as this gives them an unfair advantage over local retailers (who are local employers) and it reduced New Zealand's tax take.

- International commerce is growing and will only become a larger component of New Zealanders' consumption.

- Companies such as Facebook and Google *do* operate in New Zealand (as well as many others). Such companies have employed mechanisms globally to avoid corporate tax. As outlined above, GST is very difficult to avoid. Applying GST to Facebook, Google and the like would guarantee at least some tax revenue from these companies.

- Facebook and Google (among others) make money based on mouse clicks. The mouse click for an online ad on their platform leads to a sale for Google, Facebook and the like. The idea that a mouse click does not happen in New Zealand is wrong. If there is no click, there is no sale, there is no revenue. Like all transactions that take place in New Zealand, GST should be applied. The idea that, through light waves, the transaction takes place elsewhere is doubly wrong. This is just an issue of supply chains. The ad was sold in New Zealand. The person's eyes and ears are in NZ. The GST should be applied in NZ.

Benefits of my proposed mechanism are:

- Increased tax revenue

- Greater equity between New Zealand retailers and overseas retailers

- Consumption tax is a fairer form of tax

4. Fringe benefit tax exemptions for light commercial vehicles

The current rules state that work-related vehicles are exempt from FBT if they meet three criteria, including that the principal design of the vehicle isn't for carrying passengers. This exemption is being put to good use by many small businesses purchasing utes, some of which are purchased because of tax advantages, rather than legitimate business need. They can do this because their business address is often their home address. The evidence of this is in the statistics:

- Last year the number 1 and 2 vehicle types sold in NZ were utes - the Ford Ranger was both the top commercial vehicle model and the top model overall with 9,420 registrations compared to 8,106 for the Toyota Hilux. By comparison Toyota Corollas numbered 7,797 registrations.

- New vehicle registrations in New Zealand are now lead by SUVs, followed by light commercial vehicles.

It is unfair that private citizens in salaried/waged jobs paying PAYE have to pay for all costs of their private vehicles, and yet small businesses can use the tax loophole to purchase a twin-cab ute and call it a light commercial vehicle, thus be exempt from FBT and can claim vehicle related expenses through their companies.

In addition, creating a tax incentive that has led to the increase in sales of large engine vehicles is poor climate change policy.

I propose that FBT exemptions for light commercial vehicles for twin-cab utes and only applied to single-cab utes.

From: [1]
Sent: Monday, 30 April 2018 9:21 AM
To: TWG Submissions
Subject: Submission

Good morning Tax people,

When I started my business I had returned home from Australia penny less unable to get any Government assistance as a returning Kiwi during the GFC
I started a business out of desperation with twenty dollars and employed my Nephew who was battling mental health issues. Getting him out of bed actually doing something productive teaching him a very valuable skill and putting money in his pocket saved his life. I employed my niece who was struggling to live on Student allowances. It allowed her to eat most weeks.

I was working seven days eighteen hour days to pay tax on something I had to estimate tax on work I hadn't even done or was unlikely to do. I actually paid so many different types of tax I paid more tax than Google.

And then I had to pay Provisional.
Then I had a relationship with the IRD.
I have never had a parking ticket.
Never been to court,
Never even had a warning, never missed a payment.
Never missed a day of work
Paid everything on the dot.
Paid more than what I was obliged to pay
Treated like a criminal

For Contractors a pay as you earn is very important as I didn't know from one day to the next how much I owed I payed 50% straight to IRD and I still owed. If you ask anyone no one has had a good interaction with IRD or paying their tax and it just keeps rolling on for years and years and years. There is no way to say hay I want to stop. The end, I give up. All people want to do is improve their lot & you are taxed to death. People work to improve their lives and the more you work the more IRD turns you into a criminal. Now I work for a monopoly and I actually work less than four hours a day and make more than when I was Contracting working eighteen hours a day seven days a week

Working and earning a living off you'r skills should be celebrated, you are feeding your family passing on your skills showing the way to youth. Employing people. In New Zealand We crucify people to the point of turning normal hard working blokes suicidal. New Zealand's tax system not fair to small businesses. The company I work for now pays no tax at all. Contracting means your at top of your game taking on all comers or you don't get paid. You really are very good at what you do and know your stuff backwards. These types of people are the very ones you want to encourage not property developers selling overpriced houses. Encourage the people who make & do teach & employ

In the end I was too small to be small & not big enough to hop to the next level. New Zealand is a poorer place for me not being in business as I was chief Draftsman for Asia pacific with ABB and that's what I tried to replicate with my business. Now nobody does it, it's done over seas. Total dead loss to New Zealand

Thank you
John Rowland

Jackstan

From: John Wells [1]
Sent: Monday, 30 April 2018 8:50 AM
To: TWG Submissions
Subject: Good Morning I would like to see provisional tax made optional.

Before I went on provisional tax I could budget for my tax. I understood where and when payments are due.

Now I am on provisional I am completely lost and have never gained a basic understanding of the system. I feel as if some one could rip me off and I would not know it. My income fluctuates there fore my payments alter and I randomly get a rebate then it gets taken away again???.

Suggestions.
1 Make provisional tax optional (As larger companies prefer it)

2 Raise the base line for provisional to $120,000 per year (Incomes have increased, but the base line has not and now includes people who would have once missed out)

Thanks John Wells
Sent from Mail for Windows 10

From: Warren Snow [1]
Sent: Monday, 30 April 2018 7:30 AM
To: TWG Submissions
Subject: Amended Submission. Please discard the earlier version

To the Tax Working Group

I'm grateful that I live in a democracy and have this opportunity to have my say. Tax should as much as possible directly encourage rapid change towards a sustainable and more equitable society.

Business likes certainty and so any imposition on business by way of taxes should ensure no particular business is disadvantaged unduly by allowing for freeloaders or through favouring a sector or business over others.

Having said that, taxes should encourage all businesses to internalise environmental and social costs. Why should farmers get a free ride on the environment because they are our dominant exporters? Why should children not be able to swim in the river at the front if my home at 90 Mile Beach because about a dozen farmers are filling it with farm nutrients, and run-off from chemical fertilisers and pesticides. Why also should massive retailers be able to push more and more unrepairable short life products on to the market that mostly end up as waste within a matter of months or even weeks or days. And why should we have to ensure vast quantities of packaging that is mostly ending up in landfill or the litter stream – even worse in the marine environment.

My suggestions follow:

1. Tax energy sources that create CO2 – this probably comes under the ETS I think but overall I think environmental taxes can be effective. This includes taxing resource use.
2. Tax landfill methane emissions (separately to the current landfill levy) at a proportionately higher rate given that they are around 30- times more potent than CO2. These can be measured. Gas captured from landfills is not renewable energy because it's created as a result of the destruction or renewable and non-renewable resources and only captures a very small proportion of the gas generated by landfills.(I note that landfills are part of the ETS)
3. Require that buildings that are demolished (as hundreds of perfectly usable ones are very year in particularly Auckland) and that are not re-sited or properly deconstructed, pay a carbon fee of a certain amount per square metre (to preserve the remaining utility values of the building and the embodied energy that was used to create it). This fee needs to be high enough to make it cheaper to deconstruct or re-site than to demolish.
4. Require mandatory product stewardship schemes on tyres, appliances, electronics, clothing beverage containers, building products etc. Producers should be responsible for the whole life cycle of the products they put into the market. This will not only create many thousands of jobs, it will reduce our waste volumes and encourage local retailers, wholesalers etc. to demand reparability, more durability and recyclability of products they import – plus of course less waste. Voluntary schemes don't work apart from token amounts by those that are involved such as glass, packaging, paint, farm wrap etc. because of freeloading which results in low commitment by participants and poor outcomes. This would apply even to what some people would think are 'goods' like solar panels. These need to be designed for disassembly in 20 to 25 years at the end of their life. At present they are looking like they will be a huge problem because no-one thought about end of life dismantling and recovery of materials or even re-use in the rush to produce them for the new demand – a typical example of unintended consequences. The same with electric car batteries. Specific examples of product stewardship which could be implemented immediately to good effect,

a. Introduce a mandatory product stewardship scheme where all beverages must have a refundable deposit of say 10 cents added to them to encourage recycling. This will take us from less than 40% we are currently recycling to at least 85% - an increase of 750 million containers. It will create more than 2,000 new jobs and massively reduce the amount of plastic entering the marine environment. And will save ratepayers in NZ between 23 and 40 million dollars annually, not to mention massive reductions in landfill disposal costs for councils. Remove GST from food
b. Require retailers to pay a tax on all appliances and electronics they import which can be avoided by offering a full sales and service regimen where customers can have things repaired rather than discarded. Proper product stewardship per item 4. might suffice to achieve this.
c. Introduce a mandatory product stewardship scheme for tyres that includes all producers/importers and has penalties for 'free-loading'
d. Put a levy on plastic bags – UK and many other countries are doing this

5. Introduce a capital gains tax on sales of homes apart from the one home the owner lives in. There's so much discussion on how well one world work, but even if it doesn't have a huge effect on costs of homes, it might slow down the flicking of homes by speculators and put a tidy sum into the consolidated fund to help run the government.
6. Introduce a Financial Transaction Tax. Such a tax of say .01% of all transactions would be easy to collect because of trading automation and can help stop the kind of *financial* activity that has zero benefit to society and exposes us all to significant risks(1)'.
7. Make sure multinationals like apple Amazon etc. pay their fair share of tax in NZ. I'm sure there are ways to achieve this
8. Bring Farmers into the emissions trading scheme. Farming is destroying habitat, stream and waterways at an alarming rate and sends thousands of truckloads of soil down to the sea at each river entrance in bad weather. It's time they are not rewarded for these externalities of doing business. I support stages but much quicker than over the last few years. I also think we should explore the idea of the state buying some farms that are causing the most damage or are in very sensitive environments. It's incredible how quickly they can repair and perhaps the cost can be covered by the increase in tourism. At present farmers that are prepared to fence off their streams in Northland are only required to fence off 2 metres. This is almost meaningless – it needs to be at least 5 metres and ideally where possible, the queen's' chain
9. Require inbound tourists to pay say $20 each to visit NZ and enjoy what we are trying to preserve – perhaps if they are spending more than one week here. More funding for DOC and even the consolidated fund.
10. Remove the tax break on advertising for companies that don't have an effective CO2 mitigation and waste reduction strategy (if it's practical to do so).
11. Apply import levies/tariffs on products that come from countries that do not have fair labour and decent OSH and environmental standards. For example companies can avoid costly environmental, labour and OSH requirements simply by packing up and moving to a low wage low compliance economy. This has gutted our manufacturing base and is patently unfair. If these same factories that we get most of our products from where in our towns, we would be aghast, but we turn a blind eye to them when they are in China or Vietnam or Bangladesh. I don't know how this would be implemented but we need to create fairer more equitable and sustainable world economy somehow. This is also related to item 6.
12. This is not so much a tax issue but let's stop penalising beneficiaries for earning a little extra money to help them get along. A generation of people now see work as a dirty work you get penalised for – wrong signal! Or increase how much they are allowed to earn -say bring it up to $200. I hope that tax review is also looking at a national dividend or wage which could solve this issue.
13. As an underlying principle, tax unsustainable use of energy and resources more and labour and initiative less.
14. Evaluate the idea of a national dividend or universal basic wage
15. Everyone needs to pay tax but I think those that have inherited large sums or have become very successful financially have multiple advantages over those that have not been so lucky – so I think there

should be a way to redistribute some of that wealth through taxes such as through death duties - without going too far.

Many people think all taxes such as the landfill levy should be hypothecated. I agree but only up to a certain limit. When they introduced a landfill levy in the UK some consultants from the US moved there to 'wastefully' mine the resulting easy money. There is a call to increase the NZ landfill levy by a significant amount. I agree with it being increased but not for it all to be hypothecated. If say it was to be increased to $40, then I would say no more than half should be hypothecated back to fund resources recovery projects, research etc. Otherwise a perverse incentive will have been created and some funds squandered. Best to use the 'bad' of waste to help fund the overall 'good' of running the government I think.

Reference 1. https://www.weforum.org/agenda/2017/05/why-we-need-a-financial-transaction-tax/

Thank for this opportunity. I am happy to respond if there are any clarifications required.

Warren Snow

[1]

From: [1]
Sent: Monday, 30 April 2018 7:10 AM
To: TWG Submissions
Subject: Submission

Dear Sir Madam

My only submission on this work is to increase the GST threshold from $60,000 to $75,000. This would allow small companies like the one my wife and I own to operate without the worry and cost (in time and money) of filing GST returns and adjusting our rates to fit this. Many companies with this level of turnover are sole traders (or whatever the modern term is) and are in addition to the core PAYE tax job that these folk hold. We still pay the right tax at the annual tax return process so aren't avoiding tax, we just pay it in one lump sum.

Please consider this in your working group deliberations.

Cheers

Jerry & Megan
[1]

From: [1]
Sent: Monday, 30 April 2018 6:13 AM
To: TWG Submissions
Subject: Fwd: submission

---------- Original Message ----------
From: [1]
To: submission@taxworkinggroup.govt.nz
Date: 30 April 2018 at 06:10
Subject: submission

GST

GST on a necessity of life is amoral a normal maori family would spend around 300 per week on food to say that this is a luxury item is wrong.

good food is a must for a happy healthy home and good learning but if you add the GST on to food, power, heating, rent and transport it takes a heavy toll on a poor family.

Most of the poor families are maori that have been moved from there land base for work or for the simple fact that there is no land left for them to live on most losing their culture along the way.

Look at Vattel and then try to say how GST on food fits

The end or object of civil society is to procure for the citizens whatever they stand in need of, for the necessities, the conveniences, the accommodation of life, and, in general,

whatever constitutes happiness, with the peaceful possession of property, a method of obtaining justice with security, and, finally a mutual defence against all external violence.

It is now easy to form a just idea of the perfection of a state or nation: everything in it must conspire to promote the ends we have pointed out.

Emer de Vattel, The Law of Nations, Or, Principles of the Law of Nature, Applied to the Conduct and Affairs of Nations and Sovereigns, with Three Early Essays on the Origin and Nature of Natural Law and on Luxury (LF ed.) [1797]

Simply put it is like giving a man just enough water to live on each day then taking 15% back of him.   he will live but not well and not for long

Is it not enough that we must pay more for food produced here to match export market prices sending our best overseas.

Lower tax base outside of major cities

If you take a place like Kennedy most of our maori people who try and get ahead will leave there homes and shift outside there family's to get work in a place like Auckland paying high rent long trips on motorways and a grate lose of culture for there kids with no wider family support this alone is enough to make a lot of our kids lost to us as maori.

Yet in doing this we add to the problems of Auckland the housing the roads the gangs the drugs there are so many of our people lost their already we do not need to add to them give us a chance

Give tax incentives for companies to set up in place like Kennedy bay low taxes in places like ours would bring work to us where there is already a work force that has its own homes that we don't have to rent.

lower cost in land, wages, no lost time on motorways, more work time, higher production, more exports and you can sea fright to any port in New Zealand places like Coromandel would grow there is nothing to lose just gains then when a disaster strikes like in Christchurch and Kaikoura ever thing is not in one place plus you have small sea ports around the country to replace the roads.

Working for benefits

This can be done for a gain but is not at the moment most will do some course that they never work in just to tix a box.

Use this to bring Maori back.

Forcing people on some benefits back to Maori organizations like marae to gain a cultural understanding will be more of a gain than teaching them a course on how to make coffee

getting them up each day to spend time at the marae

making them more as a person giving them a better grounding

solving some of there family problems with a better understanding of who they are

allowing them to want to be more productive

thank you for your time

DANIEL BENSON

[1]

From: [1]
Sent: Monday, 30 April 2018 1:53 AM
To: TWG Submissions
Subject: Tax Submission

Please see my submission below …

-Introduce an additional top tax tier, applicable to income of over $180000 at say 42% or 39%.

-Tax Global Companies operating in NZ but sending profits offshore, paying little or no tax.

-Tax profits made by business' owned/operated by Charities above a certain threshold; say $50000 so pseudo corporates like Sanitarium can't make millions in profits and pay no tax.

-Never introduce a capital gains tax on the family home and land.

-Remove GST on Local Government rates, it's a tax on a tax.

Thank you

Jay Thompson
[1]

From: Joseph McDonald [1]
Sent: Sunday, 29 April 2018 11:51 PM
To: TWG Submissions
Subject: Exceedingly Choice Tax Plan - Make NZ Egalitarian Again

Dear Tax Working Group

Exceedingly Choice Tax Plan

I have outlined below some taxes and tax changes which I believe would go a long way to increase fairness of the tax burden, increase the human capital of the nation, increase jobs and export income, correct the housing market, help put food on the table of the poorest members of our society and **MAKE NEW ZEALAND EGALITARIAN AGAIN**. Please consider my views and I thank you for your work.

kind regards

Joseph McDonald

ROBIN HOOD TAX (FINANCIAL TRANSACTIONS TAX)
Who Pays: Banks and foreign exchange speculators.
Video: https://www.youtube.com/watch?v=ZzZIRMXcxRc
How much: .01% on all finance transactions.
Ease of Collection: Collected from less than 200 financial institutions.
Tax collected: $Billions
Voter Effect: Loved by Labour, Green, NZ First voters and anyone who loves Robin Hood. Costless to the majority of voters.

OIL, GAS and GOLD ROYALTIES
How: Renegotiate mineral royalties.
Why: Because a government can.
How much: Simply double the existing royalties.
Ease of Collection: An accounting entry.
Tax collected: $500 million
Voter Effect: Putin did this in Russia and it certainly didn't hurt him at the voting booth.

BANK PROFIT EXPORT TAX
Why: Aussie banks export $4 billion of profits per year. The majority of this profit derived from housing mortgages. This is $4 billion of investment capital lost to the New Zealand economy.
Scenario A:
Tax: A 50% tax levied on repatriated profits.
Tax Collected: $2 billion
Use of Funds: $2billion per year for a State Advances Corporation to low interest finance the building of 4,000 affordable ($500k) homes per year.
Scenario B:
Tax: A 50% tax levied on repatriated profits unless the banks reinvest half their profits into NZ Shares, NZ Small and Medium Business, NZ Venture Capital Funds. Dividends from this reinvestment would be taxed at the normal rate.

Pushback: Bank lobbyists would claim capital flight but really, would the banks not want to stay and take only $2billion profit?

Benefit: Affordable homes or a pool of job-creating business investment.
Who pays: Aussie banks and international banks – whats not to like!
Voter Effect: Loved by NZ First, Labour, Greens voters.

GST - FOOD EXEMPTION
Tax Exemption: No Gst paid on any retail food, meat, dairy, fruits, vegetables and cleaning products.
Collection: Simple exempt supermarkets, dairies, greengrocers, butchers and fishmongers from collecting GST.
Excluded: Restaurants, fast food, wholesalers, farmers.
Benefit: The poorest members of the population have their food costs reduced by 15%
Voter Effect: Loved by the poorest voters, though all voters receive some benefit. Supported by the majority of fair-minded voters.

INCOME TAX
1. Exempt the first $50,000 of earnings from any income tax at all.
2. $50,000 to $200,000 pay 30%
3. Top tax rate of 45% on income over $200,0000
Voter effect: Liked by the huge majority of the population who earn around or less than $50,000.

TECH COMPANIES PROFIT TAX
Who Pays: Amazon, Google, Apple, Netflix, Microsoft, Spotify, others ...
Why: Tech companies currently avoid paying significant income tax in New Zealand via various cost transfer tax schemes.
How: Levy 5% tax on Gross Revenue. Exempt them from any other income tax.
Ease of Collection: Require collection by NZ issuers of NZ Consumers Visa, Mastercard, Amex cards.
Avoidance: If tech companies pushback by charging NZ customers 5% higher prices than international customers this would be deemed income tax avoidance and subject to a penalty of 5 times the tax avoided.
Tax Collected: $Billions
Voter effect: Costless to the majority of voters

CAPITAL TAX
Why: The rich receive their income as capital gains on land, property and investments. The increasing scarcity of resources and compounding interest gives them increasing capital gains every year. Currently, this income is not taxed which is unfair.
Ease of Collection: Collection of unrealised capital gains is complex. A simple capital tax rather than a capital gains tax on individual transactions would make an easier collection.
Tax Rate: Levy an annual 1% tax on a person or entities net worth.
Who pays: Property speculators, landlords, capitalists. Individuals, companies, trusts, family trusts.
Exemptions: Family home. Anyone with a net worth under $2million. Charities.
Tax Collected: $billions and $billions
Benefits: Collect lots of tax. Side effect - incentivises better returns on investment.
Voter effect: Majority of voters outside the net.

FOREIGN LAND BUYERS TAX
Who pays: Non-New Zealand Passport Holders. Trusts and companies where the beneficial owners are non-New Zealanders.
Tax: 25% of the purchase price of land and buildings.
Ease of collection: Require collection by lawyers and conveyancers. Either the purchaser can show an NZ passport or cannot.
Tax collected: $billions

Benefit: Reduce foreign demand for NZ housing. Stabilise house prices.
Voter effect: Costless to New Zealand passport holders.

WORKERS EDUCATION EMPLOYER TAX REBATE

Tax: Apply 50% tax rebate for all paid worker training hours for employers of apprentices, staff undertaking uni study while working, staff on tech courses while working.
Benefits: Increase the nations human capital.
Voter effect: Liked by workers and employers.

PRIMARY EXPORTERS INCOME TAX RATES

Tax: Levy 33% tax rate on income derived from export of 'commodites', eg. raw logs, milk powder, carcass meat, raw wool.
Levy 28% tax rate on income derived from 'value added' further processed primary exports eg. milled framing timber, infant formula, branded supermarket ready cuts of meat, wool clothing.
Benefit: Incentivise faster movement to value added exports thereby increasing the value of the nations exports and overseas income. Increase investment and jobs.
Voter Effect: Long term this will encourage increased income for farmer voters.

CYCLIST TAX :)

Why: User pays. Auckland City wants to encourage cycling and has announced it plans to spend $750 million on cycleways (A better encouragement could be to buy one million $750 ebikes and give them away to the ratepayers). Cyclists currently are not expected to pay for any of this investment directly. This is an unfair burden on petrol tax and road user charge payers.
Who pays: Cyclists and ebike riders.
Tax Rate: $100 per year.
Voter effect: Loved by car drivers.

From: Angela McPherson [1]
Sent: Sunday, 29 April 2018 10:46 PM
To: TWG Submissions
Subject: Submission

I want to see the tax system being a major part of achieving a more equal, healthy and sustainable New Zealand. These are the changes I would like to see implemented:

Closing the inequality gap.

1. Introduce a financial transactions tax. A flat tax @ 0.01% on all financial transactions.
2. Reduce GST to 10%. No other changes to GST. I am against removing GST from certain items for 2 reasons – it would make a simple system much more complicated and I don't think it would necessarily help people who do not now buy healthy food.
3. Income Tax - <14,000.00 NIL, look at other bands with the aim of the middle earners paying less and the highest earners paying more.
4. Houses – empty house tax. Accumulation of houses for capital gain is a scandal.
5. Capital Gains Tax – urgent

Creating a healthier country

In the last 2 months we have learnt of the shocking state of the health system buildings. One way we can cope with this is to try to make people healthier.

1. I propose that tax be levied on sugar and excitotoxins.
2. That the minimum price that Alcohol Action proposed 10 years ago be implemented on alcohol and all advertising be banned
3. That current taxes on tobacco be maintained
4. That strenuous efforts be made to introduce healthy food to schools, that school gardens be promoted and supported and that all children be encouraged to be active from an early age
   (Realise some of these measures are not strictly tax issues)

Creating a sustainable New Zealand

1. Plastic bag tax at point of sale as soon as possible – not 2019 as some big users are proposing
2. Carbon tax/emissions tax/climate levy. I don't care what or how, just do it. And include agriculture
3. Enormous export levies on bottled water being exported by foreign companies
4. Encourage tree planting through the tax system

Thank you for the opportunity to submit.

Angela McPherson
[1]

From: Nicola Russell [1]
Sent: Sunday, 29 April 2018 10:25 PM
To: TWG Submissions
Subject: Submission

To whom it may concern

In the last 10 years in particular, NZ has become a difficult country to live in. Living costs have skyrocketed and there seems to have been something of a sea change in attitudes. Many in NZ now believe it is ok to make as much money as you can as quickly as you can. That there is nothing immoral about making money and that 'greed is good'.

There is a real disconnect between the morality of taking while others suffer and the understanding that money needs to flow from top to bottom for any country to remain healthy. Otherwise, the end result of poverty is crime, slums, health crises perhaps even civil disobedience. The same make a buck attitude is beginning destroy our environment.

What I am trying to say is that governments have a moral obligation to have a healthy society and not just an economic obligation. Those who are struggling and those who are doing well are afraid of more taxation. This is understandable but sometimes a reset is needed so that a better way forward can be achieved.

In my opinion, NZ is in the worst state it has ever been in. The gap between rich and poor is huge with the bulk of the wealth bypassing the middle and going straight to the very top. Socially, this has had terrible consequences which have been ignored for many, many years.

We need to have a tax system which stops property speculation in its tracks. It has happened because successive governments for at least 25 years have ignored the vast inequality around property investment taxation and income tax and to an extent all tax avoidance vehicles. I know of a few people who have rental properties and don't declare the income. I personally know many people who own multiple properties (3 or more). For 20 years I have been aware that the problem would lead us to homelessness, poverty, latchkey kids etc. The things I instinctively understood have come to pass and it is much worse than I could have imagined. Thus, the tax system needs to ensure salary and wage earners pay the same amount of tax on their earnings as the self employed and those that invest in or rent out properties. With Trusts and other avoidance measures, this doesn't happen currently.

Infrastructure, health, education and housing all need a lot of investment as does climate change so if we need to increase tax to lift the whole country out of the mire then we need to do so. We should all be prepared to pay more tax even though nearly all of us would feel it keenly if it happened. Taxes at the very top need to increase. Whether that be an asset tax, income tax, company tax or whatever, we must find a way to get the bulk of the money out of the hands of a few and that money needs to go towards things that benefit everyone. Rents also need to be controlled to ensure costs aren't simply passed on. The amount of foreign debt tied up in housing also needs to be reduced.

Rapid and larger scale immigration has also had a very negative effect on NZ. Immigrants should be required to pay a settlement tax which goes towards funding the additional costs involved with large population growth. Wealth category immigrants wanting a bolthole or retirement could contribute significantly eg: $50K or more. They will come here regardless.

Tourism is great but its also ruining the country because we have no money to put towards it so further visitors tax is appropriate or perhaps an additional tax for all those who rent campervans which don't have their own facilities, for example. We have an overabundance of 'cheap tourists' so taxes should be aimed at these rather than tour bus type tourism. Maybe foreign bookings of rental cars could attract a small tax.

Pension savings should be non taxable as they are in most of the western world. Eventually this could result in state pensions only being paid to those that need it.

Diesel cars for non business use should attract a particular carbon tax and the government should provide tax credits to those who buy purely electric cars or green energy systems for their homes.

I personally believe that tax on the first $30K should be lower than what it is currently as so many people are struggling. A sizeable tax fee allowance would also help students and those who are on a benefit.

GST on food should be removed again for the same reasons. Our food bill has risen by about 20% over the last ten years so people with low incomes must really feel the increase. Choosing some foods over others is probably logistically difficult to enforce so GST should be reduced or eliminated on all supermarket food. GST could have variable rates on luxury items as this would effectively be a wealth tax.

On a personal note, we live on one income as we had a child with some issues and this was something we needed to do.   We lived in London for a while and at that time, a couple could aggregate tax allowances and tax rates to get a tax advantage and whilst I realise it is probably not important to the country, it certainly would be advantageous to those of us that struggle along on one wage for whatever reason.

Ultimately, please let your love of country and our people guide you in this undertaking and try to withstand the need for a politically acceptable solution. If our country needs change, recommend it. It is up to the Government to show leadership and to thoroughly communicate that need for change to all New Zealanders.

Yours faithfully

Nicola Russell

From:	Simon Vincent [1]
Sent:	Sunday, 29 April 2018 10:18 PM
To:	TWG Submissions
Subject:	Tax working group Submission

Submission of Simon Mark Vincent:

GST:

1. Consumables purchased from overseas should be subject to GST just like consumables sold through retailers in NZ.
2. There should be no change to exceptions to GST
3. GST is a consumption tax. For environmental reasons we need to limit consumption. Also GST does not limit peoples' ability to save money for their future and it also obtains income from tourists.

CAPITAL GAINS TAX:

1. I agree with the bright line test and perhaps it should be increased from 5 to 7 years.
2. I am against other forms of capital gains tax. If a capital gains tax it is introduced it should only be a REALISATION TAX actual selling the assets and leaving the industry.
3. Any capital gains tax must not be an accrual tax. The reason is that much of the best environmental farming practices in New Zealand give low financial returns. In Europe farmers are subsidised by the state for such activities. In New Zealand they are not. An accrual capital gain tax have to be paid on any increase in the land value even if the owners never intended to sell and even of the owners never made any money from their farming operations. This would financially kill these operations. These farms would then have to be made more intensive to cover the additional costs which is bad for the environment.
4. While I strongly oppose any capital gain tax, if it was introduced it should equally apply to Maori Land. I live and work on the land and that is treasured thing to my family – taonga to my family.
5. I also object to capital gains tax because even if it is introduced at a low rate politicians will increase these rates even though they promise they won't.

LAND TAX:

6. A land tax SHOULD NOT BE INTRODUCED. The reason is that much of the best environmental farming practices in New Zealand give low financial returns. In Europe farmers are subsidised by the state for such activities. In New Zealand they are not. A land tax would have to be paid on the land value even if the owners never intended to sell and even of the owners never made little any money from their farming operations. This would financially kill these operations. These farms would then have to be made more intensive to cover the additional costs which is bad for the environment.
7. While I strongly oppose any land tax, if it was introduced it should equally apply to Maori Land. I live and work on the land and that is treasured thing to my family – taonga to my family.
8. It must be remembered that the land owner has already paid substantial tax on the purchase price of the land. For example, if a farm is work $2 million then at 33% tax rate has had to earn $2,985,074.62, pay $985,074.62 in tax and then buy the land for $2 million.
9. A land tax is not equitable to farmers as they would be taxed on their land (excluding the land around their house) but an expensive house in Auckland may have an unimproved land value higher than a farm, but these people would pay no land tax on that land.
10. I also object to land tax because even if it is introduced at a low rate politicians will increase these rates even though they promise they won't.

A SMALL GROUP OF PEOPLE PAY MOST OF THE TAX

11. New Zealand is dependent on a small group of high-earning people who pay a large proportion of the tax. While, more than one in three households are contributing nothing to New Zealand's tax take, 663,000 – or 40 per cent – receive more in tax credits and other benefits than they pay in tax. Thousands more are neutral contributors, or are close to it.

Kind regards

Simon Vincent
[1]

From: Ian Wilson [1]
Sent: Sunday, 29 April 2018 9:31 PM
To: TWG Submissions
Subject: Submission to the group

Thank You for the chance to make a comment.
As an apprentice from the 1960s I have seen a lot of changes in New Zealand. Many have been good for us and many have been detrimental to most "working class" (yuck) kiwis.
When I completed my time in 1970 I went into the National service scheme and was trained in preparation to go to Vietnam. Thanks to Prime Minister Sir Kieth Holyoake that did not eventuate. Probably the only time I have thanked a National party member.
I was earning, because of 80 and 90 hour working weeks, enough to be paying 66 cents in the dollar tax. I was still earning 34 cents.
When Norm Kirk came along and promised no more tax than I paid in my 40th hour of work I voted for Labour. That was watered down so much it was worth to next to nothing for me. That was the last time I voted for them too.
The high tax did not worry me as I thought it was being paid equally by everyone and was all going to make this an even better country.
The Lange government changes fundamentally changed or maybe brought out a mentality of me , pure greed was pushed by them and Kiwis were caught up in it.The "trickle down theory " was taken hook, line and sinker by these greedies and promoted by Douglas.
The alternating governments since that era have effectively wiped out any potential input the average worker had in his workplace and the ability to use the withdrawal of labour nullified.
It is even illegal to resign en masse from your place of work for heavens sake.
Any tax reforms that would be fair to ALL those kiwis who create the wealth in New Zealand should address the unequal ability of those on a wage compared to those with income from other sources.
We have a working family paying (tax paid)interest on the most expensive basic necessity they will have in their lives, a house, and an investor claiming as an expense on a income they can offset against other taxable income and then sell a house free of capital gains tax equivalent to the worker.
We have entertainment, Adverting, promotional gigs, free seats, corporate boxes etc for executives that are tax deductible. And this is fair and related to work? Big stretch there IRD.
Having worked for a chartered accountant for 16 years I have seem so much "legal" but in my book, not moral, taxation expense claims.
We have major firms in New Zealand that employ so many expert accounting and legal tax minimisation employees and international accounting firms that the IRD accept what they say they are going to pay not even able to match them at any point.
We have massive, and are going to have more of them, businesses rorting the GST and taxation system here and worldwide with sham invoices and accounts with bank accounts in tax havens, (including this country for gods sake).
No one wants to pay tax and shouldn't have to pay more than their share, but when one segment dodges then all the rest are unfairly affected..
As I have seen in the past with some in the trucking industry avoiding paying road user charges and Certificates of Fitness and undercutting the honest operators paying the charges the end result is people dying in accidents and honest business owners going broke. A fast track to the bottom.
I would like you to set a fair to everyone, level playing field that has a properly equipped policing unit to enforce it. Laws are useless without backup to ensure they are carried out.
Regards
Ian Wilson
[1]

From: Gail Duncan [1]
Sent: Sunday, 29 April 2018 9:29 PM
To: TWG Submissions
Subject: Submission to tax working group

Retaining the simplicity and comprehensiveness of the New Zealand tax system is important. The purpose of taxation to support health, education, legal systems, police, defence, functioning of the economy in provision of essential services is vital. A move to every individual fending for themselves according to their ability to pay would not build community.

General comments regarding the burden of taxation: GST is a regressive tax because it places a high burden on the lowest income in terms of earning power relative to the tax collected. However it is a tax which is imposed without exemptions. Income tax graduated against earning power is not a regressive tax as it collects tax in proportion to income, but it is also laced with exemptions many of which are used to avoid paying a fair share relative to their demand on social services. Those with higher earning power also have the ability to store and gain wealth in NZs current capital gain tax free environment. Restriction of exemptions and the imposition of a modest capital gains tax would balance the tax burden more fairly as well as allowing better distribution of returns on earning power by the possible reduction of GST without impacting government revenue. Reduction of GST would lessen the regressive affect of this tax on low income earners. The scale of measures New Zealand is taking to strengthen rules on taxing investment in New Zealand is to be applauded.

Focus on investment gains and capital gains, meaning any mechanism that is stored wealth, is needed. Regarding matrimonial property, at the time the agreement is made the parties would have to agree to the capital gains. Capital gains should not include things like cars, furniture, general household goods and other which depreciate in value very quickly and have had GST imposed already. Capital gains tax should apply wealth such as property, excluding the family home, investments and other means of wealth storage. There should also be a levy on estates. This prevents accumulation of wealth from generation to generation e.g. estates worth more than $1m would have a 40% or 50% death duty. This stops cascading wealth.

