Tax Working Group Public Submissions Information Release

Release Document

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

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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

Steve Gilberd
Alistair Gates
David Bridewell
Dan M
Monica Travaille
Andrew Riches
Paul Dunmore
Brent Barrett
Stefan Olson
John Lang
K Vermeir
Richard Watson
Sandra Gilchrist
David Easton
Tom Dobbe
Peter Crabb
Karen Robson
Daniel Barthow
Peter Scott
Kathy White
Neil Curtis
James Davies
James Cone
Brian E Prestidge
Robert Gray
Craig Milmine
Nigel Roake
Geoffrey Clarke
Terri Standish
Nick Brooker
Bonnie Cohen
Catherine Low
Simon Rutherford
Mark Molloy

Linda Grace

Chris Milne (Community Foundations of NZ)

Andrew Phillips

John Strevens

Colin Looser

Lloyd Christie

David Willis

Paul Jennings

Kate Thompson

Beverly Collison

Irene Johnson

Colin Ratcliffe

Bruce Johnson

Elspeth Ludemann

Matthew Kennedy

Martin Butcher

Lynette Brown

Tania Merton

Patrick Benson

Martin Butcher

Ian Gilray

Robert Broer

Mark Patrick

Paul King

Artur Francisco

Janine Boyden

Margaret Lister

Tet Yoon Lee

From: Steve Gilberd [1]
Sent: Monday, 30 April 2018 11:57 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

To Sir Michael Cullen and members of the Tax Working Group,

I would like to make my preference known to the Tax Working Group, so that it may be taken into account when recommending to the government possible changes to New Zealand's taxation system.

As such, I submit the following:

1. That any changes recommended by the Tax Working Group do not change the total tax take as a percentage of GDP; and
2. That total government taxation revenue, across all sources, should not exceed 32% of GDP; and
3. That no government may make changes that result in an increase in total goverment tax revenue higher than 2% of GDP in any single electoral period without a single-purpose referendum mandating such an increase; and
4. That company tax remain a single flat rate; and
5. That the main company tax rate of 28% be reduced; and
6. That New Zealand's tax system remain largely broad-base; and
7. That no additional exemptions are applied to the current GST system; and
8. That the GST system remains a single flat rate across all goods and services; and
9. That a 0% bottom threshold be added to the current range of personal income tax bands; and
10. That personal income tax bands are defined in terms of standard deviations from the median annual income, rather than the current fixed dollar amounts; and
11. That no additional taxes are applied to capital gains; and
12. If additional taxes are applied to capital gains, that such taxes are applied to realised gains only, and corresponding capital losses are tax-deductable; and
13. That capital expenses may be fully expensed immediately, rather than being depreciated over a longer period; and
14. That where possible, any and all loopholes in the tax system should be eliminated to simplify administration overhead; and
15. Where loopholes exist to provide for a legitimate social good, this be implemented as a direct subsidy or personal / business income tax credit, rather than as a tax exemption or special rate; and
16. That any tax on interest, dividends, capital gains, or similar long term income is calculated on the inflation-adjusted amount; and
17. That any environmental taxes should be revenue-neutral; and
18. That the proceeds of any environmental taxes are applied as direct subsidies or tax credits to improve the environmental situation that the tax is intended to improve; and
19. That already-taxed wealth, savings, capital holdings (except land), etc. not be subjected to additional taxation; and
20. That a tiered land-tax be introduced, indexed against the owner's income, with a bottom rate of 0% to protect owners with poor cashflow or fixed income; and
21. That the tax system *not* be used to encourage lifestyle changes (e.g. sugar, smoking, alcohol etc); and
22. That any changes recommended are for evidence-based reasons, rather than emotional reasons; and
23. That any tax changes should have broad cross-partisan support to ensure the continued stability and predictability of New Zealand's taxation system.

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

Please acknowledge receipt of this submission.

Yours sincerely,
Steven Gilberd

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[1]

From: Alistair Gates [1]
Sent: Monday, 30 April 2018 11:55 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

My suggestion to you is the more you tax landlords the harder it will be to provide adequate housing for those that rent as landlords leave the market. It is well known that rented accommodation usually holds more persons per house than those that are owner occupied. By making owning a house as an investment less desirebale then less will be made available for renters which are those that don't wish to own a house. There are other ways to help first home buyers by bigger grants or by allowing the building costs of new builds by reducing GST for building supplies and services and by reducing or subsidising council fees. Also by introducing capital gains tax which has been done anyhow by the extension of the bright line test to 5 years you also take houses out of circulation to cover costs. Additionally taking away the ability to accrue losses will only Ensure further costs being included to tenants by landlords.

In fact if you made investment housing have less tax with more incentives to landlords then you may encourage more houses to be built especially if you allow foreigners and their capital to buy them. What a fanciful idea eh?

Best regards

Alistair Gates

[1]

From: David Bridewell [1]
Sent: Monday, 30 April 2018 11:46 PM
To: TWG Submissions
Subject: Submission on Capital Gains Taxes to the Tax Working Group, April 2018

Dear Sir Michael and members of the Tax Working Group,

In the course of the discussions over Capital gains taxes over the last few years in New Zealand, I have noticed a tremendous amount of confusion around the issues of capital gains, capital incomes and the taxation thereof and what the purpose of a capital gains tax should be. This is even before the well canvassed issues of the complexity of CGT and the costs of collecting these which have been detailed in previous taxation reviews is brought into the debate. One issue I have noticed is the language creep around classifying capital gains in recent times as income, and that the lack of a CGT in New Zealand on this income is unfair to those who pay income tax e.g., salary and wage earners. Of course this is factually incorrect as New Zealand does have Capital Gains Taxes, moreover as these are taxed at the marginal rate of the individual tax payer, our CGT are levelled at some of the highest rates in the world. But this is seldom acknowledge in discussions on CGT in New Zealand. As I understand it, hundreds of millions of dollars of CGT has already been collected from property investors in New Zealand over the last several years. But this has clearly had little to no effect on moderating house price inflation within New Zealand, which is consistent with findings of other countries where CGT have also failed to reduce house price inflation there. This then begs the question that if a compressive CGT is to be brought in in New Zealand to modify house price inflation, why would you do that when the evidence shows it doesn't work. Successful public and taxation policy must be evidence based, otherwise it is just an unproductive exercise in virtue-signalling politics that is doomed to failure.

To my mind when did a capital gain suddenly become an income, and who, with accepted authority, says it is? In addition I have read articles, chiefly but not exclusively in the media, on CGT where terms contradict each other, where sentences make no sense, where claims about the nature of capital gains, the purpose of investment, returns, taxation and so on say one thing in one part of the article and then something completely different in another part. Or different authors come to completely different conclusions about exactly the same thing. To me this just highlights the tremendous conflicts, confusions, misunderstandings, bias and the lack of hard data that is out there on capital gains and their taxation treatment. Add to that the political persuasion of each author, the left right divide and the whole thing is just a complete and utter mess. The future potential for serious unintended consequences and CGT taxation policy failure I think is very high based on the current standard of the debate here in New Zealand and the confusion and conflicts that are inherent in it.

If as a nation we can't even agree on what we mean when we use x, y or z term, then how are we going to make social and economic progress?

One of the arguments for a comprehensive CGT is that this will increase or improve investment in the productive sector and away from housing. Why? Who says so? Where is the hard data to support this argument? If the taxation treatment, i.e., CGT is the same across all assets classes, why would an investor chose to invest in equities for example, or a start-up company rather than property? The CGT treatment is the same so there is no taxation incentive to invest in one asset class over another. An given that most retail property investors in New Zealand invest in property because they feel it is far more safe than the risks associated with investments in equites or businesses, a CGT by itself is not going to increase investments in so-called productive assets, as it does not address the issues of risk, reward and fear that retail investors have. With a comprehensive CGT they are still going to invest in property.

Another issue that I have with a CGT that is not considered sufficiently is the effects this will have on the size of the capital markets in New Zealand the quanta of capital that is available for investment. At a marginal tax rate of 33%, a $500 CGT on a $1500 gain in asset value will be taken by the Crown. This of course leaves the investor with $500 less to invest. Is that good for the economy and economic growth as a whole? Where is the data and analysis that answers this question? How does this reduction in capital available to the investor encourage investment in the productive sector? As this money is no longer available to be allocated by individual investors, it will now be spent on consumption by the Crown. The question then becomes, how much investment money will be diverted from private sector investment and into the Government's accounts if capital gains are treated as income and taxed fully? Does this make sense for New Zealand given that we are a very small country with struggling capital markets that are always short of investment dollars?

Furthermore, what is the quanta we are talking about here? I have never seen any estimates of the actual dollar amounts that would shift from the private sector to the Government each year in New Zealand if capital gains were taxed in this manner. This is an important question as we know from the evidence from overseas that countries with the largest public sectors and that constitute the largest percentage of GDP are ones which typically are the most stagnant. New Zealand needs to avoid this. Introducing a CGT just because everyone else has one is a very shallow argument. Nobody else has anti-nuclear legislation like New Zealand does, so by that argument we should drop ours?

On the basis of the above it is my view that New Zealand should not introduce a comprehensive CGT at this time. Our country is too small, our capital markets are too shallow. They need nurturing and growth. A CGT will also divert an excessive amount of investment capital away from the private sector and into the public sector to be spent on unproductive activities. Moreover insufficient work has been done on what the unintended consequences of its introduction may potentially be, and that previous taxation reviews have not found in favour of introducing one in New Zealand and I believe their arguments and findings still stand.

And finally, I have never seen addressed just how many New Zealanders are actually making their living via capital gains? And what sort of money are we talking about here? And to what extent is some or all of this gain captured by our current CGT laws? Surely we should know this before a CGT is designed and introduced? The best public and taxation policy must be evidenced based, otherwise it is likely to fail.

Yours sincerely,

David Bridewell

I am available for further discussion if the committee requires and can be contacted via the above email address.

From:	Dan M [1]
Sent:	Monday, 30 April 2018 11:31 PM
To:	TWG Submissions
Subject:	Tax Working Group - Future of Tax - Submissions

Hi

I have a few last minute (literally) submissions on the Tax Working Group's ("TWG") Future of Tax background paper.

1. A flat rate capital gains tax ("CGT") on property, with exemptions for up to two occupied properties. A CGT that exempted the main residence (family home) as well as up to one more property that is used for residential purposes (this could be a holiday home/bach or apartment regularly used for business). The exemptions could not be used if a property is rented (or made avaialble for rent) for over eg 90 days over a 12 month period. If the CGT is a flat rate (eg 15%) it would be easy to apply (no need to look at the marginal rates) and as it is less than the top tax rate it is less likely to be avoided or circumvented.
2. A new upper income tax bracket for income $250,000 onwards at eg 40%. This would only affect those higher earners who would have the capacity to pay further tax (not far off the 39% rate in place about a decade ago). The current upper threshold at $70,000 is low compared to other countries and so is the 33% rate. This could lead to people diverting income to companies or trusts (similar to the Penny and Hooper tax avoidance cases about a decade ago), so would need some steps to disincentivise people from doing so (in addition to using the general and specific anti avoidance provisions in the Income Tax Act 2007).
3. A tax-free threshold of eg the first $10,000 of income. This would provide an overall lower amount of tax paid by earners at the lower end, who are likeliest to need and benefit from this.
4. A progressive company tax rate. The vast majority of businesses in NZ are small or medium enterprises ("SMEs")with no more than five employees. As the revenue in these SMEs would be much smaller than NZ larger companies, it would seem fair to have a lower rate for companies with lower revenue.
5. A financial transaction tax on all transactions over a threshold eg $10,000. I note the comments on page 30 of the paper that it can be difficult to apply GST to financial services, although this tax could be separate to GST and could apply to all transactions over a threshold. If a default regime required eg the vendor to pay the cost of the tax, parties could be expected to soon thereafter rearrange their transactions (and the consideration component) to ensure the tax cost is allocated effectively.

If the taxes proposed by the TWG are intended to supplement existing taxes, so that the overall tax take is basically the same, it would be helpful to clarify that 'more taxes' won't mean 'more tax' paid by the majority of people. In some cases, we might expect some taxes to decrease as the reduction in tax received would be offset by that earned by a new tax.

Please let me know if you have any queries on any of these points.