To conclude this submission supports the simplicity and comprehensive of the present New Zealand tax system, however the taxation system needs to be rebalanced by including suitable taxation of wealth and investment.

Prepared by
[1]

Sent from Mail for Windows 10

From:	Nickola Murray [1]
Sent:	Sunday, 29 April 2018 9:28 PM
To:	TWG Submissions
Subject:	Submission to New Zealand Tax Working Group

Dear Sir,
I have grouped my feedback under the same headings as the Background Paper.

2 The future environment

I see the ageing population as the major challenge to be addressed by the Working Group - understanding that tax revenues will need to keep pace with future expenditure.

While recognising that Maori, Pacific and Asian populations may provide a youthful, growing cohort it is important not to exclude any other cultural groups (e.g. African, Pakeha, Latin) when identifying how to improve educational, employment and income outcomes for all New Zealand residents.

Your Background Paper recognises increasing globalisation and the reality of today's 'gig economy'; the Working Group should also consider that many individual New Zealand tax payers may simply chose to sell up and move to another country if New Zealand's future tax regime becomes punitive to their personal wealth and detrimental to their standard of living. This is particularly true for experienced professional people whose skills are in high demand overseas, and who can readily find roles which are much better paid than here in New Zealand.

The online 'sharing economy' (e.g. individuals earning money in NZ via Airbnb or Uber) should certainly be subject to NZ taxes - as per any other NZ income. This income should be recognised as effectively an organised 'business activity' - quite discrete from 'community sharing/ bartering' activities such as selling Girl Guide biscuits to raise funds for a school trip or trading a surfeit of fruit for fresh vegetables with a neighbour, which surely should seen as a healthy part of being in a community and should not be taxed.

It should be recognised that introducing incentives to reduce personal carbon emissions - such as for purchase of electric vehicles -are likely to most benefit higher income city-dwellers, who can afford an expensive new electric car and its charging technology and usually make short journeys, rather than people who live in the country and need longer-range vehicles.

Increasing taxes (in general) will only be acceptable to taxpayers if they believe that the government is spending the tax revenue wisely; as an example the introduction in December 2017 of the Winter Energy Payment to all pensioners plus those receiving state welfare payments with no consideration as to the actual needs of any recipient appeared to be an grossly inefficient use of taxpayers money.

3. The purposes and principles of a good tax system

I agree that testing any potential changes to tax policy against the 'Living Standards Framework' should result in an outcome which is more holistic than a focus on purely economics and $s. In particular, consideration of 'social capital' including trust and community connections will be important in ensuring that intergenerational equity issues are addressed and the very different requirements of ‘rural’’ versus ‘city' dwellers are considered.

New Zealand’s rate of company tax should be lowered to be competitive with that of other ‘comparable’ countries in order to attract investors (both foreign investors and NZ residents).

When considering the costs and benefits of potential tax reforms in my view the most important criteria are

- 1) equity and fairness
- 2) coherence, including ensuring that local council taxes do not overlap and cause ‘double taxation’.
- **3) implementation approach and longevity of the tax** (my addition) - in particular that any reforms must be implemented and continue to apply over a long time period/successive governments and are also transitioned effectively to ensure that people who have already planned for their retirement, made significant life decisions in order to take responsibility for their own financial futures and grow their personal wealth consistent with the current tax rules are not subsequently penalised under a newly introduced tax regime.

4. The current NZ Tax System

NZ's current broad-based, low-rate system with few exemptions for GST or income tax has worked well for NZ for the last 2 decades and generates a high level of revenue. Also, this system is (in comparison to other countries) relatively straightforward and understandable - having lived and worked elsewhere with horribly complicated rules and a myriad of exceptions this is a great advantage and allows most NZ individuals to readily understand their tax position without relying on multiple advisors and paying huge (wasteful) fees to take advantage of the possible loopholes.

At 15%, New Zealand's GST rate is low in comparison with most other countries (Australia a notable exception) but this is effective in generating NZ tax revenue and - since it is levied on almost all consumption - is fair to all consumers. Although it is not in the remit of the Tax Working Group, series consideration should be given to raising the GST tax rate as an alternative to introducing new taxes - it is already being collected and administered.

5. The results of the Current NZ Tax System
New Zealand residents should be encouraged to contribute more to their superannuation accounts (regularly, starting at a young age, higher %s of income) than is currently the case: the incentives to do so are minimal in this country (PIE and KiwiSaver accounts were a good start but insufficient) and this tax review should explore what can be done to incentivise all individuals to make larger contributions. I agree with the principle that superannuation should be available to all New Zealanders (not means tested) as it is an important safety net for our old people.

Figures 10 and 11 illustrate very clearly that higher-income individuals are making a large contribution to tax revenues and drawing relatively little from the system in return…. pushing this curve too far by increasing marginal taxes will have poor results overall in that the incentive to generate additional income diminishes rapidly - I would chose to take more time off work rather than work harder only to pay significantly more tax!

Measures of Inequality are very much hyped and your report indicates that statistics are unclear on this - tax decisions should not be made based on poor or inconsistent data.

Figures 17 and 19 illustrate that for the top quintile of household net worth, the median family home in this quintile is worth ~$750,000. These expensive homes are generally sited in the major cities (Auckland, Tauranga, Queenstown, Wellington) - most regional/rural homes are worth significantly lower than this amount. It must be noted that those who who live in lower-value homes benefit proportionally less from the exclusion granted to the ’tax-free’ capital gain on sale of the family home.

6. Thinking outside the System

Hypothecating tax revenue in the form of levies for particular services/ infrastructure - in principle I believe that this is a good idea, effectively a ‘user pays’ approach. This could be utilised to fund urban transport systems e.g. the planned light rail system for Auckland could be paid through a road-user charge through use of Auckland's motorways rather than being funded through the proposed additional 10c/L on fuel throughout the whole country; few South Islanders will regularly get to use the transport/ infrastructure facilities paid for by their higher-priced fuel.

7. Challenges

Housing affordability in the major cities of New Zealand is indeed a problem but the issue is concentrated in urban centres, and prices may not continue to rise so quickly in future - many other ‘hot cities’ around the world are currently experiencing a ‘reset’ and some NZ cities may be seeing this too now. Rural property prices have not risen at such meteoric rates. Due to housing affordability (plus environmental concerns and/or lifestyle choices) there has been a growing ’sea-change’ or 'land-change’ by individuals or families who have moved away from the main centres and purchased (often less expensive) rural properties in the regions. Often the (unimproved) value of the land is a higher proportion of the total (capital) property value than the land value represents for a typical city home on a small section.

For most of these newly rural-property owners, less of their personal wealth is now tied up in their home/ primary residence, thereby less of their personal wealth is ‘protected’ by the tax-exempt status of the family home. It would therefore be particularly unfair if an additional, new land-tax were then levied on the land surrounding the family home, as many rural properties may also be sited on significant acreage (e.g. thereby facilitating growing your own vegetables/ a degree of self-sufficiency). A land-tax would proportionately hit the rural-dwellers hardest, thereby creating a disparity of equity between the tax treatment of rural versus city taxpayers.

Charging a new capital gains tax on the sale of property (other than the family home) would reduce the returns/ incentive for landlords to make the investment in property assets and deal with frequently-troublesome tenants and maintenance issues (other investment types such as shares may provide higher returns and require less work). A capital gains tax would possibly thereby reducing the supply of rental properties and making rental housing affordability even worse for would-be renters. (My personal goal in investing in a single rental property in Wellington 13 years ago was to provide additional income and a ‘safe investment’ for my retirement years: clearly this was not property ‘speculation’. Instead I am playing my part in providing accommodation for a young family in the nation’s capital. It would significantly reduce my standard of life in retirement if the tax rules were to change in future years so that any capital gain on the sale of the property were taxable.)

I would be happy to be contacted to further discuss these points, if appropriate.

Kind regards,
Nickola Murray

From: Andrew Rutherford [1]
Sent: Sunday, 29 April 2018 9:00 PM
To: TWG Submissions
Subject: Working group submission

Tax submission

Brief summary:

• Tax should be voluntary.

• Tax should be broad base, low rate.

• There should be a tax on capital, not on capital gains.

The first thing that has to be thought about with tax is the the philosophical structure under which taxation takes place. The reason for this is that the government has as a fundamental concern the responsibility to protect people's property but through taxation it is also taking people's property without consent.

At the moment the taxation system is Hobbsian - there is one entity that is allowed to take without consent and that is the Government. This creates a lot of resentment and tax avoidance issues and so it makes sense that all tax should be voluntary in the sense the people have contracted in to paying it.

The main argument against tax being voluntary, is that if it is people won't pay it, and since the government needs money to function it must be paid regardless of whether people want to or not.

However the benefits of living under a government are so obvious that it shouldn't be hard to get people to contract into living under a government and paying tax.
The only counter example to this would be 'what if they don't'. Well in that case their person and property wouldn't be under the protection of the police. They would be pretty much in the legal situation of someone who is a refugee, trying to get into a country. Tax should be voluntary in the same way as your electricity bill is voluntary.

So once people willingly or begrudgingly consent to paying tax the next question is: "how much tax they should pay?" Generally, people want to pay as little tax as possible and there is a question as to why they need to pay any at all. This being because the government creates the money supply, for example by printing currency, so the obvious question is why the government doesn't simply print more currency and spend it rather than take taxes? The obvious answer to this of course is that the government can't simply 'print' money for its needs as this would cause hyper-inflation and for people to lose faith in the currency. This is only a partial answer however, it simply means that the government can tax in two different ways - it can either tax in the traditional way of taking a portion of the money circulating around the economy and spend it or it can create money, spend it and then remove the same amount of the spent money from the economy by some means such as taxation. It wouldn't have to be taxation though it might be that money expires after 30 days or something

What it does mean is that we can turn the whole conversation around from "how can the government get money" to "how can the government best manage money".
I believe it is best managed in an efficient and productive manner.

Traditionally tax has been levied where it is easiest and least painful to levy. Don't pay someone and then ask them to pay tax - Tax them during the payment process so that they don't notice it as much e.g PAYE. There is another motive to taxation and that is to discourage certain behaviours such as smoking. Finally there are things people must do in order to live and those are seen as convenient to tax. These two last methods are in conflict with one another. It would be easy, for instance to say that we should put the burden of the tax system on things that we don't want to happen as in the maxim: "Tax waste not work". We want people to work. We want people to be gainfully employed. So why do we tax work along with things we wish to discourage?

To answer this let's imagine that we did truly put the burden of the taxation system onto things we wished to discourage. Putting the burden of the taxation system on something like that would mean that as the undesirable behaviour decreased there would be a greater level of taxes levied on the remaining behaviours in order to get the same revenue. That could infact mean that the behaviour was taxed out of existence or effectively banned just as it would be if cigarettes were $1000 a packet.

To explain this further imagine that we wanted to tax carbon emissions instead of income. The first thing that would happen would be that the cost of owning an ordinary car would become incredibly expensive so no one would any more - people could do something about it and they would. People would get electric cars for instance. Not everyone would be able to afford electric cars and so the tax would end up being paid by those that could least afford it.

So the entire *burden* of the tax system shouldn't be placed on undesirable behaviours but a portion of the tax system certainly should.

Another principle is that taxes should not be set so high that it is worth avoiding them. My belief is that when taxes exceed 10% of the taxed behaviour tax evasion becomes a problem. It is much better to have 4 taxes at 10-15% than 2 taxes at 20-30% For instance it would be better to tax income at 15% and sales at 15% as opposed to just sales or just income at 30%. Against this there is the extra cost of collecting and administering different taxes.

The problems in the existing tax system

Some of the current taxes are all right and I wouldn't change. For instance fuel taxes and GST are probably about right. Income tax is too high and company tax is too high. There is no capital gains tax which is good but there should be a tax in capital itself. I will deal with each of these issues in turn.

Both income tax and company tax is set so high that it is worth avoiding it. In the case of company tax it is also the case that companies have their expenses as tax deductable. It should be set at a lower rate but there should be no deduction for expenses, therefore companies would have the simple goal of making as much profit as possible. The only problem with that is that it could make export companies noncompetitive against companies they are competing with overseas and thus there should be a carve out of companies that earn export income.

Importantly, in the case of capital gains tax it is a bad idea because it is effectively a tax on inflation. The more inflation is generated the more money the government will collect. This is a perverse incentive. Inflation is already like a hidden tax. A capital gains tax makes it worse. On the other hand a tax on capital means that capital will be used in the most effective money making way. It won't be lying around underutilized. A tax on capital gains, slows down transactions in the economy. A tax on capital speeds it up.

I hope these simple suggestions are useful

It would be acceptable for the Tax Working Group and the Secretariat to contact me to discuss the points raised, if required.

Regards,

Andrew Rutherford

--

[1] --------------------

From: John Scott [1]
Sent: Sunday, 29 April 2018 8:30 PM
To: TWG Submissions
Subject: Submission

To the Tax Working Group Members

Studies by various learned people into the capital gains taxation methods around the world shows that a capital gains tax has not made any difference to property values. One study which looked at depth into the Capital Gains Taxation in countries like Australia, USA, Canada, Europe and UK came to the conclusion that New Zealand by not having the Tax was one of the few countries which was handling the Capital Gains Taxation correctly.

As the Tax Working Group is to be established to undertake a comprehensive review of the *whole* tax system I suggest that a review of the Taxation rules that allow large multinationals to set up Charitable organisations that allows them to pay little or no tax be changed to stop this happening.

There is one large multinational group in the South Island claiming $90,000,000 profit and no tax paid on that.

There are many more and I am sure that the combined increased taxation would help the Minister of Finance.

Thank you

John Scott

From:	Matt Walkington [1]
Sent:	Sunday, 29 April 2018 6:55 PM
To:	TWG Submissions
Subject:	Submission to the Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

Please find below my submission.

You may certainly feel free to contact me to clarify any points or for any other reason.

Sincerely yours,
Matt Walkington
[1]

(1) Changes to the tax and transfers system must always be made to **benefit the many not the few and to promote real long term environmental sustainability.**

(2) New Zealand should strongly consider **abolishing GST**. The decision should be taken by a **binding referendum**.

(3) Likewise, NZ should strongly consider **abolishing business tax** in favour of an income tax regime that applies uniformly to income regardless of the recipient. Again, the decision should be taken by a **binding referendum**.

(4) NZ should also strongly consider **removing tax exempt status** from all entities that claim it - with the decision taken by a **binding referendum**.

(5) The main or **only tax revenue source for government should be income tax** payable by individuals and all taxable entities, where the definitions of taxable income and taxable entity should be expanded to be as broad as possible. **Individuals, business, trusts and other entities should be treated uniformly.** There would be no need for a special business tax, per se., though it might be necessary to consider measures to prevent the possible proliferation of small business entities designed to split income into lower tax brackets.

(6) As now, the income tax brackets would be set according to the social and revenue goals of the tax and transfers system. ((A single flat tax rate would be a significant simplification and eliminate the possible proliferation of small business entities mentioned in (5). A flat rate would be consistent with an income redistribution system based on payments by government rather than tax relief and progressive tax brackets.))

(7) The new broad definition of taxable income should include **imputed income on assets**, including **imputed rental on all real property** (including the family home). The definition should also include all gifts and transfers between individuals and entities (**including inter-generational transfers**). Above a certain low minimum in a period, there should be no system (of tax credits) that allows for tax free transfer between individuals or entities.

(8) The rate of the **imputed income should be a percentage of the value of the asset determined with respect to the prevailing interest rates.** An asset or aggregated assets that return income in excess of the imputed rate should be taxed on the actual income.

(9) All nation-wide "life-style" taxes should be replaced by a **universal fee and dividend scheme** that gathers no net revenue. Fees designed to modify behaviour should be collected at the appropriate point of consumption, place of manufacture or port of entry, according to what is the most straight forward in any given case. All revenue minus administration costs should be paid back monthly as an equal dividend into the nominated bank account of each qualifying citizen. The scheme would be universal in the sense of collecting fees from any number of different activities from smoking to sugar consumption to carbon emissions, with different fee rates particular to each activity.

(10) Regional fee and dividend schemes would also be possible.

(11) A **Financial Transaction Tax** (FTT) should be introduced on all financial transactions; possibly one to a few percent of the value of the transaction. As a service industry (like, e.g., the trucking industry), the financial sector need not be any larger the smallest consistent with its role: efficiently allocating capital to the productive economy. An FTT would tend to push the financial sector in the direction of greater efficiency by eliminating or restricting unnecessary trading. It would also broaden the tax base by introducing a simple tax that can be collected electronically at little cost.

(12) Careful consideration should be given to **transitional arrangements** when introducing significant tax changes. For example, consideration should be given to allowing tax due on imputed income for certain asset classes to be deferred for some period or until the sale of the asset.

(13) A public debate should be encouraged and maintained to help eliminate a range of prevailing **dis-or mis-information related to tax and government expenditure**. An prime example of such misinformation would the household budget model of government expenditure. Another would be that tax changes and new taxes cannot be introduced in a revenue neutral way. Another would be that business tax cuts stimulate the economy better than government spending.

(14) NZ should seriously consider how **Universal Basic Income** and **Universal Basic Services** can best be incorporated into to the tax and transfers system.

From:	Richard Shaw [1]
Sent:	Sunday, 29 April 2018 6:43 PM
To:	TWG Submissions
Subject:	Submission

Thank you for providing the opportunity for the public to make submissions and the ability to have this free form rather than constrained by a questionnaire.

This shouldn't just be about taxation but about balancing the books, a government that looks only at ways to raise more money while splashing the cash around is going to have a hard time getting buy in to new taxes. Payments that are percieved as buying votes, that are not means tested and fly in the face of good fiscal responsibility take away the credibility that the proposed taxation changes will need. If the current taxation system needs to be changed to meet future needs then the government needs to behave in a manner that legitimizes increases in taxation, but if the governments intention is to raise additional taxes so it can provide hand outs to select demographics to hold onto power then this whole exercise is a waste of everyones time.

For my submission I have listed what I consider the taxes which are easiest to implement and broad based and then tried to identify deficiencies in what is trying to be achieved;

If taxation changes are going to be made then the new or additional taxes should be ranked based upon those which are most likely to survive the biggest threat to their longevity i.e. a future change of government. Introducing a Land Tax or Capital Gains tax will be contentious and unpopular and is highly likely to become a major political issue upon which the next election will be fought. To have one government introduce a new tax only for the next to revoke it achieves very little in the long term other than angst, frustration, wasted time, effort, energy and tax payers money.

The Tax Working Group has started from a weakened position before it ever got started, the election promises, commitments to co-alition partners and pandering to special interest groups/voter blocks has meant that some of the most effective tools and methods of taxation are off the table/not available.
How do you think that you can convince the New Zealand populace that you have a credible approach when you are hamstrung before you begin?
I fear that the outcome will be one consisting of poor selections because many of the good options were not allowed to be considered, GST increase, retirement age increases

<u>Taxes</u>

GST - an increase to 17.5 or 20%. Not very popular but easy to implement, gets additional funds into government quickly enabling implementation of many priority social, environmental, infrastructure etc. Provides the flexibility for the government to then adjust social payments to compensate for those adversely impacted by the increase in GST. While the argument is made that the greatest burden of GST falls on the poorest, the wealthiest tend to be the largest consumers and so will contribute the greatest share of increased GST intake. The GST increase would also allow social exceptions to be introduced such as no GST on fresh foods and contentious items currently subject to GST such as ladies sanitary products. If the government increased GST it would probably be one of the least contentious approaches and it would probably avoid the current outrage about the fuel levy and the revenue from this going to the wealthiest parts of the country to the detriment of the regions. Once collected the government is then able to distribute as it sees best. The other advantage is that the millions of visitors to New Zealand are also paying this, not just burdening New Zealanders with the additional tax. Add a 2% - 5% GST increase to the $14.5 billion expended by international tourists to New Zealand in addition to that contributed by the general populace and you would have a very significant increase in tax - a relatively simple increase in an existing broad based tax rather than introduction of a new complex one with increased costs of application, calculation and compliance.

Gambling - In addition to increasing the tax take it is also complementary to the existing taxation of alcohol and tobacco with the intention of behavioural modification.

Cannabis - usage of cannabis is so widespread in New Zealand that continuing to list it as an illegal substance is a denial of reality. I don't concur with the Greens proposal to make it acceptable for individuals to grow, it should be controlled and taxed along with alcohol, tobacco and gambling.

Off Shore and Internet Provided Goods & Services - e.g. Amazon, Facebook, Linked In and on-line advertisers such as Google - charging GST and import duties/taxes/levies on overseas internet purchases, levying charges/taxes on off shore companies with no presence in New Zealand but who sell goods and services into New Zealand and generate profits here in New Zealand upon which they pay no taxes.

On-line business - Taxation/GST charges on business such as Uber and Air BnB

The internet based businesses field is going to continue to grow, this is not necessarily an easy tax to apply/impose and enforce but a necessary one and one that a taxpayer base should expect their government to be capable enough to capture as a primary revenue opportunity.

Reduction in Expenditure

Superannuation - while I am not much more than a decade away from retirement age I recognize that with the increases in life expectancy and ageing demographics it will be necessary for the population to accept a longer working life and a later retirement age. The taxation working group should not have any constraints upon what it is able to consider e.g. Superannuation - taking this off the table when most other OECD countries recognize this as a necessity denigrates the groups credibility and again impacts on the governments image of pandering to specific groups

Winter Energy Payment - embarrassingly this is already being ridiculed in the media, sure if you live in Invercargill you could really do with some winter heating help, for the bulk of the top half of the North Island looks like you've got a free holiday coming up courtesy of the taxpayers. This sort of payout flies in the face of justifying new taxes - read it and then look tax payers in the eye with a straight face
https://www.stuff.co.nz/business/99155422/Put-your-hand-out-for-your-free-700-if-you-re-a-pensioner

Fees-Free Study in 2018 - another tough to justify handout if we are facing such a dire fiscal situation in the future. But if you were going to do it why not give it to third or final year students who had already proven their staying power and determination rather than to new students many of whom may decide to defer the realities if life and will flunk out on a tax payer funded year out.

Introduce 26 weeks paid parental leave - An incredibly expensive policy, previous generations have got by without this, you really have to ask is this something that the country can afford while it claims that tax intake is unsustainably low.

The current workforce has been paying for the superannuation and health care of the retired, governments saw fit to implement taxes for Superannuation but not to save any of this for those making the payments, this folly was bound to catch up at some point, looks like it isn't far away. The warnings have been made for many years now regarding the changing demographics and many have been careful to provide for their retirement, new and increased taxes on those savings is wrong and isn't justified as a fix for a generation of government fiscal mismanagement - cut out the finger pointing, a whole number of governments has spent what it doesn't have and cannot afford. Stop funding unnecessary expenditure and consider fiscal prudence as just as/more important than increased revenues from taxation.

Socially Divisive/Unequal Taxes

Many of the other proposed taxes on paper look appealing but the reality is that unless they were in place from day one then you are going to create some big losers who get caught up in the introduction of new taxes

Land Tax

Creating/exascerbating societal divisions - lets use land tax and recent proposed changes to fuel levies as an example;

Person A has a multi million dollar penthouse apartment in Auckland and pays zero future land tax

Person B has bought a modest house in a rural location with some acreage on which the family can grow fruit and vegetables, keep a small number of livestock, they have a wood lot that provides self sufficiency for winter heating and they have planted native vegetation to encourage wildlife and prevent erosion on steep sections of the land. Their land value is higher than the value of their house value, they are potentially going to pay a disproportionate amount of tax based upon a land tax model while the city dweller pays none and commutes to his/her highly paid city centre office on the new light rail system that the rural dweller has disproportionately paid for. When the city dweller drives his/her new shiny electric vehicle and pays no fuel surcharge which was levied to pay for the light rail system Person B has paid a huge amount as they have an old four wheel drive vehicle which they have to use to cover the often heavily rutted 10km of unsealed road to take the family long distances to obtain medical, social and everyday needs - no public transport is available from their rural location.

A land tax appears easy to apply based upon local councils having rateable information already on hand but it may create unintended outcomes, if one individual has opted to invest the majority of their savings on a large house on a small land area and another on a small house on a large land area but both have made the same investment then the government would potentially penalize one of them and make them a higher tax payer than the other - a double whammy if both land tax and capital gains tax are introduced. The large house owner pays neither, the other pays more tax and has the value of their savings reduced as a consequence of government taxation changes - the family home often includes the “family land”.

Individuals who have purchased land as part of their retirement savings face financial losses if the government introduces land taxes due to a new tax and a reduced sale price, destruction of hard earned savings by the introduction of new taxes will create a backlash that any government needs to carefully consider.

District Council taxation in the form of rates already imposes a Land Tax, recent earthquake impacts in parts of the South Island have had a significant impact upon many districts, the rates increase on our household for 2017/2018 to 2018/2019 is in excess of 28%.

Capital Gains Tax (CGT)

Capital gains tax is a really poor choice, it is a very unfair tax as it taxes both savings and investment, it is complicated and costly to administer and those most likely to have to pay it will find ways to avoid it so it will raise far less money than is promised. This is a tax that also acts as a discouragement to business and wealth creation - why bother if the government is going to take the bulk of the upside.

Capital Gains tax keeps being proposed in part due to the fact that New Zealand does not have it and lots of other OECD countries do. While this is true New Zealand is also relatively unique amongst its OECD peers in not providing any tax relief on retirement savings, this seems to be conveniently forgotten whenever CGT is raised. New Zealand taxes income before it is invested in superannuation and taxes any gains while invested. Compare that with Australia Superannuation of UK pension funds, no capital gains tax is the way a large portion of New Zealanders manage to have a standard of retirement that while not on a par with

Australia and New Zealand doesn't drop us to the bottom of the OECD league tables. Those who have worked and saved to provide for their retirement may find themselves with less money available to fund their retirement than planned if a CGT is introduced. Those with enough funds and good accountants and money managers will find ways to avoid CGT and there is a risk that Kiwis may start to look at retirement abroad to avoid a swath of new taxes which will potentially rob them of their planned retirement income.

Broad based taxation works, it is difficult to implement many other forms of taxation without victimizing some, including those who cannot afford it, while finding that those who potentially can afford the additional taxation just reorganize their affairs and finances to avoid these new taxes.

Something more light hearted to end on;

I would like to refer you a Monty Python skitch titled "Dennis Moore"

A satirical portrayal of Robin Hood "he robs from the poor and gives to the rich"…….

"Blimey! This redistribution of wealth is trickier than I thought!"

https://www.youtube.com/watch?v=qLkhx0eqK5w&list=RDqLkhx0eqK5w&t=7

From: Simon Pay [1]
Sent: Sunday, 29 April 2018 6:44 PM
To: TWG Submissions
Subject: Submission

Dear Sirs,

Proposed tax on the sale of a tenanted residential property.

We have no issue on taxing a residential property provided it is clearly part of a portfolio of two or more properties excluding the family home and essentially run as a business.

However, we believe owning one additional property other than the family home, being used for the purpose of augmenting a retiree's superannuation should not be subject to tax, if and when it is sold.

The cost of living continues to rise and whilst government superannuation increments are very welcome they simply don't keep pace with continuing price increases for essential goods and services.

For most retirees, who have generally worked hard and long in their lives to enable them to actually purchase an additional property the added income (which of course is taxed anyway) provides additional income to help maintain a measure of financial independence. It is a proven and successful method of obtaining additional income whilst no longer a member of the workforce.

Even so, whilst this may still be construed as a business by government it should be recognised that the ultimate sale of such properties are in the main sold to provide assistance in some form when older people require home help or enter a rest home. We therefore believe there is at least a moral obligation on the part of government to recognise these particular circumstances and make financial allowance accordingly. We can see no valid reason for yet another tax under these particular circumstances.

Simon and Janet Pay (retired)

From: [1] [1]
Sent: Sunday, 29 April 2018 6:11 PM
To: TWG Submissions
Subject: Future of Tax submission

Dear Tax Working Group members,

I request that you consider the following matters in your deliberations:

Inflation-adjusted taxation
Inflation-adjust earnings from dividends and interest so that savers are only taxed on genuine gains. You have a great opportunity to eliminate a long-standing distortion and disincentive that penalises savers and those living off savings in their retirement.

Regional inequity of untaxed capital gains on the family home
Our current tax policy of not applying a capital gains tax to the family home, unfairly advantages people living in Auckland (high capital gains in absolute $ terms) compared with the rest of the country. A good tax avoidance retirement fund strategy is to buy and live in a house in an expensive suburb of Auckland, relying on capital gains as a tax-free retirement fund. This is simply adding to the pressure on the Auckland housing market.

I know that it is outside the scope of the TWG to recommend a capital gains tax on the family home, but is there anything within the scope of its terms of reference that the Tax Working Group can recommend to redress this inequity? Alternately, at least noting the inequity in its findings would help advance public debate.

You are welcome to contact me to discuss the points raised.

I request that my name and personal details not be publicly released, as who I am is quite irrelevant to the matters I have raised, and I wish to retain my privacy.

Kind regards,
[1]

From: Marilyn Smith [1]
Sent: Sunday, 29 April 2018 5:21 PM
To: TWG Submissions
Subject: Remove GST on house maintenance costs.

fifteen per cent GST on home repairs, weatherproofing and basic maintenance restricts low income folk from having a healthy warm dry home.

As I am aging and past injuries come back to annoy me, I no longer have the energy to do what I once could do.
So my tradies bill is far too steep and I put up with a 'make do' job rather than a permanent quality solution.

Everyone wants a slice of my pie - until there is only crumbs left for me.
I have often felt that my worth to society is only equivalent to my dollar value.

Any small increase to my income is sucked up by increases eg doctors fee increases, council rate increases etc etc etc.

Marilyn Smith

From: Marilyn Smith [1]
Sent: Sunday, 29 April 2018 5:07 PM
To: TWG Submissions
Subject: Why tax low income savings?

Give us a break mate!

I've been on low wages since Rogernomics of the early 1990's.

And my tiny savings are taxed!

IRD takes between 1 and 5 cents per month from my savings account.

Who pays for this transfer of tax? IRD? or me?

Another double whammy for me! Taxed and loss of savings to pay for transfer of earned interest in a low interest economy!

How much total tax does IRD take from low income folk? Do you sleep well at night?

Marilyn Smith

From: Christine Larking [1]
Sent: Sunday, 29 April 2018 4:47 PM
To: TWG Submissions
Subject: Submission on "Can tax make housing more affordable"

I believe that the problem with the current housing situation is about supply and demand - not enough houses for the people that need them.

The issue with using tax to try to make housing more affordable, by introducing measures to increase the number of houses for sale, is that, whilst it may be good for first time buyers, it may have adverse affects on other groups of people.

I believe that if a retrospective CGT, based on the difference between purchase price and sale price, is introduced it may have the following effects:
1) A large number of rental properties being sold before the tax is introduced and less after, which will advantage the first home buyers for a short time and then the situation will be back to what it was before, because there is still the supply problem.
2) With the sale of a large number of rental properties homelessness will become more of an issue.
3) People with rentals have made decisions about those properties based on the taxes as they are now, e.g. to spend money on double glazing, that will have increased the rental properties value by more. If there is no account for this in a CGT they would be disadvantaged, potentially loosing money.

If a non-retrospective CGT, based on the difference between purchase price and sale price, is introduced then I believe that
4) For the same reason as 3 above, landlords may decide not to improve their rentals more than the minimum standards, leading to a poorer housing stock for rental.
5) There is the issue about what to do with tax on people that have held onto properties that they originally bought to trade. There is the issue of what tax should they pay. If there is a CGT rather than the current system, then it does simplify the situation where, a property bought to trade is subsequently kept. This is a disadvantage of the current system as it is complex and administratively difficult to meet tax compliance for these properties.

If other taxes are proposed
5) It may have the effect of limiting those investing in housing to only those people that are already rich as they have more resources to ride out any of the risks associated with housing that can happen e.g. increases in interest rates, tenant problems, downturn in property prices. This may lead to the rich getting richer and the poor/ middle class not able to invest in property. In other words, houses will still be bought for investment, but only by those that have more financial resources.

My final point, is to do with not charging CGT on the family home. A lot of people have family homes in family trusts to protect the homes from litigation and claims from their children's partners and also their own subsequent partners. It is also a tool where the transition of the property to the next generation is easier. If a CGT is introduced I think the exemption of the family home should be extended to those settlors/ trustees that live in a trust property.

Interestingly, my mother has 2 properties she lives in, neither are rented and she spilts her time between both equally. One is an apartment in Wellington and the other is a house in Paraparaumu. This must be a situation that is quite common, as both are her family homes. What will you do about this situation?

Thank you
Christine Larking

From: Simon Schollum [1]
Sent: Sunday, 29 April 2018 4:19 PM
To: TWG Submissions
Subject: No to Taxation & Means Testing of Pensions

Dear Taxation Working Group

I wish to make a personal submission to the Working Group contemplating taxation policy & practice in New Zealand.

A New Zealand citizen with 40 years military & law enforcement service commenced at the age of 18 in 1976 I wish to submit on the following three points:

a) Taxation of Pensions (including National Super & GSF)
b) Means Testing of Pensions
c) GST & general taxation of imported items under $NZ400.00

Submission background:
The Retirement Commissioner and others continue to correctly focus citizen attention on maters of retirement and superannuation. Those of us over the age of 50 but not yet receiving National Super are concerned that (future & present) incomes from pensions such as GSF & National Super are subject to tax and combined unfairly for the purposes of Means Testing.

Retirees receiving National Super and / or a Government Superannuation Pension are not wealthy. In particular those receiving GSF have paid income tax on their contributions and these should not be re-taxed when taken as *annuities or the combination of both pensions used as means testing which currently is used to exclude those elderly in need from reasonable assistance to remain living independently at home:*

<u>Taxation of Pensions (including National Super & GSF)</u>
Living standards among elderly citizens (over 65) are particularly vulnerable to impacts of taxation and cost of living increases. The elderly no longer have the time horizon available to anticipate, plan and engage forward looking contingencies to the erosion of what a dollar buys from year to year.

Taxation of Pensions and especially Government Superannuation Pensions (GSF) is offensive. In particular the GSF contributions such as made by GSF members were after income tax had been paid before being invested in the GSF and should not be subject to further rounds of taxation when drawn down in retirement.

I submit taxes on pensions where the money was taxed at source should not be re-taxed when being received out as annuities

<u>No Means Testing of Pensions</u>
Elderly folk receiving (over 65+) National Superannuation and GSF are being denied social medical assistance on the basis their combined pensions is rendering them ineligible for assistance in the home such as walking frames; toilet / shower hand rails or any assistance normally available to elderly frail individuals through local DHB's.

I submit pensions (in particular National Super & GSF) should not be combined and used as a basis of a means testing exercise that excludes elderly folk in need from reasonable healthcare interventions to help maintain them live independently in their own homes.

I submit that National Superannuation & Government Superannuation Pensions not be combined for purposes of Means Testing

No to changing the current GST & of imported items under $NZ400.00

New Zealand is a geographically isolated country. Most of what we make that is good is exported and everything else has to be imported. I submit that the present application of GST to imported good over the value of $NZ400.00 is reasonable and that smaller consumer items under that figure should not have GST applied. The NZ retail customer benefits from the competition pressure that international sellers bring to our marketplace. Local Retail has exploited our relative isolation for long enough and has plenty of opportunity to make their offerings interesting and competitive to maintain relevance to the NZ consumer.

I submit the TWG resist recommending applying NZ GST to imported items under NZ$400.00.

If you have any questions or would like further information, please contact me via this e-mail address.

For your information and action as necessary

Simon Schollum

From: [1]
Sent: Sunday, 29 April 2018 4:14 PM
To: TWG Submissions
Subject: Submission

David & Pamela Blowers,
[1]

20-4-2018

Dear Sirs,
I would respectfully ask that you raise the amount we are paid before tax.
So many out there are struggling and at this time in our lives that is so unfair.
Thank you
Yours sincerely
Dave & Pam Blowers

From: William Byfleet [1]
Sent: Sunday, 29 April 2018 4:09 PM
To: TWG Submissions
Subject: Submission to taxes working group.

KIS (keep it simple!)

1. IMPLEMENTATION OF WHAT ALREADY EXISTS

You can't seperate out tax collection, complexity,intent and actual results from implementation and the interaction with the benefits system .

I am struck by the fact that currently the tax system encourages poor behaviours and effectively 'fiddling' to avoid the intent /spirit of taxation.

Example ... many people putting money into family trusts and property to lower their effective incomes to obtain benefits.

Family trusts and tax gifting needs to be made tax/benefit neutral. This could be through wider powers for IRS or tearing up the trust structure.An overarching rule that actions should not be and cannot be soley to avoid taxation. Perhaps a minimum tax based on either wealth or income against which deductions can only be made under clear cut programs.

Tapered effects for money put into trusts (ie it does not pass to the beneficiaries immediately but the tax liability reduces to the the giver over 10-15 years say)

2. Capital Gains tax

Experience overseas says .. well yes it delivers. New Zealand has always been bold on taking the very best of what they have out there. Really it has to be on everything . If you exempt family homes and farms and Maori trusts etc. you exclude so much of the economy as to render it a marginal tax. 10% on everything balanced by higher tax free thresholds on income.

Noone should expect to make gains on shares or property inexcess of say 500,000NZD wihtout some contribution to the tax base ...

3.Encouraging investment in real productive business instead of 'property'.

New Zealand capital formation (venture capital, debt, securatisation, share market etc.) is one of the greatest weaknesses we have and yet addressing it will not be politically a vote winner.

4. Property taxes.

If its politically unacceptable to tax housing gains then some modest increases in stamp duty on both purchase and sale should be considered.

5. ACC ... no one truly understands it. It ought to be a social levy to cover health care.Ive always thought that offering a basic healthcare that clearly outlines what is covered and more importantly what isn't at least is honest.

6. The role of Maori bearing in mind that whatever words you choose to use many of us can't and don't speak the language. Step up to the responsibility of owning and administering 100 billion in assets transparently!. The power of change could be enormous.

Good luck...MMM ! Maybe its not easy to keep it simple.

William Byfleet

From: Alex C [1]
Sent: Sunday, 29 April 2018 3:26 PM
To: TWG Submissions
Subject: TWG submission

I would like to see a clarification for the reason Fringe Benefit Tax is such a high rate (approx. 50%) compared to income taxes. Surely fringe benefits should be treated as another form of income?

Dear Sir Michael and members of the Tax Working Group,

The "New Zealand Taxpayer's Association" has been sending me propaganda urging me to ask you to keep tax rates low.
I do not subscribe to the ideology that taxes are inherently evil. But I feel compelled to write something of my own to help counterbalance the NZTU propaganda.
It's a shame that tax gets such visible attention when there are myriad other issues facing the government that are all equally important to the future of New Zealand.

I am a recent graduate student now working full-time in my first job in the technology sector. Of course, I am not intimately familiar with all the intricacies of our tax system, or tax in general.

This submission is structured around the NZTU form submission as well as the questions in the Background Paper. Apologies if some parts are a bit rambly.

What do you see as the main risks, challenges and opportunities for the tax system over the medium- to long-term?

I think a significant risk is driven by the relative likelihood of different people to submit their feedback.
As mentioned above, I'm writing this in response to propaganda (written by high income individuals) urging me to ask for lower tax on high income individuals.
I haven't seen anything from low income individuals, urging me to ask for higher tax on high income individuals.
This worries me because this sort of lopsided influence to the government has driven increased income inequality in other countries - the "rich get richer" effect.

Other challenges, such as fairness, are already outlined in the Background Paper and I have no further comment on them.

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

I do not see any problems with the NZTU's suggestion that tax brackets should be annually adjusted for inflation. This seems like common sense.

New Zealand's highest income bracket is quite low relative to the average range of incomes. Perhaps New Zealand should have further brackets. Some countries have tax rates as high as 60% for people with very high income. On one hand, this is somewhat unfair to people with high incomes; on the other hand, it's more fair overall than if this money had to be raised from people with low incomes.

Company taxation

I support a progressive company tax as an incentive for small businesses. Make sure to frame it as helping small businesses, not penalizing large ones - marketing is everything. (In particular, don't increase the large business tax rate while decreasing the small business tax rate)

However, this will not be simple. The system must not be able to be easily "gamed".
For instance, if a progressive tax is levied based upon company income (or any other measure of company size), companies could simply split up into smaller subsidiaries that are each within the lowest tax bracket.

Expensing of capital

I'm not opposed to the NZTU's suggestion of full capital expensing.

Capital gains tax

Capital gains are a form of income. I do not see why they should not be taxed.

I think there are two types of investment in the world - there is *productive investment*, where money is spent to directly create value over time. And there is *parasitic investment* - where money is spent to reap the rewards of someone else's productivity. Where possible, Capital Gains Tax should have exceptions for those investments which directly add to the economy.

Examples of productive investment are opening a new store, or repainting a house.
Examples of parasitic investment are most financial market investments, actually, so they can't be made to go away. (One can argue the entire financial sector is parasitic)

In the case of housing:

- A homeowner who lives in their house is getting real value from the house (it allows them to live close to work, for example).
  If they grow a garden, the house is now better off. Real value has been added to the house (it looks nicer) and surrounding neighbourhood.

- A landlord who owns a tenant's house and pays a property management company to maintain it.
  They have little involvement beyond purchasing the house, watching its value go up and watching the rent come in.
  The landlord does not create any real value - only the management company (and/or the tenant). Part of the tenant's rent goes to the management company, which is payment for real value (maintaining a quality living space). Part of the tenant's rent goes to the landlord's profit, which is entirely parasitic - the landlord has not done any work to earn that profit.

- A landlord who owns a tenant's house and maintains it himself - acting as the owner and the management company from the previous example.
  Some of the rent is justified to pay for the service of maintaining a quality living space; some of it is parasitic.
  (*Some* landlords don't care about the quality of the home, and neglect maintenance; in this case it's entirely a parasitic investment as nothing has been done to earn any payment)

(Somewhat related - New Zealanders who are parasitically investing in foreign countries should be incentivized, as this brings wealth into New Zealand)

Taxes on savings

No comment.

Environmental taxes

I'm not opposed to using taxes to compensate for environmental externalities.

Lifestyle taxes

I'm not generally opposed to tax increases or new taxes for "nice-to-have"/"luxury" products if they are seen as damaging society, such as cigarettes.

However, in the specific case of tobacco, it should be reviewed how the tax increase will impact smoking addicts. The goal is not to punish people who fail to quit. We don't want to make the poor even poorer.

I wouldn't advise adding a tax to fat, as I have relatives who have found that a low-carbohydrate, high-fat diet was the most effective way for them to lose weight.

Overall, there can be a *small* role in the tax system for taxes to modify behaviour. It must be verified that the tax actually has the targeted effect and that the New Zealand people support the targeted effect.

Capital gains tax - again

Capital gains should be treated as income - because they effectively are income, for the groups of people who rely on them most.
At first I thought the idea of a CGT made sense - then I looked around my house and thought of all the things I might want to sell later, and how much hassle it would be if the sales were taxed under CGT.

I think a capital gains tax will incur an **administrative nightmare** for individuals. Large businesses are likely prepared for it (the same as they handle depreciation), but small businesses might not be too. **Therefore, it should be very limited** to a small set of assets. Perhaps it could even be limited to real estate, at least initially - wasn't real estate the main motivator for CGT?

I don't know the cost of most of the items in my household and I've thrown away the receipts.
CGT should be limited to items that are frequently bought in anticipation of reselling them at a higher value - such as real estate - and then only items over a certain value, such as $10000. This would cut down massively on administration overhead and I'm still not sure if it's sufficient.

In case the seller doesn't know the cost of the asset, they should be able to use an initial cost of $0 in the CGT calculation when selling it.

Basis - At realisation, for the following reasons:

- Assets that are not expected to be resold should not be taxed.
  If my business buys a photocopier, it should not pay tax when the price of the photocopier goes up following a shortage.

- Assets bought without the intention to resell them are often resold *anyway*. If we allow assets not-planned-to-be-resold to not pay CGT, then we must allow all of the CGT to be paid at realisation time.
- Some assets may not always have an easily determinable market value until they are sold.
- As a consumer I do not want to track the market value of every asset I own.

However, I would like to have the option to use accrual. This is because a long-term investor (such as a landlord) would like to spread their capital gains across several years in order to pay less income tax.

Transition rules - I am opposed to excluding assets prior to their introduction, and also to retroactively charging tax. Therefore the most fair option is to use the value at the time of introduction of the tax.

Allowance for inflation - this is a very tricky one! I can see several pros and cons. Overall I'm undecided. If there is no allowance, this discourages people from holding onto assets they don't need that aren't gaining inflation-adjusted value, because they'll still be taxed on the inflation. It also discourages people from selling assets they don't need because then they'll have to realise the inflation gain.

Yours sincerely,

Alex Campbell

From: [1]
Sent: Sunday, 29 April 2018 3:26 PM
To: TWG Submissions
Subject: Submission from Michael C Gibson

Good morning

I would like to make the following submission with regard to the Tax Working Group's review into taxation in New Zealand.

Background to this submission

New Zealand is now a ridiculously expensive place to live, despite what spin is put out by statisticians and politicians. The country began to slip into this situation simply by business and politicians hopping into bed together around 1984, thanks to Rodger Douglas and Douglas Graham, from that point forward NZ became increasingly more expensive for normal people.

A free market developed, corporates flourished and state assets were privatised then began to lift prices, again and again and the average kiwi's wages simply did not stretch close to making ends meet. From this time wage and salaries were deliberately kept right down, the CPI adjustment became the buzz word.

The corporations both NZ and offshore based that operate in NZ have done very well, there are many examples that have been made public where many of these entities pay little or no tax, to the average middle income kiwi (that pays the largest share of tax), has been virtually the only group taking hits consistently during budgets or adjustments, this group has been the governments wallet to take from.

Now you ask why am I stating the above? It is simple, something has to give to get NZ back to being affordable for kiwis, this taxation review MAY lead to an opportunity to level the playing field.

Taxation in NZ is too complicated, it has become an industry for the legal and accounting professions to practice the art of dodging and looking for loopholes, and most of all it is entirely UNFAIR.

Taxation generically - Mike Gibson's thoughts

The New Zealand government need to take on board the fact that there are too many dodges and loopholes creating the platform of unfairness, given how expensive NZ is to live in now, real household savings for average kiwis need to come from somewhere.

My thoughts are, taxation needs not to be complicated, one wonders why it is so complicated and the only answer I can think of is because of accountants and lawyers looking to reduce taxation for clients, times up on this one please tax review!

So the Tax Working Group in my view needs to go back to absolute basics, get rid of all the complexity and end up with a really transparent taxation solution, it also in my view needs to be formalised by the people, not parliament. This is too big for the government and affects so many, let the people decide?

The number one outcome for taxation in New Zealand in my view is, there is more than enough taxation revenue generated to achieve first world standards for kiwis across all areas of society, in a manner that does not overtax the taxpayers UNFAIRLY.

There should be a minimal number of taxation types, keep it simple methodology and that will enable FAIRNESS and transparency.

I believe that taxation that affects incomes of individual should be equal and proportional to the actual income, no bands or groups or ways of dodging or finding loopholes, all pay the rate set eg. 10%.

Taxation going forward MUST include allowance for the millions of kiwis that have worked, and paid tax to have a reasonable pension for the remaining years they have, the pension eligibility needs to remain from 65 years of age.

Taxation should not be applied simply because the OECD maintain statistics or other countries have a certain tax, NZ has been following other nations or practices for years and we have got the ridiculous situation we are in. NZ can solve taxation on its own with a tailormade solution that does not keep people poor.

New Zealand Superannuation

NZ Superannuation must be retained at all costs, millions of kiwis have worked their lives and especially since 1984, many do not have savings, this will obviously apply to young kiwis going forward as most cannot afford to buy a property, they will either have to move offshore or rent. The commonality is they will all need a pension. It is imperative that the NZ Government continuously plan and factor NZ Superannuation in.

The government must also not give the superannuation entitlement to immigrants that have not worked and paid tax in NZ nor to people that have never worked in their lives, further in my view it needs to be means tested but to a realistic level where a multimillionaire will not receive it. It is illogical why people that have the means also need to drain the availability of funds further just because they meet the current criteria.

Types of taxation for New Zealand going forward

- **Transaction tax** - A new concept and not widely known perhaps. This should be investigated and given real thought. A transaction tax via all banking and currency transfer methods and all good and services could replace the GST. It should be established where a low percentage of perhaps 2-3% is taken from all financial transactions (through electronic or computerised systems), it should ensure there is no refund, all individuals, companies and organisations pay it, no rebates or ways out of paying. This would be fair and would likely make a significant contribution to taxation revenue. It could potentially replace or at least significantly minimise the percentage rate that has been set for GST.
- **Income tax** - Income tax should be modified to be one rate, no deviation or rebates, that way it captures all income levels for all income earners, the income tax rate should be lower eg. 10% because the new taxation structure will have ample revenue to sustain NZ to a first world standard and all inclusive.
- **Company tax** - Company tax definitely needs to be simplified, by your own figures companies do not pay their fair share, the current system is fraught with tax lawyers, accountants all gathering ways to not pay tax, it appears to me that the corporate culture in NZ needs to change, it is time for the government to direct them, be assertive and legislate to reinforce the new and fair taxation structure for NZ. Companies should have to pay a set taxation rate, eg. 10%. Company tax could also have the provision that rebates or credits could be applied where they bring additional long term revenue to NZ either directly via the particular company or via other companies. Research and Development could be an area where a company could be given rebates or credits if they prove to have viable R & D potential that requires a boost to implement. NZ should encourage great ideas that could ultimately turn into revenue streams.
- **Capital Gains Tax** – In my view Capital Gains Tax is necessary and should be separate from Income Tax, it is after all technically from a different source. CGT should be based on assets that are tangible e.g. Businesses, physical properties that are purchased and sold after a short period of time, (including farms, forests and agricultural and aquaculture). Capital gains tax should be applied for all assets above what is the average assets of kiwis e.g. A house and couple of vehicles, it should be applied where people with multiple properties and assets can profit from regular sales and repurchase. Capital Gains Tax should also be applied

to trusts held by the wealthy and corporate entities that use a trust as a means of avoiding tax liability. The rate for CGT should be on a sliding scale proportional to the value of the asset.

- **Asset or Land Tax** – Should be applied to encourage longer term investment and promote the retention of assets and land from being sold on a regular basis e.g. Property boom times. The tax should be reflective of the overall tax structure e.g. 10% of sale or asset value.
- **Goods and Services Tax (GST)** – Could be maintained at a lower percentage if the above taxes were not sufficient to provide the first world outcome for the tax review, preferably GST is discontinued however in my view.
- **Excise Taxes** – Fuel, alcohol, and cigarettes, often taxed in the pretence its for health or road safety, its lies and a simple grab of more tax. These taxes need to be levelled out and match realistic levels as other taxes I allude to above. 10% is a healthy figure.

In Closing

No New Zealander mind paying their fair share, it has to be across the board though and that is what irks people so much because it is not done fairly. Taxes need to reflect, as you rightly state in the background paper the environment now and in the future. A smaller tax percentage across the board is far better than larger chunks to the most commonly hit, these are the people that are only surviving in this country, they are not living as they should because of the extremely high cost of living in this country.

Business will resent paying their fair share, offshore conglomerates will also try to get out of paying their share as will online entities. It is up to this tax review outcome to ensure it is fair and equitable, and again smaller tax percentages with no out clauses, rebates or dodges will make it possible.

I would appreciate feedback on the progress of this tax review process, I am very keen to see NZ'ers be given the chance to get ahead and not keep suffering. Also (tongue in cheek), the authors of the 1984 Rogernomics should be held accountable for the shambles has NZ become and still is.

Regards

Mike Gibson

From: Brit Bunkley [1]
Sent: Sunday, 29 April 2018 2:51 PM
To: TWG Submissions
Subject: Submission

Mark Twain once wrote, "The only difference between a tax man and a taxidermist is that the taxidermist leaves the skin". Twain lived during an era when taxes were minimal and taxation was flat (so that the poor and middle class paid most of the burden). Poverty was high, and health and education was for a select few. Government benefits were minimal at best. Taxes were universally despised.
This perception changed by the last century. Thanks to citizen and union action, equality through public participation became the social democratic goal. Progressive income taxes (in which the wealthiest pay a larger percentage of income or wealth than the poorest) were introduced in order to redistribute wealth throughout society. The top end tax remained high in the developed world. Here it sat at 66% until the 1980's. Although neo-liberal globalism has taken its toll on all nations, this top rate was not too far off what many European nations still have today. Denmark's top marginal effective income tax rate is 60.4 per cent. Austria is at 50%. Australia is 48%.

The economist rock star Thomas Piketty recently argued for an even higher 80% levy on high earner income in a recent op-ed for The Guardian. MIT Professor emeritus Noam Chomsky once explained that ideally "a very good measure of how democratic a society is to ask about its attitude toward taxes. If you had a free, functioning democratic society, tax day would be a day of celebration. The people have saved and set aside a pool of money. Here we are getting together to fund the policies that we decided on." Tax is the engine that makes modern society run. It pays for roads, police, firemen, the super fund, healthcare, education, relieving poverty, prisons, the arts, film, radio, TV, defence, programs for mental health and prison, law for those who can't afford it, housing for the homeless, libraries, parks, and many other fundamental aspects of life.

All of these areas have suffered due to defunding due to the dramatic loss of tax revenue - resulting in high crime, long waiting lists, falling education outputs, and skyrocketing child poverty. Health funding was slashed by $1.7 billion between 2008 and 2014. The latest OECD statistics show New Zealand has fallen to the bottom half of developed nations for investment in primary school education. The Herald recently reminded us that we in fact have "the lowest income taxes in the developed world" and as a whole the lowest "tax burden" next to Chile and Mexico. "The average married New Zealand couple with two children and one income pays the least amount of tax in the OECD when family benefits are taken into consideration."

We also remain the only developed nation without a capital gains tax, a glaring tax loophole for the affluent whose wealth is created in a large part from capital gains. Additionally, as warned by the IMF last month, without a moderate capital gains tax (with its "sand in the gears" effect on the housing market) the current housing bubble may well pop.

In 2008, National slashed the upper income brackets. They increased GST while failing to make up for the shortfall of the income tax cuts. GST's burden falls heavily on the lower and middle classes (the top incomes can only spend so much). Many nations sensibly adjust spending to annual inflation and increasing population, but not NZ. The cost of living increased 15% since 2008. The population increased 12%. I grew up in a state in the USA, RI without sales tax on clothes and food. Eliminating this tax on such items – a regressive tax that affects the poor far more than the rich, is essential. I hear people telling me that this is too difficult, yet I never heard anyone complain in the food or clothing business implementing these exemptions in RI when I was young (well before computers).

Most importantly, our government spending for the most part has fallen dramatically. According to Treasury, spending as a proportion of GDP has fallen to below just below 29.4% (as a per cent of the country's GDP it is even lower 28.8 per cent, in budget 2017 https://www.stuff.co.nz/business/industries/92951932/budget-2017-nine-years-of-spending-under-national). We are now tying with Ireland as the lowest in the OECD. National wanted to cut it further to just 26%. To put that into perspective most developed nations have government spending levels between 45% - 60% of GDP.

Mysteriously, and against all facts, many here have the media spun perception that we spend too much, our taxes are too high and we have too much public debt. It is simply not true. According to OECD data, we have among the lowest government debt to GDP ratios in the developed world, the lowest taxes and the lowest ratio of government spending to GDP. And our trickle-down economics has done squat for the economy. Yet, all political parties are now falling all over themselves to either maintain the low tax burden or lower taxes even further. Yes, we now have a small surplus, but it was the last surplus that allowed NZ to sail through the 2008 global crash. Such market "corrections" are cyclical. In fact, when looking at the average cycle we are overdue, so complacency on the budget is foolish.

Refusing to increase taxes for the top 10% income earners in line with the developed world is even more foolish. And keeping the government spending absurdly so much less than successful OECD states with robust economies and high social outputs (as Scandinavian nations) is disastrous. With health and education outputs rapidly declining (U of Auckland falling nearly 150 points according to the THE ratings in 10 years), and homelessness and poverty at among the highest rates in the OECD, you get what you spend.

http://www.worldatlas.com/articles/countries-with-the-highest-taxes-in-the-world.html
http://money.cnn.com/interactive/pf/taxes/top-income-tax-rate/?iid=EL

Best,

Brit Bunkley
[1]

From: Christine Avery [1]
Sent: Sunday, 29 April 2018 2:26 PM
To: TWG Submissions
Subject: Tax Rates

My submission is as follows:
Keep tax rates simple.
Lower and flatter taxes to ensure wealth creation to lift prosperity of the economy for ALL New Zealanders is essential. Small businesses are the backbone of the country and the environment they are working in is hard enough now. Please do not take us back to the days of Robin Hood.
If any additional tax should be created, the billion-dollar Maori tribal corporations set up from Treaty of Waitangi payouts should now be taxed. Many millions of dollars are already being written off by Councils on Maori Trust lands. I am yet to see Sir Geoffrey Palmer's "trickle-down" theory take effect from Treaty of Waitangi compensations.
And please, no Capital Gains Tax on the family home.

Christine Avery
[1]

From:	Nick Martelli [1]
Sent:	Sunday, 29 April 2018 1:33 PM
To:	TWG Submissions
Subject:	Submission

Dear Tax Working Group

Thank you for the opportunity to make a submission.

I do not profess any particular expertise in tax, and I submit in the capacity of a 'lay citizen' drawing on general life experience, and my experience as a civil servant. Broadly speaking, I was very happy with what the document covered, particularly the principles the group have identified for a good tax system. I trust the expertise of the working group, with the help expert and lay submitters alike, to provide a sensible set of recommendations to the Government.

I won't be making specific tax suggestions. Instead, my submission focuses on two points for the group to consider when forming their recommendations:

1. Regional disparity
2. Concepts of inequality and fairness.

Regional disparity
Overall, I felt the paper was mostly focused on the 'national-level' and did not fully consider the different implications for taxes at the regional/district level.

I can see the logic behind this. New Zealand's population is, afterall, roughly equivalent to Sydney. However, in my view a perfectly balanced national tax system could very well be undermined if the issues in the regional/district tax system are not addressed.

There are two interrelated challenges here.

Demographic change
<u>The group should consider where people will be living and working in the future, and how the tax system should account for this.</u>

The first regional challenge is demographic change. The group rightly recognise this as a key pressure on the future tax system. However, they do not include changes to where people are living as part of this pressure. Changes to where we live will affect where our tax dollars come from, and where they need to be spent.

Almost every day I hear how our urban centres are bursting at the seams and unable to adequately respond to rapid growth, while 'the regions' (ie rural New Zealand) struggle with the opposite problem of declining populations. Indeed, we've become an increasingly urbanised nation, and our subnational population projections predict continuing population growth in our urban areas, and decline in many of our rural areas.

The Productivity Commission outlined this challenge in their report on *Local Government Regulation*. In a nutshell, medium and high growth councils are struggling to fund the infrastructure that will enable their cities to cope with the growth, while areas facing decline are finding it increasingly difficult to maintain their existing infrastructure. This leads to the second issue.

Local-level financing constraints
<u>The group should consider Local Government rates as part of the tax system, and review the tools Local Government have available to generate revenue.</u>

Secondly, the group's terms of reference do not cover Local Government rates. Nor do they explicitly exclude them. Rates are of course another form of taxation, and part of the wider New Zealand tax system. In a way, if Central Government does not provide a particular service using nationally-levied taxes, it is up to Local Government to provide them. Obviously the relationship is not that simple, and the two levels of government have different responsibilities, but the point is that the two are intertwined and should not be considered in isolation. To do so risks undermining the other.

As outlined above, Local Government is facing a range of fiscal challenges as a result of demographic change. This has resulted in substantial increases in local body rates across the country for some time. In the Consumers Price Index (CPI) The 'Property rates and related services' class has risen almost 60% in nominal terms over the past decade, compared with just under 20% for the all groups CPI. Increases like this would not be considered sustainable for a national-level tax.

The increases do not appear to be abating - the recently released Wellington City Long-Term Plan, for example, proposes an average increase of 4.1% over the next 10 years, which roughly equates to a 50% increase in rates over that period, compared with 22% CPI inflation, assuming an average 2% per year. Needless to say this is, in effect, a real tax increase for ratepayers.

Central Government has little control over how much Local Government can levy as rates outside of heavy-handed intervention (a step too far in my view). However, it can determine the tools available to Local Government to fund their services and we're starting to see these tools expand with the recent announcement of the Ackland fuel tax and greater use of Public-Private Partnerships.

I encourage the group to consider how a change in our tax system can better equip Local Government to address their funding challenges, and to provide greater certainty to ratepayers who are facing increased financial pressures under the current system.

Concepts of inequality and fairness

<u>For the sake of clarity, the group should carefully consider how it defines inequality and fairness. Further, it should consider very carefully whether it is possible and/or desireable to directly target inequality as part of its recommended changes.</u>

The paper briefly mentions addressing inequality as part of changes to the tax system. I would encourage the group to be very precise in its definition of 'inequality' and 'fairness' if it is to do so, as there is a lot of potential for confusion, and the two are quite different (yet interrelated) concepts.

In my view, the inequality mentioned in the paper with reference to the Gini Coefficient, is an *inequality of outcome* - ie wealth/income. A better word for this is *equity*. Total equity would be everyone earning the same amount, or holding the same amount of wealth, or both.

Where the paper mentions fairness, it is really referring to an *equality of opportunity*. The idea that we're all on a level playing field without undue barriers to fulfilling our potential. Fairness would be people earning a wage that is commensurate to their skills/performance/aspiration and paying a level of tax that is commensurate to their level of earning. It is the feeling that you can put in the same amount of effort as another and achieve a similar outcome.

Maintaining an adequate level of equity and fairness is a challenge for any government. Too much inequity can lead to societal instability, while too much equity can reduce motivation, competitiveness, and innovation.

Fairness and equity are also related. A lack of fairness can lead to greater inequity, but total equity is unlikely to be fair.

The challenge with addressing inequity directly is knowing what is and isn't an acceptable level of equity. A Gini Coefficient doesn't necessarily tell us this - wealthy individuals in the vein of a Bill Gates of a Jeff Bezos, operating in a fair system, may skew a Gini Coefficient towards greater inequity, yet the services they provide are such that their 'rising tide lifts all boats' and that we're all better of with these outliers, despite the resulting inequity. On the other hand, the presence of a powerful drug cartel operating in an unfair system may produce a similar Gini Coefficient, but with dire social outcomes.

In my view, the solution is around focusing on fairness over equity. If we agree the rules are fair from the beginning, then we work towards a fair level of equity that isn't everything equal, or every thing to a select few. If we focus on inequity itself, we risk doing so at the expense of fairness.

Therefore, the group need to be careful when considering the tax system's impact on equity. Partly because transfers are out of scope, and are the other side of the 'inequity' equation, but also because we do not know what an acceptable level of inequity is.

If the group do want to seriously consider this, I encourage you to ask how we can best define an acceptable level of equity (or equality as you may choose to refer to it), and to also ask who gets to make and enforce that definition. These are very tricky questions that I suspect we may not have satisfactory answers to.

Conclusion
Thank you again for the opportunity to have a say on the future of our tax system and for producing what is in my view a great background paper. I wish the group the very best in discussing what will no doubt be a long list of complex and thorny issues, and I hope that the Government will actually take notice of your recommendations this time around.

Regards,
Nick Martelli

From:	Lynne Dempsey [1]
Sent:	Sunday, 29 April 2018 1:21 PM
To:	TWG Submissions
Subject:	Submission

Lynne Dempsey
[1]

Have you considered that a submission (using the format provided) on one of the five areas identified has to be completed and sent off before writing in another space. This is extremely annoying. It means that one cannot return to a completed question and add anything else because when you do you find that the section you have filled in has been wiped clean. Why have you done this? Is it to deter people from sending in views on more that one section? Please explain.

I now have to rewrite approximately 2000 words which is a huge waste of my time.

What does the future of tax look like to you?

We need a tax which taxes carbon at source. The Emissions Trading Scheme was totally ineffective in reducing carbon emissions. A carbon tax will give certainty to business and consumers. It will also discourage future coal and oil use and encourage a transition to renewable energy. The carbon tax take could be returned to citizens to offset the rising costs of the necessary transition to a low carbon economy. The current storm of protest from low income car owners about the petrol tax could be ameliorated by money raised through a carbon tax.

Future taxes will need to pay for infrastructure damage caused by more intense storms.

Tax people on higher incomes at a higher top tax rate.

Are we taxing the right things?

We need to consider that currently the richest 1% own half the world's wealth or as Oxfam notes: eight men own the same wealth as half the world. This is outrageous. Multinational corporations pay little or no tax in New Zealand. Every effort must be made to tax these corporations. A Financial Transaction Tax would address this to some degree.

Tax evaders and tax haven use must be deterred with punishment such as large fines and imprisonment.

It is past time to remove GST from unprocessed (raw) fruit and vegetables. Rising inequality in income in New Zealand is leaving many families unable to feed their children properly. Calculate the current cost of providing an apple a day for three children. Many cannot budget for this.

A tax on tourists using our environment - huts, tracks etc is essential to provide DoC with enough funds to provide facilities.

Can tax make housing more affordable?

An Empty Homes tax, as in Vancouver, would address the current scandal of houses bought for capital gains being left empty while thousands of citizens cannot pay rents. This has to be at a level which will significantly deter this practice.

A Capital Gains Tax on investment properties sold within five years is necessary to end property speculation.

Lynne Dempsey
[1]

From: [1]
Sent: Sunday, 29 April 2018 1:18 PM
To: TWG Submissions
Subject: Proposed Tax Changes

Dear Tax Working Group

A broad tax base allows governments to raise substantial tax revenue with relatively low tax rates. Simpler tax systems with fewer exemptions reduce compliance costs and provide less opportunity for tax avoidance.
I am gravely concerned that the goal of the Tax Working Group review is to find new ways of increasing taxes to pay for higher levels of Government spending, including wealth redistribution. One only has to look how the economy and business growth in the USA under President Donald Trump has flourished with Tax cuts. Returning to failed socialist ideals of the past is to be deplored.
I have been self-employed for 39 years, and only twice in that time have I received a remuneration that I consider equivalent to what I am worth, both times after Tax cuts have been made. I also submit that giving preferential rates to Maori businesses is to be deplored – how is that not discriminatory and racist?
There is no justification for any Capital Gains Tax in New Zealand, and I implore that if it unwisely is, then the family home should never be included in any Capital Gains Tax proposed, particularly when the Government has run short of money, due to poor fiscal management. I also submit that the importance of lower and flatter taxes will incentivise wealth creation and lift prosperity for all New Zealanders. Please hear the voice of reason, not the panic of a Government dedicated to running the coffers dry to achieve so called equality.

Yours sincerely

Craig Walker

From: Peter Plunket [1]
Sent: Sunday, 29 April 2018 1:07 PM
To: TWG Submissions
Subject: The Future of Tax

Dear Tax Working Group

I don't have access to Word so I hope this submission is suitable in this form.

I made a submission to a Savings Working Group in, I think 2011, in which I stated that I knew I was wasting my time but submitted anyway.I believe the same position exists with this submission but in this case please do not reply trying to reassure me that I am not wasting my time because I know I am.Having said all of that I would like to submit anyway.

As a person from a working background it has been important to me to have savings in the bank. In retrospect I would have much wiser to have invested in property but that was something I was reluctant to do. I believe investment income should be treated fairly by the imposition of a Capital Gains Tax or if that is not palatable then there should be some tax relief on the income from interest on savings.

As a taxpayer I am not interested in tax cuts in any shape or form. Tax cuts equal cuts in services. Personally I have no problem with Tax actually increasing as long as it is fair across the taxpayer spectrum. I want an increase in tax so that health services, in particular, can be better funded. When I mention Tax increases or adjustments they should occur within the personal tax system. I definitely don't want any increase in GST.

I understand that Airlines that fly internationally pay no fuel tax. I realise that it would be incredibly complicated to tax this fuel fairly but I would like to see the government make overtures to the relevant international authorities and other Countries to start a discussion on this issue. Of course this all assumes that I am correct regarding this issue. If I am not please disregard this section.

It would be outside the scope of this working group but I would like to see a $250 levy imposed on every person who enters the country on a visitors visa. This money could be shared between local councils and the chronically underfunded DOC. This would probably result in less tourists but that wouldn't necessarily be a bad thing.

I think it's an insult that the National Party finance spokes-women thinks we are already paying enough tax. It's a disgrace that in their nine years in charge they borrowed money to finance tax cuts while simultaneously deliberately running down our public health system and other services.

Lastly I want it noted that I am a member of the Green Party. I am a member, not because I have an strong feelings about the environment or sustainability issues, but because I want to vote for somebody who I believe has some level of integrity in their decision making. I think it's highly unlikely that we are likely to see any change towards to a fairer tax system when the two major political parties are involved because they are really only interested in remaining in government, returning to government, and looking after their vested interests.

This is to the detriment of the country as a whole.

Cheers
Peter Plunket

From: [1]
Sent: Sunday, 29 April 2018 12:53 PM
To: editor@nzherald.co.nz; TWG Submissions
Subject: FW: Taxation Proposal

From: [1]
Sent: Sunday, 25 March 2018 6:21 AM
To: 'editor@dailynews.co.nz'
Cc: 'submissions@taxworkinggroup.govt.nz'
Subject: Taxation Proposal

Taxation proposal

In response to Stuff News question "Should NZ have a wealth tax", I choose option 2; "No way, keep your hands off".

Because of an aging work force it has been suggested that government be more reliant on taxing capital gains and less reliant on taxing wages. In this 21st century it has become more critical to stop government borrowing and to minimise credit creation by modernising money and taxation.