Kind regards

Dan

From: M. Travaille [1]
Sent: Monday, 30 April 2018 11:29 PM
To: TWG Submissions
Subject: Submission on Tax Working Group's Review of our tax system

30th April, 2018

A good tax system should be simple, with a broad base and as few exemptions and incentives as possible. I am opposed to the socialistic long-term goal of this government to increase spending but I do support tax reform in the form of tax cuts as is occurring very successfully in the USA at this time.

I am opposed to any form of capital gains tax.

I am opposed to all tax concessions based on ancestry especially tribal corporations such as Ngai Tahu Charitable Group, who hide their corporate profits under charitable purposes. This is grossly unfair and there needs to be one taxation law for all businesses.

I am opposed to using tax policy to address social issues and therefore oppose all new taxes including environmental taxes, lifestyle taxes and land taxes.

I hope the tax working group takes notice of these concerns and deals with these discrepancies.

Monica Travaille

From: Andrew Riches [1]
Sent: Monday, 30 April 2018 11:15 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Tax working group,

As the sole bread winner of a young family which does not receive working for families tax credits, I wish to raise some issues for the working group to take into account when considering the structure of the tax system going forward. In particular I submit keeping personal income taxes modest, a broad tax base and recognising that lower and broader taxes are fairer when considering the broad aray of family structures and life stages across New Zealand:

1. Total household tax take

While at various times the concept has been floated of taxing a household rather than individual tax rate, this is problematic as it disadvantages single persons. However I would urge the working group to keep in mind the effect on households should personal tax be increased. In particular two persons earning $60,000 each pay significantly less tax than one earner of $120,000 despite the household as a whole earning the same amount. This creates an incentive for one partner to return to work rather than the breadwiner pursuing promotions, further training or pay rises and may place stress on the family as a whole. Maintining a tax system, that does not significantly increase tax rates as income will minimise the tax imbalance between two earners vs one higher earner. Ultimately a family should be free to choose how its structres its earnings, whether from one or two earners (or more) and not be penalised by the tax system due to one person taking on much of this burden.&nb sp;

2. Shifting tax onto Capital rather than Income

There is no logical reason for the tax take to be based on income tax rather than capital other than ease of access. There is no reason a person working hard and earning $80,000 per annum should be taxed whereas a person who has been able to purchase capital which increases in value should not be taxed at all on this capital increase which amounts to income. Income tax should be reduced and capital taxed to compensate.

I do not propose at all that capital gains tax should be used to increase total tax revenue, but shifting tax pressure from income earners onto property increaes should gradually extend the tax base while maintaining revenue and taking pressure off workers. This would advantage younger people who have limited or no capital such as shares or land but are attempted to enter this market. By lowering tax on income and shifting this burden onto land and capital, it would be easier for young people to save to own their own home, pay off student loans or place funds in kiwisaver to enable themselves to better their own long term position. This could occur without the pressure on government to subsidise home ownership.

3. Ability to Pay tax is related to state in life not total annual income

I do not propose tax should be related to age or status but one matter for the working group to consider if it is proposing personal tax increases is that ability to pay tax is not linked strictly to income but on life stage. For instance using the earlier example, a couple in their 50s may each work 30 hours per week and earn $60,000 each without children at home, student loans, debt or a mortgage. Whereas a person in their 30s working 60 hours per week may be the sole income earner and may be a sole parent earning $120,000 but will pay higher taxes despite having significantly less discretionary income (and quality of life) than the couple on $120k without similar resonsibilities. If the tax working group considers income tax rises they will be exacerbating this inequality. A househould should be free to structure their earning as best suits them without penalisation of the tax code.

4. Evasion

A significant number of people generally in tades undertake 'cashies' and thereby hide income. This disadvantages those who do not undertake tax evasion in this manner as we need to pay higher taxes to fund the system as a whole. The IRD should deploy more resources to audit persons significantly claiming expenses against income. The recent IRD computer upgrades should assist in this regard.

Similarly the government provides subsides on first homes without follow up as to the use of the home, some purchase homes while living at home still, for rental properties while claiming government subsidies. This is effictively benefit fraud and should be targeted by auditors.

5. Bracket Drag

Tax revenue will always increase without necessarily an increase in real incomes or living standards due to steadily rising wages, steadily rising living costs and stagnant tax rates. Tax backets need to increase inline with either income rates or inflation or a mix of the two. Failing this it will keep earners from reaping the rewards of increasing income even where there increases maintain pace with inflation. Income tax brackets should be pegged to inflation of income rises or a formula of the two.

6. Supernnuation

When kiwisaver reached 10 years of age, this created a group of New Zealanders with ten years of personal savings, government subsidies and employer subsidies. The burden on tax payers of an increasing group of over 65s with universal superannuation needs to be addressed and will only increase the burden on tax payers regardless of any steps taken by the tax working group. The previous government missed an opportunity to begin lowering superannuation payments at this ten year mark but it is not too late. Superannuation payments should be progressively lowered as generations attain retirement age with kiwisaver subsidies. This should take effect immediately and steadily ease the burden on the tax payer so that funds can be used to either ease the increasing burden on tax payers or be used for social services for families and children rather than many who could support themselves over 65 through work or their own savings.

Conclusion

There are a number of issues facing New Zealand which require significant tax payer funding. However we need to bear in mind the total mix of tax and who is sharing the burden of it. There is a generation of young people who are increasingly shut out from the housing market or enterring it with large mortgages while subsidising a retiring generation with significant property equity and without the corresponding costs of living of mortgages and child rearing. The future structure of the tax system needs to ensure fairness by keeping taxes low and shifting the burden to capital and allowing kiwisaver to take an increasing role in superannuation.

Yours faithfully

Andrew Riches

[1]

From: Paul Dunmore [1]
Sent: Monday, 30 April 2018 11:07 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

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

Sir Michael has said that the Tax Working Group is not about how to raise more revenue for the Government. I submit that this promise should be upheld, and that all recommendations should be explicitly revenue-neutral.

Simplicity of the tax system

Anyone who has had to wrestle with the tax system of almost any other country owes a great debt of gratitude to those who simplified the New Zealand tax system. There are huge advantages to having a simple tax system whose job is to raise money for the Government rather than to reward or punish certain types of behaviour. For that reason:

(1) I oppose any proposal to complicate GST by exempting specific goods or services or by setting higher or lower rates for specific items. That would be a formula for endless legal battles about whether, for example, a particular food product is a cake or a biscuit.

(2) I oppose any proposal to increase the mismatch between taxable business income and accounting income by treating certain revenue or expense items specially. There are already too many such differences, and the effects are to get business owners engaging in tax arbitrage rather than concentrating on producing goods and services that domestic and international customers value. I encourage you to make recommendations that would reduce rather than further increase these discrepancies. An obvious target would be the limited deductibility of entertainment expenses; and ring-fencing proposals of any kind should not be recommended.

(3) I oppose any proposal to tax different businesses differently (whether by size, by industry, by ownership, or on any other basis). In particular, the special treatment of businesses owned by Māori authorities and businesses owned by churches and charities should be abolished.

Bracket creep / fiscal drag

I submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to inflation. I note that many government benefits and entitlements are indexed — income tax thresholds should be no different.

Lifestyle taxes

We have now discovered the limits of the policy of reducing smoking by raising excise tax on tobacco. Up to a point, it was highly effective; but it has now reached the point where it is creating a significant black market, fueling violent crime, and making big money for the gangs. Correspondingly, as people buy their ciggies from the gangs, the policy must no longer be particularly effective at reducing smoking (although it no doubt is effective at reducing recorded purchases.) I submit that you should recommend that the last few increases in excise tax on tobacco be reversed, and that no further increases be applied. This is not to support cigarettes or smoking, simply to acknowledge that this policy has run its course and is now creating much greater harm than its benefits.

I submit that no other lifestyle taxes be introduced unless there is evidence that they actually work to achieve the claimed goals. The evidence is quite clear that sugar and fat taxes affect the sales of certain products but do nothing to reduce obesity, which is the social goal justifying them. Such taxes should therefore not be introduced; they are regressive, they complicate the tax system, and they do not achieve any valid objectives.

Yours sincerely,

Paul Dunmore

[1]

From: Brent Barrett [1]
Sent: Monday, 30 April 2018 11:03 PM
To: TWG Submissions
Subject: Submission

Hello -

Thanks for the opportunity to provide a submission on the Tax Working Group.

I submit that

1. The New Zealand tax system needs to change a lot.
2. Money isn't limiting, natural resources and planetary boundaries are. The tax system needs to reflect that strongly.
3. Build a tax system with the UN Sustainable Development Goals at the forefront.
4. Put tax on pollution, especially a tax on carbon that is in line with the Productivity Commission's view that carbon will need to be expensive to achieve carbon neutral by 2050. Price of carbon should go up steeply, until it puts us on a clear trajectory to achieve carbon neutral by 2050, with full investment of revenue back into renewables and other carbon positive technologies.
5. A high tax on any extractive industry is needed, e.g. mining.
6. Also tax on pollution of other forms - nutrients or other resources leaving farms and cities are a good example.
7. We need to respond to Thomas Piketty, the major new finding on capital, and raise taxes on wealth. Inheritance, capital gains, currency exchange should all be taxed.
8. We need to recognise that the fundamental role of tax is redistribution, and that is manifest in part through services provided by govt agencies
9. Need to make it possible for local government to raise funds via channels other than just rates, e.g. local govt take a slice of GST.
10. I'd be comfortable with a Universal Basic Income.
11. Strongly curtail regressive forms of tax.
12. Introduce congestion charging in major cities.
13. Stop tax breaks for fossil fuel industry.
14. Tax should be much higher on the wealthy and those with very high incomes.
15. Tax large corporations to a greater extent.
16. Offer major tax incentives for R&D investment until we are in top 25% of OECD in R&D spend. R&D focus needs to be on UN Sustainable Development Goals or similar. Not on coal!!!!
17. Find a way to use tax to break up the monopoly and duopoly provision of goods and services.
18. Tax banks to keep more of the profits in NZ
19. Put a tax / border levy on tourists
20. Put a tax on motor vehicles based on their size: bigger vehicle = bigger tax
21. Once Electric Vehicles hit 10% of the fleet, put a tax analogous to a road user charge on them
22. Tax churches
23. Outlaw the 'solar tax' that Unison Networks invented, instead set up tax system to incentivise distributed solar electric and other energy production and trading

And that's it!

Brent Barrett
[1]

[1]

From: Stefan Olson [1]
Sent: Monday, 30 April 2018 10:51 PM
To: TWG Submissions
Subject: Submission

Very happy to be contacted if that is useful.

My submission is below. It doesn't necessarily follow the ordering of issues in the paper

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The New Zealand tax system should be admired for its current simplicity. My experience with working with other countries with much more complicated taxation systems has been that they are much more expensive to administer. This is not just at the tax department level but for accountants and other organisations as well.

Point 1 - Overall Direction

- The Tax working group should keep the tax system very simple. The ideal for income tax would be a single flat rate, company, trust and personal because it reduces the disincentive to work more and is much cheaper from an administrative perspective. Much of the background paper is about creating a more complex tax system. That will result in more expenditure on accountants and other assistance in understanding taxation costs. The better way to do things is to keep things simple with low rates and people will invest less in avoiding it and in the case of businesses invest more in actually growing the business.
- The review seems focused on creating new taxes. Whilst I oppose this, if new taxes are created other taxes should be lowered to compensate

Point 2 - Thinking Processes

- the thinking of the working group appears to have been decided before even starting the process, maybe caused by the limited terms of reference. There is a quote on page 10 that shows a lack of willingness to think differently: "If the Government is to continue providing healthcare and superannuation at current levels, then the level of taxation will need to increase, or spending on other transfers or publicly provided goods and services will need to fall."
  Those are not the only two options for how those can be provided. There are three points I'd make in response to this:
  - A good example of that is the proposal by Sir Roger Douglas and Robert MacCulloch: https://researchspace.auckland.ac.nz/handle/2292/31890. Whilst not perfect, it proposes a completely different way to solve that problem – and would reduce inequality of access to healthcare and superannuation. Frankly, if it were not for the highly limited terms of reference, this paper would be very good starting point for the tax working group to rethink how we can best help the least well off in our society.
  - Other key point on that particular thinking is that if you manage to grow the economy on a per head basis you will actually be receiving more tax per head and be able to provide the same or additional services in future
  - Thirdly the efficiency of government expenditure can be improved. Thus resulting in more goods or services for the same or lower price. Singapore is a clear example of this in the health sector where they provide more than we do at a lower cost.