Government bonds can never be assets if the debt is never repaid. It does not matter whether credit (money) is created as debt or debt-free as both cause inflation and reduce the purchasing power of our currency (invisible taxation). But debt-free money has three immediate benefits. It stops the payment of interest to banks, allows the modernisation of taxation and controls inflation by being spent into the economy not lent. By stopping the diversion of tax revenue away from consumption and tangible capital investment allows personal income tax to be abolished and goods and services tax to be upgraded (20-25%) to tax the economy fairly as it was designed to do (no loopholes). There would be no need to consider inheritance tax, capital gains tax or wealth tax.

Only the wealthy would say the poor are disadvantaged by such a proposal but really it would be the wealthy that would be disadvantaged as they have more wealth and income to spend.

The " wealthy experts" must stop thinking of themselves.

Steve Laurence
[1]

From: [1]
Sent: Sunday, 29 April 2018 12:48 PM
To: TWG Submissions
Subject: My submission (without typos)

Q: What does the future of tax look like to me?

A: This is the tragedy. While many were/are all getting rich off the "housing boom", what they are really doing is bidding up the cost of living for everybody. We effectively implemented a tax on ourselves. The best part is the impact of the insanity hasn't even been fully felt yet, that will keep ratcheting up as more people transact houses at the new prices and more existing home owners cash out their equity for boats and holidays.

J

Now you might say, what happens if it's a two person world and I don't bid more and I miss out on the house? Well here is the thing, it's an arms race. You leverage more, your opponent leverages more, your parents guarantee, their parents guarantee. The point is someone always gets the house, bidding up the price just sets the toll society has to pay. And it would perhaps be fine if at the other end the beneficiaries - those with increased equity or sale price - invested their money wisely to balance the debt the buyers were taking on but I doubt that happens.

So my argument, long as it is that every $1 house prices increase is a tax increase on New Zealanders. The best decision we could take is to introduce debt to income limit which would lead to better economic decisions. Lower house prices = a lower cost of living and a wealthier New Zealand.

Just to illustrate my point, imagine two scenarios in a world with one person and one house. If a person's hard limit on buying a house is 25% of their income then they will have 75% to spend on other stuff. If their mate tells them "just borrow and do whatever you have to to get on the property ladder because otherwise they'll be more expensive next year" and they borrow to 35% of their income (talking repayments here) then now they only have 65%. The difference between 25% and 35% is solely based on willingness to pay (soft constraints like personal heuristics) and ability to pay (hard constraints like bank lending limits). In a world where people were prevented from borrowing more, house prices would remain lower and collectively we would all be better off.

NONE of us live in a vacuum or a single state of control over our lives! We ALL influence and manipulate the outcomes for others by our OWN actions as a collective. That is the very foundation of the definition of "society". Societies values are what allows or disallows what we each make of life in many ways.

You never have total autonomy. NZ has become a very sad and materialistic place since the days when I grew up. I would go back in time in a heartbeat. NZ is becoming just a another soulless US idolising getto of despair for future generations, piece by piece.

Q: What is the purpose of tax?

A: To provide government income for the EQUAL benefit of ALL citizens! Why should ANY of my or anyone elses taxes go to propping up the private property portfolio's of parasitic landlords via ambulance at the bottom of cliff benefits such as WFF or the Accomodation Supplement?

Anyone using public funds to make profits for themselves is a parasite. I'm all for welfare for those that need it but not if a private landlord is standing in the middle with their hand out cause they want to retire with 50 to 100 properties under their belt paid for by the NZ taxpayer!

Fiat Currency is paper tender with no intrinsic real value yet your homes value is based on it.

In 2008 what happen? What was meant by the term GFC? or credit crisis?

Capital Gain, the thing YOU and others thinks will go on forever relies on one specific thing. Perpetual borrowing from banks that fund mortgages based on previous borrowing. When the 'funny money' creation game (credit) runs out of steam you will see negative equity. For house prices to continue to climb forever.....so must wages (inflationary) or you must find richer and richer foreigners to sell to. Construction doesn't get cheaper until again the credit stream to build runs out.

Supply and Demand economic fundamentals yes..........but when our entire monetary system, banking system and credit system is modelled exactly....EXACTLY to that of a ponzi scheme (property ladder or property pyramid?) then the end game will be the same as a game called "monopoly". What happens in a game of monopoly when the bank runs out of cash?

Q: Are we taxing the right things?

A: No, your'e not! But I don't believe ANY government is going to do that! You only care about the short term because so do most of the voters. Politicians are basically just "sales people".

Many voters live week to week, month to month. They are not thinking 50 years out. If you want voters to think longer term..........you need to educate the masses into wanting a national vision, one for them, their kids and grandkids. Something they are not learning in school is how the actual Financial System works, particularly "Fractional Reserve Banking", "Fiat Currency" and how a bank produces money into the system based on this fraudulent system which essentially is a Government sponsored Ponzi Scheme.

Q: Can tax make housing more affordable?

A: Yes, it can but unfortunately when our OWN MP's across the board all have personal skin in the game with portfolio's of multiple property investments themselves then I don't believe any of you will do anything of any real change. Even **Mr Cullen** himself in a recent interview with The Spin Off remark that:

"The last thing you would really want to see happen is a collapse in house and land values" thus he is setting up this tax working group for UTTER failure! Because he refuses to addresses or own up to the fact housing and land prices have become overvalued due to a very poor tax system which incentivises property speculation across the board, inparticular.....the 'family home'!

Q: What tax issues matter to me most?

A: Having a fair tax system that incentivises **real productivity. Not what we have now that continues the perpetuation of increasing peoples debt levels generation on generation to prop up a global Housing ponzi scheme so those that made personal choices of taking on huge debt are financially protected more than those who chose to live within their means without burdening or exploiting others....just to save a few private banks!**

Kind Regards,

Ross Mathews,

[1]

From: [1]
Sent: Sunday, 29 April 2018 12:28 PM
To: TWG Submissions
Subject: Have my say

I consent to being contacted and my opinion being published in full.

...... my submission follows ....

PROTECTION OF OUR HOME - The Top Line

New Zealand needs to be protected for the future. I struggle to see anybody disagreeing with that statement.

This means our resources (Land, Maori Culture, Native Bush, Clean Green Image, exports and probably the sheep) must be sustained.
It seems to me that education and self policing is the best way to achieve this as a natural balance could be maintained.

I don't have a high confidence of this method acquiring and the alternative requires funds to provide oversight. So there does not seem to me to be a way of avoiding taxation for the purpose of protecting our natural assets and resources.

Protection of these resources give us a premium brand and some uniqueness to boot, in the global market place. This is good our "Top Line"

Currently there are many changes (attacks) underway that will change our top line.

The internet is one. When this hit, nobody was prepared primarily because it unfolded over 5 decades and it was hard to understand for most people. Even those
in the industry, I qualify this statement because its the reason we are having this discussion at all. The word is changing.

In my opinion, if tax were to modify social behaviour, this is the one to push. Intellectual Capital is limitless if a little hard to get going. Our unique understanding
of the world is an asset to New Zealand.

To give another example. 3D printed milk.

I imagine this is not news to anyone reading. It is happening now, albeit in its infancy, and in this case the 3D printers that are being used
are actually GMO yeast.

That the printers are made of GMO yeast is not relevant, you can simply imagine them as much more efficient environmentally friendly cows, the point is they will just get better
as time goes on.

3D printing is a clear threat to our top line with the only stalwart being our Clean Green Image that allows us a premium brand. In the face of this it is almost pointless having a
conversation about tax because there won't be any money.

The dairy industry will be the first to be affected closely followed by the meat industry, this will knock off a chunk of GDP, and the splash damage from that event will probably continue
for years and knock off a larger percentage overall but of the 50 Million people or so we can feed with our food industry globally its hard to say how many we will retain in the face of
much cheaper 3D printed product. 3D printing will, of course, continue to other foods and buildings, toys, the list goes on. So contrary to what I said above its not really about the
milk or meat, It is about the 3D printing.

There will be opportunity to carve out niches based on our premium brand and there will be opportunities that arise from this new reality, but re-tasking a nation is
not without issue.

How is this relevant to the discussion? Protecting our natural assets is important, regardless of what context they are discussed in, but our physical assets are limited and dwarfed by our intellectual assets and our intellectual assets need to be able to participate in society at a level that encourages them to be self propelled…segueing to my next point...

ABUNDANCE - Cashflow is king

Top line is well and good, but if the at least some of populace is struggling to live (and as of this writing, they are) and people are living in the streets (as of this writing they are) then I would say the top line is not a main consideration in most peoples minds, why should they? It is not their concern.

wrong.

It is their concern. But without money in their pockets or a roof over their head it's hard to care.

As a country we are not different than a business. A simplistic view of a business is that it is comprised of a business engine and shareholders. A business engine is made up of multiple things staff, the business model, trade secrets, IP and the list goes on.

The 3 things a that business must do to survive are are grow the business engine and maintain the business engine beyond that it must return excess cash to the shareholders.

We, the people, are both the shareholders AND the business engine. Maintaining the engine in this scenario is a balance between policy settings and happiness.

So I am advocating for more cashflow in society. This means paying less income tax. And I mean Zero, Including Corporates. Up to a certain rate, probably $100,00.

EG: the first 100G you earn is tax free. This is a major boon for individuals and incentive towards for small business. For larger businesses tax revenue would not change a lot if this idea was applied to them, but exactly what this would mean for a large business I am less certain, but anything that gets them spending money and increasing cashflow in society is good for society. A large corporate asset-izing everything to avoid tax is not beneficial for society.

In my opinion this means an increase in consumerism and therefore an increase in revenue opportunity from GST to compensate for the loss of individual income tax.

My guess is that approximately 10% of individual income tax would be retained by the highest earners paying on income over 100,000. Also in my opinion a hike in the GST rate seem appropriate and this also gives a more "in your face" opportunity for social behaviour modification (*1) and 20% GST does not seem out of line. This would recover another 5 or 6 Billion more of less, if consumption does not change. Tax revenue would still be down about 25 billion. A large sum of money for sure.

But that means 25 billion is back in the hands of consumers who are now in a much better position overall. So you could expect GST revenue to increase through extra consumption.

NOTE: I am basing my figures on the table found here http://www.ird.govt.nz/aboutir/external-stats/revenue-refunds/revenue-collected/ If I have misread the table my figures can be adjusted.

In my opinion certain products, healthy food and beverages should be completely exempt from GST. Also in my opinion this should include restaurants generally but not fast food chains. Is this fair? probably not but neither is dying from macdonald's induced heart attacks.

*1 ASIDE: the sugar issue is hard, because its not sugar that is the primary issue. Its the incessant lifestyle marketing and incentivising of overly sugary products.

CONSENT - nobody votes for more tax

The definition of the word consent has become more concrete and clear in the general vernacular in recent years.

In my opinion, clear enough, to say that just because the government got in on the majority vote (which the current one didn't) that what they say YES to is not the same as the consent of ALL. In fact it is the very definition of the opposite. The fact that we must democratically acquiesce is not the same as consent.

Dutifully paying tax as is required of us should also not be considered consent. There is no choice given. I for one have never been asked if I wanted to.

This opportunity for the people to have their say about tax cannot also be considered consent. Primarily because you won't hear from all people. More than 10% would be a Christmas miracle.

What should we do about this?

Ask if people want to pay tax seems the obvious answer. Beyond that I have no clue, but the notion that taxation occurs with the consent of all New Zealanders is not a valid one and nobody can rightly think it is until all citizens actually do consent.

SOCIAL CONSCIENCE - it's our job to care, not to be fair.

When talking about wealth transfer, it is never going to be considered fair. And it should not. Nobody should think it is fair, least of all the people who are on
the receiving end. It is the mindset that leads to generational welfare. That is a detrimental societal meme.

However, people who make bad life choices or had bad situations forced upon them should not be left to starve. It is a MORE detrimental social meme to think otherwise.
we exist as a society to be collectively something more than the sum of us all. So even people who need help now may contribute later.

My mother used to say to me that life isn't fair, and irritatingly that is a truism at least some of the time and sometimes people need to be supported otherwise why did we bother
with collective society in the first place.

Personally I think New Zealand does quite well in this area and that the government as whole is quite progressive. That traditional cultural values are even being considered in
this context is a pretty amazing achievement in the current world climate. To be clear here I am not suggesting payouts to tribes. Im suggesting that championing our culture
is an unprecedentedly wholistic point of view.

I also think that we can do much more in the way of educating people out of the welfare mindset. Sure extreme poverty is not a just mindset and not only exists just because of poor
life decisions, but educating into dependency - ironically by providing welfare in the first place causes some of the problem. It is a difficult problem to solve, probably impossible and
not all people are dragged into the welfare mindset so I am very hopeful that New Zealanders can bite off a large chunk of this problem.

It should be noted that I consider the health system, police, government social services and like bodies part of the transfer system. Having an educated population is the only
way to relieve the pressure from these services and chip away at the problem, of the need for welfare, in the first place.

NOTE: Yes I understand I am saying that EVERYONE is dependent on some sort of welfare, in the model described above, but is there a more wholistic way to frame it?

FINALLY:

To give some context, I am of Maori descent and consider myself Maori, albeit a city Maori and I personally don't find much value in the culture that benefits myself. I actively
encourage my children to get involved however. But it will be their choice in the end wether they want to or not.
I also earn over the 100,000 rate that I mentioned above, so while I would personally benefit from a tax free threshold I would not I would still end up paying income tax. I have 3 children so I am also supporting dependents and I am receiving help from the government via the 20 hours per week of free nursery time. Though I pay for more than that and have done since before receiving that benefit.

There are many more issues here that are related to the taxation discussion but I am trying to keep this as short as possible to get the main ideas across.
You have asked some very complex questions some tactical and short term and some for the strategic longer term. I have taken the point of view of
the long term.

I hope you find my thoughts ordered and self consistent. I have struggled with these idea for the better mart of a month, and the notes I made prior to this finally rendering
had to be condensed down a lot. I am very happy to resolve any inconsistencies or ambiguity if required.

Below I am directly answering some of the questions posed by the brief that I believe fit with my overall message above.

What principles would you use to assess the performance of the tax system?

Are people homeless and/or struggling to feed their families? To be clear I don't think the tax system is responsible for homelessness. But if, as stated in the brief that a
tax system is good for a society then something is very wrong with society when homelessness increases - in a first world country - therefore if a robust tax system is good for
society it must not be working very well if homelessness exists.

'Taxes also fund a safety net that maintains a minimum standard of living. In this way, taxes could be seen as a payment for a kind of social insurance that mitigates the impact of unexpected economic shocks with the intention that everyone regardless of income can participate in society.'

This principle is not being met - look around.

As expressed through the political system, it is clear that New Zealand as a society accepts that a progressive tax system (where those on higher incomes pay higher proportions of tax) is a fair system.

Why is this clear? no-one campaigns on this idea. Not one government would get voted in by championing this loudly. I read a quote that said

"The typical way of framing tax, regardless of who pays it, is of a payment grudgingly given, an unfortunate inevitability of modern life."

This obviously just an opinion of somebody, it is hard to disagree with it.

It is important that tax is not evaded through participation in the 'informal' sector – also referred to as the "grey" or "black" economy.

In my model the informal sector ceases to exist.

Transfers

The problem with addressing inequality is that welfare creates a climate that ultimately increases inequality by making dependents more dependent. Long term
this dependency is bad for everybody.

Ageing population

This should really be a no brainer. Have more children. Anything that improves our chances of this is a worthy consideration in my opinion. Actually I think this has to be one of
any governments highest priorities. In a country as small as ours it becomes an existential threat that immigration does not solve.

I would seem the government is doing a lot in this direction already, but I don't think enough.

Defining 'fairness' How would you define 'fairness' in the context of the tax system?

Unfairness, in this context, is an extreme disparity in prosperity (cashflow) as opposed to wealth (assets) of a societies citizens.

Example:

Is it fair I can't feed my children whilst my neighbour wheel spins his Ferrari down the street.

conversely

Is it fair I pay to feed my neighbours children because I worked hard to get my Ferrari.

To be clear, I am not saying that personally building asset based wealth is a terrible thing or that we should tax personal assets. I am saying that when you are surrounded
by people flaunting their wealth and you can't particularly see that you have done anything wrong as far as life choices are concerned and you are contributing to the country
by having children, paying taxes then the definition of fair becomes very subjective and unclear. However if I can pay to feed, cloth and educate my children and have some breathing
space then I am only a little bit jealous of other success and what is fair becomes less of an issue. Still not an ideal mindset, but more healthy than the alternative.

To overly emphasis, if I am earning 60,000 (a seemingly good wage) and I pay exorbitant amounts on housing because the government let property speculation go rampant during the
90's and somehow doubled the cost off living over the last 10 to 15 years, without enabling pay rates to go up proportionately (IE: the government hasn't done a great job) and then I'm paying 6000-8000 dollars in tax on top of that it is hard to see the concept of "fair" with anything approaching objectivity.

Is there a case to change the tax system to promote greater housing affordability?

No, that ship has sailed. The time was in the 90's when something could have been done, within the law and fairly. But somebody
chose not to enforce the laws that were in existence. Which by the way was a clear case of not being fair. In fact I can see how someone could draw correlation
between property speculation, local body rates and some entity choosing not to enforce existing laws to control said speculation.

From: Sharyn Barclay [1]
Sent: Sunday, 29 April 2018 12:18 PM
To: TWG Submissions
Subject: TAX WORKING GROUP SUBMISSION

TAX WORKING GROUP SUBMISSION

To Whom-it-concerns

In all eight broad areas of the NZ cultural milieu, significant democratisation is needed. A greater say or input into the apportionment of tax dollars is far more participatory.

Base level funding should be given to those areas identified as critical to continued functioning of society. Those foundational aspects of society, crucial to a well-managed and balanced way of living, will of course remain with funding. Non-negotiable public providers include such areas as the public health & education portfolios and the departments of conservation and housing. Negotiable would be entities such as (random examples) PAM (Petroleum and Minerals) and Statistics.

Funding beyond that baseline is more a values-based and personalised assessment. Each individual ought to be given the choice for destination of their hard-earned money as they see fit. A person who sees a Government funded area, say Justice, as a higher priority than another public entity, say the Ministry of Transport, is able to reflect this in apportionment of their tax dollar.

The weight of people power would then be democratised. According to public pressure some areas would fluctuate in relative importance dependent on timeliness and even 'fashion'. E.g Arts, Culture and Heritage may see greater support when rising sea levels are no longer of concern in the Pacific Peoples portfolio.

In this era of corporate lobbying, sway and spin being projected onto political parties and figures, a spread of the weight of that pressure over all tax-payers is far more equitable.

With the internet of all things being accessible to all, or the vast majority, of kiwis, this provides a perfect platform for communication of areas of choice of tax expenditure. Kiwis should be able to choose to convey their tax wishes or not, whether via the web or an accessible postal means, every financial year (or perhaps every Government term, with choice being given on voting ballots….). This is obviously an area for discussion. If choice is not exercised a 'default' allocation would be made, determined by a cross-party tax allocation steering committee.

In regard to specific comments re taxes…

Very strongly, NZ Tax should reflect 'The Polluter Pays' principle. This recognises the critical role of the environment on the NZ economy.

Of great importance is recognition that ACD (Anthropogenic Climate Disruption) is the largest challenge for central Government EVER! Climate change poses an existential threat to humankind. That statement does not allow for importance of biodiversity, the need for stability in climate for food production, the risks inherent in coastal communities, the likely huge insurance increases, danger posed by extreme weather, floods, droughts and wildfires, …any and all problems associated with the lived effects of ACD . Accordingly, I advocate a Carbon Tax.

Those who behave directly or indirectly (e.g coal mining) to increase atmospheric load of carbon (or equivalent carbon in the case of methane) are not currently paying for that wholesale climate damage and ought to be taxed accordingly. Those who behave directly or indirectly to decrease atmospheric load of carbon (be it by planting trees, not using their private car, following a climate diet,… implementing any changes within their home or business) ought to see tax cuts based on these changes. This ought to apply across the board from individuals who begin composting, to businesses with an EV (electric vehicle) fleet, to municipal councils who have climate friendly cafeteria food. A ‘reward’ and ‘penalty’ system is the tax answer to how NZ tackles greenhouse gas emissions.

Please contact me if further clarification is needed. I’m very strapped for time to submit my ideas.

Yours sincerely

Sharyn Barclay

[1]

From: [1]
Sent: Sunday, 29 April 2018 12:15 PM
To: TWG Submissions
Subject: My Tax Working Group Submission

Q: What does the future of tax look like to me?

A: This is the tragedy. While many were all getting rich off the "housing boom", what we were really doing was bidding up the cost of living for everybody. We effectively implemented a tax on ourselves. The best part is the impact of the insanity hasn't even been fully felt yet, that will keep ratcheting up as more people transact houses at the new prices and more existing home owners cash out their equity for boats and holidays.

J

Now you might say, what happens if it's a two person world and I don't bid more and I miss out on the house. Well here is the thing, it's an arms race. You leverage more, your opponent leverages more, your parents guarantee, their parents guarantee. The point is someone always gets the house, bidding up the price just sets the toll society has to pay. And it would perhaps be fine if at the other end the beneficiaries - those with increased equity or sale price - invested their money wisely to balance the debt the buyers were taking on but I doubt that happens.

So my argument, long as it is that every $1 house prices increase is a tax increase on New Zealanders. The best decision we could take is to introduce debt to income limit which would lead to better economic decisions. Lower house prices = a lower cost of living and a wealthier New Zealand.

Just to illustrate my point, imagine two scenarios in a world with one person and one house. If a person's hard limit on buying a house is 25% of their income then they will have 75% to spend on other stuff. If their mate tells them "just borrow and do whatever you have to to get on the property ladder because otherwise they'll be more expensive next year" and they borrow to 35% of their income (talking repayments here) then now they only have 65%. The difference between 25% and 35% is solely based on willingness to pay (soft constraints like personal heuristics) and ability to pay (hard constraints like bank lending limits). In a world where people were prevented from borrowing more, house prices would remain lower and collectively we would all be better off.

NONE of us live in a vacuum or a single state of control over our lives! We ALL influence and manipulate the outcomes for others by our OWN actions as a collective. That is the very foundation of the definition of "society". Societies values are what allows or disallows what we each make of life in many ways.

You never have total autonomy. NZ has become a very sad and materialistic place since the days when I grew up. I would go back in time in a heartbeat. NZ is becoming just a another soulless US idolising getto of despair for future generations, piece by piece.

Q: What is the purpose of tax?

A: To provide govenment income for the EQUAL benefit of ALL citizens! Why should ANY of my or anyone elses taxes go to propping up the private property portfolio's of parasitic landlords?

Anyone using public funds to make profits for themselves is a parasite. I'm all for welfare for those that need it but not if a private landlord is standing in the middle with their hand out cause they want to retire with 50 to 100 properties under their belt paid for by the NZ taxpayer!

Fiat Currency is paper tender with no intrinsic real value yet your homes value is based on it.

Here's a little something for people like you all to think about, 2008 what happen? What was meant by the term GFC? or credit crisis?

Capital Gain, the thing YOU and others thinks will go on forever relies on one specific thing. Perpetual borrowing from banks that fund mortgages based on previous borrowing. When the funny money creation game (credit) runs out of steam you will see negative equity. For house prices to continue to climb forever.....so must wages (inflationary) or you must find richer and richer foreigners to sell to. Construction doesn't get cheaper until again the credit stream to build runs out.

Supply and Demand economic fundamentals yes..........but when our entire monetary system, banking system and credit system is modeled exactly....EXACTLY to that of a ponzi scheme (property ladder or property pyramid?) then the end game will be the same as a game called "monopoly". What happens in a game of monopoly when the bank runs out of cash?

Q: Are we taxing the right things?

A: No, your'e not! But I don't believe ANY government is going to do that! You only care about the short term because so do most of the voters because politicians are basically just "sales people". Many voters live week to week, month to month. They are not thinking 50 years out. If you want voters to think longer term..........you need to educate the masses into wanting a national vision, one for them, their kids and grandkids. Something they are not learning in school is how the actually Financial system work, particularly "Fractional Reserve Banking", "Fiat Currency" and how a bank produces money into the system based on this fraudulent system which essentially is a government sponsored Ponzi Scheme.

Q: Can tax make housing more affordable?

A: Yes, it can but unfortunately when our OWN MP's across the board all have personal skin in the game with portfolio's of multiple property investments themselves then I don't believe any of you will do anything of any real change. Even Mr Cullen himself in a recent interview with The Spin Off remark that:

"The last thing you would really want to see happen is a collapse in house and land values" thus he is setting up this tax working group for UTTER failure! Because he refuses to addresses or own up to the fact housing and land prices have become overvalued due to a very poor tax system which incentivises property speculation across the board, inparticular.....the 'family home'!

Q: What tax issues matter to me most?

A: Having a fair tax system that incentivises **real productivity. Not what we have now that continues the perpetuation of increasing peoples debt levels generation on generation to prop up a global Housing ponzi scheme so those that made personal choices of taking on huge debt are financially protected more than those who chose to live within their means without burdening or exploiting others....just to save a few private banks!**

Kind Regards,

Ross Mathews,

[1]

From: Derek Wiseman [1]
Sent: Sunday, 29 April 2018 11:55 AM
To: TWG Submissions
Subject: General submission

I believe that I have some innovative ideas

First, the 'housekeeping'

I am happy to be contacted if necessary about my views. By email, phone to [1] or in writing to > [1]
[1]

I believe that the major problem taxation needs to address is the gap between the haves and the have-nots that has grown astronomically in New Zealand

I find it offensive to live in a society where a substantial and growing 'wealthy' class can afford massive homes they don't need, yachts, supercars, expensive holidays, top class private health etc, while at the same time a much larger percentage of the population is struggling to acquire the basics of housing, food, clothing, education, health and welfare. Had it not been for the recent change in government, I would for this reason alone have been planning to return to live in Europe.

I accept that this is difficult to reverse but I would offer the government the following ideas, which I believe would help it achieve its objectives.

They are not necessarily in order of importance, just order of coming to mind!

Starting maybe at the end I realise that enforcement is a big issue but I think that a lot more effort at the high end of fraud would be more appropriate than targeting struggling tradesmen doing the odd "cashie"

I was very enamoured a few years ago by an Italian government tax initiative. They asked their police to stop every supercar and find out who was really using it. These people were then targeted for intense investigation. Apparently it was extremely cost effective in revealing tax fraud, loopholes their tax department didn't already know of and general crime!

Turning to policies, I would prioritise taxing luxuries over necessities. For example no GST on 'ordinary' family needs but increasing GST as selling price goes up on luxuries, especially those imported from overseas. Clearly a political decision but for example no GST on a locally used 'normal' car that sells for $5000 rising to maybe 100% GST on a just imported supercar. No GST on local accomodation providers rising to 100% GST on overseas holidays costing in excess of
$20,000 per week per person

Income tax is a real hot potato as so easy to conceal but it should be progressive. I like the UK model of no income tax up to a certain level

Then I would tax according to a combination of need, earnings and 'usefulness to society' of the means of acquisition. Again a political decision but for example on the same earnings -

a disabled solo parent pays less tax than a working couple with no dependents a doctor, teacher or social worker pays less tax than a real estate agent or currency dealer

Anybody should pay a much higher percentage tax on an income of $500,000 pa than on an income of $50,000 pa, at least double or triple

I think it's too difficult for tax to solve the housing problem. If this country has to rely on wealthy immigration, rather than skilled immigration, (which appears to have been the policy of the last government) then it should have had the policy of the UK channel islands, requiring I think ten years of residency before house purchase is permitted, but that's really for another forum.

Similarly, I think incentivising environmental improvements is not a matter for direct tax to address but more a matter of government expenditure. But who am I to say whether our taxes should go to electric vehicle intrastructure or to health needs? As an EV owner who has just been turned down for an appointment with an orthopaedic specialist because the government thinks I'm not disabled enough I have mixed feelings! However I'm glad that our government has both a socialist party and an environmentalist one so they can fight it out for me!

Best wishes

Derek Wiseman, M.A., C.Eng, M.I.E.T

Company director of small transport business Retired broadcasting engineer Former (London Borough of Harrow) local councillor

From: [1] [1]
Sent: Sunday, 29 April 2018 11:34 AM
To: TWG Submissions
Subject: Submission

A concern I have is around the other taxes such as rates which seem to be increasing in an uncontrolled manner. Consideration is needed on the total tax picture looking at options for addressing rates as well. Taxing the capital and land value of properties which have no relationship to the services provided is not the appropriate system for local taxes. Year on year increases in rates at twice or more the rate of inflation is a significant concern. There seems to be no means of securing financial discipline on local government in the expenditure of rates. Section 32 analysis of costs and benefits are little more than descriptive stories with little or no quantitative elements. Also there appears to be little ratepayer control of the excesses.

May I suggest an approach that sees any request for rates above the rate of inflation voted on by ratepayers, easily done through postal and electronic voting. Each proposal would need a detailed cost benefit done on it and presented to ratepayers. Also a fiscal responsibility legislation for local government under the Local Government act should be implemented.

Regards

John Ryan

From: Avril Bell [1]
Sent: Sunday, 29 April 2018 11:00 AM
To: TWG Submissions
Subject: Submission to Tax Working Group

To whom it may concern

In terms of NZ tax law, I would like to see us:

- Institute a capital gains tax on property other than family homes
- Do something about the impact of GST on basic – and healthy – food stuffs, whether that be by abolishing GST on those items or some other mechanism

I also support Oxfam's campaign to encourage the Tax Working Group to do the following:

- We believe the Tax Working Group should extend the remit of its recommendations to Cabinet to examine New Zealand's role and responsibility to fix the global tax system.
- The Paradise and Panama Papers demonstrated that the lack of tax transparency is a global problem that needs a global solution.
- Developing countries are missing out on $150 billion each year due to multinational tax avoidance
- Tax avoidance deprives governments around the world (including NZ) the money they need to tackle poverty and inequality.
- Governments must act together to force this system to end. Countries must work collaboratively to remedy the system.
- New Zealand must stand in solidarity with developing countries and call for a new generation of global tax reforms. This will be most easily done through a new UN-based global tax body.
- A UN Tax body will ensure all countries participate on an equal footing and ensure multinationals pay their fair share of tax.

Avril Bell
[1]

From: Cath Wallace [1]
Sent: Sunday, 29 April 2018 10:29 AM
To: TWG Submissions
Cc: Eco Office; Barry Weeber; Annette and Tony Dean
Subject: Submission delay - Tax WG - request for extension

Dear folks,
Cath Wallace of ECO NZ here. This is a request for an extension of time to submit ECO's submission re the Tax Working Group. We have a pinch point of many deadlines about the same time and many meetings last week and this coming week and some other demands such as the Biosecurity 2025 process that I'm involved with.

I am responsible for bringing together the various contributions of others and adding further material, but I'm up on the East Coast of the Coromandel and we have had a massive and sustained dump of rain (174mls in less than 24 hours!!) and now a lot of flooding. We are on a hill country farm and have many culverts to clear. I need to spend time on this to avoid serious harm to the house and farm tracks in this steep country.

I've also got to drive to Wellington when flooding subsidies, and so I wondered if you would be ok if we get the sub to you at the end of this week, or even Monday 7th May?

Please let me know as soon as you can whether this extension is ok.

We can send you something earlier (but probably not by Monday 30th) if necessary.

Regards,
Cath Wallace
[1]

From: Molly Harrison [1]
Sent: Sunday, 29 April 2018 9:57 AM
To: TWG Submissions
Subject: Submission

Please get rid of tax on sanitary items!
This is far beyond fair and humane.
Women, all woman do not have a choice on this matter, you can go into ANY doctors and get 500 FREE condoms.. so why can't we get some ATLEAST cheaper sanitary items?
It's not easy , even with the substitutes such as "moon cups" (public bathrooms don't often have basins in the cubicles) so it's not always an easy clean up for woman trying to make it cheaper and easier for them selves.

Thankyou,
Molly.

Sent from my iPhone

From: Alan Dallas [1]
Sent: Sunday, 29 April 2018 8:35 AM
To: TWG Submissions
Subject: Submission 1

During the tax review the topic of tax avoidance should look in great detail to

1. Gross profit being shipped off shore.

2. The misuse of the charities act, charities, churches and Iwi having bonafide businesses which pay no corporate tax as the profit is returned back to the principal charity, supposedly!
> The charities act should only be for a not for profit charity, not businesses, the is a major loophole that is exploited on a daily basis costing the country billions in revenue.

3. The misuse of trusts to avoid taxation by wealthy businessmen, companies, churches, Iwi ect.

4. The tax bracket levels. The majority if middle wage earners are now paying top rate tax. Wages have increased although the level at which you pay top rate tax has not over the years. The level for low wage earners has been adjusted before tax is paid but not the bands above. This should be addressed for a fairer system. Having it currently set at $70000 means the majority of New Zealand is paying top rate income tax.

5. GST should not be paid on groceries and every day items as well as children's clothing. GST was meant for luxury items not for essentials.

Clean up in tax avoidance, then a little can be given back to make a fairer system.

Regards

Alan Dallas

Sent from my iPhone

From: [1]
[1]
Sent: Saturday, 28 April 2018 10:51 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

To the Tax Working Group

My background
I have had considerable experience with New Zealand taxation as a taxpayer, importer, services exporter and private purchaser of overseas goods. In addition, I have worked in the field of commercial property management.

I am open to being contacted to explain any aspects of my submission.

Goods and Services Tax
In my view GST is an inefficient, outdated tax which cannot be adapted to meet the basic criteria for an effective tax in the age of online shopping and international transactions. IRD has worked extensively with large retailers such as Amazon to integrate GST collection on New Zealand sales but these measures are easily avoided (even legitimately) by means of forwarding services, gift card purchases or international credit cards. Many vendors even offer to modify packaging slips to misrepresent purchase price in order for purchasers to evade paying customs GST. It has been reported that IRD has proposed the implementation of a $1.9Billion IT solution aimed at identifying GST evaders. This will only marginally improve compliance because of legitimate loopholes remain. Unfortunately, domestic retailers and manufacturers are less able to legally avoid GST and therefore the current tax system is dis-incentivising local business in favour of imports. I believe this is an unfair and irresponsible taxation practice.

It is my belief that the strength of a tax is in simplicity and the lack of exceptions. For this reason I favour a low-percentage (<1%) financial transactions tax (FTT) levied on all transactions without exception. This tax would replace GST completely and would utilise the current banking system mimicking current bank levied FTT in the form of service or credit fees. The strength of this approach is that all transactions both local and international would be subject to the tax so no bias would exist against local business. Because almost all transactional value is now undertaken electronically, applying the tax would be inexpensive, reduce compliance cost to businesses and reduce enforcement costs to IRD. The tax would also recover revenue from real estate, sale of companies, stock trading and other untaxed economic activity. Importantly, it is likely even to tax illegal black market business which is notoriously hard to tax.

In order to overcome claimed disadvantages such as increased market volatility, capital retreat and tax evasion through cash purchases, FTT cannot be implemented at high percentage rates. Its efficacy must therefore be through universal application. If the government was to replace GST with FTT as I suggest, additional expenditure by IRD on GST evasion would be avoided and would not be required for FTT. Taken together with it's other inherent efficiencies for New Zealand businesses and individuals, I believe FTT is a natural replacement for GST in the internet age.