Point 3 – Savings/Superannuation

- Superannuation is raised as an issue. Really the solution is to get as many people saving for themselves as possible and (if needed) over time introduce a surtax to ensure that we can still afford to provide for those who need it.
- The above referenced paper proposes one solution, even avoiding the need for a surtax. There may be others including increasing the amount going into kiwisaver.

- The introduction of taxation on savings has resulted in a substantial loss of potential wealth for New Zealand. To help increase the return on savings, taxation on interest should not be levied until the money is removed from an account. This would help resolve the superannuation problem. This could be limited to only pie accounts, but there is an argument to make it across the board. But I suspect the additional costs of managing the later may not make this worthwhile though.
- So my suggestion is that interest on all pie approved accounts should be made tax-free whilst the money is still in there. Taxation should be levied at the person's current tax rate at the time of removal. The key thing that this would do is allow capital to build up in the country. People will then be able to save knowing that the value of the compound interest is really there. At the moment with an interest rate of 3% tax rate of 33% you're already sitting at a 2% real rate of return. Then if inflation is at 1.5% you're at a 0.5% real rate of return. We don't get the opportunity to get the value of the compound interest that we would otherwise get. This will allow people to build more capital in superannuation and ease the pressure on the government in future when they will need to implement some form of surtax. It would also allow more money for investment in growing the economy, which in general the private sector does much better than the government.

Point 4- Maori tax

- I don't think there should be any differentiation between taxation on Maori - or any other ethnicity. Creating different rules for different ethnicities is a dangerous path to go down.

Point 5 - Company tax

- there is a proposal to have a lower tax rate for small businesses. I think this is not a good idea. If we go back to my point 1, the idea is to have the simplest possible system. That makes the system more complicated. This is even though as a small business I may qualify for lower taxation. It ends up with people trying to keep their businesses small rather than growing them. Whenever you set a tax you set an incentive. If there is a lower tax rate the incentive is to keep the company small enough to stay under that level (or spend money working around it)
- Company, trust and personal tax rates should be aligned. As discussed in the document, otherwise people try and avoid these, although the way withholding tax works now does make it more difficult
- Company taxes should be lowered to be more consistent with other countries. As a result the other two taxes mentioned on the previous line should also be lowered. This will encourage people to work harder and earn more.
- I believe that tax deductible expenses should be re-evaluated. Much modern technology does not last particularly long in constant usage so should be able to be immediately deducted up to a reasonable amount like $5000.

Point 6 – GST

- please do not make any changes to GST apart from perhaps lowering the rate. It really only takes reading this article to understand why GST should not be changed to introduce exceptions: https://thespinoff.co.nz/society/23-08-2017/outside-the-asylum-chapters-three-and-four-of-an-epic-essay-in-praise-of-new-zealand/

Point 7 - Income Inequality

- I am extremely passionate about ensuring that the poorest New Zealanders have the ability to look after themselves and their families. They should be supported in this and should be one of the primary focuses of all government policy. But I don't think income inequality is a problem. In actual fact I want to see more New Zealanders to able to develop businesses that earn huge amounts of money so that they can actually use that money to grow the New Zealand economy.
- The question for me is what services are the poorest able to access and how we raise them up to have greater incomes. Taking money off other people does not do this. Do our least well off have access to great education and healthcare and support when they need it to help with their income? That's a larger political question not really a taxation one. Not one I see the current Labour government solving. In fact by removing charter schools they are proving that they do not wish to fix these problems of what the poor can access. But focusing on inequality rather than actual lack of ability to access things like food, or housing et cetera is wrong. We need to ensure that everybody has access to the basic necessities of life. That is a better

- measure, ensuring that people have necessities of life rather than measuring how much some people have and how much some people don't have. If they are able to meet the needs of their families and have hope that they can improve their situation then so-called inequality is really not relevant.
- Working for families distorts our very simple tax system and changes behaviour. I know of large numbers of people who have turned down either improved jobs or increased pay because the loss of some or all of working for families would result in them being worse off. It's not really a very sensible thing to take money off people and then give it back to them. Because in the meantime it's cost money to administer the money as it goes to the government and back again. The most sensible thing would clearly be to get rid of working for families, reduce the overall tax rate and then provide assistance to those who need it rather than to a broad group of people.

Point 8 - Capital Gains

- I don't want to see poorer people being worse off as they have been over the last 20 years due to the increases in house prices. Other countries like Australia have a capital gains tax but they have exactly the same house price increase problem. It's caused especially in New Zealand and the United States by the attempt to build compact cities where land supply is artificially suppressed resulting in substantial increase in housing costs. This hurts poor people most of all and the last two governments have done nothing about it.
- If we continue to do nothing, then people from the poorest households will not be able to purchase houses and that is a massive failure at the government level. And a big change in the last 50 years. There are a lot of societal reasons for this, divorce, for example means that there are multiple houses required where once there was only one. But as above I think the primary reason really is limiting supply by creating compact cities.
- So I don't believe a capital gains tax will solve that much. It should not be applied to things that grow the economy like shares. That in turn would result in less investment in the economy and quite possibly create a downward spiral. If implemented should only apply to houses. To be fair it probably should be applied to all houses. But it's not going to solve a supply problem.

Point 9 - Income Tax

- I believe in a flat tax system - I believe this promotes a fairer allocation of tax. And encourages people to continue working - something that is disincentivised by a progressive system. Another disadvantage of progressive system is it assumes people continue earning the same income. People who might earn substantial amounts of money for a short period of time are unfairly targeted. So an example would be a rugby player who might be earning $200,000 a year for five years. They may not earn very well after that depending on what additional skills they have but because they may have been taxed at the top tax rate, over their lifetime they will end up paying more tax than they would have had the money been spread out over a longer period.
- If the existing bracket concept is retained, the brackets should be automatically adjusted on April 1 in the same way that benefits are. Preferably adjusted to wage increases.

Point 10 – Charities

- it is important I think to continue the tax returns on donations to not for profits. This is an important part of the economy and encourages people to give. Whilst in years past people went to churches and gave 10% of their income that doesn't happen now so an encouragement to continue to give is important.

Point 11 – Chapter 6 – Other Taxes

- If we go back to point one the answer to the question about other taxes is No, we do not need any additional taxes it would make the tax system more complicated.

Point 12 - Land Tax

- Please do not implement a land tax - it unfairly disincentivises people from holding land that may have no monetary value. For example native bush. Even in people's own backyards they own land where they plant trees to look ensure that our native ecosystem continues to survive in urban areas. This would end up being removed in favour of income producing activities. Not a good idea. And as with a capital gains tax charged on unrealised income, if charged on all land, then a land tax would hurt poorest people because they aren't going to have that kind of cash available on a yearly basis

Point 13 - Sugar Taxes etc..

- Whilst not directly identified in the background paper, I wish to be clear that I do not support any forms of taxes on fat or sugar. These are taxes that both hurt the poor and don't actually achieve anything. Most people can have a little bit of fat or sugar every now and again. Unless it is taxed extremely highly taxes will make no behavioural difference. And you end up with the same problems of exceptions with GST where politicians are going to decide what is taxed and what isn't and you would end up with a legal quagmire.

Stefan Olson

From: john lang [1]
Sent: Monday, 30 April 2018 10:34 PM
To: TWG Submissions
Subject: TAX WORKING GROUP SUBMISSION

Tax Working Group Submission: 30 April 2018

Oversight

The NZ IRD acts in a monopolistic, heavy handed manner making up tax laws without engaging the NZ population except for when they want to get heavy. Time for a change. There needs to be a regulating Board with power of oversight and regulation. A bi partisan body that avoids party political short termism. A board that engages with the public and expands IRD input from not just the same old corporates and professional self-interests.

Culture

The NZ IRD is seen as big brother, a regime to be worried about, to avoid, one that is too powerful and unaccountable with an obscure legal framework. There needs to be a culture change where the general population feel good about paying tax to an organization that is listening, responding, helping and advising. Where are the help videos, public notices, easy access to existing tax law, where are the laws? There's no clarity about some more obscure tax situations. It's all very well to say ignorance is not an excuse but why don't IRD publish more guides, open their thinking. Even tax advisors don't know the answers because the IRD keep things hidden, there's no transparency.

Tax reform

New Zealand should realign the tax brackets for individuals by providing a tax-free allowance. This would help low income earners and motivate people to take up work. It could be made tax revenue neutral through realignment of higher income bands. Many overseas countries operate in this way, eg UK has a personal tax-free allowance of around $22,000 per annum in the 2017/18 year. There are so many benefits of a personal allowance – it's a no brainer.

Financial Instruments

How can a series of Finance Ministers be taken seriously when they know that the Financial Instruments regime law is an ass? So many people don't understand it and yet, what help do IRD provide in trying to work out liability for this ridiculous law from so many decades ago introduced in a different age for reasons that are not relevant today? And as for the cash vs accruals system, $40K per annum, you've got to be kidding me. It is policed randomly and is effectively widely abused. It desperately needs reform. Stop ducking the issue and make changes to this outdated law.

Foreign pension taxation

The section 70 law on taxation of foreign pensions is draconian, illogical and amounts to theft. You know what I am talking about. The fact that NZ residents who have worked overseas and built up foreign private pensions but have also contributed many more than the 10 years of contributions that qualifies immigrants to a full pension. It gets worse, the reduction of a spouse's rights when married to individuals with foreign pensions. NZ super is nothing more than a welfare payment, it is not a right because it is unfairly reduced despite the efforts of individuals to provide for their old age. A much fairer system would be to provide all qualifying residents a reducing pension based on qualifying years, eg for retirement age of 65 (and yes you do need to talk about increasing this) 45 x 12= 540/ number of months of actual contribution. So, if someone has worked all their life, their pension right is 100% and reduces by the number of years (or months) of contribution. Any pensions accrued while working overseas would be exempt from those nasty people at Work and Income who also operate in secrecy with imexplicable forms designed to trick and reduce pensions at every turn of the page.

Capital Gains Tax (CGT)

Does NZ have a CGT or doesn’t it? Not even the IRD can tell you the answer to that question. It depends they will say. How ridiculous. Why do you think the housing market is so distorted? For goodness sake, have the balls to introduce a CGT like most countries around the world. No need to invent the wheel – it’s been done already.

In conclusion

The NZ IRD, treasury and successive governments have been sitting on their hands for too long. There needs to be a complete culture change where the IRD strive to inform, educate, treat individuals with respect and tolerance instead of the continual arrogance and unaccountable monster it has become. Make people feel like they have a stake in the system, make them feel like they count, make them feel like it is good to pay taxes to a fair, accountable, modern organization that cares about people.

Sincerely, John Lang

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

First of all thank you for the opportunity to be able to have an input into our future tax regime. I am no fiscal expert, I am an ordinary person & merely approach this exercise from a humanist point of view. I have put some thoughts & comments below:

Chapter 2: The future environment

Whatever changes happen in the future to the tax system, it is all about making it fairer, so essentially we are looking for a net gain of 0, just more of a re-assignment as to where & how these taxes are collected. It is also about future-proofing society, as with the advent of automation there is a real danger that not everyone will be able to work & earn a living, therefore the introduction of a Universal Basic Income is important not just for the individual but for society as a whole.

There is a bit of talk about the differential rates between personal income tax rates , company tax rates & trust tax rates. To minimise tax sheltering we should aim to have similar top tax rates across the board for trusts, companies & persons. In this chapter it talks about the Maori economy, I'm a bit unsure what this is about but it reminded me that there are a lot of iwi, churches etc that own commercial entities that because of the governing body's charitable status, pay no tax or very minimal tax on profits. I think to promote fairness, as soon as a charity has a commercial arm, this part of it should be ring-fenced & it should pay tax on its profits or be able to off-set losses just like any other company - this is only fair to the entire NZ community.

Chapter 3: Purposes and principles of a good tax system

We all understand what tax is for & on the whole understand that taxes are good for society. The government needs to operate like a combination of a business & a charity, with we, the people, as its shareholders. Reducing costs to deliver government services, not by cutting corners, but by increasing efficiency, decreasing compliance costs & decreasing bureaucracy. Its ultimate goal to deliver well-being & good living standards to the population. I love the concept of the Living Standards Framework & how Treasury represents the 'four capitals'. It truly is something that will set NZ apart from the rest of the world, if it becomes an inextricable part of government. The Framework incorporates social & environmental costs & outcomes, not just monetary ones. A fair tax system would be one where everyone has a decent standard of living and survives happily.