Combined Family Income Tax
At present income tax is calculated on the basis of individual income - not combined income - while Working for Families tax credits are allocated on the basis of family income. This is a confusing and complicated contradiction which penalises full time care giving and single income families. For example if an individual parent earned $120,000 p.a. while the other parent did not undertake paid employment, the family income would be $120,000 p.a. and income tax payable would be $30,520 p.a. On the other hand, if both parents work and earn $60,000 p.a. each resulting in the same combined family income of $120,000 p.a., the annual taxation would be significantly less at $22,040.

The New Zealand Government recognises the value of unpaid caregivers and stay-at-home parents. I therefore recommend that income tax is levied on combined joint family income rather than individual income. I acknowledge that there is a risk that individuals could falsify relationships but this would only be beneficial over a relatively small potential tax take. I believe acknowledging unpaid parental contribution outweighs these minimal disadvantages.

0% Income Tax Band as a tool for low income earners.
I have experienced Working for Families as a recipient and although the benefits of government support were valuable, I believe this system is a disastrously cumbersome, complex and confused mess to work with. I experienced effective marginal tax rates exceeding 100% on several occasions. Although I appreciate Working for Families is like outside of the terms of reference for this Working Group, I would like to suggest an initial taxation free threshold. I believe establishing the first graduated taxation band at 0% has the advantage of reducing the need for complex redistribution systems such as Working for Families but still benefits individuals and families on low incomes.

Financing New Zealand's Natural and Cultural Assets
Having travelled internationally and experienced other country's fees and taxes on visitors, I believe New Zealand does not adequately recover costs associated with our conservation estate, heritage and public exhibitions. For example, in the United States visitors generally pay a fee to enter national parks. I do not favour this model but instead support the establishment of an arrival tax of between $50 and $100 per person which would contribute to a fund for the provision of these services.

Taxation of Property Assets
I believe taxation should be used to manage unproductive, speculative investment, either in real estate or other assets. I favour taxation tools which recognise the economic services of land ownership in the form of an annual land tax on property owners. I also believe that all financial gain on property, irrespective of the time elapsed or the property use should be taxable as income on realisation of this value. I expect this might not be popular but the continued disproportionate investment in property as a means of capital gain seriously impedes productive investment in business, research and technology.

Differential Taxation for Regional Growth
I believe taxation can and should be used to encourage regional productivity and avoid unmanaged expansion as has occurred recently in Auckland. One way that this could be achieved would be through differential taxation of the regions. For example, company and income tax for companies and individuals based in Westland could be taxed at a lower rate than in the rest of the country. This would incentivise headquartering of companies in the region without the need for costly state intervention. By fully realising underutilised regional infrastructure through creating a taxation incentive structure, uncontrolled expansion in main centres could be greatly mitigated.

From: Anna Macrae Goodwin [1]
Sent: Saturday, 28 April 2018 10:32 PM
To: TWG Submissions
Subject: Philosophical directives

Under the Common Law, the right to tax is said to be "the right to kill". As a tax and rate payer, my interpretation of this statement is that taxation is intrinsically hostile to the interests of those paying the tax. In westernised democracies, we elect governments to oversee our public services and infrastructure development, and we acknowledge that these services require payment in the form of taxes. We pay willingly for these things and even acknowledge that we should give a little to those who are temporarily struggling (and haven't chosen "the benefit" as a way of life). We assume ongoing benevolence in our elected leaders, and give them our sacred trust not to kill us with the power we have allowed them. We assume that, because we elect them to represent us, that they have our interests at heart and are not simply serving themselves with lavish budgets, pet projects, unmerited bonuses, unlimited (unaccountable) expense accounts, and economic favours to their friends and cronies. Inevitably, our leaders are corrupted and forget the sacred trust that we have granted them. Our elected government, from the smallest city council to the central government, has demonstrated contempt for taxpayers by failing to disclose how our money is spent. The Auckland "Super City" is a prime example. Budgets and projections are smoke and mirrors that bear no resemblance to reality. Too often, we are consulted as a symbolic gesture and the government defies our collective will and does as it pleases. In this sense, government has committed legislated theft against its own citizens. Our trust has eroded.

We must, as citizens and residents, live within our budget, pay our bills on time, and learn to make funding priorities. If we cannot afford something most of us simply don't buy it. We are not allowed to, nor should we be, enslave the next generation of our family to our unbridled spending and debt acquisition. We are not allowed to make demands of our neighbour to pay our debts. As such it is ultimate hubris that the NZ government would continue its shameless bureaucratic expansion and refuse to live within its own budgets and "10 year plans". Priorities must be set in place, and the government must tighten its belt and live within its budget. It must give an accounting of how our money is spent and the value that this achieved. It is our money after all, and our government is meant to be acting as our fiduciary, not simply helping themselves and their cronies.

It is generally true that if we want more of something, it should be taxed less. If we want less of something, it should be taxed more. This has worked with tobacco, and we have seen a continued drop in cigarette smoking. A sugar tax makes perfect sense and would be far better for reducing dental caries than forcing water fluoridation upon communities.

Carbon taxation however, is a regressive tax that will not do anything to help the planet. Carbon credits are a joke and have lined a few pockets and caused us to cover the north island with Pinus radiate and resulted in an ecological nightmare and loss of habitat for native birds and plant species. Decentralising energy production and incentivising individuals to use less energy and produce less waste will have a greater impact in the long run on helping the planet. NZ should be helping to subsidise solar, wind and geothermal (when feasible) power. We have so many options in this country. Making energy should not be JUST be for the profit of Primary industries or state owned enterprises, however. Individual kiwis could realise a personal l gain/cost saving with solar panels on their roof and some simple strategies to keep heat from being lost from their homes.

The leaky home debacle keeps costing us dearly and adding to the tax burden of kiwis. The uniform Commercial Code has worked well in America for establishing responsibility and liability for payment in situations wherein a building has failed to perform. This could easily be adopted here going forward.

The Christchurch earthquake rebuild is a quagmire of unaccountability and spending excesses in the CBD, and yet individual people and families are still displaced and cannot get legitimate funding to rebuild their lives. Better oversight and accountability around what has been spent and how this was allocated should be put in place.

Thank you for your consideration,

Dr Anna Goodwin

From: Rupert Rokeby-Johnson [1]
Sent: Saturday, 28 April 2018 10:05 PM
To: TWG Submissions
Subject: Thoughts for the Future of Tax Review

As a relatively recent resident of NZ, I am generally in favour of the approach to taxation favoured by Governments of all persuasions over the last 30 years broadly reflecting the Roger Douglas reforms of the 1980s. Micromanagement and over complicated systems a la Muldoon or Gordon Brown/George Osborne in the UK demonstrably do not work. The broad approach with limited exemptions and low rates by International standards leads to low costs of compliance and opportunities and mostly minimises avoidance.

I would like to make a few points on the current system that the Group might wish to consider:

1 A Nil Rate Band

Currently there isn't any leeway. A 16 year old working on Sundays in a shop for the minimum wage is taxed on her $150 a week earnings at 10.5%. Most other countries have a nil rate band of some sort which is both progressive and also reduces the overlap between tax and transfers. It would be a boost to low income earners and, if felt necessary, adjustments could be made to minimise any benefit to higher income earners.

2 Automatic adjustment to tax bands

This is common in most advanced economies. In New Zealand the bands were last adjusted in 2010 and then as 'compensation' for the increase in GST. The last real changes were in 2008/9. Fiscal drag is not the issue it was in the high inflation environments of the 1970s, but it was misleading of (then) opposition politicians to describe the changes proposed by then Finance Minister Joyce in his 2017 budget as tax cuts. They were long overdue adjustments to the tax bands which just about reflected inflation over the preceding 8 years. I would suggest that tax bands are automatically adjusted for inflation every year unless Parliament decides otherwise.

3 GST

The NZ GST system has the huge advantage of simplicity. They are no cases like the notorious UK cases on whether a 'Jaffa Cake' biscuit was a cake (0% VAT) or a biscuit (standard rate) eventually decided by the House of Lords. Cold takeaway food is 0%, warm takeaway food is standard rated. The examples are legion. It is considered regressive, but that can be and, to an extent, is compensated for elsewhere in the tax and transfer system.

4 FIF and FDR on overseas income

As a recent arrival with overseas assets, I have yet to find anyone who fully understands the logic behind this system. In my layman's view, it appears to be a way of ensuring that gains from overseas assets falls within the tax net in the absence of CGT particularly those assets where there is no income stream, only capital growth. However, it is effectively a crude wealth tax with an out of date deemed rate of return of 5% and limited recourse if the value of overseas assets fall.

The principle of CGT in NZ has now been established with the bright line test on property which isn't held as a primary residence. It would therefore be sensible to extend this to cover gains on foreign equities when realised and tax any income arising the same way as dividends paid on NZ shares. It would be fairer and simpler.

5 Possible New Taxes

Stamp Duty on the acquisition of Property is cheap to administer and can be difficult to evade. It would have a negative effect on housing affordability.

Targeted Sin Taxes - have either not been a success (Danish fats tax) or are selective in their implementation (sugar taxes limited to soft drinks) because they are difficult in practice to implement.

Land Tax - great caution is needed as this could end up being a Gareth Morgan style ‘asset tax’. Sadly, we can’t all be early investors in Trade Me and many landowners are asset rich and cash poor. A land tax may well encourage more intensive farming which is just what is not needed to reduce CO_2 emissions.

Environmental Taxes - a lot of proposals seem driven by ideology. Carrots need to be provided as well as sticks.

Kind regards

Rupert Rokeby-Johnson

From: [1]
Sent: Saturday, 28 April 2018 9:35 PM
To: TWG Submissions
Cc: Stuart Conferenz
Subject: Submission to the Tax Working Group Capital Gains Tax

A Capital gains & losses tax

1. If you take the risk of investing in assets, such as kiwisaver investments, housing and shares then the result can be:

   Great when their value goes up, as has been the case in the last few years (but only if you sell) or

   Terrible as was the case following the GFC and in the early 2000s and the late 1980s etc (but only if you sell)

   There is only a gain or a loss when you sell an asset. You don't know till you sell how you've done.

   Hopefully you will have protected your asset, and therefore most often your retirement fund, from inflation and also increased the value of your asset. But unlike income there is no outcome guarantee.

2. You are likely to have invested income (in preference to consumable spending) that has already been taxed. Even kiwisaver contributions are effectively partly taxed.

3. As far as I am aware capital gains taxes elsewhere are complicated, costly to administer and produce a relatively small amount of revenue.

4. They also tend to be one-sided. Tax the gain but no refund for the loss. No government in the world would be prepared to "refund a notional tax on losses" Way too risky in a downturn.

5. Keeping out of capital gains & losses tax is an incentive to forego some spending and to invest and we need people to do that if they can for their future & NZs future

I advocate that it is not a good thing nor an effective tool to seek to tax gains & losses from long term investments

B Borrowing for the prospect of capital gains

However, I do see an inconsistency of interest tax deductibility when assets are purchased on the back of a loan primarily for the prospect of capital gain, even though the transaction may be presented as an income earning investment.

I do consider that it may be reasonable to restrict or deny that tax deductibility.

So, whilst there is no capital gains & losses tax, there is also no or partial interest tax deductibility for these investments.

So, for example, simplistically, I am not a tax expert, interest on borrowing for property ownership & share purchase non-deductible whereas interest on borrowing of other business activity deductible.

PS Those who do pay income tax at full rates on their sales are other businesses.

The devils would no doubt be in the details, making this work. Ideally keeping it relatively simple and averting the need for a raft of anti-avoidance provisions.

From: Fraser [1] Johns [1] >
Sent: Saturday, 28 April 2018 7:20 PM
To: TWG Submissions
Subject: Submission

To The Tax Working Group,

For a lot of middle class people rental properties are one way (if not the only way) to ensure an income in retirement. Wages are relatively low in NZ, meaning putting away a portion of income for retirement is often unrealistic (although Kiwisaver is a great initiative as long as those who have Kiwisaver at retirement are not means tested for the pension), however leveraging equity in the family home to purchase 1-3 rental property's is doable for the average middle class couple / family. Not everyone can be self employed or own a company, which is traditionally the other way people build wealth / increase income. There are currently huge tax benefits to company owners and the self employed that are not available to wage earners. Clothing, footwear, safety equipment, tools etc are expenses to both wage earners and self employed. For self employed people these items are purchased with pre-tax money and are claimed as expenses, for wage earners these are purchased with after-tax money and cannot be claimed as expenses. Wage earners have to pay to purchase vehicles, maintain and fuel them with tax paid money to get to and from work. Companies and self employed claim all vehicle related spending as expenses. I appreciate FBT is payable for private use, but the FBT rate does not reflect the true benefit. Anecdotally most people stretch the rules around FBT. Getting invoices for repairs to other family members vehicles or boats made out to a business vehicle is common practice. As is purchasing fuel for boats, motorbikes, the wife's car, lawn mowers etc and claiming it as a business expense. How many of the drivers of sign written double cab Utes parked at the boat ramp on the weekends have signed letters from employer's stating the vehicle is only for travelling to and from work and is not to be used in the weekends. Most often the letter signing is followed by an off the record conversation along the lines that they are welcome to drive the vehicle in the weekends but if caught by IRD the letter will be produced.

Changing the Tax laws to stop rental owners claiming expenses for R&M is heavy handed. A rental property is a business (all be it a marginally profitable one), selecting one business type to penalise this way is totally unfair. There is far more tax revenue to be found by tightening up loop holes and adequately policing Companies and the self employed than penalizing rental owners.

House prices are a reflection of supply and demand. If the Govt wants to influence house prices work on supply (freeing up land for development, cut red tape and invest in infrastructure) or curb demand (react faster to control ingratiation numbers). Also consider giving benefits to companies that move operations to the regions.

Closing the loop on foreign companies paying very little or no tax in NZ before penalising mum and dad investors trying to get ahead by purchasing a few rental properties should be the Govt priority.

Would the cost of improvement to make rentals comply with minimum standards (heating and insulation etc) be considered an expenses?

I look forward to hearing from you to speak further on the matter.

Regards,
Fraser Johns

From: Diana Youssif [1]
Sent: Saturday, 28 April 2018 5:58 PM
To: TWG Submissions
Subject: Submission to Tax Working Group 2018

Hi there,

This submission is in relation to the question "are we taxing the right things?"

As a student and someone who has grown up with not a lot of money, a lot of my food choices are based on price. Unfortunately, it is a lot cheaper to buy chips than to buy a combination of vegetables to make a much healthier salad. That's only one example.

Would the imposition of GST be a lot fairer if it was not imposed on basic commodities, that a household, that is less financially capable, needs:

- Fruit
- Vegetables
- Senataries
- Bread

Removing GST from commodities like these would relax the regressive effect of GST and would relax the significance/proportion at which it adversely affects those with lower incomes.

Kind regards,
Diana

From: Drew Tierney [1]
Sent: Saturday, 28 April 2018 4:33 PM
To: TWG Submissions
Subject: Submission

Dear Sir/Madam,

If you really wish to address inequality in NZ, it is very easy. Just follow the recommendations of tax advisors you hired to review the NZ tax system in the past. Some years ago (6 or 7), these advisors said that a capital gains tax needed to be introduced. NZ ignored it, primarily because those in power were too busy lining their pockets with capital gains from their housing portfolios. Housing is completely non-productive and serves to do two things: 1) keep those in debit poor as they pay off unsustainable mortgages; 2) keep those who already own a house and can leverage against it rich. Having lived in Canada for the first 33 years of my life, I do have experience of another system. Here is the Ontario model, which is pretty good at helping to address inequality and raise the standard of living for all.

Capital gains:

- The family home is ring-fenced. Any capital gains on it are non-taxable.
- Capital gains on any other properties are taxed in the following way: 50% of the capital gain is attributable to the taxable income of the seller. So you made $100,000 capital gain? Then, $50,000 is added to your income for the year and is taxed at whatever your tax rate is. There is no way around this – no trusts, no other legal subterfuge.
- If I own a house, then buy another and the second one becomes worth a lot more than the original (a case with many who own baches) can I switch my designated 'family home'? Yes, but you pay the capital gains on the new family home as compared to the value of your original family home when you make the switch.
- I would recommend NZ adopt this scheme. What about the people who own multiple houses now? They entered into their housing portfolios in good faith, therefore, they should have a degree of protection. Grandfather it so they still get to keep their capital gains as is. Over 20 years, the price of houses would at least plateau and there would be far fewer bidders at auctions as instead of people owning either 0 houses or 4, we would have most people owning 1 house – as I do!

Savings:

- Registered Retirement Savings Programmes (RRSPs).
- In order to prepare for your retirement, you should put aside some of your income. There is little incentive to do that when you are already being taxed on it and need every penny just to survive. So, let's allow for a certain percentage of your taxable incometo be put into an RRSP. It will be removed from your taxable income and is only taxable when it is removed. Therefore, when you retire and are not earning, you will tax out money from your RRSP and likely be paying a lower tax rate on it as it represents a reduced amount of 'income'. In essence, you would be in a lower tax bracket at that time.

Rules for RRSPs:

- 10% of previous year's taxable income allowed to be put into RRSPs. This is accruable for up to 5 years.
- RRSPs almost always consist of mutual funds which are chosen by the client. All RRSPS must consist of a certain amount of Canadian (in our case, NZ) content – perhaps 25%. This is a huge asset for NZ business as there is a ready pool of available funds for business to borrow from so they can open up business, have funds for R and D etc, etc. Also, provides the bank with money to lend for mortgages. Therefore, reduces foreign borrowing.

- First time home buyers can borrow from their own RRSPs at 0% interest, and must pay the money back at equal amounts over 15 years. I had $15,000 in my RRSP when I bought my first house, so had to pay it back at $1,000 per year over 15 years. Since I moved to NZ, I paid the whole thing back after about 3 years.

Summary:

- More money would be available to NZ businesses and banks.
- Less reliance on foreign borrowing.
- Cost of housing plateaus or even takes a small dip (over 20 years or so).
- Kiwis more independent in retirement and less reliant on super.
- Greater equality and less inequality in a country once known as having the greatest equality before the neo-liberalisation policies of Roger Douglas and co.

If Canada is so great, why don't you just live there? (the inevitable comment form some of my less-erudite NZ colleagues and friends). I married a Kiwi. I moved here for love, definitely not for money!

Drew Tierney

From: [1]
Sent: Saturday, 28 April 2018 3:51 PM
To: TWG Submissions
Subject: Submission

Not sure what tax free means or gst or whatever but I think it's along the lines of putting out free feminine products? And if this is the case I think that that is a great idea because us women cannot control our bodies from our monthly flow and the fact that we need to pay for something that is out of our control is absurd. Not only that, but homeless women or families with very little money are not able to get these products which are a necessity. No women should have to deal with not having pads or tampons. We can't force our bodies to stop pouring out blood unless you take some sort of pill for it, but that's besides the point. Most women and girls need pads and tampons. We should not have to pay for something that we need. However, all humans also need food, soap and other everyday stuff like that which technically if I am saying feminine should be free because they are a necessity, then those products should be free too. However because were on the topic of feminine products and feminine products only, I think they should be free. This will help so much women that are homeless, don't have a lot of money or are wanting to save money (which is everyone). Thank you.

From: Paul Hickson [1]
Sent: Saturday, 28 April 2018 11:05 AM
To: TWG Submissions
Subject: Tax Working Group Submission

Dear Working Group

I have briefly read part of the background papers and since then read various press articles. I will comment on a few areas.

Tax Overview – Unfortunately many New Zealanders seem to think tax is a necessary evil rather than in simple terms a cost we all need to share in paying to run the country. At a basic level we need to educate people from school age of the importance of tax. It is interesting that in my accounting practice the clients who pay the most tax see that is a measure of their success and have no problem in paying tax. Why do we not publicly encourage more people to think like that?

Future environment – Perhaps the biggest problem is that if unemployment grows through the use of robotics etc we need to have a fair system of taxation so that wealth may be redistributed so that we all share in the benefits of technological change. Society will also have to look at paying for much of the work currently done by voluntary organisations eg. Fire brigades, St Johns Ambulance and Surf Lifesaving. More funding from the tax base would mean these organisations could employ more staff and reduce their need for fundraising.

Broad based system – Current system seems reasonably fair to me. Things I would look at but are perhaps out of the scope of this group are (a)– Financial services tax on credit card and bank transactions for purchase of goods offshore or GST being imposed at lower thresholds on these online purchases. (b) – FBT should be paid by the recipient of the benefit, not the employer. Why should a farm employee be taxed on the use of a farm cottage when an employee receiving a company car which may be used privately not pay tax. In the case of a government department the state receives no net benefit.

Productive v speculative economy - The country has a shortage of houses, and because too many people want to live in places like Auckland an affordability issue in those prime areas. Why does this paper and other commentary talk about rental housing investment as speculative and non-productive. I have a number of clients who own a few rental homes and our family does too. In each case these owners are self- employed people who to diversify their risk from their prime business, e.g. farming, have chosen rental property investment. They prefer this to indirect investment through a plethora of middlepersons who invest in other things, including property, to leave little return at the end. My experience is that after purchase these rental investors incur costs like painting, carpet replacement, insulation and asbestos checks. This change of ownership results in continual upgrades of the rental housing stock. Interestingly, in contrast to commercial property expenditure, the state receives a net GST benefit of 3/23 of the expenses as rental property is an exempt activity for investors. I think any steps to ring fence losses or have other forms of targeted taxes on those who invest in the sector in most need of investment is unfair and counterproductive. Extending the bright-line test to five years is enough.

Tax and business – Many of the recent and proposed changes in the tax system like Aim and Payday reporting are good for bigger businesses but a problem for small business particularly those in areas with inadequate cellphone and internet coverage. IRD fail to recognise this and should allow more flexibility. Most businesses allow for different means of delivery – one size does not fit all.
I cannot think of any businesses who benefit because of excessive deductions, as the changes in the 1980's bought in evenness between sectors. I am a little concerned that anomalies will develop if certain sectors are targeted to encourage investment etc. As a matter of interest Government benefits in the kiwifruit industry at present with the release of G3 licence as I assume Zespri is taxed on the sale of licences in the year of sale while growers have to amortise it over the years to expiry of the license (2039). Of course if you wanted to encourage more horticulture

investment etc you could accelerate the amortisation of development expenditure or allow full deductibility. This certainly works but does create unfairness between industry sectors.

Capital Gains Tax - Not keen personally. If imposed it should be on realised capital gains only. Intergenerational changes with families or associated persons should also not be taxed as we should encourage family groups to look after themselves.

Land Tax – Not keen personally. If imposed care would have to be taken as it could affect the viability of certain sectors as they each currently have different returns on capital.

Environmental Taxes – Good idea but I am not sure how you construct them. The farming sector has been targeted but it is important that the contribution of grass cover and shelter belts be included as offsets – at the moment I do not think they are. From an environmental perspective is a hectare of farmland with a couple of cows grazing on it doing more damage to the environment than a hectare of Wellington CBD.

Progressive Company tax - For small business there is effectively a progressive tax up to $70,000 as many take out profits as shareholder salaries. There is a case for aligning the trust, company and personal tax rates and for simplification where requiring no RWT on dividends if imputation credits are 28%.
I could support higher personal tax rates for the super salaried and super earners.

GST – Leave the system as it is in the meantime as it is working. However in the future if GST has to be increased for any reason I think food may have to be exempted so the impost on lower income families is not unfair.

In summary I have noted a few points which concern me. The challenge is to have a system that is fair, that we are all taught that our taxes are needed to run the country and that in the future there may not be jobs for everyone and those people without jobs will need to feel part of our society and be remunerated in some way.

Regards

Paul Hickson

P J Hickson BCom FCA
Chartered Accountant
[1]

From: [1]
Sent: Saturday, 28 April 2018 10:32 AM
To: TWG Submissions
Subject: Tax Working Group Submission- The Future of Tax

Tax Working Group- The Future of Tax
Submission
Christopher Paul Worth, Chartered Accountant

I herewith make my submissions in response to the “The Future of Tax” background paper released by the Working Group.

I am a chartered accountant who has been in public practice or associated with public practice for the whole of my career. I have been a member of the Institute of Chartered Accountants and its predecessor organisation for forty years. I believe I have insights from a practical point of view that may be of interest to the Working Group.

I set out my submissions below.

Summary and Conclusion
Tax policy alteration is beset by the problem of the unintended consequence. My suggestions will not be any different.

In a few words:
- the ability to process vast numbers of transactions cheaply is the key to future taxing policy
- income taxes will be around for a long time yet, and can be made more robust in the digital age and the age of the gig economy
- electronic processing can be the key to further driving cash out of the economy, thus capturing a larger percentage of all transactions
- taxes can be used to fund specific outcomes and to change behaviours more simply than ever before
- the tax system will not fix the housing situation, it is a failure of supply
- instituting a capital gains tax that exempts one specific class of asset will only lead to over-investment in that class
- encouragement of more equitable distribution of wealth is a long term project, but the perceived problem might be improved by strengthening the incentive to save in asset classes other than property, at the same time increasing the pool of funds for development and further asset creation, and providing for retirement that is not state-funded.

1. The Future Environment
The future is never predictable. Some trends do appear to be more likely to be sustained into the medium term future than others, however.

Sustainable trends include:
- ageing demographic structure of developed counties’ populations
- continued rapid advances in technology, which
- enable the continuation of the move to the digital economy.

Each of these three trends individually has significant implications for taxing policy.

Much less certain are which technological advances are going to be mainstream in the near to medium future:

- "lab-grown" milk and meat (threatening the very existence of New Zealand's pastoral economy)
- blockchain and cryptocurrency developments (threatening the position of the existing banking system and financial transactional structure)
- driverless electric vehicles (threatening to displace most of the world's taxi drivers, changing the face of car ownership and public transport and potentially cityscape design, along with the virtual elimination of liquid fuels excise taxes).

All these developments are in progress now, all are foreseeable mainstream economic prime-movers in our life time, not all may develop as we think.

Governments have enormous difficulties "picking winners." It is notoriously difficult, and has led to numerous failures, not least of which are the extinct socialist planned economies and our own mediocre "Think Big" projects. Winner picking is best left to the market.

In order to make a coherent submission, I have chosen to address the two major trends as I see them which will definitely affect the future of society and the future of tax: demographic trends and the advancement of the digital economy. For the latter, I will have to cherry-pick some advances that I think are more likely to be sustained than others.

Intersection of Demographics and Technology-
Demographics and technology are both likely to change the labour participation rate.

Demographic Effects
Advances in health technology and life expectancy mean more older workers will stay in the work force for longer, many of them out of choice. This trend is well established, and will continue.

The corollary in an ageing population, though, regardless of aged-people's participation in the labour force, willing or not, means undeniably fewer workers providing income tax as a proportion of the population as a whole.

At the same time, other advances may lead to less certainty and continuity in employment. This could cause the further expansion of the "gig economy" where labour is employed on contract, or ad hoc for specific pieces of work. This trend could affect young and old alike, meaning experienced workers are picked up to do specific projects and inexperienced workers may struggle to become experienced.

The implications of this are social as well as taxing. Youth unemployment in the European economies is a major problem, as well as the perhaps better known displaced middle class workers in the US.

Both these trends threaten the present notion of employment, however. The PAYE system as a cheap and effective way of gathering income tax from what is at present the vast majority of people employed in a structured and formal employment arrangement. This may well not last.

Technological Effects- Whither Seekest the Tax Man (Person)?
Regardless of whether a larger or smaller proportion of the population is employed in the work force as we know it, some trends are so well entrenched that they are now mainstream and "normal." The ability to process more and more information at a cheaper and cheaper cost is one. The most powerful force at

work at present is the information revolution made possible by the digital age. Information is power, in the same way as oil is at the end of the petro age, and coal was in the steam age.

The future of tax unquestionably lies in the electronic identification, collection and processing of data. Two of the fundamental principles of tax, broad-based application and efficiency of calculation and collection are the defining characteristics of big data.

If technology displaces employment as we know it now, at least the necessity to reduce reliance on income taxes will be matched by the ability to identify and tax virtually any other transaction of the state's choosing.

2. Taxes of General Application

Transaction Taxes

Taxing transactions is relatively straight-forward in an environment which processes virtually every transaction electronically.

In the modern world, vast numbers of individual transactions are processed electronically. It would be a simple matter to re-impose a transaction tax on every transaction undertaken in the country, such as was the case in a way when many payments were settled by cheque.

Such a tax would be collected from the banks monthly, making administration very cheap. It would also be easy to police: the daily transaction files from all the trading banks times the levy rate equals the tax to be paid. The transaction tax could also be set at a low level (say 5 cents, the rounding figure in a cash transaction, or less, meaning the disincentive to settle transactions electronically is low). The sheer volume of transactions would compensate for its low value.

A transaction tax would also need to include cash receipts. This could be paid to the Revenue with the business's GST. As cash is in decline generally as a means of settling transactions, the leakage would unlikely be significant. And, as for GST, if inputs are purchases that are then sold in a non-captured environment, all of the intermediate transactions in the chain are reported. Very small suppliers, those not registered for GST and the community cake stall, may escape the imposition of such a tax, but the effect would be negligible since the purchase of the ingredients (and their inputs) *was* captured.

As the tax is levied on every transaction, it captures transactions offshore and tourists purchasing goods and services domestically. At one cent per transaction, every one million transaction raises $10,000 in tax. It is cheap and easy to collect, since the trading banks collect the majority of it. It is of universal application, and generally applied at a rate that is small enough not to distort behaviour.

Taxes on Income- Countering the Gig Economy

Income taxes have been the mainstay of tax gathering in the western world only since the beginning of the twentieth century. PAYE was introduced in New Zealand only in the 1950s. Income tax deducted at source is an efficient and cheap way for governments to collect cash regularly throughout the year. It takes a major disruption to our thinking to conceive that this system may be near the end of its applicability.

Despite the rise of the gig economy, in my opinion income taxes are likely to remain a significant tax stream for many years to come. Many forms of employment, from University professorships to hospital cleaners, can be done either by someone working on contract or someone working as an employee, but for the foreseeable future, these positions are likely to be filled by *someone.*

It is acknowledged that collection of these taxes, and taxpayers' compliance, may gradually become increasingly expensive. The real counter to the gig economy is likely to be electronic capture of transactions and inputs by the purchasing organisation.

The IRD apparently estimate that self employed taxpayers under report their income by 20%. This implies that the future policing of this (because some short term employment will be in the nature of contracting work, by self-employed contractors) can be countered in two ways, both dependent on technology:

- every contractor/short term "project" employee requires a New Zealand bank account and a New Zealand tax number
- payments for such work over some small minimal amount (say $20) must be made to a bank account
- the contractor is either self employed, and renders an invoice, or casual, in which case the worker produces an IRD number and is subject to withholding tax
- in either case the employing entity must look up the IRD number and enter it as part of its record keeping
- extend the existing regime of withholding tax deduction to cover any form of non-permanent work, that is not an employment relationship, and simplify the rates applied so a flat rate is deducted- for example a flat rate of 10% or 15% with exceptions (higher rates) for specific work types
- counter the cash economy by making it illegal to pay for inputs over the de minimus sum other than by bank transfer.

The IRD's tax number system should be accessible by any tax payer: for example, a cafe wanting an itinerant baker for three weekends should be able to search the candidate's IRD number, prove his/her name and address, and that the person presenting for work is a registered tax payer.

Electronic filing and processing power should enable the taxing authority to match payments made on behalf of a taxpayer to that taxpayer virtually instantaneously.

Bona fide contractors therefore also have to provide a searchable tax number when they "register" to provide services.

The above comments apply to organisations obtaining inputs. Private individuals getting work done are now theoretically required to obtain a tax invoice for any supply. Inevitably, the cash economy will take time to stamp out, but the leakage should be small and getting smaller.

The above comments though beg the question: if I can connect my phone, laptop, desktop, tablet and TV, and link them all to other members of my immediate circle, why can we not use the internet to track all transactions? If every transaction is registered against a unique identifier, the IRD number, the IRD number collects all transactions, debit and credit. The key to policing tax compliance is electronic data processing of "big data": the means is now at hand to implement this.

The Rise of Consumption Taxes

The possible, gradual loss of PAYE and the reduction of reliability in PAYE collections might have the effect of reducing the tax take from NZ's largest present source of tax revenue. If work is displaced, leading to a gradual demise of income taxes, consumption taxes would have to fill the gap. While income taxes may remain important, they might become more expensive to collect and to police. The attractiveness from a Revenue point of view might decline substantially.

If the future of work and employment, and the efficacy of the PAYE system, does undergo change, then the PAYE system may no longer be the way to deliver benefits and redistribute income (see below). One result of technological displacement of human labour that has generated discussion abroad is the concept of some sort of universal basic or minimum income for every citizen. While this is outside the scope of these submissions, such an eventuality may well force the jurisdiction more towards consumption taxes than income taxes, and more towards transactional or even asset-based taxes to capture the benefits of the technological shift.

However, income taxes are not dead, and in my view predictions of their imminent demise are greatly overstated.

Taxpayer Type: Does it Matter? Company Tax Pressures: Comparative Rates

Small business tax rates are a myth.

This is stated in bold and in italics, because there is no such thing as a small business tax rate. Small business is subject to the same tax rates as everybody else: Josephina Blow, plumber, working as a sole trader, pays tax on her assessable income at exactly the same rates as Henrietta Squires, orthopaedic surgeon. If Josephina and Henrietta operate through companies, their companies pay tax at 28%, exactly the same as any assessable earnings Fletcher Construction may report. There is no concession for being "small."

There is a concession for being a "person."

Personal taxpayers pay tax at a variety of rates (the graduated scale) until the top rate of income tax is reached. Application of uniform top tax rates across all entity types would address the perceived problem of small business. The ideal would be to reduce the top personal and the trust rate to match the company rate.

In my experience, small companies are talked about in the same breath as small businesses, as if they are one and the same. In many instances they are, but the company is only one of a number of legal structures the business could be conducted through. From a tax perspective, should it matter?

If income earning becomes more fragmented, and the "gig" economy displaces traditional single employer-employee relationships, the question of form of entity may become more important for taxpayers, since there may be a far higher proportion of the population earning at least some proportion of its income through a contracting arrangement. The use of entities other than the taxpayer's own person to earn that income may proliferate.

When the highest personal tax rate was raised to 39% but the company and trust rates were left at 33%, the obvious response by taxpayers occurred. Top tax rates should be uniform. It should not matter whether a person earns their income through a trust, company or as themselves (either as personal taxpayer or partnership): the taxing result should be the same. This takes away all the nonsense about income attribution, who earned what, expenses deductions etc, and where to retain surplus income.

The vast majority of very small companies are formed for the purpose of conducting one-person businesses, and the total earnings are extracted by way of shareholder salary every year. The real reason for the company is to obtain the (often illusory) benefit of limited liability. Applying different top rates to different types of entity is a recipe which asks for income diversion. Uniform rates means the tax base is unaffected, and taxpayers can structure their affairs according to other (commercial) considerations. In this context, imputation of company dividends with no further taxation (unless there is a marginal rate difference, as now) is completely fair and logical.

Could Companies and Trusts Use the Same Graduated Scale as Personal Tax Payers?
They could, but the rule would need to be that the benefit of the graduated tax scale could only be allocated once, either to the entity, or to a taxpayer, in the case of a trust or a closely held company. A public company would receive the benefit of the reduction in tax charge, and reduce the amount in its imputation credit account that it could distribute accordingly. Because both trusts and companies can pass income to personal taxpayers in a variety of ways, they have one rate of tax and the personal taxpayer is able to access the rate concessions attaching to low income.

Full imputation of income distributions already addresses the perceived high tax rates applying to "small business" in NZ to some extent. Profits, which, if distributed, would incur the top marginal rate of personal tax, can already be left in the company, subject to various rules (such as Penny & Hooper). These can be distributed on retirement in theory, incurring no further tax. This would still be the case if the company rate were reduced.

If we are to pursue other countries (the UK, with an impending 18% tax rate, Australia) in a race to the bottom with "small business" tax rates, it is a no-win game, creating pressure to leave the income in the company. This then has to be followed (eventually) by an excess retentions tax, which we have tried before. Nobody wins, least of all the Revenue, or the taxpayer in the end.

Lower tax rates for companies, if that decision were taken, is addressed through the imputation system, which ensures the final recipient pays his or her marginal rate of tax on the underlying income. This is one of the best systems in the world of its type, from my observations.

If the company rate of tax were to be reduced, I am of the opinion it should be matched by a reduction in income tax rates across all entity types. Different top rates will only encourage income diversion and sheltering, as Sir Michael Cullen must be fully aware. It happened on his watch.

GST
I do not need to say anything about GST, other than ***do not tinker with it.***

As the owners of one of the few broad-based, no exceptions, model value-added tax systems in the world, we have a system that works well, is readily comprehensible, is easy for most to comply with and is relatively easy for the Revenue to police.

Its best feature is the no exceptions policy: we do not have ridiculous sums of money spent defining the difference between meals eaten in or out, children's versus adults' shoes, "bread" and "bruschetta."

GST is a regressive tax, in that poorer people who consume a larger proportion of their income than wealthy people, pay a higher proportion of their income as tax. For this reason, the broad-based appeal must be tempered with a commitment to a low rate. 15% is probably about as high as GST can go and still be described as a "low rate" value added tax.

3. Equity and Distribution
New Zealand's targeted government support system I thought would have delivered better equity and income distribution results than seems to be the case from the background paper. This is not a result that needs the baby to be thrown out with the bathwater: the mechanism (redistribution through the PAYE system in effect, meaning that many beneficiaries in work receive their income top-up through a negative PAYE deduction) is good, what might need adjusting is the rates at which benefit redirections kick in (a political welfare, not a taxing question).

I agree that part of a taxation system's function is to redistribute income in an equitable fashion. A tax system might be able to address wealth disparity, through a variety of means, but should it?

4. Behaviours- Stimulating Change and the Tax System

The tax system presently is little used to change behaviours: the excise taxes may be seen as an effort to redirect behaviour away from consumption of harmful substances. Tobacco and alcohol are harmful to the individual, and consumption is discouraged. These consumption taxes may be thought of as a way to compensate the state for providing health care. Similarly, liquid fuel excise probably started as a way to finance infrastructure, limit consumption of scarce overseas funds, and tax a supply that everyone is forced to purchase. This is now changing, and in the future liquid fuels excise taxes might be seen as a "green" tax to reduce carbon emissions, and stimulate the transition to a lower carbon economy. The ease with which these can be levied has been amply demonstrated this month.

Gambling duty tends to be a hidden tax on behaviour. How many machine gamblers know that of every dollar fed into the machine, slightly more than fifty cents goes straight to the government, without ever possibly forming part of the prize pool?

These taxes raise the pertinent questions: which behaviours should we be encouraging? Which behaviours should be discouraged? Is the tax system the right place to do this?

These questions are the equivalent of "how long is a piece of string?" I will address in this submission three broad areas of thought: environmental behaviour, things we might want to change, and economic behaviour.

The question also needs to be asked: how successful are such policies? Has the incidence of gambling reduced? Do people consume less liquid fuel? Do they smoke less? The answer might be provided by the last example: only when the price becomes extreme.

Environmental Behaviour: Should the Tax System be Used to Modify Behaviour?

Broadly speaking, macro-economic incentives toward behavioural change in carbon-related environmental matters should be directed through the Emissions Trading Scheme. Emitters should be required to purchase units, and surrender these to the government for their emissions activities. This area is the subject of a separate review, and the Productivity Commission is working on it.

User-pays charges relating to other scarce environmental resources should endeavour to impute the social cost of the consumption of these to the person who benefits from using them. Undesirable outcomes, such as dirty water and degraded air quality are best addressed by making the activities that cause the problem pay the cost of mitigating the effects. Clearly, it is no simple matter to define the "cost" and set an appropriate charge, but we have to start somewhere.

Environmental resources have always been viewed as a free good in New Zealand. The inevitable result is that a good that is free is perceived as having no value, and therefore abused. A whole raft of user-pays charges could be initiated: from water royalties for irrigators to discriminatory DoC charges against foreigners for using publicly funded huts and walks in national parks. Again, these user pays charges need to be easily and cheaply collected: a service charge where something is purchased with the tax/charge being collected by the selling body is usually the simplest.

And here, I should submit that New Zealand usually looks to be afraid of its own shadow. The row over increased airport security charges was instructive. Why does anyone think that there is a material difference between collecting $15 and $50 per inbound passenger to fund airport infrastructure? The price elasticity of demand for foreigners holidaying in NZ is not that fragile. The marginal one or two travellers this increase might dissuade from coming here are not likely to be economically desirable tourists in any case.

Are these charges even taxes? Probably not, since there is a direct connection between a service consumed and the charge levied. Once a charge is levied, however, the payer is likely to demand to know what he gets for his money. Even worse, he might want a quality output. We should be in a position to tell him, and demonstrate that the quality of the experience is worth the cost.

Packaging
Packaging is something the tax system could and should address. Why do we tolerate non-recyclable or non-biodegradable packaging? Why do we tolerate excessive packaging?

The last might be difficult to define and target, but the first two should not. It should be possible to tax out of existence non-recyclable and non-biodegradable packaging. Either these materials fit within the definitions of what can be recycled or will degrade in a land fill, or they do not. If they do not, punitive rates of sales tax (applied at the wholesale level, meaning either at manufacture or import) and starting at a low level but with a rising scale over time to allow for substitution should see their use effectively outlawed in this country.

I do not believe in this day and age, that there is no bio-degradable or recyclable alternative for all the packaging that we presently see that is neither.

Consumer Choices-Targeted Taxation
Electronic processing of large tranches of transaction data enables the targeting of taxes at specific taxpayers, or specific products. For example, a consumption tax on sugary drinks could be levied through point of sale equipment, as could a penal tax on specific businesses considered to be “not paying their share.”

The “sugary drinks” issue is an example of using taxation as a means of redirecting social behaviour, in the belief it may lessen the incidence of obesity/diabetes. This is philosophically no different to the imposition of excise taxes are used to discourage smoking, or the gambling duty used to reduce the incidence of community-based gambling machines.

Universal bar codes describing the product can be used to record the quantity (grams per litre) of sugar in the liquid/product. The rate of tax could vary on the detrimental health effects considered likely. For example, pure fruit juice, with no sugar added, may be at a level that is below the taxing threshold. Any sugar-added beverage could attract tax on a sliding scale. The object of such a tax may not be to collect revenue, but rather to impose a penalty on the drinks deemed to be “anti-social.”

High sugar drinks packed in a one-use plastic container could be hit twice.

Why stop at drinks? Sugary products could be captured in exactly the same way. Any product (eg sugary breakfast cereal) with a sugar content per serving size (or 100 grams, or whatever measure is chosen) exceeding 10 grams may attract a tax of 20 cents per gram. Those with 20 grams per unit, may attract a tax of 30 cents per gram, and so on.

These are discriminatory sales taxes. They are levied *before* GST is applied. They can be applied at any percentage to any criteria that is readily identified because the information exists and is in a standardised form. It is the availability of the data that allows for the collection of the tax.

The point is that the information is available, and not difficult to collect. As the vast majority of sales by unit occur in retail outlets which have sophisticated point of sale equipment, the leakage would be low. This is particularly so, when it is remembered that some outlets, such as Pak N Saves, operate as de facto wholesalers for other, smaller and less sophisticated, retail outlets.

Foreign-owned taxpayers which appear to shift profits offshore via mechanisms such as excessive IP payments, supply payments and foreign "Management fees" at what appears to be excessive levels, could simply have a tax levied against their sales at point of sale. For example, 10 cents added to every item. The instrument might be a regulation passed under the auspices of the main taxing legislation: in other words, simple and quick to implement once the Minister is satisfied of the necessity.

This mechanism could also be used to retaliate against cases of unilateral infringement against WTO or other rules: an import duty on NZ products by, say, the USA, could incur a sales tax against every taxpayer with an ultimate holding company in the US. Alternatively, every cup of coffee or hamburger (or any other product) could incur a sales tax not levied against domestic competition where a product royalty or similar charge is remitted to a parent ultimately resident in the offending country.

Local franchisees could pay a penal rate of withholding tax on every remittance of royalties/IP/management fees paid offshore where locally owned franchisees operate locally-owned businesses tied into international master franchises/business corporations where there is evidence to suggest these payments are attempted base erosion.

Extraction of payments to technology giants who are considered not to pay their fair share, in the absence of satisfactory resolution of issues through OECD mechanisms, could also have withholding taxes of 50% (or any other rate) levied against all payments. The ability exists to identify those liable and the transactions caught.

These should be easy to identify, easy to discriminate against, easy to write regulations for and easy to collect. They might also send powerful messages, particularly in concert with other (eg OECD) countries.

These taxes are much easier to apply than they were formerly. Every business in NZ has an identifier number, as does every product. Every transaction is tracked electronically somewhere. Discrimination (against either products or taxpayers) is a political question, but the means exists and the regulations would be relatively easy to write. Even better, the taxpayer discriminated against collects and pays the tax.

Build it and They will Come

Funding infrastructure, be it with a $1 a night bed-tax charged on all hotel, motel, Air BnB and the like-provided accommodation, or swiping your bank card to use a clean toilet, is the norm overseas. Why not here? Technology (solar power, remote access Eftpos card reader machines) enables charging in places and for activities or facilities where it was not feasible a few years ago.

We constantly hear that tourist destination regions struggle to fund the resource needed to cope with the numbers. The necessary infrastructure usually falls to the local authority, with possibly national government help with roads funding. The local authority receives no revenue from the tourists other than indirectly through business rates and some direct charges for activities. There is an actual financial disincentive for councils to expand the infrastructure to cater for tourists, because they are a drain on their finances. This same phenomenon has a bearing on land and house prices (see below).

Our problem as a nation is that we have not built it and they're already here: we are abysmally bad at planning, although very good at report writing. We never seem to anticipate the obvious. User pays to fund additions to what is already required is just catch-up, but better than having the taxpayer fund it all.

Economic Behaviour
Taxes world-wide stimulate behaviour, a lot of it undesirable. Usually, the problem is with definitions, thresholds and margins. Therefore, the less complicated any of these are, the better.

Our version of the VAT-type tax (GST) is one of the world's simplest. There are few exceptions, and it is consequently broad-based. It is also set at a relatively low rate by international standards.

Having discussed and advocated various types of transaction and sales tax above, I merely wish to reiterate here that GST applies to everything, including the underlying transaction/sales taxes.

Desirable Behaviour- Saving: Should Asset Type Matter?
The analysis in the Background Paper comparing different tax treatments for different asset types is misleading in my opinion. The assumption appears to be a 3% real rate of return for every asset class, and the marginal tax consequences of that assumption are graphed. The assumption is clearly nonsense: historical rates of return are not equal, and the tax consequences would look quite different had a realistic set of assumptions had been used.

It is quite true that fixed interest is over taxed, which is why this is an unpopular investment class for many people.

There is not enough information given to make a meaningful comparison of the effectiveness of the asset types. The lack of disclosure of the assumptions made to calculate the returns in the analysis render it meaningless. For example, is the risk free return of 3% the only return? What proportion of assets classes make up the modelled superannuation fund? A layman looking at this would instantly (misguidedly) withdraw their money from a Kiwi Saver fund and buy a rental property.

Yet that is not the experience of the investor. Real people act because of how they perceive the environment affecting their own circumstances. Most do not perceive Kiwi Saver accounts as being highly taxed (because they're not) but they do perceive that in times of inflation, fixed rates on term deposits are a wealth destruction disaster. Shares and property at least protect against inflation.

This analysis seems to target property as an investment class. Is there an unstated bias towards instituting a capital gains tax? Since the government has ruled out home ownership as a taxable class, that leaves investment property. The nub of the question is therefore: would a capital gains tax make any difference?

Anecdotally, it does not appear to have done so in Australia, Canada, or the UK; all similar societies, all with similar property price problems in their most popular locations.

There are reasons other than tax why investment property appears to behave differently from other capital asset classes, although this will not appear from the assumptions in the analysis in the background paper. The following is also relevant to recommendations regarding ring-fencing losses from rental property made in another paper put forward by the IRD recently.

Banks only lend on bricks and mortar. Although it is theoretically possible to mortgage shares, in practice, the banks will not lend, unless secured by property as collateral. Therefore, it is nigh-on impossible to buy shares with less than 100% equity, unless, for example, an incoming business owner can put up collateral or obtain a guarantee from the outgoing owner.

For ordinary investors, it is *easier* to buy a rental property investment than share investments, because they can finance the deposit using surplus equity in their own home (or other available property assets) with the balance secured by the rental property itself. They could not achieve the equivalent value in shares. The attraction in either case, of course, would be the hoped for increase in value being financed by the bank in nominal dollars.

Capital Gains Tax
A fair capital gains tax (CGT) system needs to strip out the inflation component and tax real gains. Most people realistically can only hedge themselves against inflation by owning a house in which they live, which is off limits in terms of a taxed asset class here.

Similarly, elimination of the undistributed earnings is required before a true capital gain can be measured on shares. There are no undistributed earnings inherent in property, but the amount of equity growth of a share since acquisition is represented by undistributed earnings accretion, and the inherent capital gain.

In the case of a New Zealand shareholder of a New Zealand share, undistributed revenue reserve growth could be distributed imputed to the extent of available tax credits, meaning a partially or wholly tax paid receipt. Instantly, the complexities become apparent. In an ideal world, the tax would be calculated on only that portion of the gain which did not relate to accumulated revenue reserves plus the undistributed revenue reserves not fully imputed. Altogether too hard.

It is worse for foreign shares. These are presently taxed for some tax payers on income distributed and for others on the Fair Dividend Rate, a creation of fiction, which taxes foreign shares at 5% of their opening value regardless of their distributions. On long term trends of 6-8% per annum, the tax paid represents about a 28% tax charge at a 6% growth rate. It would be impractical to separate retained income and actual capital growth, since many people who own them do so through foreign investment funds.

Presumably, to be fair, a CGT would also have to be levied against increases in value against designated superannuation funds, such as Kiwi Saver funds. It is well known that government subsidies or concessions are capitalised into the asset they refer to: a historical analysis of New Zealand's experience with agricultural subsidies confirms this. There is no reason to think the superannuation industry is any different, and the government subsidy of fund managers' fees appears to have been appropriated by the fund management industry.

To impose a CGT on investment asset classes, but exempt superannuation funds, will distort economic behaviour. This would mean that you could own the same assets via a fund, exempt of tax, but pay tax if you own them personally. It would take some time for the market to re-calibrate itself to the new equilibrium, but it would stabilise at new levels. In the meantime, there would be large numbers of winners and losers, the antithesis of good tax policy.

It should be noted that many people save for their retirement in ways other than a designated Kiwi Saver fund. Others, who have such a fund, have never thought to invest in more than a default fixed interest fund.

At the end of the day, policy, including tax policy, can only go so far. Policy can include stimulants, penalties and incentives, but people ultimately make their own decisions.

However, it is clear that imposition of a CGT in the way foreshadowed in the paper will only lead to overcapitalisation of owner-occupied homes and adverse impacts on renters.

A capital gains tax, coupled with the ring fencing proposal and the existing measures put in place, that targets rental and other (farming?) property will add to the impetus to leave the rental market. This will impact to the severe detriment on renters, as the lucky few first home buyers who can afford the deposit snap up the available stock as it comes onto the market.

Does Tax Policy Affect Property Prices

The answer clearly is yes, but I don't think a capital gains tax is the answer. A tax on the result dictated by the market is not going to affect the underlying factors at work. One of the reasons rental properties might be in short supply is the disruption caused by the likes of the short term accommodation websites such as Air BnB. Some operators will undoubtedly be in for a rude shock when they receive their please explain letters from the IRD.

The real reason that house prices are too dear is that there are too many buyers, and not enough sellers. We have not built enough units each year, for years.

There has been a failure in the market. Why is this? A clue might be found in an analysis of the final price of a new build, between the house and the land it sits on. The land value is too high, in areas of high demand, considerably above the $150,000 that might be thought representative.

One reason for this might be the process of rezoning new residential land. Another might be the intensification of inner urban land. A third might be that that the Resource Management Act is more appropriate to rural settings than urban. Or not, depending on your point of view.

Another reason there are too few houses built might be the way we concentrate on university educations instead of vocational training, and the emasculation of the trade-training apprenticeship system years ago.

The supply failure is not a tax issue.

However, from a taxing point of view, one issue does appear: a new subdivision involves the local council in considerable expenditure, to develop or connect the developer's infrastructure to the existing reticulated services.

If the council is in a popular residential area, it may be already near the limit of its borrowing capacity. It has every incentive to slow things down, or not proceed at all. There is no financial or market incentive for a council to fast track new developments, or develop them at all. Central government may have to incentivise local government to do better. Sharing GST revenues would be one way: the GST raised by local government services could be returned to local government, giving an additional 15%. Or, in a more directed fashion, subdivisions in "areas of high demand" (to be defined) could have GST revenues attributed towards their completion by local governments.

Normally, I am not in favour of government interventions, but this is more of a revenue sharing enabler than a market intervention. The design of such an intervention needs to provide the incentive to local authorities to complete subdivisions, within the terms of the Resource Management Act, once the approvals are obtained. For example, a "bounty" of so much per section could be paid to assist the authority to provide the infrastructure connectivity required.

Wealth Equalisation

Income redistribution and a more equitable distribution may be a goal worthy of aspiring to for tax policy. Wealth equalisation is simply not possible, it will only fail.

The comments made above about the capitalisation of any government incentives into asset prices are worthy of note under this heading. First home buyer subsidies in Australia simply led to a faster increase in the prices of houses in the bands first home buyers were likely to be purchasing; elimination of stamp duty on the first GBP 250,000 in the UK to assist first home buyers simply led to inflation of the price of chattels that were included. Numerically, a vast increase in the number of houses changing hands at or just under the band price was noticed.

New Zealand's wealth distribution can be improved only if the volume of wealth is increased. The disproportionate level of farm "values" in this country and the fact that it is held by a relatively small number (farmers) must distort the distribution statistics. House prices in certain locations will not have helped. People need to be educated to save their wealth in asset different asset classes.

Financial asset saving has the additional benefit of creating a pool of investment capital that can be used for development and innovation, enhancing further wealth creation.

Taxes such as inheritance taxes, gift taxes, and other forms of tax paid on capital assets have been applied in New Zealand and in other jurisdictions historically, and do not appear to have had an appreciable effect. The distribution of wealth is not equal, has never been equal, and will likely never be equal or equitable.

Taxes on capital assets will distort behaviour, and lead to attempts at evasion.

A better way to encourage the creation of wealth that gives everyone a share of that wealth is through the compulsory enrolment in schemes like Kiwi Saver, which provide for the future of the population and may ultimately enable the universal element of National Superannuation to be phased out.

Incentives that might be considered once enrolment in an approved scheme is compulsory:

- a tax deduction for the first, say, $10,000 personal contribution
- a PIE tax rate of say 10% across the board for all designated superannuation funds
- continuation of saving and financial literacy education for first time (compulsory) and other workers and contributors
- the government fee subsidy is conditional upon regulation of management fees charged.

5. Conclusion

I thank the Working Group for the opportunity to make this submission.

Yours faithfully,

[1]

Christopher Worth
Chartered Accountant

From: Alan Forster [1]
Sent: Saturday, 28 April 2018 10:20 AM
To: TWG Submissions
Subject: Submission to the Tax Working Group.

Dual Taxation system.
The basic aim is to improve the tax system in order to.

1. Make the system fairer and address inequity.
2. Provide transparency to the system and prevent tax evasion and avoidance
3. Keep money in circulation rather than allowing excessive accumulation.
4. Fund all current government operations and services.
5. Fit within and modify the current system with least disruption.
6. Provide a rational and understandable system that is easily understood by all tax payers.

These would be achieved by converting or expanding the current GST system into a comprehensive FTT (Financial Transaction Tax.) and establishing a Holding Tax (HT) on savings or holdings above a reasonable set limit. These two taxes would replace income tax, business tax on profit and the current GST system.
The FTT would apply to every transaction whether internal or international, in stocks, bonds, cash or electronic payments, and all monetised commodities. By widening the catchment in this way the tax burden can be reduced on the individual.
Businesses and banks remain in there current tax collection rolls, with the addition of managing the HT (Holding Tax) by banks, overseen by IRD and the reserve bank as it is now.
The FTT and HT taxes could be adjusted on a regular basis as necessary to stabilise the economy.
It could be applied at a rate that equals the current tax take A FTT would provide a simpler mechanism of government control and more accurate monitoring the economy.
Since all activities are included in the FTT system it will be more transparent with regard to criminal and unethical uses of money , while the HT also makes storage of such funds in the banking system unattractive.
The levels at which HT starts for individuals and companies would be different and a formula for setting these would need to be researched .
It is not desirable to have exemptions to either of the taxation methods, some may feel disadvantaged by them and their concerns would need addressing in the context of the greater good, This text is introductory and much more work would need doing to verify its validity however the people I have spoken to about these see these changes as a positive way forward for the New Zealand economy. Thank you for your time, Please do not hesitate to contact me for more information.

Regards
Alan Forster
[1]

From: Paul Hill [1]
Sent: Saturday, 28 April 2018 10:00 AM
To: TWG Submissions
Subject: Submission

I am a veteran of the UK armed forces and as such recieve a military pension for having served the Crown for over 24 years. Currently my pension is taxed at 40 % as it is a second income. Would it not be more of an incentive to allow all military pensions to become tax free, if the person has been in service to the crown? I am still serving the same queen in the RNZN, and as such my boss has not changed. All that seems to have changed is I am now getting less money for my service. If this incentive were to passed on to all pensions, the incentive to save for retirement would rest to the individual to start saving as early as possible.

Sent from my iPhone

From: Brian Porteous [1]
Sent: Friday, 27 April 2018 11:36 PM
To: TWG Submissions
Subject: My say.

My Say

Company tax should be treated like an individual. If a company profits less than $14,000 then that company should pay 10.5% tax on that profit, however if a company profits more than $70,000 then the company should be taxed 33%. This will accomplish two goals; One, it will limit tax sheltering and two, it allows less profitable companies tax relief to help them grow. One might argue that as a company grows they will not be motivated or inspired to become more profitable out of feeling punished by being taxed at a higher rate but if you apply that same argument to individuals it is quite clear that there is no substance to this.

Additional individual tax rates need to be created. $70,000 at 33% as the top bracket is not high enough. The government is missing out on millions of dollars. As an example, we could have a $100,000 at 35% bracket and a $250,000 at 38% bracket. There are other countries around the world that have as high and higher tax brackets as this, see France and Japan for instance.

We have an ageing population and therefore will need to fund a greater number of superannuitants. The revenue required for this will be from a small group of working people and therefore need to be taxed at a higher rate or taxed for a longer period. The age of retirement will need to be increased even greater than currently planned for. Another point to consider is no one who is in full-time employment should be eligible to receive superannuation. Currently this “double dipping” practice does happen, I have seen it first hand. It takes unnecessary funds out of the superannuation budget.

Charitable businesses need to be taxed. There are high profit making companies (Sanitarium, Ngai Tahu, Tainui Group Holdings) that should be paying tax on their income. This tax will go to the government who will then use that revenue to fund social security and welfare, health and education to name a few which should be seen as charitable purposes that benefit all New Zealanders. These companies also benefit from not paying income tax by their ability to under-cut competitors, for example, when bidding for contracts or pricing their products at a lower price point. This may bring about backlash from smaller charitable companies so one method that may work is to tax those companies that profit $1M or more before they have given to their chosen charity.

Capital Gains Tax: It is perceived that all landlords are multimillionaires who snap up any property that goes on the market for a premium price and drive up the market thereby making huge capital gains and become even richer.

From an article by Bob Hargreaves in 2017: The **private sector** dominates the rental accommodation business in New Zealand with 453,135 rental dwellings in 2013, more than 83% of the market overall. Most owners are **"Mum and Dad" landlords** and may only own one or two rental properties.

So the reality is that half a million dwellings are mostly owned by working class parents having to top up their mortgage payments because the rent doesn't cover it. They are using the residential rental property market as a savings vehicle for their retirement, believing that the age of retirement will keep increasing (as it has to) and the NZ superannuation payments will not be enough to keep them alive, healthy and warm. They are relying on capital gains and at the same time providing housing for over a million people. There is a requirement to stop speculation which does drive the market up and this has already been addressed by the bright-line policy. I believe this is, or is close to being, a 5 year period where a seller has to pay tax on any capital gain. Another option to this could be to have a diminishing percentage of tax to pay as time goes on. E.g. 100% CGT if sold in first year, 90% CGT if sold in second year, 80% CGT if sold in third year and so on, or a variation of this.

GST: A step in the right direction with regards to our health system is to reduce GST on fruit and vegetables. This will encourage the behaviour of buying better food. It must be stated that to qualify, the food would have to be unprocessed in any way, it must be in the same form as it grows. To counter the lost revenue from the above reduction, an increase in GST for all sugary food needs to be applied. It is simply unfair to only apply extra tax to "fizzy drinks". A fair system would be to apply an excise tax on food and drink that contains sugar above a certain percentage in an increasing fashion as the sugar content increases and divided by the number of servings per package. This would take into account the likes of a bottle of tomato sauce at 26% sugar but having 37 servings verses a can of cola at 10% sugar but only 1 serving. A sugar tax like this will have the effect of reducing our obesity levels, reducing our diabetes, reducing our dependence on the public health system and increasing the health of our population as a whole.

The physical presence of a company shouldn't matter, if they are conducting business in NZ they should pay tax to NZ. For an on-line company a line needs to drawn as to where the business is occurring. The same should occur for a person, for example, if a tourist on a working visa is here working their way around NZ to fund their holiday then that person needs to pay tax to NZ. Had the job been performed by a NZ'er then they would have paid tax probably via PAYE. The tourist should then not have to pay tax in their home country as it is not fair to be double taxed. The same should occur if a NZ'er goes to Australia for example and works there for a limited time. They should pay tax to the Australian government and no tax on that income in NZ.

Hypothecation tax is a good idea to get extra funding in certain areas however, if the same amount of revenue can be gained in other ways then hypothecation tax should be disregarded. Hypothecation tax puts a limit on where the funds can be spent which may not benefit all NZ'ers.

Contractors should not have to pay their own tax as some I know simply do not comply. This results in lost government revenue. The business that has hired them should pay their tax as though the contractor was an employee of theirs and tax them at the highest rate and the contractor can claim a tax return at year end if they earn less. An argument can be made as to whether a contractor is really self employed or are they employed by the company that they are contracting to.

ACC earners levy should not be capped. This financial year the limit is $126,286 or $1755.37 or 1.39%. Why not keep this fair and equal for all levels of income. A CEO for example earning $5,000,000 should pay 1.39% ACC earners levy or $69,500 which is equal to the percentage that the majority of working NZ'ers currently pay. With the current rule, that same CEO would only pay $1755.37 or 0.035%

Lastly, tax rules based around maori need to be exactly the same as tax rules for non-maori. Without similar rules for all races, we will not be an equal country and it will be a step towards division between maori and non-maori. Company's directors could also place the company in a maori persons name just to access tax breaks.

Good luck with the job you have ahead of you, I do not envy you.

Thank you for the opportunity for me to have my say.

Regards,

Brian Porteous.

From: Hayley Mitcheson [1]
Sent: Friday, 27 April 2018 10:28 PM
To: TWG Submissions
Subject: Tax Working Group Submission

To whom it may concern,

There are many different aspects that need to be looked at as part of the tax overhaul where there is more equity for all New Zealanders, regardless of where they live and what they do for work.

My first and largest concern is GST. This needs to be removed from fruit/veges/meat/dairy, essential baking items as well as standard hygiene products (including sanitary items, soap, shampoo, toilet paper, simple cleaning products). This will encourage more people to bake, cook and buy more healthy options for their families whilst maintaining hygienic standards. On this note, why can some people claim back GST, yet the standard everyday person is unable to do this, even if they kept all of their receipts, why can some people and businesses get away with doing this? It is not a fair system for everyone. Working in the education sector, we can claim ours back, but it becomes such as process, whereas why is it charged to start with, it will lessen the paperwork involved in the process.

The next aspect of our tax system also relates to a lack of equity and inequality in our system. Why are we charging an incredibly high tax rate for those that work more than one job? Especially those that work a succession of small jobs to pay their bills. A suggestion would be to possibly move this idea of secondary tax if they earn in total over a specific threshold or work a certain amount of hours.

Yes I choose to own a car, but the exorbitant prices of fuel continue to sky rocket and when you are trying to budget around this, this makes it incredibly difficult. I live in an area where there is no public transport, so that is not an option for me either. Clear and consistent prices across New Zealand, where we can budget accordingly, especially knowing the price of oil as a commodity. Also having one standard motorcycle costs a lot annually, when my husband has an excellent riding record, why can this system not be adapted to meet the individual needs of the rider that is registered and insured. Lowering the cost of ACC levies on motorcycles in a similar why to that of cars. The majority of the time, cars are at fault in motorcycle accident.

Why are some so-called charities like churches and trusts that compete in the private sector not paying tax, they openly flaunt their money with possessions rather than putting their money where their mouth is as such.

It is coming back to the old adage of the rich are getting richer and the poor are getting poorer. This is quite well known in New Zealand, yet the standard middle class person is not even able to purchase property in some cases or feel like they are getting ahead without living in constant debt.

The system needs to be overhauled to ensure that we have equity across all businesses and individuals, where they can be treated in a fair and equal way. I see the purpose of tax, but at the same time the distribution of this is not always fair. As someone that lives in the bottom of the South Island, very rarely do we see the amount of taxes we pay going towards our end of the country. This is quite a frustrating point for those that are down here.

If you do require, I am happy to get in contact in regards to my points made.

Regards,
Hayley Mitcheson

From: Angela Kneeshaw [1]
Sent: Friday, 27 April 2018 9:27 PM
To: TWG Submissions
Cc: Angela Kneeshaw
Subject: Deductibility of childcare

Hi

Summary

My submission is that the cost of childcare should be tax deductible for these reasons;

1) Society and organisations benefit from gender diverse work forces
2) Individuals (especially woman) gain significant financial independence when they work
3) Government benefits from having two working parents as the 'tax take' is doubled and the output of an economy is higher
4) There are well documented benefits to children being in early childhood education

Submission

I would like to take this opportunity to comment on one area of the paper around Taxes and Behaviour. Your question is "Should there be a greater role in the tax system for taxes that intentionally modify behaviour? If so, which behaviours and/or what type of taxes?"

My response is that the tax system should encourage and support woman in the workforce. If childcare was tax deductible it would significantly improve the economic outcomes of woman returning to work after having children and therefore encourage woman to return to work.

The Tax Working Group needs to consider the makeup of our work force in 2018 and beyond. We, as a society, are starting to significantly change the way we think about gender equality in the work place. We are now finally recognising that a gender diverse work force in all types of organisations is incredibility positive and productive. This is exciting and inspirational for women of my generation and for women of future generations as we progress to having men and woman able to take up the same employment opportunities on a remuneration basis that is equal.

As a background to this, woman and men, still have the basic human desire to start a family and raise the generations of the future. These children are the governments taxpayers of the future.

Having two workings parents is positive for;
1) Families - as children grow up seeing their both parents engaged in their work and children reap the financial rewards of a two income household. Studies show significantly improved education outcomes for children in early childhood education.
2) Government – as tax revenue is being generated by two individuals (as opposed to the older model of single earner households)
3) Individuals (especially woman) - who are now able to earn their own money and achieve financial independence from their spouse / partner. Working woman have the ability to financially provide for themselves and create an income stream for themselves which de-risks their financial profile in the event of a relationship dissolution for any reason (and de-risks the governments burden to provide for them).

Based on all the above, it is positive for parents, children and government when mothers and fathers work therefore tax policy should encourage this. The question in my mind is why doesn't the government recognise that there is a cost to this. That cost is childcare.

Childcare is provided by, in many cases, private organisations who charge for their services. The cost of childcare to a working parent is a cost directly related to going to work.

I am a working mum of two delightful boys who are in childcare for some of the week. Childcare is the biggest cost to me in going back to work and luckily my role means my childcare costs are more than covered by my remuneration. Not all mothers are so lucky. For some mothers, the cost of childcare is the majority of their after tax pay.

If we believe that woman working is positive for individuals & governments then shouldn't tax policy support and encourage this? The way to encourage this would be to make the cost of childcare tax deductible.

I would be very happy to be contacted about this submission to discuss my points further. My phone number is [1] [1] or email [1]

Kind regards
Angela Kneeshaw

From: Jack Realson [1]
Sent: Friday, 27 April 2018 8:09 PM
To: TWG Submissions
Subject: Submission

Name: Jack Realson
Email: [1]
Message: GST shouldn't be applied if it would result in a double taxation event.

Trading between cryptos shouldn't be a taxable event.

From: Wally Richards [1]
Sent: Friday, 27 April 2018 5:43 PM
To: TWG Submissions
Subject: My Submission Please confirm received.

Walter J R Richards

[1]

24th April 2018

Hon Sir Michael Cullen,

Chairman,

The Tax Working Group Secretariat

PO Box 3724

Wellington 6140

New Zealand

submissions@taxworkinggroup.govt.nz

Dear Hon Sir Michael Cullen;   cc. All members of The Tax Working Group. ALL MP's.

MY SUBMISSION:

Thank you for giving me the opportunity to make a submission in the desire, as you and the members of The Tax working Group recommend, "to help make the New Zealand tax system fairer," more balanced and equitable for all New Zealanders.

Firstly I would like to say that the Tax System as is currently: is complicated, totally unfair and hampers innovation, expansion and economic progress, also disadvantaging ALL of the people in NZ .

There is how ever a very simple system that would significantly increase the total revenue collection in NZ, increase economic development and provide far greater resources in education, health care and benefits to all people.