Chapter 4: The current New Zealand tax system

I feel on the whole that the NZ tax system is pretty good - there are improvements that can be made, and loop-holes that need to be shut down, but on the whole it's not too bad. There is one other tax that should be introduced to influence behaviour & that is a sugar tax - we already have an alcohol tax & a smoking tax because we know that there is harm involved & a price to pay to society for heavy users of these items, similarly we should also address the harm that sugar causes & implement a sugar tax to influence behaviour.

I also believe that NZ Super should be means tested - there are wealthy individuals out there who have built up their wealth throughout life either by sheer hard work or through luck or a bit of both, but who do not need to collect a pension from the NZ Government, who wouldn't miss it. Their pensions can be better used elsewhere.

Chapter 5: The results of the current tax system

The GST system in NZ is nice & simple & very easy to apply. Talk of excluding some goods & services form GST would only muddy the waters & would add another level of bureaucracy through increased need of monitoring & implementation of differential rates. There is a discussion about lowering/deleting GST on fruit & veg etc & that having GST on these items disadvantages the lower income earners & yes I would agree with that, but offset this disparity by transfer taxes, rather than making the system more complex.

The Government also needs to tackle the low-level consumer imports, we need to get rid of the de minimis threshold as this unfairly disadvantages NZ businesses. The NZ government should be supporting NZ businesses by creating a level playing field.

Why have housing costs grown faster than incomes - this is a dark mark on our modern society - the ability to own property is what has allowed the greatest number of people to rise out of poverty throughout history, why do we make it so difficult? Why have some wages in certain sectors risen way more over other sectors?

The current administration of tax debt & tax evasion versus welfare debts is unfair - they should be treated equally.

Chapter 6: Thinking outside the current system

The digital economy needs to be addressed - how best to tax internet companies & internet transactions - I believe a transactional tax would work best - it doesn't matter where the company is based, if a transaction takes place in NZ then that is the country that should charge the transactional tax. An equalisation tax could be one example of a transactional tax - it doesn't matter who bears this tax - domestic residents or foreign companies - if this tax makes goods online more expensive it will influence behaviour & drive more domestic spending?

Chapter 7: Specific challenges

I understand why the Tax Working Group has been told by the government "hands off" on any form of capital gains tax on the family home or any form of land tax on the land under a family home - this is a political time bomb & this government has wimped out on its responsibilities imo. Any introduction of Capital Gains Tax (CGT) should cover all property, no exceptions; as long as the net tax gain across all tax streams is 0, it will off-set any disadvantages that those of us who own our homes would encounter if we tried to sell. Any productive asset, be it the family home, a piece of land or a business, should be taxed. You either have a CGT or a Land Tax but not both. CGT is better as we want to stop house speculating - combine this with the inability to use tax losses on properties to offset tax on other income.

I believe the idea floated of a progressive company tax is stifling growth as you are disincentivising higher turnover/productivity. Keep tax rates the same across all companies.

Achieving positive environmental outcomes could be done by having a consumption tax on water usage, electricity usage, having a landfill waste levy & an emission levy. As an aside, vehicular emissions - when conducting a WOF, vehicles should achieve minimum emission standards or otherwise be taken off the roads - there are far too many old vehicles on NZ roads & we have become a bit of a dumping ground for other countries' less economical vehicles.

Appendix 2:

I know about the terms of reference, I reiterate - CGT should be across all forms of residential & commercial property, buildings or land. It should be a separate tax, taxed on an accrual basis - this would simplify instances of matrimonial settlements and/or disposal of assets for deceased persons. Assets held by

Kiwisaver & other <u>government</u> savings schemes should not be taxed. Private savings schemes should be taxed. Offshore assets should be subject to tax, potentially at a higher rate than domestic assets, to influence behaviour & encourage domestic investment.

CGT should apply to all - residents & non-residents alike as it is a tax on NZ properties. Any capital losses should be ring-fenced to be used only against CGT income.There should be no roll-over relief, but if CGT is on an accrual basis this shouldn't matter anyway. The CGT rate should be the same as personal tax rate if property is held by an individual, or company tax rate if property held by a commercial entity, or family trust rate if held by a family trust. No allowance for inflation in calculating CGT.

No de minimis rule, but if CGT is only on property this shouldn't come into play. If CGT were to be introduced it should be based on the valuation at the date of introduction.

Once again thank you for the opportunity to be heard.

Kind regards

K Vermeir

From: Richard Watson [1]
Sent: Monday, 30 April 2018 10:19 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

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

I am concerned about proposals to change the tax rules concerning investment property/rentals.

Ring fencing tax losses is an example of this.

The consequences of this can disadvantage tenants.

My reasoning:

Each rental property on average has approx 3.5 tenants - in Auckland I think the figure is 3.9 tenants.

Owner occupied houses contain on average less people - approx 2.5 and in Auckland the figure is 2.1 people.

If you change the tax rules to discourage property investors then they may well sell up and exit the rental market.

The average landlord owns two rental properties.

If they sell up to owner occupiers then, on average, the seven tenants (3.5 * 2) will move out to be replaced by five people (2.5 * 2).

Where will the two left over tenants live?

They will be forced to compete with the existing tenants who are struggling to find rentals already.

So every landlord who exits the rental market could make, on average, two tenants homeless.

How can making life difficult for tenants be a good thing?

Discouraging landlords can have unintended consequences.

It would appear one way to help tenants is to have more rentals available which can result in cheaper rents.

One approach to get more rentals available is to encourage existing landlords to stay in the rental business and to encourage more people to become landlords.

I don't see ring fencing tax losses will do this.

Yours sincerely,

Richard Watson

From: Watson, Richard [1]
Sent: Monday, 30 April 2018 10:15 PM
To: TWG Secretariat
Subject: A submission to the Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

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

I am concerned about proposals to change the tax rules concerning investment property/rentals.
Ring fencing tax losses is an example of this.
The consequences of this can disadvantage tenants.

My reasoning:
Each rental property on average has approx 3.5 tenants - in Auckland I think the figure is 3.9 tenants.
Owner occupied houses contain on average less people - approx 2.5 and in Auckland the figure is 2.1 people.
If you change the tax rules to discourage property investors then they may well sell up and exit the rental market.
The average landlord owns two rental properties.
If they sell up to owner occupiers then, on average, the seven tenants (3.5 * 2) will move out to be replaced by five people (2.5 * 2).
Where will the two left over tenants live?

They will be forced to compete with the existing tenants who are struggling to find rentals already.
So every landlord who exits the rental market could make, on average, two tenants homeless.

How can making life difficult for tenants be a good thing?
Discouraging landlords can have unintended consequences.

It would appear one way to help tenants is to have more rentals available which can result in cheaper rents.
One approach to get more rentals available is to encourage existing landlords to stay in the rental business and to encourage more people to become landlords.

I don't see ring fencing tax losses will do this.

Yours sincerely,
Richard Watson

From:	sandra gilchrist [1]
Sent:	Monday, 30 April 2018 10:05 PM
To:	TWG Submissions
Subject:	Submission

In considering the tax system it is important that any changes made to what is taxed and how it is taxed are signalled well in advance of those changes being introduced and are not retrospective. To tax retrospectively means people would be hit by taxes they knew nothing about. They would have had no way to plan for this, to make provision, or to make different decisions armed with the knowledge of what that might mean to their savings. This would be unfair.

There has been a lot of talk about a Capital Gains tax and if introduced, questions raised about how it should be administered. A gain or loss on capital is not realised until the asset is sold, until then it is just a paper gain or loss so how could it be taxed before the asset was sold? There was a suggestion in the working paper that gains could be taxed on an annual basis but what happens if there is a loss the following year, does the tax department refund tax paid in a previous year? How would this work for property which would need to be valued each year. Who would do this and how? How would you ensure this is a realistic valuation? Where would the money come from to pay the tax if the asset hasn't been sold?

Would a capital gains tax factor in the true cost of purchasing an asset e.g. the cost of borrowing to buy it? What about other costs incurred / investments made to a property that contributed to the gain and without which the gain would have been less?

Not all second properties are rentals. What about the family Bach, a Kiwi tradition. Some of those properties have been in the family for many years and will be for many years to come. They may have cost almost nothing when they were bought / built by the family but may now be sitting on valuable land.

Whilst the tax review needs to determine what is right for the country they must also consider what impact their decisions will have on behaviour. Surely it is good to encourage people to save for their future and their retirement. If you penalise this behaviour people may decide it is not worth it and spend for today and not think of tomorrow. Surely it is good to encourage all that can work into employment. Maybe making it worthwhile for people to work by giving them a private allowance before paying tax will increase the value to them of paid employment over benefits, thus making other savings for the government. Doesn't the country need some rental accomodation to be provided by private investors? Whilst reducing the number of property investors may result in an increase in property available to first time buyers not everybody is in a position to buy or wants to buy. There are many situations where owning is not practical e.g. a student at university. Without private investors the government will have to make up the shortfall.

From: David [1]
Sent: Monday, 30 April 2018 9:46 PM
To: TWG Submissions
Subject: Submission

To: Tax Working Group

My submission will only be concerned with the rural area, the future of which I fear for as I was around the last time a Labour government in the 1980s told us that farming was "a sunset industry" and our children should go and do something else. My father and brother both had to leave their farms, one for financial reasons i.e. 36% penalty interest rates and our dear dad, feeling totally let down by a party that he had always voted for! Are you about to repeat history with land taxes and environmental taxes?

WATER TAXES
If you don't want us to irrigate our land maybe you should just say so but remember that Jacqueline Rowarth believes that water actually benefits the soil. And this farmer of many years thinks she was mostly right, especially in this area of the Waitaki Valley where the soils are good but the rainfall is low. Before the advent of water schemes in the 60s each spring, summer and autumn would see large losses of soil through wind blow, reminiscent of the Oklahoma dust storms. This soil has been worked for many years out of necessity as drought and grass grub would kill off pasture, so it made a lot of sense to grow annual crops such as barley. A generation before, all the flat land would be in oats most years to feed the horses that did the work. With irrigation water the valley has changed remarkably with grass for sheep and cows, cereal crops, stonefruit and vineyards. Pasture is the safest crop as the valley has a lot of out of season frost that have ruined many of these horticultural crops along with families' dreams! The town of Oamaru is now a busy place with a much larger rating base, demand for houses and full schools (even houses in Kurow are in demand). With a water tax making it too expensive to be viable to irrigate through a season (and many years the cost of production even with irrigation is marginal) there would be a collapse of the population with emptying schools and houses left containing pensioners. I guess it will be easy to read this and be sceptical of such consequences, but I have lived on the banks of the Waitaki for 58 years have seen the benefits of water to our small communities – social, economic and environmental. Why would you want to jeopardise this!

LAND TAXES
Land taxes would be another penalty on the productive sector as we are only farmers – we're not there to watch equity grow but most of us are just trying to make an income and improve the living standards of our families and then take something out at the end and hope another generation follows on. I don't know that you can be too confident that the young people will accept what we did in the 80s as you tried to break us. I think I would advise them to roll up their tents and try something else if they were going to stay in this country. My middle son, who studied agriculture at two North American universities, frequently tells me of the different subsidies and tax breaks his friends in the USA are getting. We must stay competitive on the world scene and any taxes on land and water will make it so much harder to do so.

We had a valuer from Australia here two days ago who told of the new government-built irrigation scheme in Tasmania! How extraordinary that a government would want to lift its rural community rather than penalise it.

CAPITAL GAINS TAX
If you decide to have a capital gains tax, the family house should not be exempt as this reinforces inequality. Someone with a house valued at $10,000000 in Parnell gets a huge tax break over a family in Temuka whose family home is worth $250000. Exempting a farmhouse, being the farmer's family home just doesn't compare to a fully tradable house in town – you cannot sell it without the farm and many more factors influence the value of the farm.

Hope you find something of interest in this.
Regards
David Easton

From: Tom Dobbe [1]
Sent: Monday, 30 April 2018 8:54 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Sir Michael Cullen and your Fellow Members,

A general comment: New Zealanders already pay a substantial amount in tax. Governments need to become more disciplined in their spending, honest in admitting any increase in what is taken from an individual is a tax and **stop under estimating the power of a good education coupled with the power of Public opinion.**

The summary of my submissions are:

1. Stop the tax creep that insidiously erodes the take home pay of wage earners.
2. Reduce company tax rates and make them the same for large or small companies
3. Close the loop hole that allows Charitable Businesses tax exemptions even when the funds are not directly used to benefit the charity.
4. I am opposed to a capital Gains tax
5. Maori Authorities should be taxed at the same rate as all companies.
6. Any environmental tax proposals should be sector neutral
7. GST should remain structured as it is.