It is very simply 10%

All PAYE becomes 10% (Wage and Salary Earners)

All net income/profits/returns from all sources including investments, interest, rents, share profits etc.

Companies, small business, self employed etc 10% of Net income.

All International companies in NZ 10% of Net income after deduction of costs occurred in NZ only.

Any moneys leaving NZ shores have to be deemed as Tax Paid (at the 10% as above)

All trusts that receive income and non-profit 10% of net income.

Lending institutions and Banks would be taxed also at 10% of their all interest earnings from loans but not on the principal repaid.

All gst would be abolished. (Which has always been unfair as it is a tax on taxes especially items such as rates and fuel)

All ACC payments abolished instead ACC would receive a % of the overall tax take.

All other Govt tax revenue would be abolished including taxes of fuel, alcohol tobacco etc.

There would be a 10% tax on all imports at the cost paid for those imports in NZD.

This would stimulate business and manufacturing in NZ reducing needs for some imports..

(I remember years ago that in NZ there were thriving industries manufacturing all sorts of items including clothing and shoes.

They were protected from cheap imports through tariffs, which corrected the imbalance between the cost of manufacture and labour offsetting the lower costs of manufacture and labour of the exporting country.

The NZ items were often of a superior quality but a bit more expensive than the cheaper lower quality imports.

The stupidity of removing the tariffs destroyed many manufacturing businesses and great loses of jobs and PAYE income.

To empathize this aspect I have in the notes placed some Newspaper articles below)

My suggestions would encourage manufacturing to operate plants in NZ providing more revenue and many more jobs.

There maybe other aspects of income that I am not aware of and some suitable arrangement on local taxes such as rates would need to have some similar type reforms.

This would place income earners and beneficiaries in a far better financial situation having more money to spend and a decrease in the cost of living through the removal of gst and fuel taxes etc.

The increasing burden of Govt employees salaries such as Teachers, Doctors, Nurses, Police would be wiped as these moves would give them an instant income boost and more discretionary dollars.

Companies would have savings from no gst, no acc, reduced accounting costs, savings of fuel costs and a reduction of the price of plant and equipment and locally manufactured products.

This would boost the economy allowing money for business to expand create more jobs and in the end result contribute more to the betterment of the country.

In the case of small companies such as mine: which is gardening product manufacture and supplier.

Our products that we import or source would cost us less.

The products that we wholesale for retail would reduce in price making them more affordable to the consumer thus we will turnover more goods.

This would need us to employ additional workers which means more people paying the 10% tax.

Our weekly salary/wages paid is $1970 a week so the PAYE on this would be $197.00 a week. (2 staff) Where the current PAYE for the two is $369.04 a week making them better of by $172.04 a week in their hand.

With gst gone they have much more spending power which will increase economic development which in turn would increase Govt Revenue.

A sudden change to 10% and no gst would likely not be wise so it should be implemented over a two year period.

First year half the GST to say 7.5% and remove one year later.

Reduce PAYE to 15% or what ever lessor rate some maybe on which would stay the same. A year later to 10% for all.

Company Tax reduce to 15% and a year later to 10%

If these changes were made there would be a lot of more money in the hands of individuals and I would suggest a new Govt Guaranteed Investment Bonds for a fixed period of 5 years returning 10% PA and paid annually less the 10% tax.

This would allow neglected Infrastructure work to be done and repair of hospitals etc. The small interest rates the banks offer is no incentive for savings where a 10% return would put a lot more money back into this vital area.

I would further suggest that the Maximum interests rates lending institutions/Bank could charge would also be 10% PA applicable to credit cards/HP/business leases on cars and plant etc.

These appear to be radical changes but in actual fact a very simple and logic move.

It is a fact: that the more people are taxed the less taxes are collected. Reduce down to 10% and people are going to be happy to pay that amount on their income sources.

We also need more controls on how the Govt use the tax dollars as there is too much wastage such as hiring consultants whom often are people that use to work for a Govt department and left to become a highly paid consultant?

One Fact remains: There are, after all, two rates that yield the same amount of revenue: high tax rates on low production, or low rates on high production.

Thank you for allowing this opportunity to submit and below are some notes to clarify my points.

TAX HISTORY IN AMERICA PROVES THIS PROPOSAL:

There is a distinct pattern throughout American history: When tax rates are reduced, the economy's growth rate improves and living standards increase. Good tax policy has a number of interesting side effects. For instance, history tells us that tax revenues grow and "rich" taxpayers pay more tax when marginal tax rates are slashed. This means lower income citizens bear a lower share of the tax burden - a consequence that should lead class-warfare politicians to support lower tax rates.

Conversely, periods of higher tax rates are associated with sub par economic performance and stagnant tax revenues. In other words, when politicians attempt to "soak the rich," the rest of us take a bath. Examining the three major United States episodes of tax rate reductions can prove useful lessons.

1) Lower tax rates do not mean less tax revenue.

The tax cuts of the 1920s

Tax rates were slashed dramatically during the 1920s, dropping from over 70 percent to less than 25 percent. What happened? Personal income tax revenues increased substantially during the 1920s, despite the reduction in rates. Revenues rose from $719 million in 1921 to $1164 million in 1928, an increase of more than 61 percent.

According to then-Treasury Secretary Andrew Mellon:

The history of taxation shows that taxes which are inherently excessive are not paid. The high rates inevitably put pressure upon the taxpayer to withdraw his capital from productive business and invest it in tax-exempt securities or to find other lawful methods of avoiding the realization of taxable income. The result is that the sources of taxation are drying up; wealth is failing to carry its share of the tax burden; and capital is being diverted into channels which yield neither revenue to the Government nor profit to the people.

The Kennedy tax cuts

President Hoover dramatically increased tax rates in the 1930s and President Roosevelt compounded the damage by pushing marginal tax rates to more than 90 percent. Recognizing that high tax rates were hindering the economy, President Kennedy proposed across-the-board tax rate reductions that reduced the top tax rate from more than 90 percent down to 70 percent. What happened? Tax revenues climbed from $94 billion in 1961 to $153 billion in 1968, an increase of 62 percent (33 percent after adjusting for inflation).

According to President John F. Kennedy:

Our true choice is not between tax reduction, on the one hand, and the avoidance of large Federal deficits on the other. It is increasingly clear that no matter what party is in power, so long as our national security needs keep rising, an economy hampered by restrictive tax rates will never produce enough revenues to balance our budget just as it will never produce enough jobs or enough profits… In short, it is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now.

The Reagan tax cuts

Thanks to "bracket creep," the inflation of the 1970s pushed millions of taxpayers into higher tax brackets even though their inflation-adjusted incomes were not rising. To help offset this tax increase and also to improve incentives to work, save, and invest, President Reagan proposed sweeping tax rate reductions during the 1980s. What happened? Total tax revenues climbed by 99.4 percent during the 1980s, and the results are even more impressive when looking at what happened to personal income tax revenues. Once the economy received an unambiguous tax cut in January 1983, income tax revenues climbed dramatically, increasing by more than 54 percent by 1989 (28 percent after adjusting for inflation).

According to then-U.S. Representative Jack Kemp (R-NY), one of the chief architects of the Reagan tax cuts:

At some point, additional taxes so discourage the activity being taxed, such as working or investing, that they yield less revenue rather than more. There are, after all, two rates that yield the same amount of revenue: high tax rates on low production, or low rates on high production.

2) The rich pay more when incentives to hide income are reduced.

The tax cuts of the 1920s

The share of the tax burden paid by the rich rose dramatically as tax rates were reduced. The share of the tax burden borne by the rich (those making $50,000 and up in those days) climbed from 44.2 percent in 1921 to 78.4 percent in 1928.

The Kennedy tax cuts

Just as happened in the 1920s, the share of the income tax burden borne by the rich increased following the tax cuts. Tax collections from those making over $50,000 per year climbed by 57 percent between 1963 and 1966, while tax collections from those earning below $50,000 rose 11 percent. As a result, the rich saw their portion of the income tax burden climb from 11.6 percent to 15.1 percent.

The Reagan tax cuts

The share of income taxes paid by the top 10 percent of earners jumped significantly, climbing from 48.0 percent in 1981 to 57.2 percent in 1988. The top 1 percent saw their share of the income tax bill climb even more dramatically, from 17.6 percent in 1981 to 27.5 percent in 1988.

Harmful Spending & Complexity

Lower tax rates are important, but they are not the only critical issue. Both the level of government spending and where that money goes are very important. And even when looking only at tax policy, tax rates are just one piece of the puzzle. If certain types of income are subject to multiple layers of tax, as occurs in the current system, that problem cannot be solved by low rates. Similarly, a tax system with needless levels of complexity will impose heavy costs on the productive sector of the economy.

This WebMemo is excerpted from the author's, Daniel J. Mitchell's, Backgrounder, The Historical Lessons of Lower Tax Rates, published July 19, 1996. The original publication, found here, contains footnotes and numerous charts.

Note of Tariffs.

Companies such as Sunbeam here in Palmerston North : NZ Herald 26thMay 2004 ..

Sunbeam is shutting its Palmerston North electric blanket factory with the loss of 122 jobs as it seeks to benefit from cheaper manufacturing overheads in China.

Sunbeam's general manager of New Zealand manufacturing, Craig Dais, said the firm would now make its electric blankets in China.

The staff, including himself, would be out of work by late June and early July, Mr Dais told NZPA today.

"Spirits are as high as can be expected," he said.

This was just one part of the company as it was making many appliances here in their factory in Palmerston North.

All departments closed and all manufacturing relocated overseas.

Here is another article extracts on the subject:

When asked what the Government could have done to alleviate the company's situation he said “There are only two things that could have been done; one was to use tariffs, the other was tax relief.” (This is in regards to Sunbeam)

There has been a pattern of closures in the manufacturing industry since the New Zealand government started pursuing a free trade agenda. Click Clack Ltd, another Palmerston North factory, is also ceasing to manufacture goods, although its head office will still be there. It is estimated that over 30 jobs will be lost. Like Sunbeam, the company has been working hard to relocate workers to other plants, and to other jobs in the Manawatu. While there have been a number of Regional Development projects which are expected to provide some jobs in the Manawatu they will not help ease the impact of 150 job losses.

George Larkins from the Manufacturing and Construction Union (Wellington Branch Secretary) who has members in the factory said “The workers are devastated. They aren't in highly paid skilled jobs, they will find it very hard to get work in the Manawatu. The main cause is government policy, which, for example, has allowed the dollar to strengthen beyond what exporters have budgeted for.”

When asked what he would like to say to ministers like Jim Sutton who promote a free trade agenda, Larkins said “It is all very well to be looking at the big picture, but come up here and look at the devastation you are causing these workers, and tell them why you think this is acceptable.”

As Robert Reid from the Clothing Workers Union said “The closure of the Sunbeam factory is one more example of the closures that have been happening since the Rogernomics period of free trade policies that started in 1984.”

There is controversy over the much heralded New Zealand/China Free Trade agreement. The government seeks more access for New Zealand's primary products, essentially farming produce. Rod Donald from the Green Party has criticised Helen Clark directly for not pushing for fair trade and raising the awareness of China's “awful labour and environmental record” when she signed the first document towards the agreement last week.

With the majority of clothing and manufacturing goods coming from China, the New Zealand/China Free Trade Agreement effectively makes any industry tariffs completely redundant.

Craig Dias from Sunbeam did not believe that the Free Trade Agreement was critical to the closing of the plant. However, as ARENA (Action Research Education Network of Aotearoa) researcher Bill Rosenburg said "All these free trade agreements certainly have a racheting down effect on our economy, preventing us from now or in the future ever supporting a New Zealand manufacturing industry, including textiles and clothing. For the Sunbeam factory it might not have been what closed the factory, but it denied hope of any relief in the future."

Political parties like the Alliance Party and Green Party have worked hard to keep tariffs in place, including the placement of a freeze on tariff reductions in the clothing industry from 2000-2005, and to avoid free trade agreements. They propose instead to look to fair trade deals which focus on avoiding exploitation of workers and the environment in all participating countries. However the Labour government seems to have entirely ignored the concerns of the local community and political advocates for caution and restraint.

Wally Richards
[1]

New Zealand Bill of Rights Act 1990. Part II of the Act covers a broad range of Civil and Political Rights. As part of the right to life and the security of the person, the Act guarantees everyone:

- The right not to be deprived of life except in accordance with fundamental justice (Section 8)
- The right not to be subjected to torture or to cruel, degrading, or disproportionately severe treatment or punishment (Section 9)
- The right not to be subjected to medical or scientific experimentation without consent (Section 10)
- The right to refuse to undergo any medical treatment (Section 11)

If people let government decide what foods they eat and what medicines they take,their bodies will soon be in as sorry a state as are the souls of those who live under tyranny.
Thomas Jefferson

Democracy, by its very definition, cannot be imposed by force.

Remember Kissinger's infamous saying in the early seventies:

"Who controls food, controls the people, who controls energy controls entire continents, and who controls money controls the world".

From: Warren Snow [1]
Sent: Friday, 27 April 2018 5:01 PM
To: TWG Submissions
Subject: Submission

To the Tax Working Group

I'm grateful that I live in a democracy and have this opportunity to have my say. Tax should as much as possible directly encourage rapid change towards a sustainable and more equitable society.

Business likes certainty and so any imposition on business by way of taxes should ensure no particular business is disadvantaged unduly by allowing for freeloaders or through favouring a sector or business over others.

Having said that, taxes should encourage all businesses to internalise environmental and social costs. Why should farmers get a free ride on the environment because they are our dominant exporters? Why should children not be able to swim in the river at the front if my home at 90 Mile Beach because about a dozen farmers are filling it with farm nutrients, and I'm sure run off from chemical fertiliser. Why also should massive retailers be able to push more and more unrepairable short life products on to the market that mostly end up as waste within a matter of months or even weeks or days. And why should we have to ensure vast quantities of packaging that is mostly ending up in landfill or the litter stream – even worse in the marine environment.

My suggestions follow:

1. Tax energy sources that create CO_2 – this probably comes under the ETS I think but overall I think environmental taxes can be effective.
2. Tax landfill methane emissions (separately to the current landfill levy) at a proportionately higher rate given that they are around 30- times more potent than CO_2. These can be measured. Gas captured from landfills is not renewable energy because it's created as a result of the destruction or renewable and non-renewable resources and only captures a very small proportion of the gas generated by landfills.(I note that landfills are part of the ETS)
3. Require that buildings that are demolished (as hundreds of perfectly usable ones are very year in particularly Auckland) and that are not re-sited or properly deconstructed pay a carbon fee of a certain amount per square metre (to preserve the remaining utility values of the building and the embodied energy that was used to create it). This fee needs to be high enough to make it cheaper to deconstruct or re-site than to demolish.
4. Put a levy on plastic bags – UK and many other countries are doing this
5. Introduce a mandatory product stewardship scheme where all beverages must have a refundable deposit of say 10 cents added to them to encourage recycling. This will take us from less than 40% we are currently recycling to at least 85% - an increase of 750 million containers. It will create more than 2,000 new jobs and massively reduce the amount of plastic entering the marine environment. And will save ratepayers in NZ between 23 and 40 million dollars annually, not to mention massive reductions in landfill disposal costs for councils.
6. Require mandatory product stewardship schemes on tyres, appliances, electronics, clothing beverage containers, building products etc. Producers should be responsible for the whole life cycle of the products they put into the market. This will not only create many thousands of jobs, it will reduce our waste volumes and encourage local retailers, wholesalers etc. to demand reparability, more durability and recyclability of products they import – plus of course less waste. Voluntary schemes don't work apart from token amounts by those that are involved such as glass, packaging, paint, farm wrap etc. because of freeloading which results in low commitment by participants and poor outcomes. This would apply even to what some people would think are 'goods' like solar panels. These need to be

designed for disassembly in 20 to 25 years at the end of their life. At present they are looking like they will be a huge problem because no-one thought about end of life dismantling and recovery of materials or even re-use in the rush to produce them for the new demand – a typical example of unintended consequences. The same with electric car batteries.

7. Remove GST from food
8. Require retailers to pay a tax on all appliances and electronics they import which can be avoided by offering a full sales and service regimen where customers can have things repaired rather than discarded. Proper product stewardship s per item 6. Might suffice to achieve this.
9. Introduce a capital gains tax on sales of homes apart from the one home the owner lives in. There's so much discussion on how well one world work, but even if it doesn't have a huge effect on costs of homes, it might slow down the flicking of homes by speculators and put a tidy sum into the consolidated fund to help run the government.
10. Make sure multinationals like apple Amazon etc. pay their fair share of tax in NZ
11. Bring Farmers into the emissions trading scheme. Farming is destroying habitat, stream and waterways at an alarming rate and sends truckloads of soil down to the sea at each river entrance in bad weather. It's time they are not rewarded for these externalities of doing business. I support stages but much quicker than over the last few years. I also think we should explore the idea of the state buying some farms that are causing the most damage or are in very sensitive environments. It's incredible how quickly they can repair and perhaps the cost can be covered by the increase in tourism. At present farmers that are prepared to fence off their streams in Northland are only required to fence off 2 metres. This is almost meaningless – it needs to be at least 5 metres and ideally the queen's' chain
12. Require inbound tourists to pay say $20 each to visit NZ and enjoy what we are trying to preserve – perhaps if they are spending more than one week here. More funding for DOC and even the consolidated fund.
13. Remove the tax break on advertising for companies that don't have an effective CO2 mitigation and waste reduction strategy (if it's practical to do so)
14. This is not so much a tax issue but let's stop penalising beneficiaries for earning a little extra money to help them get along. A generation of people now see work as a dirty work you get penalised for – wrong signal! Or increase how much they are allowed to earn -say bring it up to $200. I hope that tax review is also looking at a national dividend or wage which could solve this issue.
15. Apply import levies/tariffs on products that come from countries that do not have fair labour and decent OSH and environmental standards. For example companies can avoid costly environmental, labour and OSH requirements simply by packing up and moving to a low wage low compliance economy. This has gutted our manufacturing base and is patently unfair. If these same factories that we get most of our products from where in our towns, we would be aghast, but we turn a blind eye to them when they are in China or Vietnam or Bangladesh. I don't know how this would be implemented but we need to create fairer more equitable and sustainable world economy somehow. This is also related to item 6.
16. Everyone needs to pay tax but I think those that have inherited large sums or have become very successful financially have multiple advantages over those that have not been so lucky – so I think there should be a way to redistribute some of that wealth through taxes without going too far.

Thank for this opportunity. I am happy to respond if there are any clarifications required.

Warren Snow

[1]

From: Michael Barnett [1]
Sent: Friday, 27 April 2018 4:58 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Preamble

I am saddened by the Americanization of New Zealand society over the past thirty years and the widening gap between the wealthy few and the rest of society. We have continually been told that the free market and less government is the only answer to our economic problems. However, there is clear evidence that the market has failed to benefit all but a few and left escalating social issues in its wake. The challenge for the current and future governments is to refute this ideology and stress the important role that government plays in providing for sound economic and social development.

A Vision for New Zealand

My vision for New Zealand in the 21st century is:

A society where every member of our society, shall have access to a rich and rewarding life, regardless of gender, race or ethnic origin. A Society that:

- *Provides economic opportunity for all*
- *Provides for and ensures the physical care and education to enable the young to seize and exploit that opportunity.*
- *Provides for and ensures the welfare and care of it's elderly citizens*
- *Encourages sustainable economic growth and ensures the fruits of that growth are shared equitably among all its members*
- *Where no one can be allowed to starve or be without shelter.*
- *Recognizes the importance of having a strong and effective State sector.*
- *Has a strong international dimension and contributes to world peace by working cooperatively with all nation-states toward this end.*

To achieve such a vision, what is needed are leadership and policies, which acknowledge that community values should be cherished and encourage a fairer sharing of the wealth created.

Specific Policy Objectives

Taxation Policy: When it comes to taxation, in most western economies politicians continue to be influenced by high paid consultants, who advocate taxation models that favour the rich and the powerful. I challenge this conventional wisdom and suggest that the market model economy should be replaced by a new model that generates sufficient tax revenue for governments to provide the services needed that will benefit all in society. In the process the poor should be taxed less and enjoy a higher incomes to help lift themselves out of the poverty trap.

A tax on capital gains tax is a step in the right direction, but it has some anomalies and doesn't go far enough. The way I see it, there are two economies out there: the real economy where we produce goods and services that create jobs and prosperity for the masses. Then there is the phony economy of the financial fraternity that manufactures wealth out of nothing and moves investment in and out of the country at whim. It destabilizes our currency and makes life difficult for our exporters.

We need policies where the State takes back greater control of money creation and the cross border movement of investment funds. I believe this could take two forms: a tax on all banking transactions (with the possible exception of savings transactions) and a tax on speculative currency movements in and out of New Zealand.

I believe a universal tax on land should also be considered, as a source of Government revenue. There is much historical precedent for this. William the Conqueror funded his Kingdom out of land rent and set the basis for taxation during the feudal era. In 1776, Adam Smith argued that in the enterprise economy public revenues and services would best be served by a tax on land. He identified Economic Rent (the difference between the cost of production and the revenue derived from a value adding enterprise) as a source of revenue that would not distort peoples' incentive to work, save and invest. Forty years later David Ricardo another prominent economist of his day explained how it worked and also pointed out the fact that landowners enjoyed all the economic benefit of capital gain resulting from public investment in infrastructure no effort on their part.

I believe the implementation of these forms of taxation could provide a source of significant revenue to fund the bulk of government expenditure including investment in social policy. Ultimately this should generate sufficient income to reduce and even eliminate the need for GST, which in reality is a regressive form of tax that adversely impacts on the poor and the marginalized in society the most.

The Debt Problem: All the argument focuses on Government debt, when in reality the real problem is the National debt for which the private sector is by far the main contributor. Over the past 25 years we have witnessed the sale of many of our strategic assets to foreign investors, who then proceed take there profits offshore and offer little in return. I believe there is a strong case for tighter restrictions on the foreign purchase of our productive and non-productive land.

Welfare: Welfare is an emotive and difficult issue. The welfare reforms of the first Labour government helped to establish the kind of society where the benefits of economic growth were more equitably distributed. However, subsequent welfare measures have tended to be introduced ad hoc and today we have a mish mash of policy that is inefficient in its delivery and favours some sectors of society at the expense of others. I believe there is a drastic need to review and reform how welfare is delivered in the 21st century. Answers to this problem may lie in some the ideas of Gareth Morgan and Susan Guthrie.

<u>Miscellaneous</u>

- It is a travesty that most of our tertiary students come out of their studies burdened with huge debt. There is a need to review how we fund tertiary education and a good starting point would be to eliminate course fees and look at the funding and bonding schemes that existed during the 1950s and 1960s.
- Re-introduce the concept of low interest loans (2-3%) for first homebuyers, as was policy in earlier times.
- Promote the planting of trees on Crown, Maori and private land and provide incentives for doing so. It is labour intensive and we would be creating a valuable asset for future generations.
- Governments can and do make a difference and they can influence how incomes are distributed. There is a need to restore a strong and vital public service sector.

- There is a need to seriously address environmental and climate change issues.

Michael Barnett

[1]

From: [1] [1]
Sent: Friday, 27 April 2018 4:58 PM
To: TWG Submissions
Subject: Submission to the Tax Working Group

Importance: High

Good morning,

I wish to make the following submission:

1. That there be a Capital Gains Tax upon Residential Rental Property, when the property is sold or transferred, or otherwise disposed of.

2. That in Single income families, the first $30,000 of income to be Tax exempt. This acknowledges the fact that the non working partner makes a significant contribution to society by being at home caring for the children.

Please exclude my name and address from the listing of submissions on your Web Site. Thank you.

Regards,

[1]

From: Piki Knap [1]
Sent: Friday, 27 April 2018 4:26 PM
To: TWG Submissions
Subject: Submission

- **What does the future of tax look like to you?**

  Tax should be proportionate and provision needs to be made of social, environmental and cultural credits.

- **What is the purpose of tax?**

  Provide equality across the board. If you are a company operating and trading in NZ you should pay tax regardless of who and what type of business you are, i.e. the Googles and Amazons need to pay their fair share of tax.

- **Are we taxing the right things? No. Paying GST on everything is day light robbery. Tax the things that cost our economy both financially and socially. Tax sugar, tax smokes, tax gambling and other negative contributors more. GST should not be charged on everything.**

- **Can tax make housing more affordable? No not in the current environment. NZ must be one of the only countries in the world where you don't get taxed on your largest asset. Capital gains taxes can subsidise first home buyers and low income earners into homes. Look at examples overseas where housing is not an issue and how their governments subsidise or tax to support their people into homes, i.e. Finland, Australia etc.**

- **What tax issues matter most to you? From a business perspective, provisional tax and GST have always been an issue for me. We pay for past tax current tax and future tax. We should be taxed on what we make during a financial year and that's it. Running a small business is hard work in NZ. The work we do has massive positive outcomes for the economy in the long run. There are no tax credits for the educational, environmental, social and cultural outcomes that our company achieves and not having a tax provision to recognise this is wrong. Companies who create better opportunities for New Zealanders and who provide better future outcomes should not be taxed as much as companies that do not have a social enterprise focus. GST rebates or some form of social rebates should be introduced to address this and to ensure that companies have a more socially focused lens.**

Kōwhai
Te Tira o Kōwhai

Nāku noa, nā

Piki Knap

Chief Executive Officer

[1]

[1]

From: Jennifer Cruden [1]
Sent: Friday, 27 April 2018 3:56 PM
To: TWG Submissions
Subject: My small gripe

Tena Koe,

I have only recently got around to doing this, and I am aware that my time is running out.

My one small suggestion is that the top tax bracket for income is changed. I think it is utterly ridiculous that somebody on $70,000 per annum is paying tax at the same rate as someone earning say $400,000. I think that people earning that much should be taxed at a much higher rate.

I'm not well versed in taxes, I do admit that, but I think something drastic needs to be done to help counter inequality in our country. There is far to bigger gap between the rich and the poor.

Nga mihi,
Jenny Cruden

From: Margaret Green [1]
Sent: Friday, 27 April 2018 3:45 PM
To: TWG Submissions
Subject: Government's Taxation

To Whom It May Concern

I, Margaret Green of Frankton, Queenstown, NZ, am very concerned about the taxation system in New Zealand and hereby ask the NZ Government to review the following please:

1. The inordinately huge salaries of many of the CEO's in New Zealand
2. The strangely large number of these CEO's who move from one position to another receiving huge payouts when they leave said positions. If they have resigned why are they receiving these large payments //
3. Why does, for example, Sanitarium Charitable Trust pay no tax ?
4. Why do people receive the NZ Superannuation when they are already independently wealthy ?

I am a 66 year old (tomorrow) single (divorced) woman living on my own in rented accommodation, I work 17.5 hours a week, do not drink alcohol or smoke cigarettes, do volunteer work in the community. I am not able to own or run a motor vehicle.

My income consists of NZ Superannuation and wages for 17.5 hrs a week.
(Please note: not everyone comes out of a marriage with a big payment, being married to a secret alcoholic meant all that was left for me was $3,000.00 from over 20 years of marriage)

My wages are taxed S, secondary tax, I would ask that the NZ Government look at doing away with this or lowering the tax rate please.

I semi-retired at 65 years old because way back when I started work at 17 yrs many retired at the then retirement age of 60 yrs to make way for the next generation and this is what I did.

I ask that you read and take into account my submission.

Thank you

Margaret Green

From: Keaton Lane [1]
Sent: Friday, 27 April 2018 3:37 PM
To: TWG Submissions
Subject: Submission

Hello

It is important to not make changes to the tax system. Please do not raise taxs. Please do not create a capital gains tax the housing market is correcting itself im in my late twenties and buying a house isnt that important to us. Please do not create a fuel tax.

Kind regards

Keaton

From: [1]
Sent: Friday, 27 April 2018 3:33 PM
To: TWG Submissions
Subject: Tax reform

To whom it may concern
I heard two women talking just last weekend about how great it is that Maori tribes don't have to pay tax on business income and how the first tribes were clever to get an uplift payment of millions written into their treaty claim so it can never be changed. So much for a fair society for all.

With tribes not paying tax on their businesses like every other New Zealander successive Governments have now swung the pendulum in the opposite direction so there are now racist policies in favour of a minority of New Zealanders against the majority of New Zealanders all behind "Charity' status.

Wrongs needed to be put right but not taxing ALL businesses in New Zealand at the same rate is not righting a wrong it is creating an uneven playing field. The tax not paid by tribes in NZ amounts to millions of dollars. So instead of taxing individuals more I would suggest you look to ensure all those who earn income are taxed at the same rate so we all carry the burden together.

Regards
John Beker

[1]

From:	[1]
Sent:	Friday, 27 April 2018 3:23 PM
To:	TWG Submissions
Subject:	Who earned it?

One Thing
I urge the taxation working group to remember one thing above all, it is people's hard earned money you are planning on taking by force.
(Unless you are going to recommend a voluntary tax - which would be great).

The money was, most often, earned by someone trading their time (skills and energy) to earn it. So it represents a part of their life - the most limited of resources.
The power exercised in the collection of tax is one no one else in society wields.
It is akin to slavery - taking a part of someone's life against their will!
would you be happy owning a slave, and benefiting from the work?

You are taking pieces of peoples lives through the threat of violence.
Only do so with the greatest of care!
Your job is not to think about what great good you imagine could be done with the money, but where you are taking it from, and how.

I submit a reduction and simplification in all forms of taxation can be your only moral recommendation.

Kind regards

Kenneth MacKenzie
[1]

From: Kathleen Gallagher [1]
Sent: Friday, 27 April 2018 3:08 PM
To: TWG Submissions
Subject: submissions for tax working group

Tax Recommendations to Tax Working Committee April 2018 - Kathleen Gallagher [1]
[1] **(I am happy to speak to these if you would like)**

-

1. Purpose : Reverse Our Spiralling Wealth Inequity*

Financial Transactions Tax Flat Tax @0.01% on all financial transactions,

including cryptocurrency transactions.**

Wealth Tax Assessed annually, on the amount of net wealth held: 0% Below $1 million, 1% between $2 million and 5 million; 2% exceeding $5 million; (Aust, UK, Belgium, Fr, Canada, Denmark, Germany, Netherlands all have wealth taxes)

Income Tax Tax-free $0 to $14,000; Current bands 17.5%: $14,001 to $48,000; 30%: $48,001 to $70,00; 33% on $70,000 to $150,000; Over $150,00 at 39%, Over $1 million at 49% (Top Tax rates Denmk 55.8%, Aust. 49%,USA 46.3%,Fr. 54%,UK 45%)

Empty Homes Tax Residential properties in major NZ cities unoccupied longer than 4 months annually, taxed at 1% of the property's assessed taxable value. To be managed by local city councils concerned. (Residential property owners in Vancouver submit an annual property status declaration.)

(Regulation - foreigners from countries that forbid property ownership by NZers are unable to purchase residential property in NZ - they can lease ownership only.)

-

2. Purpose : To Tax Multinational Tax Avoiders Operating in NZ

Revenue Tax on Foreign Multi Nationals diverting profits to avoid tax

Ascertain NZ company tax on portion of total revenue earned in New Zealand (eg 10%),x their total international company profit

Revenue Tax on Digital Multinational Companies of 6% that have a turnover of more than NZ$1.3 billion and whose businesses depend on digital advertising, online marketplaces, including google, facebook, amazon, twitter, uber & airbnb, (c.f .India 6%, Europe 3%)) (Press 21.3.18 Tom Pullar-Strecker).

3. Purpose : To care for our health

Sugar, Tobacco, Alcohol & Excitotoxins (Common excitotoxins are glutamate, aspartate, and cysteine, plus many others. These neurotoxins affect brain function including brain damage, the destruction of neurons, memory impairment...) -

Flat taxes, across the board, all to be raised to same rate as current tobacco tax

4. Purpose : To care for our environment#

Climate Change Levy (Climate Change Act UK 2008), Emissions Trading Scheme & Carbon Taxes, bring farmers into, in stages Landfill & Waste Tax (UK,Germany..)

Nitrate Fertiliser Pollution Levy at $2 per kilo of nitrate alongwith rebates rewarding tree planting, increasing biodiversity, & regenerative and organic agriculture.

Plastic Bag tax 15 cents a bag at point of sale - to discourage use (Ireland...) **Tourist Eco tax** $35 flat rate - national parks beaches campsites toilets...

Clean Water Royalty to be paid by all industrial and commercial consumers

*** The Spirit Level** Richard Wilkinson & Kate Pickett This ground breaking book, provides hard evidence to show how almost everything from life expectancy to mental illness, violence to illiteracy, is affected not by how wealthy a society is, but by how equal it is. It shows societies, with a bigger gap between the rich and poor, are bad for everyone in them - including the well-off.

****** Financial Transactions is purely a tax on all economic transactions in the economy. Stamp duty and customs duty have been around forever. The reality is that the huge amounts of value sloshing round the financial sector mean that percentage needs to be less than 1% and the transactions less than $1000 can be exempt (all the little people buying groceries). It is simple, easily collected, difficult to evade and administratively cheap to operate. Rick Robinson Ex-IRD Tax Inspector

*****There is no statistically significant relationship between the decrease in top marginal tax rates and the rate of productivity growth in the Anglo-Saxon countries since 1980. The rate of per capita GDP growth has been almost exactly the same in all the rich countries since 1980. UK and US have not grown any more rapidly than Germany, France, Japan, Denmark and Sweden who did not reduce their top marginal tax rates and the rise of top incomes do not seem to have stimulated productivity. The idea that all US executives would immediately flee and no one with the competence or motivation to run the economy would remain is not only contradicted by historical experience and by all the firm-level data at our disposal, it is also devoid of common sense.** Capital Thomas Piketty **p 512-513**

 # New Zealand's greenhouse gas emissions in 2015 were 24.1 percent higher than 1990 levels. Gross greenhouse gas emissions from human activity for the year were 80.2 million tonnes of carbon dioxide equivalent, compared with 64.6 million tonnes in 1990. New Zealand's gross emissions per person were the seventh highest among the 41 industrialised countries.Gross emissions includes carbon dioxide, methane and nitrogen oxide and fluorinated gases from agriculture, energy - including transport and electricity production, waste, and industrial processes - and product use such as refrigeration and air conditioning and carbon dioxide emissions from mineral, chemical and metals production. It also includes land use change and forestry, which can remove emissions because vegetation acts as a carbon sink. Agriculture and energy produced approximately 47.9 percent and 40.5 percent of the pollution respectively in 2015. Between 1990 and 2015, agricultural emissions increased 16 percent largely due to an 88.5 percent increase in the national dairy herd size, and a five-fold increase in the application of fertiliser, which contained nitrogen. Emissions from the energy sector increased 36.7 percent as a result of increased road use and manufacturing using fossil fuels. [1] NZ 7th-worst on emissions of 41 nations

12:0126.5.17 A Climate Change Commission is to be tasked with coming up with recommendations for how to achieve net zero emissions by 2050. ***Net Zero in New Zealand*** report by Vivid Economics sets out the policy track required to actually arrive there by 2050 - it is pretty eye-watering. *By 2050: Coal electricity generation: Zero; Gas generation: Down 73%; Hydro: up 21%; Geothermal: up 161%; Solar: Up 21,000%, Dairy livestock: Down 20%; Diary livestock productivity: up 25%; Dairy emissions inhibited by new vaccines: Down 30%; Dairy emissions inhibited by selective breeding: Down 15%. (Similar numbers for beef and sheep) Farmland: Down from 12.4m hectares to 10.6m, while Forestry rises from 1.7m hectares to 2.9m and some livestock farming is replaced with Horticulture. Plus vehicle and train electrification. "[This track] is heavily reliant on a series of technological advances which, if they fail to materialise, would make this scenario unattainable So another track was suggested. This required a shed-load more farmland to be converted to forests (as well as renewables targets, livestock productivity growth and electrification). There's a catch:"The substantial change in land-use patterns implies significant social and environmental challenges. Socially, it would imply profound changes to rural livelihoods and New Zealand's rural economy." That, in a nutshell, is A big challenge.* Carbon pricing mechanism Rural News October 29, 2017 - 07:38am, **Alex Tarrant**

Tax and Fairness Russell & Baucher, **Sugar, Rum & Tobacco** Berridge & Marriott **The Zero Marginal Cost Society** J Rifkin **The Big Kahuna** Morgan & Guthrie **The Joy of Tax** R Murphy **The Hidden Wealth of Nations** G Zucman **Excitotoxins : The Taste That Kills** Dr Russell L. Blaylock

From: Valentino Luna Hernandez [1]
Sent: Friday, 27 April 2018 2:38 PM
To: TWG Submissions
Subject: Submission

This Submission represents my individual views as a sustainability practitioner working for a large public-funded employer.