Expanding on the summary:

1. Our society used to function well on a good days work for a good days pay, this needs to be encouraged. An increasing trend world wide is more people voting for Governments that distribute more in the way of benefits. This is mistaken ideology and leads to dependency and dissatisfaction. All of which erodes the ethos of the individual entrepreneur or work ethic so important to a balanced life. The benefit from a good take home pay is immeasurable, it allows the growth in Self esteem, allows choice and a chance to adopt a healthy life style. We will live longer and this will become extremely important. It is dishonest of any Government to continue what is known as "Bracket Creep" eroding what is rightfully an individuals take home pay without asking the tax payers of New Zealanders if they agree. Other Nations have done this very successfully. By being honest it will stop any future Government making false "play" from tax cuts.

2. We need to encourage industry, new investment that is determined by the market place not Government directed or influenced, to identify and expand new opportunities and provide work for any age group that is fit and able. Not having work available at a good rate of pay, balanced with encouragement to work, will eventually destroy the fabric on which our society is built. Increasing productivity is essential.

3. Some of these organisations are huge businesses competing on an unlevelled playing field with full tax paying companies. They are able to accumulate huge assets with only a small proportion going back to the people they claim to represent.

4. Keep the tax system simple. Even exempting the home from Capital Gains tax has not been proved overseas to benefit anyone; it certainly has not reduced house prices long term. People need to be encouraged to invest in productive assets that will benefit New Zealand.

5. NZ has made enormous settlements to Maori and indeed many Tribes now own some of our biggest companies. I believe New Zealanders have been very fair in their acceptance of this directional payment but from now on we need to all pull our weight equally.

6. Politicians should not be given the chance to ideologically favour certain entities within a sector. Farmers are making huge personal investments on their land to improve the environment, let the marketing company make this call, as today's consumer is very discerning. Individuals with their choice of vehicles, recycling and reduction of wastage are starting to make an impact. Individuals are collecting like minded people to gather and clear the ocean of plastic, funded philanthropically. The advent of electric vehicles is exciting. People understand the advantages over fossil fuelled motors. It took five years in America to change from horse drawn vehicles to the motor car as new opportunities were appreciated. This will not be so dramatic but as technology improves, volumes will increase and the price will drop.

7. A simple tax on the consumer that has proved effective over time. As much as I hate paying a tax on a tax, for example GST on rates, the system we have is easy to administer and should not be tinkered with.

Do not underestimate education and the power of public opinion.

We are seeing this with health and the willingness to reduce sugar, increase exercise and take control of ones destiny.

How many cars do you see on the road today with a bike carrier on the back?

10 years ago you would count them on one hand.

Taxes are expensive to operate and implement and there is a reluctance to remove any imposed tax take.

Thank you for your time.

Yours sincerely,

Tom.

From: Peter Crabb [1]
Sent: Monday, 30 April 2018 8:31 PM
To: TWG Submissions
Subject: Tax written submission

Tax Working Group,

Thank you for the opportunity to complete a submission.

To be future ready, the NZ tax system needs to adapt, with changes planned in simple incremental steps. Changes can offer NZ an exciting and robust international edge. The tax system should be competitive, fair, effective while operating in background so that we can enjoy our busy lives.

The current tax system is falling short on a number of major issues and are a growing concern:

1. In the age of automation, a notable effort is committed to accounting services to minimise the payment of tax. There is no shortage in NZ of excel documents. Tax complexity has lead to structural issues and an outcome that is not particularly fair.

2. International corporations have access to the local NZ market, yet are not paying their fair share to maintain it [not to name Vodafone, Microsoft or Amazon or various International Banks specifically …]

3. Complex tax breaks are not achieving the desired outcome; carbon reduction, industrial innovation, local community resilience etc…

4. Charities are granted an exemption, encouraging a route for lobbying or offering dubious benefits in return.

5. Too much capital is drawn to static investments such as land, jewellery, gold or crypto rather than technical or company progress.

6. Significant private profit is being gained from public investment in infrastructure, with limited return to the public.

To address the above, I would like to see the tax system transition to include:

1. A simplified and fair tax system that is enhanced by automation in its reach, reduced cost and openness. A taxation that is focused on transactions to include everyone replacing PAYE.

   A transaction tax designed to encourage a concise and fair tax outcome for the average kiwi while discouraging tax schemes that involve a cascade of accounting services.

2. International companies should be subject to a fair transaction tax upheld as part of having access to the local market. Meeting a requirement to maintain the local market.

3. Tax breaks to specific industries with the aim of encouraging a positive outcome need to be better designed to ensure simplicity; keep tax fair. Any tax breaks should provide a public share in the outcome.

4. Charities should not be granted an exemption. Public expenditure should seek to fund positive outcomes and play an active partnership role.

5. Capital gain should be subject to a transaction tax to reduce the allure of static assets.

6. The public should have access to the capital gain delivered by infrastructure projects.

Additional opportunities for tax changes include:

1. In spending tax, the employment/training of young people should be a mandatory part of all public works contracts. NZ needs a future with a confident skilled workforce.

2. There should be an option for you to nominate what a portion of your taxes are spent on, seeking public engagement on local environmental outcomes.

3. You can only eat so much. Raw food should be the subject of limited tax along with its preparation. NZ could knock the pants of France for outdoor dinning, healthy living and keeping the youth employed while enhancing tourism.

There is always a reason to add some new feature to the tax system (just change x to achieve…). The issue is we loose long-term resilience and the opportunity for automation and all the gains that come with it. I am advocating openness and simplicity.

Looking forward to real change.

Kind regards,
Peter Crabb

From: Karen Grace [1]
Sent: Monday, 30 April 2018 8:24 PM
To: TWG Submissions
Subject: Taxation

To whom it may concern,

My submission is simple.

Instead of finding new ways to tax the working citizens of New Zealand, which just continues to reduce discretionary spending and the potential to create personal savings, reverse this ludicrous corporate welfare hidden behind the propaganda of trickledown economics.

After more than 30 years of reducing corporate tax rates under the promise of increasing wages, the facts show that tax both direct and indirect has increased for the average working Kiwi, while the corporates and their shareholders have participated in the greatest wealth transfer in the history of mankind.

The many have continually contributed to the few and this must stop.

Therefore, before considering taxation in any form that will be inflicted on working public, lift corporate taxation. Close the loopholes that corporates us e to shift funds to their corporate Head offices as "licensing fees", trademark fees and all the other dubious tax dodge techniques that are used to create a zero tax liability, (which is a way of shifting funds to low tax states, (such as Singapore).

Charge a foreign exchange surcharge on all companies that do business in NZ and use our foreign exchange earnings to repatriate their funds overseas.

Corporations use the services that our Government supplies. Education to provide an educated workforce. Health services to provide health care for their staff at no cost to the employer. Infrastructure such as reliable power networks, technology networks, roading, ports, airports etc, sll supplied by the taxpayer. Then their is a taxpayer funded legal system that provides a safe environment in which to carry out business.

Corporations and multinationals have a moral obligation to contribute their fair share of tax to maintain and support the land that provides all that they need to profit from

It's about time the New Zealand Labour Government remembered where it came from and to whom their loyalties belong, (and its not the enemies of the working classes, be they white or blue collared)

Yours sincerely
Karen Robson

From: Daniel Barthow [1]
Sent: Monday, 30 April 2018 8:21 PM
To: TWG Submissions
Subject: NZ to support a UN Tax Body to tackle tax avoidance

Hi,

In response to the key questions here is my submission to your working group...

1. What does the future of tax look like to you?

A fairer system for all so that the playing field is leveled and inequality in NZ and the wider world we live in is weeded out.

2. What is the purpose of tax

To pool funds from a group of people to be used for delivering a greater good for the country and people who live in it.

3. Are we taxing the right things?

No - the global tax system needs to be fixed and the Paradise and Panama Papers demonstrated that the lack of tax transparency is a global problem that needs a global solution. We shouldn't see developing countries missing out on $150 billion each year due to multinational tax avoidance

4. Can tax make housing more affordable?

If used correctly. Capital gains tax on property outside of the family home and tax on properties owned by people who do not live in NZ could be invested into making housing more affordable to those who need it most.

5. What tax issues matter most to you?

Tax avoidance is a key issue for me. It isn't fair that the richest (both individuals and companies) can lower their tax burden because the system allows it. By doing so it deprives governments around the world (including NZ) the money they need to tackle poverty and inequality. This will be most easily done through a new UN-based global tax body which would ensure all countries participate on an equal footing and ensure multinationals pay their fair share of tax.

It would be acceptable for the Group and the Secretariat to contact me about my submission to discuss the points raised if required.

Kind regards,

--
Daniel Barthow
[1]

From: Ernest Scott [1]
Sent: Monday, 30 April 2018 8:10 PM
To: TWG Submissions; Peter Scott [1]
Subject: Submission Tax Working Party

Dear Tax Working Group

I would like to make the following submission on the future of tax in NZ.

I am a wage and salary earner. I have worked for nearly 42 years and paid tax throughout this time . I have never received a benefit from the Government - unemployment, sickness, or fathered any children to a solo parent.

Ie I have think I have paid my fair share.

The current tax system is biased with wage and salary earners paying the majority of taxes.

Self employed people enjoy tax writes offs such as sharing income between wife and husband to minmise tax.

Farmers do not pay their fair share. Refer article below.

Fontera is a huge monoploly which does not pay tax. This another tax write off for farmers.

Trades people do jobs under the counter and do not pay tax. It is estimated that the black economy is costing approx $8 billion per year in tax.

NZ has a immigration policy which favours wealthy immigrants who get approval is investors. All they do is buy houses, which pushes up the cost of houses and rent the houses out under the counter to similar immigrants requiring accomodation, ie not declaring tax income.

In NZ the Government expenditure is approximately 50 % of the GDP. ie $100 Billion expenditure out of a $200 Billion GDP.

Local Government probably spends another $20 Billion. Hence in total $120 Billion or 60 % of the GDP is spent by the Government and Local Government. This is funded through taxes and Local Government rates. Is this a sustainable level mof taxation. We need to try to keep Government and Local Government expenditure under control. Government and Local Governmnet need to spend taxpayers and rate payers money wisely. For example NZTA and Local Authorities just hand out contracts to preferred contractors. Isn't this just croney capitalism. For example the NZTA $2 Billion Waterview Tunnel project or the NZTA $500 million Road Maintenance Contracts. Or the consultants / specialist expenditure by the Health Boards.

The Office of the Auditor General and Audit NZ, needs to focus on monitoring the expenditure by Government Departments and Local Governmnet to ensure that taxpayers and ratepayers are getting value for money. There needs to be more indpendnat monitoring of all Government and Local Government Contracts to ensure that the Governments Procurement Policies are being achieved.

In NZ approximately 50 % of the opoulation pay no tax, after all tax breaks are taken account of. ie Working for Families tax rebates.

All tax rebates should be removed.

People who have rental properties should not be able to reduce their income so that they are entitled to "Working fo Families " tax rebates.

People should not be able to use trusts to reduce their declared income, and claim Student Allowances for their children.

If we are going to introduce Capital Gains tax it needs to be applied fairly across the board, not just residential rental property.

It should be applied to

farmers

business owners who buy a business and sell it 5 years later and make a profit

residential property owners who buy a property, and subdivide off the rear section

weathy people like John Key who buys a $5 million house and then sells it 8 years later for $30 million.

shares

gold investments

precious art and antique investments - basically any collectable which approcaites in valuse over and above the CPI

crytocurrency

foreign exchange investments

commercial property

Rather than a Caital Gains Tax, a Profit tax should apply to all investments, if they and bought and sold for a profit within a 5 year period. However the cost of making the investment needs to be deducted to detertmine the actual profit upon which tax is liable.

ie if a person borrowed $1 million to buy a rental house and sold the house for $1.2 million one year later.

The profit is $200,000 less the cost of the money to make the invetsment.

This approach is consistent with Generally Accepted Accounting Principles.

Below is an article on the tax paid by farmers, which shows that they are not paying their fair share. Not only do they get tax writes, they share their income between spuses, the farm pays for their living costs and mortgage and their children received Student Allowance beacsue they are poor. The same applies to business owners.

Dairy farmers 'paying no tax'

Vernon Small08:58, May 18 2011 Source Stuff.

The average dairy farmer is paying less tax than a couple on the pension – raising questions about whether the sector touted as the backbone of the economy is paying its fair share.

As the Government prepares one of the tightest Budgets in recent years, cutting into middle-class family benefits and KiwiSaver subsidies, new figures suggest those cuts will hit people who are also shouldering the greatest tax burden – wage and salary earners.

Inland Revenue Department figures provided to Labour revenue spokesman Stuart Nash show that, in the latest full year for which figures were available, the average tax paid by dairy farms was $1506 a year. The 17,244 registered as being in the dairy sector, including companies, trusts and individuals, paid only $26m in tax.

The figures also show that more than half – 9014 – reported a loss for the 2009 year and another 2635 reported trading income of between $1 and $20,000.

Federated Farmers chief executive Conor English said he was not surprised by the figures. "The reason why there's not much tax being paid is because there hasn't been much money made. The average dairy farmer ... made a cash loss of $50,000."

There was more debt because farmers had been borrowing from the bank to pay for groceries. "The myth of the stinking rich farmer is simply not true."

But Nash said Labour would investigate whether farmers in general were paying a fair share of tax. In the primary sector, 75 per cent made $20,000 or less and 55 per cent recorded a loss in 2009. Of the nearly 72,000 companies, nearly 40,000 were unprofitable.

“Either we have a sector in dire financial trouble or the sector is simply writing off a lot of income against expense and not paying tax," Nash said. "I hope it's the latter. If they are facing dire financial trouble then we as a nation are in the poo.”

The IRD figures showed the agricultural sector, including forestry and fishing, paid $319m in tax in 2009. That compared with $486m from mining. Industry as a whole paid $9.7 billion tax and $23b came from personal tax.

Nash said the primary sector was of huge importance, but its tax bill was an issue of fairness. "It annoys me when Federated Farmers come out and say we need to cut Working for Families, we need to cut this and that, when they in fact are paying no tax themselves.

"They need to take a good hard look at the sector and say, `Are we actually paying our fair share?'"

Adding dairy giant Fonterra to the mix did not change the picture. As a co-operative, it pays out profits to its farmer shareholders, who are liable for tax.

Figures compiled by the Parliamentary Library show that, over the period May 2007 to January 2011, Fonterra earned pre-tax profits of $1.86 billion on turnover of $61.6b. But it reported an after-tax profit for the period of $1.88b after receiving net tax credits of $28m – equivalent to a tax rate of negative 1.5 per cent.

English said the primary sector was responsible for 66 per cent of exports but, for each dollar earned overseas, only 6c went to the farmer. "So the other 94c goes in ... all the cost structures around getting that kilo of meat from the farm gate to the shore."

Revenue Minister Peter Dunne said the figures released by Nash did not raise any policy issues.

The $26m tax mentioned came from those who identified themselves as in dairying, he said. Those not classified by industry paid another $1.5 billion in tax and a significant number would be dairy farmers.

WHAT THEY PAID

Tax paid by the 17,244 dairy farms in 2009: $26m

Tax paid by the agricultural, forestry and aquaculture sector: $319m

Tax paid by individuals through PAYE and source deductions: $23 billion

Total government tax take: $54.7b

Tax credit paid to Fonterra over 3 years: $28m

Average annual tax paid by 17,244 dairy farms in 2009: $1508

Tax paid by an unemployed beneficiary aged over 25: $1229

Tax paid by couple on the state pension: $3136

Tax paid by single person on the average wage: $8020

Tax paid by a single person earning $100,000: $32,869

Regards Peter Scott [1]

From: Kathy White [1]
Sent: Monday, 30 April 2018 8:10 PM
To: TWG Submissions
Subject: Submission

I am the Waikato Regional Councillor for Taupo-Rotorua, This is my personal view. It is not the view of Waikato Regional Council. I would like to make a submission in relation to environmental taxes and charges.

FUEL TAXES
I am generally averse to adding taxes that will impact adversely on those in lower socio-economic groups. That is why I'm not in support of adding fuel taxes in places where people do not have access to good public transport, and where they have fewer opportunities to be more sustainable and minimise their use of fossil fuels. People on limited incomes in the provinces don't have much choice about what they can afford to drive, and they need to drive in order to get around. I am hesitant about supporting regional fuel taxes outside of Auckland.

POLLUTER TAXES
If you're wanting to generate more revenue to ease congestion and reduce emissions, I believe the best avenue is targeting people when they buy NEW vehicles through a polluter tax. Those who choose large engine vehicles with a larger carbon footprint would be subject to a polluter tax. Those purchasing smaller engine vehicles, electric or hybrid vehicles, would not pay this tax. This incentivises people to consider the environment when making their purchase, and ensures that targeted revenue is raised to spend on finding environmental solutions to problems.

LEVY on freedom campers
It should be possible to levy the rental of campervans that don't have toilet facilities. Such a fund would be able to subsidise the construction of facilities in popular freedom camper locations. Territorial authorities are struggling to pay for the construction and maintenance of the toilet and shower facilities that freedom campers need. If we want to retain freedom camper access to certain locations, we need to find a way to fund the facilities that support them. A levy would do this.

WASTE MINIMISATION
Car manufacturers, whiteware and electronics manufacturers should be required to manage their own waste streams. There should be stewardship schemes in places, identifying priority products and managing things like tyres from the beginning to the end of their lives. Levies should be applied to products such as tyres, to enable investment in finding waste management solutions to major environmental problems. There are currently levies on tyres but these aren't used for the purpose they were designed. There should be a warrant of fitness system in place that identifies and rewards those that are seeking to be sustainable, and penalises those that try to avoid waste management responsibility. Polluter taxes should always target the exacerbator of the problem. That requires a good waste minimisation system and environmental warrant of fitness system to be developed.

WATER TAXES
Councils need a greater range of tools in their toolbox. Currently Watercare, irrigators and other large water users have little incentive to reduce or minimise their water allocation from the Waikato River. It's considered a relatively cheap source of water, and this is why we regularly face conflict between users, and antagonism around foreigners wanting to bottle and profit from New

Zealand water without paying 'reasonable' fees to look after its monitoring and care. There are few economic instruments that can be applied without opening a can of worms around water ownership. In my opinion, no one owns the water. It owns itself. We are fortunate to be allowed to use it but the onus should be on us to value it and to use it wisely. The problem with talking about royalties is that royalties are generally received for intellectual property. It may just be a word but it could create unintended problems in the conversation with iwi around ownership of water.

If more charges and levies were made available to regional councils, there would need to be a system that guarantees that all revenue generated goes into a fund to improve water quality and to improve hydrology, wastewater and water allocation systems. These funds should be invested in investigation of new technologies such as safe incineration of sewage, early warning water monitoring systems, and planting of gullies, riparian strips and wetlands. That way, the water itself, its inhabitants, and the people who use it, benefit from the charges. I would also like to see these funds used to fund real-time sensors that detect dangerous levels of contaminants, and advanced technology that enables us to test for pesticides at parts per trillion.

I'm aware of how under-resourced our diagnostic testing systems are in New Zealand. Too often, councils have to send contaminated aquatic critters such as koura overseas because we don't have access to domestic toxicological testing systems that provide results at an evidential level. Councils need to treat sources of drinking water very seriously, and yet currently in New Zealand, we say it's acceptable to drop toxins such as 1080 and brodifacoum, as well as other contaminants into waterways. A Water Warrant of Fitness would require pest contractors to comply with the safety data sheet and remove poisoned carcasses from land and water after aerial operations. It would require contractors to avoid contamination of water.

A water warrant of fitness could allow for the application of a polluter tax or other kinds of penalties, or it could incentivise good practice by reducing the incidence of regulatory attention. I'm talking about something that is similar to a car warrant of fitness.

Kind regards

Kathy White

[1]

From: Neil C [1]
Sent: Monday, 30 April 2018 8:07 PM
To: TWG Submissions
Subject: Submission

Dear Sirs,

I submit the following suggestions and ideas to the Tax Working Group.

1. Start a turnover tax (revenue tax) on multi-nationals
   There are a number or large multi-national companies that have paid little or no tax in NZ for decades, despite sales in the hundreds of millions or billions. Some have been in NZ for over 50 or 70 years, for example. It's time to get some income tax from them. A sales revenue tax can achieve this, for example, tax them at a rate of, say, 4% or 5% of sales revenue. And don't allow any deductibles or subtractions from that tax.

2. Require specific tax amounts to be paid by NZ citizens living overseas if they want access to govt benefits
   Unless the government more correctly aligns tax payments to benefits taken per user, the medical, hospital and government pension systems will head towards financial collapse, because there will be ever larger numbers of benefit claimants who have not paid taxes equal to the benefit provided. The following is one method of redressing this very serious problem.

   Tax residency is a 1920's concept that is rapidly becoming obsolete and very difficult to enforce, so it is much easier to abolish tax residency and bar people from benefits unless they can prove they have paid taxes to match the benefit. This is a much clearer, explicit and visible way for the government to get paid for the benefits it provides free or at subsidy: make people pay the taxes for each benefit. This is aimed mostly at two groups of persons who will want to collect benefits bit are not always paying their fair contribution in taxes. The two groups are:

   a) NZ citizens living overseas for extended times, eg over 5 years
   b) New immigrant citizens, some of whom are returning to their country of origin after getting a NZ passport and are not intending to live here until much later in their life, eg, when aged 45 to 60, when they intend to retire here. They want to collect pension and medical/hospital benefits, yet have paid little or no tax to NZ.

   Taxes payable per benefit could look like the following examples:

   - For each child at school, eg pay $2000 per year (or whatever is near the actual cost)
   - For each student at university, eg pay $10,000 per degree course
   - For subsidised medical benefits (doctor, lab tests, medicines), eg pay $2000 per 5 years', rising for each 5 years' of age to reach eg, $4000 per 5 years for age 70+
   - For hospital benefits, eg pay $10,000 to $40,000 (build up credit to that point)
   - For government superannuation, eg, pay $100,000 to $180,000 per 10 years' of pension rights for the full pension and pro-rata reduction for those only wanting a 80%, 60%, or 50% pension, for example

   The amounts given above are just for example. The actual costs to government of providing the benefit need to be used (which I do not have at this point).

3. Reduce size of Public Service
   Cutting government expenditure by reducing the headcount of public servants is one way to save tax dollars. The headcount of the NZ civil service is in the order of 42,000 persons. It is doubtful that all of these people are gainfully working a productive and efficient 40 hours each week. I have personally worked in or for the civil services of a number of countries and in no case did I see all of the people fully engaged at all hours for all weeks. So it is likely there is room in NZ for the number of persons to be reduced. A reduction of say, 10,000 to 15,000 could be aimed for. This will require new methods and techniques to keep staff gainfully employed with work that is needed to administer the country.

Thank you.

Yours sincerely,

Neil Curtis MA MSc MCIT

From: James Davies [1]
Sent: Monday, 30 April 2018 7:54 PM
To: TWG Submissions
Subject: tax working group submission

honestly just scrap excise taxes aye

From: James C [1]
Sent: Monday, 30 April 2018 7:27 PM
To: TWG Submissions
Subject: Submission from a private individual.

Dear Working Group members,

I am James Cone, a private individual, living in the Wellington area, with a background in Computer Science, a shallow background in Sociology, and a propensity to notice the world as it goes by.

The background paper
https://taxworkinggroup.govt.nz/sites/default/files/2018-03/twg-subm-bgrd-paper-mar18.pdf
tells us that:
"Unlike many other countries, New Zealand does not generally use the tax system to deliberately modify behaviour ..." (p5).

This is true, at most, relative to some null hypothesis. Gabriel Makhlouf recognises this, by saying that "what we do is inescapably normative"
https://treasury.govt.nz/sites/default/files/2017-12/sp-intergenerationalwellbeing-13dec17.pdf
(p3).

It also shows in your chapter on base erosion and profit shifting (BEPS).

At a Fabian meeting recently, it was observed that the composition of the working group made you-all well placed to address BEPS, either to restrain it or to defend it. I would prefer that it was restrained.

As part of that project, in my dilettante opinion, it would be useful to track international hot money. A Tobin tax might well be useful.

In addressing equity, there are two interrelated trends, one toward automation and the other toward income from capital. My folk knowledge says that capital income on housing is enabled by capital inflows.