My submission refers to the Fringe Benefit Tax.

As a large employer, Capital and Coast DHB is trying to reduce its environmental footprint. One of the largest contributor to CCDHB environmental (and carbon) footprint is the use of private motor vehicles for our staff to come to work.
My job is to promote and incentivise sustainable transport options for our staff.
While we have made advances by providing adequate bicycle parking facilities, showers and changing rooms. We have reached a stage where more sophisticated incentives must be brought it. One of them is the provision of subsidies (part of all) for our staff to take public transport, have access to more environmentally friendly modes such as bicycles or electric bicycles or be rewarded with shoe vouchers if they walk.
Unfortunately, the FTB sees car parking an exempted from the FTB. This acts as an incentive for staff to drive to work. All the measures named above, to support a transition to carbon neutrality in our travel patterns require CCDHB to pay FBT. This is a perverse incentive, as it is quoted as the #1 excuse to do nothing by employers large and small.
It would be ideal if the FTB is not payable in employer subsidy schemes that support a transition to carbon neutrality. This should move beyond transport into other areas where employers can lead the way to a carbon neutral future.

Many thanks for your time.

Valentino Luna Hernandez
Sustainability Manager –
Capital & Coast District Health Board | Upoko ki te uru hauora
[1]

https://www.un.org/sustainabledevelopment/takeaction/

From: John Howe [1]
Sent: Friday, 27 April 2018 2:35 PM
To: TWG Submissions
Subject: Submission; Preamble; I found your web page very informative, and well presented! Thank you! I think there is a need for our tax system to get back to influencing societal, environmental, and personal issues. One of our big problems is social inequalities

Sent from Mail for Windows 10
Submission;
Preamble; I found your web page very informative, and well presented! Thank you!
I think there is a need for our tax system to get back to influencing societal, environmental, and personal issues.
One of our big problems is social inequalities- eg. Many children below the poverty line whilst others are greedy as pigs at a trough with luxury yachts and holiday homes in Hawaii.
Tax could provide more incentives and disincentives to provide favourable outcomes for society, individuals, and the environment.
Although some of these taxes might be difficult and expensive to implement, the social flow on effects could be large.
For example; if a suitably large tax is put on sugar, and possibly other unhealthy foods, the reduction in obesity and diabetes would provide great savings in health.
Environmental concerns and global warming are also very important.(As president Marcozy said ”There is no planet B”.)
I think the emphasis needs to be shifted to fencing off the top of the cliff, rather than providing more ambulances at the bottom! (As the previous governments have been doing.)
We need the government to take firm action, firmer than they have done so far, and the task force could make strong recommendations, allowing that the government may well water down the recommendations.
I am strongly in favour of a Tobin tax.
Thank you for asking my opinion!
Best wishes for the task ahead.
John Howe

From: Norman Frodsham [1]
Sent: Friday, 27 April 2018 2:13 PM
To: TWG Submissions
Subject: Assistance for small businesses

To whom it may concern within the tax working group

Hi

May I request that you consider increasing the GST threshold from its present $60,000 p.a to a minimum of say $150, 000 p.a.
As I am sure you are aware, many small businesses fail within the first one to two years of trading, mostly due to being under funded. Trying to get started on a tight budget can be extremely difficult. A new business even with the best ideas, takes time to grow and to develop into one making a profit which will support itself, and to provide an income for the owner. The larger established business, can factor in the cost of GST much more so than a smaller one who is making little profit.

Many thanks

Norman Frodsham

From: [1]
Sent: Friday, 27 April 2018 12:03 PM
To: TWG Submissions
Subject: Taxation in New Zealand

Dear Sir Michael and colleagues

Whilst I am born and bred in New Zealand and most of my working life has been in Christchurch NZ, I have worked (physician, medical researcher, teacher) in Scotland, USA, Hong Kong & Finland.

The best model for taxation (from personal experience and from my reading) is **Finland.**

With their taxation system **Finland** can afford the best of public education (often placed no. 1 in the world) and the best of a public healthcare system while remaining at or near the top of the international "happiness index". Homelessness is vanishing. The Finns do complain about their taxation system - with a wicked, wry smile. They know that their system is sound and sensible in the **long-term**.

The worst taxation model is the USA.

All the best with your deliberations.

Sincerely

M Gary Nicholls
Professor Emeritus
Otago University, Christchurch.

From: Malcolm Anderson [1]
Sent: Friday, 27 April 2018 10:10 AM
To: TWG Submissions
Cc: [1]
Subject: Tax Working Group submission from a TBA - Tiny Business Owner

Tax Working Group submission from a TBA - Tiny Business Owner

Dear TWG members,

Thank you for humouring us , the NZ taxpayers with a submission process prior to the predetermined "Captains Call" of the inevitable outcome of the tax review . Your group probably have a brief to look at what is moral and fair .

As lovely and utopian as that sounds , taxation is not about morality and even "fairness" is subjective and the more your group will try to achieve that, the more anomalies and unintended consequences you will achieve and you have been given a directive to widen the net and complicate the system.

The best tax system is simple, clear and identifies what is "profit" and what is not.

Below is an example of an unintended consequence of capital gains tax that will stifle growth and transfer of capital.

The Tax Working Group should understand the difference between Gross and Net profit or realised gain and unrealised gain.

Capital gain from realised profit should be taxable however capital transferred in "like for like" is not profit realised as the "gain" has not been unlocked.

Taxing transferred productive capital as "profit " will have the compounding effect of taxing the gross profit and not the net profit. This is the consequence of treating all capital sales as profit or gain. This will negatively affect many small business owners in NZ.

To understand this and illustrate the difference, an analogy is how GST is treated.
GST is not a compounded cumulative tax, it is a net tax of the realised or actual value added.

A business owner pays GST on the value added to the end product that they have produced but he or she claims back the value added or cost that has been transferred to them by other businesses in the supply of their goods and services. Those other businesses have already paid GST for their value added.

If the values were simply added or compounded instead of offset to obtain a net value added, the end price of goods and services would double or triple.

The same effect will happen with capital gains tax if the transfer of capital is restricted by a compounding penalty treating all sales as gross profit instead of net profit (or loss)

Effectively this would be a bright line test for commercial property as with selling a family home, usually the capital is transferred into another family home.

The best way to look at the difference between realised and unrealised profit is with a practical example.

Owner A runs an engineering business from Property A which he owns.

Owner A wants to expand his business and needs to purchase a bigger property and wants to buy Property B from Owner B.

Owner A purchased his property in 2008 for $500K. It is now worth $1m.

Owner B also purchased his property in 2008 but for $1m. It is now worth $2m.

Let's say that capital gains tax is set at 25% on "profit"

Tax on property A is on the gain or profit of $500K which is $125K liability.

Tax on property B is the gain or profit of $1m which is $250K liability.

The total taxable gain or "profit" on this transaction is $375K payable to the Gummint.

But this total is a gross profit and does not take into account realised profit or gain.

Owner A of property A has transferred his capital and re-invested it in "like for like ". He has not realised any capital gain or profit.

Owner B of Property B has decided to retire and bank his profit and spent it as he wishes on travel or whatever suits his choice. His profit has been gained , realised and spent !

So the Government has demanded a gross tax on the transaction of $375 K being taxable even though there is only a net gain of $250K.

The Government has therefore taxed the transfer of productive capital that has not been realised and has applied a compounded or gross tax.

In this raw state, the Government is taxing both parties based on "profit" yet owner A is not only paying for the increased capital value of property B which has had capital gains tax paid on it but to transfer the capital from his property , he is then paying a compounded tax on Property A which has not yet been realised as profit.

The result of this will be to stifle growth in your small to medium business sector and increase their costs which will of course end up being passed on in their product or service.

Therefore this type of transaction needs it's own "bright line" test .

Thank you andregards,

MalcolmAnderson

xanoxdesign Ltd.

[1]

[1]

From: Marianne Boekhoff [1]
Sent: Friday, 27 April 2018 9:55 AM
To: TWG Submissions
Subject: Submission

Hello people of the Tax Working Group,
I would like to have my say, because it is clear as daylight that 'who pays for what' in taxes in New Zealand is terribly unfair.

First of all, do something about the house rental market. That should NOT be tax deductible! It is beyond crazy! Poor people get government help to pay for the rent, and that goes to the rental home owner. And the rental home owner gets rich. And then the rental home owner can sell the house with a profit, and pays no tax on the profit! Am I the only one who can see that all that government- help to pay for the house of the poor goes straight to the rich rental owner???????
And if you are too scared to fix that, because you think that the house market will crash, well, then make the interest on the mortgage for the home-owner-occupier tax deductible, with a maximum of a $ 500 k mortgage. You will see that that will keep the house prices for that segment of the market high. Of course, a lot more houses should be built and/or bought by Housing New Zealand, or some other entity. But that cannot be a for- profit-entity.
And if the house market for the 'filthy rich' crashes, well so be it. **We should not have filthy rich in New Zealand; keep in mind that there can only be filthy rich people, if there are many very poor people.** The big filthy rich people's houses can then be bought by Housing New Zealand, and make them into apartments. Then we fix 2 problems in one go.

Here are a few other ideas:

Firstly a Financial Transactions Tax (set at around .01%) which taxes all money going through our banks. This won't be noticed by any of us day to day but will bring in large sums of money from corporate billionaires and speculators who move billions in and out of New Zealand every day. This tax would replace GST – a vicious tax on low incomes.
Secondly, a comprehensive Capital Gains Tax which would tax the unearned income of the wealthy and the super-wealthy. Wage and salary earners can't avoid tax. We are taxed on every dollar we earn and every dollar we spend. Why not the billionaires?
Thirdly, we need a much higher top tax rate – currently we have one of the lowest in the world. Why should corporate CEOs pay just 33% on their vastly inflated salaries in tax when much more is demanded in other countries? (Eg Denmark 55.8%; Australia 49%; USA 46.3%; France 54%; UK 45%)

By the way, I do have a roof over my head, and yes, it's our own. And no, it's not fancy. And no, I don't own any rentals, because I have never wanted to get rich of the misery of someone else.
And keep in mind that a government should NEVER treat a country as a business, but should treat it as a family. The government is the **head** of the family, see yourself as the father or mother of the family. Would you, as responsible father of the family let your children sleep in a car because they have a low paid, but honest job? Would you let your grandmother live in the leaky drafty old shed in the back of your garden because she wasn't financially savvy in her younger years? Would you be proud of the well-dressed son that stole the half of the food of the kids that now sleep in the car and of the grandma in the shed? Would you give that well-dressed son privileges? If you would answer these questions with : 'YES', well then I feel sorry for you.

Good luck with your tax reform, I hope you can see what a marvelous task you have, and what opportunities you have to make New Zealand Fair Again.

Kind regards,
Marianne Boekhoff
[1]

From: Susan Hutchinson [1]
Sent: Friday, 27 April 2018 9:43 AM
To: TWG Submissions
Subject: Reallocate the hypothecated ACC funds, tax on net wealth and property investment taxes

ACC levies are a hypthecated tax which urgently needs redistribution. Very little of our money invested by ACC is currently spent in this country, and yet our District Health Boards suffer under mountains of debt, and we have very poor fundamental infrastructure such as warm, dry and affordable housing. We are a developed country of less than five million people. There is absolutely no excuse for the level of third world disease, poverty and homelessness we see in this country.

I challenge the Tax Working Group to boldly reallocate our ACC investments where the money will do the most good, such as :

- investment in essential infrastructure such hospitals, so that staff have safe and healthy buildings to work in and DHBs can pay fair wages and retain staff.
- buying land and expanding the KiwiBuild programme in areas that are NOT underneath motorways like Unitec.

Other taxes

Land and property investment tax
I support any tax measure that makes extensive investment in *buy to rent* real estate undesirable. If a home is not owner occupied, a land tax should be charged and revenue from rents should be taxed at a higher rate also.
This "mum and dad" investment model of purchasing properties for rental urgently needs limitations. My hope would be that any taxation levers the government can deploy, will serve to dis-incentivise this type of investment in the future, cool the housing market and free up more stock for people who wish buy homes and settle within communities.
This could be an administrative nightmare, but perhaps the tax rate rises after the third investment property is purchased.
Rates records held by local authorities would reveal ownership details, and landlords could be required to nominate their first and second properties, for lower rates of taxation, and any subsequent properties would be subject to the higher tax rates.

Net wealth tax
Perhaps people with a massive net wealth (including from investment properties) are no longer eligible for superannuation? Means testing might reduce the ballooning burden of welfare payments to the elderly. Some people clearly need help more than others.

Susan Hutchinson

From: Lloyd Anderson, [1]
Sent: Friday, 27 April 2018 8:01 AM
To: TWG Submissions
Cc: [1]
Subject: Submission

The following Submissions I would like you to view

GST
GST should go up to 20% on everything
Of that 20% GST 1 or 2% (of the 20% deduction) should go to local government / local Councils
All Tax on any income up to $25,000 / $30,000 be zero tax rated
Tax from $25k to $40k taxed at 20cents
Tax from $40k to $60k taxed at 25cents
Tax from $60k to $80k taxed at 27cents
Tax over $80k taxed at 30cents

Savings Tax concessions
Kiwi savings is good the way it is
Personal savings average 12 month increased savings, this 12 month increase should be zero rated

Elderly Care
Elderly care that have savings /property/equity should note have to fund all there aged care when in a rest / elderly home , as for the person that has been out there and lived the good life and has no money/property etc gets there care paid for by the state. This is not a level playing ground.

Overseas Visitors
Overseas visitors that have an accident / hospital care and claim our ACC, this should be claimed on to the visitors travel insurance

Thanks for the opportunity to view my thoughts
Lloyd Anderson
[1]

From: [1]
Sent: Thursday, 26 April 2018 11:19 PM
To: TWG Submissions
Subject: Tax

I wish to make the following recommendations:

1. I *don't agree* with the fuel tax rates by the local government.

2. I *don't agree* with the extra tax for rental rates by the local government.

3. I **do agree** for the government rates to be distributed to each fairly.

4. I **agree** to an increase by GST , if necessary.

5. I **agree** to the GST return charged to all externally exempt persons or corp.

6. I *do not agree* with the change of GST to an exemption of any food substances.

Les

From: Richard Summers [1]
Sent: Thursday, 26 April 2018 10:20 PM
To: TWG Submissions
Subject: Future of New Zealand Tax

To whom it may concern

Several years ago I had the idea of a change to the current income and sales tax system in NZ.

My idea is to make saving more affordable to low income families without a whole lot of extra litigation specific to any case by case basis currently run through Working for Families, Domestic Purposes Benefits or numerous other systems currently available to support people with low or no income.

I raise the idea that current lowest income tax bracket of 17.5% be removed and the revenue be instead be sought from GST by significantly raising it to somewhere around 28% (more or less, this figure is an estimate).
Higher tax brackets would remain at current levels.

In my view this would allow low income families and individuals not to be taxed on money they save and offset the government tax income to wealthier individuals, tourists and black market enterprise.

I think that the existing GST systems and how they apply to business works just fine. These changes could be applied, with some adjustment to calculations, for claiming and paying GST in the future.

I understand the thought sounds radical and would need to be calculated out fully to gain more clarity to be implemented successfully.

Thank you for your time.

Richard Bruce Summers
[1]

From:	[1]
Sent:	Thursday, 26 April 2018 9:51 PM
To:	TWG Submissions
Subject:	Submission

My name is Robert Dawson of Auckland. I am a superannuant relying on superannuation payments plus dividends and interest on a modest portfolio of investments. In the present low interest environment, I struggle to make ends meet.
I support the general thrust of the submission made by the NZ Taxpayer's Union.
Additionally, I make the following two points:

1. As a matter of general principle, every citizen should feel that they are contributing to the broad task of meeting the cost of public services, at a level relative to their individual means. That their contributions are being used efficiently, and that they receive in return reasonable communication to enable them to make objective judgements as to amount of tax they have paid, and to the aforementioned spending efficiency.
Unfortunately, the task of government achieving cost effective collection of tax, has meant the tendencies over many years, have been to automate and render taxes as "invisible" as possible. e.g. income tax moved from end of year physical payment to the PAYE system. Cost effectiveness may well determine the need to collect tax in a particular manner. I am simply making the point that cost effectiveness can often be at a cost to the sort of basic principle I have alluded to above. One might say that the government accountants have "won" but the taxpayer has been "dumbed down",
In studying the various options of taxation, I ask your committee to keep the above principle in clear view.

2. I ask you to examine the widest range of current modes of taxation, including those of local government. Over recent years there has been a trend toward dividing government services into ones of "public" good, and ones of "private" benefit. The latter costs are often recouped through varying devices under the general head of "User Charges".
It is no secret that local government over recent decades, have increasingly felt "squeezed" between the provision of services they feel the public demand, on one hand, and the upper limits they feel able to secure monies from land rates, on the other hand. They have adopted user charges with enthusiasm!
I have no difficulty with the principle of government providing services with a clear private benefit and requiring those beneficiaries to pay the fair cost of same through direct, user fees.
The idea is worthy, but the application has had a very chequered record. It is clear to anyone of experience in the various areas of local government, that the level if charges often levied bear little relationship to the reasonable complexity and value of the service provided, but are more related to the perceived need of the particular government department budgets!
To give examples in just two areas. Firstly Development levies: clearly as land is subdivided & population increases it is reasonable that the full costs to councils of providing necessary services beyond the immediately obvious, are met to reasonable degree at the point of either subdivision or the building of a new house, hence the comparatively new device of Development Levies. Just one experience to this submitter's knowledge...a local farmer had his residence condemned due to land subsidence. He rebuilt a new house in a better locality on the same property and was levied several thousand dollars in supposed "Development Levies", despite the abundantly obvious reality that there was no additional need for any further council services, I.e. a clear "tax grab". Your committee, if you choose to look, will find much broader and expert-based comment on the (im)proper use of such levies.
Secondly, relating to "licensing" or other required "fees to operate": a member of my family sought to open a stall in a local farmers market...for about 4 hours each Sunday. The market operator required him, reasonably, to obtain "approval" from the local council to sell the particular chilled food item. The following six months became a charade which might be funny if wasn't so serious to the one affected! The council staff seemed to have no established "registration" or "user" fee in mind. Their first statement was that he would be required to post an "initial" payment of one thousand dollars! After a protracted period of

"discussion" a fee of only $600 was settled upon. There followed no inspection of the intended facility nor of the intended product. It seems obvious that once the user had paid the required fee, the authority in question was satisfied!
I put it to your committee, that many local government revenue avenues, touted as (reasonable) fees levied to cover private benefit services, have tended to become covert levies of taxes, either unrelated to the level or quality of the particular service, or simply a blatant..."pay us what we want, or if not, forget about receiving our statutory approvals or licences".
In part at least they are clearly a form of taxation which needs some reasonable effort on the part of your Committee to quantify.

(Mr) R R Dawson,
[1]

Sent from Samsung tablet.

From: Valerie Morse [1]
Sent: Thursday, 26 April 2018 9:40 PM
To: TWG Submissions
Subject: Submission

Dear Working Group,

I'm disappointed by the scope of this inquiry, specifically that raising the tax rates and inheritance taxes are out of your purview. Both need to be addressed. The highest tax rate should be raised, and a zero tax rate introduced for the lowest income earners. Even the US has an inheritance tax, albeit one with a high threshold.

I'm of the view that major reform involving corporate tax needs to occur, and while this too might be a bit wide of your scope (as I understand from your briefing paper that some "other work" is happening around corporate tax evasion) I nonetheless hope you will not shy away from meaningful recommendations.

Corporate tax evasion or avoidance is the single greatest issue we need to tackle in terms of a tax overhaul.

Furthermore, we need to get serious about a financial transactions tax. There has been significant research on the substantial social benefits of such a tax, and it is long overdue.

Having lived most of my life in the US, a capital gains tax is a no-brainer. The speculation in property in NZ over the past 10 years is nothing short of criminal. Aside from a family home, housing should be seriously disincentivised as an investment. But at the same time, deferred tax on retirement savings e.g. 401(k) plans are also widespread in the US and deserve serious consideration.

I am strongly in favour of removing GST on all food. Then introduce a sugar tax or incorporate other taxes for luxury foodstuffs. GST on food is punitive and regressive.

I also strongly believe that taxation on rates is double-taxation. It is a double-standard to say that central government is government but local government is services. We don't have a choice about either one.

Finally, I am strongly opposed to any tax spending on the military, the NZSIS, or the GCSB. I believe that these are not appropriate government undertakings and should not be funded by taxpayer dollars.

I wish you well with your work.

Ngā mihi,

Valerie Morse

From:	Chris Ward [1]
Sent:	Thursday, 26 April 2018 8:49 PM
To:	TWG Submissions
Subject:	Submission

Dear Tax working Group Members.
I have an idea to submit that might seem quite radical but when all things are considered I believe you may find very interesting.
The concept is to introduce a "RESERVE BANK LEVY".
Its not really a tax but a very effective tool to moderate "free markets" without reverting to Marxism or direct Government control
It would also collect revenue much more easily and cost effectively than Capital Gains Tax which is virtually proven to be ineffective as well as costly.
Its basically an extension of what we have now in terms of the role of the Reserve bank.
Please read the following and consider it carefully.

RESERVE BANK LEVY
The concept is to extend the powers of the reserve bank beyond setting interest rates to control inflation. It is way better than the old-school macro tools from the past such as LVR's that people invent all sorts of work-arounds for.
There is clearly a need to contain pricing "bubbles" within the economy.
Bubbles are destructive economically, socially, personally and even politically, creating senseless and destructive swings and distractions.
God knows how many lives are lost due to the personal tragedy caused by loss of home and income and bankruptcy.
The Reserve bank contract could be extended to include the requirement to moderate critical markets within the overall economy. The RB would have to be given the tools and the resources to do it, of course.
First and foremost is the housing market and I say this because it is an unstable, and in particular (an over-valued) housing market contributes greatly to wealth and social inequality, adds greatly and unnecessarily to the country's debt, diverts investment from productive real-wealth generating investment, causes severe grief to those who cannot afford a home and untold grief to those who lose theirs when there comes the inevitable crash….. etc. At the end of the day, shelter is a basic human essential and it is cruel and inhumane, in fact, for society to allow people to manipulate people's need for shelter for speculative gain. It would be foolish to think that everything would be fixed if the housing market was satisfactorily contained because other bubbles, particularly the share market would without doubt burst out with increased vigor.
But the housing market would be a great place to start.

THE HOUSING MARKET
This one is a real beaut.
The idea is to apply the levy to local body rates:

1. Almost no cost in doing so. The valuation and collection mechanisms are already in place.
2. I hear gnashing of teeth, howls of derision and angst. That is music to my ears because it is a sure sign the idea would work. Just the mere threat would have a dramatic effect on the housing market.
3. But there are some really smart features to the idea that make it particularly effective and incisive
4. It could be applied at different rates to moderate markets in different jurisdictions according to the issues within each jurisdiction, so the problems in Auckland would not adversely affect the residents of the West Coast
5. It would discourage land banking
6. Overseas buyers would bail out
7. It would encourage local bodies to contain their rates and be more efficient. In fact there would have to be rules about how local bodies gained their revenue to avoid paying the levy. And maybe even a levy on other forms of council income
8. Councils would become hell-bent on doing what they could to contain house prices (and hence reduce the levy applying in their jurisdiction) by encouraging development and investment in housing (whether upward or outward)
9. People would be encouraged to move away from more highly levied jurisdictions thus taking pressure off those markets (and transport etc in Auckland)
10. There would be a natural de facto provincial development effect as levies collected from the provinces would generally be lower than the large metropolitan regions
11. Return on investment for farmers would improve as lower land values would reduce the investment required to operate the farm. The investment in land would reduce in relation to the value of their other farm investment. This would free-up and encourage investment in production rather than land.
12. Wealth hoarders with little other income would be encouraged to sell their mansions and invest in productive enterprise. Yes, this would particularly affect the elderly but only those whose biggest worry is counting their shekels. This would encourage better utilization of the housing stock.
13. The country would acquire a lot less debt and, in particular, pay a lot less interest to overseas money lenders.

OTHER MARKETS
A levy could easily be applied to share and other financial trading where prices can greatly exceed real asset backing in the form of a transfer fee. Dead easy. No excuses. banks do this all the time.

There would no doubt be other effects and considerations but overall, if the country has the will (political, social, economic, and even environmental) to make real improvements in so many ways and become wealthier, fairer and happier in real terms I urge serious consideration of the above.

OTHER ISSUES

Outlaw crypto currencies they will destroy taxation bases and destroy lives. They are simply a perversion of the block chain technology that surely has better, more valid uses.
Reduce reliance on across-boarder taxation or introduce transfer tax on all "non-financial services" overseas transactions (instead of GST which is easily avoided and expensive to collect). Trading over the internet is going to force changes. Of course forming mutual arrangements with overseas jurisdictions is vital also.

Regards
Chris Ward
(Principal)

TRANSTECH
DYNAMICS LTD
[1]

From: Barry Newton [1]
Sent: Thursday, 26 April 2018 7:19 PM
To: TWG Submissions
Subject: Thoughts

Dear Sirs

As a fairly recent arrival in New Zealand and having read your website regarding the future of taxation I would like to make several suggestions for your consideration as follows:

1. It is important to retain a simple tax system. The more convoluted the tax system the more expensive to administer, for both government and businesses, and the additional costs may outweigh any increase in revenues, or at best reduce the net revenue stream.
2. If at all possible retain what is in place with slight amendments to increase tax revenues.
3. A possible increase in the tax bands at the higher end to tax higher earners. E.g. A 40% band for those earning over $100k per year.
4. A tax on residential property purchases over a certain amount E.g. 1% on property purchases over $1m 1.5% over $1.5m etc. the number of bands would depend on the projected revenues. But typically if an individual or company can afford a $20m property they can afford to pay some tax on the purchase. make the selling agent responsible to collect the tax and remit to government. The land registry will know what a property sold for. Some exceptions E.g. Auckland may need special consideration.
5. Tax incentives for companies to decentralise from cities such as Auckland create enterprise zones with rate free periods. This will have the impact of relieving the strain on the housing market in the major cities and spread jobs elsewhere. The government could lead the way with their own departments and offices.
6. Maintain motorway tolls to help raise revenues. Do not eliminate them once the road costs have been recovered.
7. Ensure online and internet companies pay their share of NZ taxes on revenues generated in NZ.

The above are just my own thoughts on several topics. I am not an economist and the impact of the above would need to be reviewed and I am sure wiser heads than mine will come up with better ideas.

Kind Regards

Barry Newton

[1]

From: Amelia Smith [1]
Sent: Thursday, 26 April 2018 7:03 PM
To: TWG Submissions
Subject: TWG submission

Hello,

I would like to submit the following comments:

New Zealander's get great value-for-money from their tax - they just often don't realise it because the benefits are taken for granted.

Tax can be used to collect revenue for essential services, more fairly distribute wealth and also to encourage/discourage certain behaviours (e.g. smoking, GHG emissions). I endorse the use of tax for these purposes and any others that solve market failures or increase the public good.

NZ needs taxes on wealth. Currently wealthy people have many tax advantages to increase their wealth - that is, once you are a bit wealthy, it is easier to get wealthier. This isn't fair as often it depends on what situation you were born into. Perhaps phase in an inheritance and gift tax. I received a significant gift from my parents to help with a house deposit which has put me in an excellent position and helped me become even wealthier. While I would have grumbled about a gift tax, I would have been happy to know it was going to fund our under-funded health services or other important services. A capital gains tax is essential. My views on this are represented in this excellent piece of writing the PSA curated - https://www.psa.org.nz/assets/Campaigns/stand-together/Tax-booklet/Tax-book-2017-LOW-RES.pdf
I also think that Gareth Morgan's tax policy in the last election is worth looking into. While I don't like the man, his ideas around tax seem sound.

What makes me feel less like I get value from my taxes is when agencies like the NZTE give away money to big corporates without any real sense of what the collective will get out of it. For example, the government giving $500k to Bungy (https://www.stuff.co.nz/southland-times/business/79957103/Queenstown-bungy-to-get-innovations-with-500-000-government-funding). The link between this and collective good for NZ is tenuous - even if it did attract more people to NZ, haven't we got enough people coming?! Let's be happy with the tourism industry we have and diversify a bit! I'm also confident that they would have done this anyway - they have not hestiated to expand and invest in new things in the past.

Contrast this with money given to businesses to help reduce their GHG emissions. In this instance there are clear behavioural barriers and the reduction of GHG emissions is of benefit to all NZers.

Cheers,
Amelia

From: Sam Esler [1]
Sent: Thursday, 26 April 2018 5:15 PM
To: TWG Submissions
Subject: Submission

To Whom This May Concern

Good Afternoon

As a person who has his own private health insurance, which I believe is my duty whilst I can afford it, to not be a burden on the taxpayer. So this leads me to believe that there should be a tax relief on the premiums I pay for this insurance.

Yours Sincerely

Sam Esler

From: Dean Dodds [1]
Sent: Thursday, 26 April 2018 4:30 PM
To: TWG Submissions
Subject: Submission

I am happy to be contacted in relation to this submission

Background

Much of the current social welfare system is predicated on the "total family unit".

Superannuation has a different rate based on single and joint living as does working for families considering joint income as does the domestic purposes benefit.

However Family Income is always taxed Individually and Income Splitting is not allowed in the interests of fairness surely this must be changed.

Example

A family with 2 people earning $50,000 per annum pay $8020 each so $16,040 combined
A family with 1 person earning $100,000 per annum pay's $23,920

This difference is $7880.00 per annum a substantial amount yet both families have the same house hold income as would be adjudged in working for families but not for income tax purposes, this does not seem consistent.

Conclusion

Income splitting within a family is in my mind in need of an urgent introduction in the interests of taxation fairness.

Regards
Dean Dodds

From: Wayne Baker [1]
Sent: Thursday, 26 April 2018 4:16 PM
To: TWG Submissions
Subject: Submission - Wayne Baker

Our tax is completely unfair. The people who pay the most tax are the poorest and those who pay the least are the most wealthy.

There are loops holes coming out of our ears that only the wealthy know how to exploit or can afford the right accountant who can exploit them on their behalf.

I propose the following:

Remove all GST and consumption based taxes (fuel taxes, tabacco taxes, alcohol taxes) - All of this disproportionally affects the poor and working class people making life even more awful for them than it already is. Especially remove GST from fruit, veges & meat.

Close all tax loop holes - No one should be able to pay less tax than poor people because they can funnel money through trusts, business or assets.

All income to be taxed - No matter where your income comes from, it should be taxed on exactly the same sliding scale as anyone working for wages/salary. Capital gains, shares, interest, assets, property, trusts etc.

Increase Luxury taxes - Excessive wealth calls for excess purchases. These should be taxed to at least 50%.

Change the tax rates:

$0 - $40k - No tax
$40k - $60k - 17.5%
$60k - $80k - 25%
$80k - $100k - 29%
$100k - $150k - 33%
$150k - $200k - 67%
$200k + - $91%

Corporate Taxes - It is disgusting that billion dollar multinational corporations can get away with paying no taxes in NZ. Again, excessive wealth calls for large taxes. Corporations should be paying at least 50% tax on the income they earn from NZ.

We need to radically redistribute the wealth of this country so that everyone has a home, healthy food, education and opportunities to work for a dignified income of at least $25 p/h + . People who are celebrated by the capitalist media in the annual rich list should not be paying the tax of someone on $70k as reported by the same media outlets.

Neoliberal capitalism has got to go. Time for the government to put it's money where it's mouth is, get some guts and tax the rich.

Regards,

Wayne Baker
[1]

From: [1]
Sent: Thursday, 26 April 2018 4:08 PM
To: TWG Submissions
Subject: Submission From an adult child of an alcoholic

Kia ora Working Group members

I am the adult child of an alcoholic. My mother was addicted to alcohol for almost 30 years and died prematurely from the health impacts of alcohol. Alcohol affected our whole family in lifelong ways, and this despite me and my siblings attending Alcohol and Drug service programmes for the families of alcoholics and accessing counselling and other support services.
My mother is one statistic, but behind her are 6 others (our family) who are 'not counted' in terms of the measurable impact of alcohol related harm. I cannot describe the pain and suffering alcohol inflicted on our family. And this is going on behind the four walls of thousands of New Zealand homes.
If we are a humane society, we need to do a lot more to reduce the agony and the impact alcohol has on both the drinker and all those closely associated.
I urge the Tax Working Group to substantially increase the excise tax on alcohol (by at least 50%), and to commit to regular increases that will keep the affordability of alcohol as low as possible.
We know that keeping the price high results in youth and heavier drinkers buying less, meaning we have reduced harm amongst those that are most at risk.

Thank you for considering my submission. I do not wish to make an oral submission.
Sally Liggins

Sent from Mail for Windows 10

From: Mate Marinovich [1]
Sent: Thursday, 26 April 2018 2:44 PM
To: TWG Secretariat
Subject: Waitakere Grey Power Association Submission to the Tax Working Group.

Dear Tax Working Group, Recently we wrote to the Hon.Damien O'Connor concerned about the Goods and Services Tax of 15% charged on all fruit, vegetables, meat,fish ,milk and all primary produce.Grey Power have long advocated for the removal of GST on primary produce.Fruit and vegetables are important in the diet of the whole population of New Zealand.It is essential that your working party acknowledges that fruit and vegetables are made more expensive in the household budget with the inclusion of GST.Grey Power advocates for the removal of GST on Property Rates, because it is essentially a tax on a tax.We commend our proposals to your working party for due consideration.Yours Sincerely,Mate Marinovich President Waitakere Grey Power Association Office [1]