If there was a convenient price for signalling the desired amount of capital inflow, that might make production more rewarding, relative to speculative trading. The only relevant price that I know about in the current tax system is the Approved Issuer Levy. Real experts would probably find others.

There is a failure mode where, in the second year of a company, it pays two years of company tax. In so far as the goal of the economy is productive activity that meets human needs, there might be a win from addressing this failure mode.

Cycling back to the beginning, yes, the tax system should strive to be as neutral as possible, relative to the null hypothesis (NH). That people who hurt themselves with alcohol and tobacco should pay for some of the damage is part of that NH. I would like us to end up in a place where the NH is as explicit as is practical, discussable within the political process, and where it is compatible with our long-term survival.

Yours faithfully,
James Cone.

From: BRIAN [1]
Sent: Monday, 30 April 2018 7:26 PM
To: TWG Submissions
Cc: James Prestidge
Subject: Tax discussion paper

Tax Working Group Secretariat
PO Box 3724
Wellington 6140

Dear Secretariat

I wish to comment on some tax matters that have been a concern to me and thank you for the opportunity to do so. This will be brief due to time constraints and my personal poor health.

My background is that for the past 30 years I have operated a private accounting business specialising in personal and SME taxes.

<u>Tax on Bank and Similar Deposits.</u>

As your discussion document discloses, the tax incidence for this type of investment is high compared to others such as; shares, bonds, property, business equity and maybe others. I put this down to the fact that where the investment in the second group is bought principally for a return on investment, then when the investment is eventually sold there is an inflation factor in the sale price which is untaxed. With a term deposit, the initial principal is returned but anything in excess is taxed.

I suggest that the first two percent of interest, if this is where inflation is, is treated as a capital gain. Where inflation changes then there is appropriate authority to amend this amount to keep it relevant. In this case, should a CGT be introduced but at a different rate than the personal tax rate, this group of investors will be treated the same as the second group.

<u>Family Income Equalisation</u>

Families where there is one primary earner are taxed considerably higher than two income families. This has been considered before with considerable work put into it by the Hon Peter Dunne. USA has an option in their tax return filing for families to choose to either file one family return or two personal returns. This may be worth considering for New Zealand.

In the absence of a change to the tax return, another suggestion is to go partway in correcting the anomaly is to give primary care givers an option to submit their application for family assistance beginning with half of the family entitlement but using only their personal income for abatement purposes.

I am happy to discuss this further with the Committee.

Yours faithfully

Brian E Prestidge
[1]

Sent from my BlackBerry — the most secure mobile device

From: Robert Gray [1]
Sent: Monday, 30 April 2018 7:02 PM
To: TWG Submissions
Subject: Submission

Hello my name is Robert gray

This is my Submission on tax these are my thoughts we need to lower the tax rates and make sure every one pays tax. My sugestion is for a flat tax rate for personal and for business. Which means you get rid of loopholes and make it simple. I would also like to see working for the family's tax credits gone. To me it is not fair that i was on the minimum wage and paying 20 cents in the dollar and people getting working for the family's pay no tax at all to me that needs to be sorted. Its not rocket science to get the economy going we need to lower all the rates, lower the business rates which allow business to invest more and create good paying jobs. Take a look at the american economy which is thriving.

Please feel free to get in touch.

Thanks
Robert

From: Craig Milmine [1]
Sent: Monday, 30 April 2018 6:55 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

To the members of the Tax Working Group,

I submit to the Tax Working Group the following points:

1. Please keep the tax system simple. Exceptions from GST on healthy lifestyle goods and services are hugely exspensive to administer and the Australian experience of this has resulted in ridiculous legal battles where the courts have to decide whether ciabatta is a bread (GST exempt) or a cracker (GST included). The same applies to bad behaviour taxes such as sugar, salt, fat and plastics taxes. Aside from the administrative cost and perverse legal ramifications, a government that uses the tax system to dictate morals will likely and rightly be punished at the polling station.

2. The practice of allowing inflation to increase taxes through bracket creep needs to stop. Income tax brackets should be indexed to inflation. Far too many families on struggle street are finding themselves on the highest tax bracket - yet unable to afford basic necessities. The middle and lower classes are already badly hit by inflation without the government taking an extra slice from their wage rise that is just keeping up with inflation. This would also incentivise the government to adopt policies that grow the economy rather than lax monetary policy that encourages inflation.

3. I worry that the Tax Working Group has been set up to justify an increase to the overall tax take. I submit that there are large numbers of New Zealnders that are struggling with housing and utilities and excessive council rates. An attempt to sock the taxpayer for more will bring misery to many. Taxes are already too high.

4. Don't tax the housing market. With the main housing problem being constrained supply and low interest rates, any extra taxes on the property market are goling to put off investors in new housing and worsen the overpriced market. Capital gains taxes have not dampened outrageous property prices in Canada and Australia.

Beyond this, I endorse the broad Taxpayer Unions' submission to the Tax Working Group

Yours sincerely,

Craig Milmine

From: Nigel Roake [1]
Sent: Monday, 30 April 2018 6:49 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

This is a submission on the future of tax in New Zealand,

1. ALL government /council employees/ bureaucrats/politicians should earn a maximum of $100k and consider it an honour to be a Civil servant (ie be civil and a SERVANT)

2. All benefits to gang members should be stopped

3. GST on food to be scrapped

4. Gst rate to be reduced to 10%

5. Police force to be halved and no more car chases and "domestic incidents " to be investigated - scrap their Holdens , use motorcycles ,every one of them sent for retraining to be less Rambo and more a bobby on the beat - their budget should be based on their results of catching crims and drug dealers

6. Endless expensive talk fests to be stopped

7. The intelligentsia and technocrats to take over the running of the country and give instructions to the remaining bureaucrats

8. Health and education spend to be increased by 20%

9. Council rates to be scrapped and a reasonable fee for rubbish removal /libraries /parks imposed

10 Monopolies (ie airports) to be broken up

11 Politicians pensions to be the same as every other taxpayer

A much lower tax rate should result !!!!

From: Geoffrey Clarke [1]
Sent: Monday, 30 April 2018 6:35 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

The law should be enforced so that criminals are required to pay income tax on income derived from crime

Under section CB 1 of the Income Tax Act 2007 (the Act) an amount derived from a business is income of the person. It is well established law that this applies to income from both legitimate and illegal activities. However, criminals such as drug dealers who can make a great deal of money never seem to be charged with tax evasion. Further, section CB 32 of the Act specifically states that property obtained by theft comes within the meaning of income. Once again I have never seen a thief charged with tax evasion.

The law should apply equally to all.

Yours sincerely,

Geoffrey Clarke

From: Terri [1]
Sent: Monday, 30 April 2018 6:33 PM
To: TWG Submissions
Subject: Submission

Yes companies with a base outside nz need to be taxed. They aren't already??
Capital gains tax. No way.
Unless there is a way to compensate for money spent to gain the capital gains in the first place. Then you're just preying on the weak minded who don't bother to keep receipts and/or employ an accountant.
So no way.
By the way, if you're going to take away super animation from those who work over the age of 65, at least compensate by lowering their tax. Why should they lose part or all of their super just because they are working.
Don't even get me started on how much we pay politicians for life AFTER they have finished working.

Terri Standish

From: Nick Brooker [1]
Sent: Monday, 30 April 2018 6:22 PM
To: TWG Submissions
Subject: Submission

I have two points.

Our company gives us the option to buy discounted shares but different people have received different advice on how this is taxed. It would be good if all the tax law was in layman's terms and was clear and straight forward.

A second point. Donations and school fees are easy to overlook. Could they be streamlined with any donation over a certain amount being sent to IRD if you agree so it can appear on your statement for the year?

From: Bonnie Cohen [1]
Sent: Monday, 30 April 2018 6:02 PM
To: TWG Submissions
Subject: submission to the Tax Working Group

What is the purpose(s) of tax:

Primarily, to fund projects and services for the common good.

Secondarily, to redistribute wealth for the common good.

And next, to incentivise and dis-incentivise, where there are significant needs to do so.

Growing new clean business -

I would like to see promotion of research and development in New Zealand, through research and development tax advantages. We need to create an environment where new talent and new ideas can grow into productive businesses here at home.

Much of new research will be in high tech and clean industries, as this is the mindset of our youth. And we need to retain more of our talented young people, create more options for University graduates, and raise the bar on our technology skill levels here, which I believe still remain rather low. A follow on effect of this may well be a larger set of companies for investors to invest in, as these companies grow and succeed, making our share market broader and more stable, and providing more investment opportunities besides real estate.

But, as NZ struggles with this issue of competing with countries that have lower business taxes, it is not a recipe for success to overburden individuals by making them take on the tax burden which has been shifted off of businesses. We need more active and productive businesses.

Are we taxing the right things?

x- GST exemptions for low income people -

I don't think this should be done, making a special case of low-income people so that they can get out of paying GST on some things. There are unintended consequences, and accounting issues. If something should be not-taxed, then it should be not-taxed for all people.

Use family and personal tax credits as a means to re-distribute wealth, and assistance for those who need it, as these can be graduated based upon income and circumstance, and not just turned on and off at some threshold.

x - GST SHOULD COME OFF OF FRESH and UNPROCESSED FOOD, FOR EVERYONE.
This will benefit low income people greatly. Taxing fresh and unprocessed food is a truly regressive taxation. It's well known that it hurts the poorest most. But there is no cause for making special cases for certain people. Keep it simple, everyone gets a benefit for eating healthy. There are many examples around the world for how to make the transition.

x - Investment property should be Capital Gains Taxed at time of sale. I strongly believe in this. I have an idea that tax recovered from sold investment property would easily generate more in tax income than that which is lost in removing GST from unprocessed food. However, I do not have knowledge of how people could dodge this taxation, which might involve the use of trusts or other kinds of property protection.

x - Retirement Savings - I think kiwisaver should be left as it is, and there should be another retirement savings vehicle offerred to the public in which Exempt-Exempt-Taxed is the rule. To avoid excessive loss of taxes, you can limit the amount which can be put in each year to a small amount, say $600 ($50/month). Let it get off the ground, watch what happens, make adjustments.

Appendix 2 Captial Gains Tax responses, from working paper appendix, my opinions.

x - Capital Gains tax rate should be tied to income tax rate.

x - The rules of shifting to capital gains taxation should be only assets acquired post introduction.

x - Capital Gains should be taxed only when realised.

x - Matrimonial property settlements should be taxed only if the assets are sold/converted, and in any case must also be non-taxed for a family home if one is involved.

x - Death - upon death of the holder of investment property, the property should be taxed when sold/converted, or for value above a threshold.

x - Gifts should have to meet a minimum threshold in order to be taxed.
Gambling winnings should be fully taxed as income when won.

x - Capital Gains Taxes should include realised gains on Rental Properties, Holiday Homes, Land held as investment and which is not part of an already taxed business activity.

x - Capital Gains Taxes for moveable investment property and objects should meet a minimum threshold of realised gain before taxation. Sold in NZ, taxed in NZ, regardless of tax residence. Also, for tax residents of NZ, gains on property sold overseas should be taxed, but safeguards against double taxation should apply, where applicable.

x - Investments held offshore by nz tax residents should be taxed on realised gains, and do away with the FIF rules. To the degree that our current tax rules are taxing unrealised gains, these should be eliminated and replaced by CGT on realised gains only. At a minimum, whatever is taxed by other rules should count as deductions against the Capital Gain.

x - Rollover relief for like kind transfer - definitely.

x - Capital Gains should be ring-fenced to offset only Capital losses, and allow some amount and years of carryover.

x - de minimus - There should be a de minimus for moveable investment property, but not for investment real estate.

x - GST on low-value imported goods -
It would do to understand some of the positive effects of not taxing low-value imported goods.

My focus is on technological advancements in innovative simple, low cost construction tools and materials. 15 years ago, much of what is available to the rest of the first world was not even heard of here. Without the internet, we were at the mercy of what large companies provided to us, what they thought they could make a market in, in a large scale. Often, when I would inquire about availability of tools and materials that are available elsewhere, I would be told "oh our builders don't like new things", or I might be just told "I never heard of it".

For a company to create a broad base of uptake in a new product, stock has to be available in reasonable quantity, and companies will only do that if they feel the risk they take on something new is worth it in terms of probability of success. There is a limit to what companies can/will risk and therefore, and alternate form of creating exposure is required.

The result of reliance solely on businesses for access to the tools and materials is to, in many cases, limit ourselves to low grade options, because it's what companies will risk. Sometimes, a solution just can't be found within our borders.

Speaking for myself, I will hunt very hard for something here in NZ before I will purchase overseas. If I can find it here, I'll buy it here. But it happens sometimes that a NZ solution is simply not available or is inferior. And in truth what I buy in from overseas is typically low-cost. When I use these new items, if I think a market could be made here, I present the item to an appropriate company, and ask them to give it a try. I show, or tell the people I work with about it and so they are exposed to a superior product.

I would rather this exemption remain, because I find it good for myself and for New Zealand. It makes it easier to obtain the superior low-cost products, and hopefully, make them available here. I realise this is anecdotal, but worth noting.

From: Catherine Low [1]
Sent: Monday, 30 April 2018 5:54 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Tax Working Group,

I believe tax should be used as a tool to improve our country in many ways. In general, I think tax should be used to disincentivise actions that use finite resources, and cause harm. Tax should be lowered (or made zero) for things that as a country we want to encourage as they are helpful.

Some examples of this are:

1. Pollution such as greenhouse gas going into the atmosphere and nitrogen going into rivers should be taxed as these actions are harmful, and there is only a limited amount of pollution that can be tolerate. At the moment most producers of pollution get the benefits of polluting our environment by earning money, but our whole planet suffers as a result, so the benefits are private, but the harms are shared. This can be improved by taxing polluters enough to reduce the pollution down to a sustainable level, and some of the tax money could be used to address the problems the pollution causes.

2. Many things people do affect them and their family in the long term, so tax can change people's incentives. Very unhealthy foods like confectionery and sugary drinks should be taxed more than healthy food. This tax method should be done with the guidance of health economists and medical experts, and the impact should be measured carefully to ensure this reduces harm. Similarly, I would like to see healthy food exempt of all tax.

3. High cost of housing is harmful for our community, so taxes can help this by expanding capital gains taxes, so there is less of an incentive for people to invest in the property market. There may be other ways of using the tax system to encourage developers to produce healthy homes that are affordable for New Zealanders who have low incomes.

4. People are also not paying for harm to animals. Many animals in agriculture have terrible lives, many in factory farms, and the benefits go to the farmers of these animals. I would like to see animal products taxed, with a higher rate for those produced in inhumane conditions such as factory farms. This could incentive farmers to adhere to higher animal welfare standards, and incentive consumers to choose food that doesn't cause as much suffering.

5. Use of finite resources should also be taxed more highly. We only have so much mineral resources, so a higher tax on that resource would disincentive use, we also only have so much water available each year, so that should be taxed. Our land quality is also a finite resource, so any farmer reducing the soil quality e.g. by increasing erosion or putting fertilizers with heavy metals on the land should also be taxed.

Yours Sincerely,

Catherine Low
[1]

From: Simon Rutherford [1]
Sent: Monday, 30 April 2018 5:37 PM
To: TWG Submissions
Subject: Tax Working Group Submission.

Kia ora,

There are significant ways the wealthy and very wealthy pay less tax.

Capital gains are in a sense good if they are invested in and or worked for, and the process is taxed.

Shares in commercial ventures are working to create income and grow assets and are taxed accordingly.

Property, however and particularly housing. is outside the current system and I believe that property which is unencumbered (debt free) should have a tax value. to start with at a low rate say 0.5% annually (payable annually or in instalments.)

Property held by overseas owners that is not working and not currently taxed should be charged with a percentage of value annually. Say 4%

Income tax PAYE and self employed tax on income should be reduced as a result of the above.

I accepted the value of the above as a result of reading and following debate from The Opportunities Party during last years election campaign.

Variation on income tax.

I believe that once income for an individual has reached the annual income of a Member of Parliament (Currently just under $164,000 before allowances) the abatement allowance for low income earners should be lost and income should be taxed at the full maximum tax rate. Which I believe should be lower as a result of my above submission.

I believe a UBI for all is going to be essential and a transition should be introduced urgently for beneficiaries as a starting point and perhaps be managed through the tax system. As part of that process the National super should be lowered as a UBI and those that need more support should have a simply and fair system to apply for more. Those with an income of an MP
or more would be a good starting point.

Thank you for the opportunity to enter my thoughts.
[ ]Add my email address to the Tax Working Group email update list.
[ ]I am aware that my submission will be released on this website, with my email address withheld, and have noted the Official Information Act and privacyconsiderations that apply.

Simon Rutherford

[1]

From:	Mark Molloy [1]
Sent:	Monday, 30 April 2018 5:19 PM
To:	TWG Submissions
Subject:	21st CENTURY TAX INNOVATION

To whom it may concern re the following **21st Century Tax Innovation**

I am writing as a concerned citizen, a non professional and amateur sleuth but I am confident the following recommendation has merit via the power of simple logic.

If we are to consider taxation and its relationship to the future of jobs and welfare including the concerns of health and education as they might evolve alongside the potential results of climate change, automation and artificial intelligence noting the social influences and political dictates that evolved such a complex, expensive and illogical tax conundrum, I believe it is essential to consider a flat transaction tax system for efficiency and transparency. If we can consider and agree deductively that money only realises any value when it is spent particularly in a financial system where money is a human construct we should apply that understanding. Though money is a way of equating value it is no longer directly relatable to anything other than a digital entry in a digital ledger, so if the power goes off it ceases to exist and in a rabid dog eat dog world of manipulative competing interests that create theoretical cloud based fortunes we should by now know we are at the mercy of the weather and be well aware of the potential for storms and winds of ill fortune. Tax reform could be the earthquake that wakes the world up to the oppression of the extremes of capitalism and the schism between ideologies. Additionally I believe it is meaningful to consider the long history of a variety of aristocratic domination, the position now occupied by a financial elite via the excesses and failures of capitalism and Governance. So to consider this type of system as a potentially rational solution I have concluded with an indulgent diatribe of historical or hysterical evidence dating back to the dark ages for moving toward such a innovation in taxation. While you may or may not read or agree with this view of history it is almost beside the point except to say there must be change for the sake of our collective sanity and survival.

With this in mind if we look at a philosophy of the need and rights the public empowers the Government to tax them, I think most would agree it is logical the tax system should be as fair and efficient as possible maximising transparency and minimising distortions and costs while limiting fraud and manipulation as a legal or illegal enterprise to avoid paying a reasonable and rational contribution to the costs of Government services. Presently world wide our capitalist allusion or delusion accepts our convoluted, distortionary and unfair systems which in NZ incorporates income tax, withholding tax, provisional tax, fringe benefit tax, and company tax which are all distorting reality to various degrees as they tax earnings instead of spending then topped off with the only logical taxes being GST (more so if it was levied across all points of production) and excise paid on purchases as a user pays component simply because as noted above money only realises any value when it is spent.

The attempts to balance the results of the present system seems to me to be disempowered by these tax traditions having to deal with this insane level of complexity contributing to the smoke and mirrors within the wider bureaucratic asylum we are all subjected to and the inherent costs of compliance, inefficiency and waste. I believe simplicity is a big part of the answer, accordingly in 2016 I made a submission to the "Making Tax Simpler" green paper organised by the National Govt. propounding a concept I called Te Tari Taake Transaction Tax (or trans theft!!) on all receipts being a system closely related to GST but with a differential in the charge and claim rates of say 50%. Though it may initially seem counter intuitive this is naturally and rationally a progressive tax as it levies expenditure increasing the yields as related to the spending power of a business enterprise or an individual and immediately reflects the value they extract from the Govt. services (as in GST). I am convinced in my belief moving to this version of a flat tax on incomes and purchases as a strategy (and for efficiency) will over time rationalise unjustifiably high incomes and prices. Aside a theoretical market rate of consumer prices inflated to pay for some unjustifiably high incomes and inflationary deductibles (e.g. business class travel and perks such as vehicles) those costs result in another form of taxation on the costs of living by for example increasing the prices of essential commodities such as electricity or say building costs which disproportionately affect the struggling masses .

As stated in the Green Paper of 2015 Appendix 1. Policy Considerations; the whole section relates to the costs of collection and the distortions in the economy due to taxation (3-4% of GDP and notably $2.5 billion to SME's) and section 1.9 and 1.10 talk of maintaining the integrity of the tax system and then states "The Government has not until now, stood back and had a fundamental look at how tax might best be administered if it were starting from scratch" and from the Future of Tax brief "The Government has established the Tax Working Group to examine further improvements to the structure, fairness, and balance of the tax system". To my way of thinking this concept then becomes the central issue of governance in that how can any Government purport to represent the population if it's funding model is irrational. There are many reasons to promote this type of transaction tax but particularly transparency and simplicity can serve to suppress avoidance and fraud. While it is a big claim it is not to complex to illustrate as all transactions can be reconciled against the tax payed and claimed so I will explain forthwith.

The obvious difficulty with simply collecting more GST is one might think it requires lifting the percentage charged, but by applying a differential in the charge (say 15%) and claim rate (of say 7.5%) the yield is much higher. So for an example at the present charge rate of 15% if the claim rate is half of the GST paid by the enterprise (i.e. 7.5% of all costs including wages and salaries) the tax netted is a reflection of the ability and advantage the enterprise has added value and profited from by leveraging all Govt. services. As all tax revenue resulting from business activities and investment is generated by trading in the marketplace including rents and interest there is in my opinion no point in overly complicating the calculations required to evaluate the tax liability. It is also important to note in this transaction tax concept when a company maybe operating at a level where the 7.5% of receipts is higher than the 15% of the sales or "transaction tax", the difference in favour of the business accumulates at the IRD as a deduction to be claimed against future sales, so conceptually no return is paid out by the IRD simplifying the process. This requires further explanation as it pertains to long term persistent losses which are indicative of a business in trouble and thereby potentially a burden to the tax base as it still utilises the externalities.

Because about 60% plus of Govt. revenue is netted from business activities when we levy a wage with income tax it is in fact being afforded by the revenue of the employer, so I think most would agree "income tax" is a somewhat specious term because it is in reality a tax afforded by the business activities. Also much of the yield of GST revenue results from the non GST levied wages (as opposed to value added and profits) so the combination with progressive tax on incomes (another levy on the same activity) is I believe a distortion of true labour market costs and thereby makes it difficult for employers to pay better wages. This double tax severely complicates the tax levied on wages as compared to a flat rate on all receipts and ideally the same flat rate on and including all incomes as in this transaction tax concept. I strongly believe the perverse reverse psychology of progressive taxes on incomes contributes to the smoke and mirrors underscoring inequality and the complexity is a confounding and costly distortion to an efficient work force. Presently the tax due on earnings changes every time the individuals earnings increase (or decrease) requiring a annual tax return calculation that ignores previous years earnings (so creating another distortion) for every individual earner, whereas am employer can't conceptually charge a higher contract rate because his employees earnings means the business is paying an increasing tax content on the increased accumulation of an individuals wages. Of course the system has created the need for jobs in bookkeeping but less so in the digital age where a large proportion of accounting is automated. I would say Xero and MYOB may not be happy with the redundancy of their services but equally Doctors may not be completely happy about cures for cancer.

If we are to minimise the percentage of an across the board flat tax in a fair manner where the only deduction is the differentiated claimable tax paid to other businesses, it logically requires all payments to be taxed at the same rate including all service charges in the financial sector, all sources of income including capital gains, the second hand market and importantly the proceeds of gambling where the aggregates are offset only by the claim back rate on all costs. Given this is quite radical and would be a somewhat disruptive policy in the short term it may be the differential rate could be gradually introduced over a reasoned time period in conjunction with adjustments to flatten income tax rates. Conceptually depending on the rate of integration, this would quickly assist in a rationalisation of unnecessary costs as the only claimable deduction against the tax charged is the differentiated rate of tax paid on costs of production reducing overly expensive expenditure so balancing production pricing and yields over all sectors.

I think it's worth noting here this is not a purely socialist idealism and does not detract from the incentive and reward relationship or the right and ability to profit, but is a pragmatic approach to simplify and streamline the collection of tax. I am convinced a flat rate on income assists the potential for a future of more transient and casual types of employment possibly to be paid via pre taxed Government supplied voucher and thereby a logical evolution of welfare settings and incentives. I do not believe a wage for doing nothing or "UBI" is a practical solution as it offers no incentive and the difficulties of a future of increasing joblessness as they might apply to the equal distribution of potential opportunities may likely be closely related to Govt. social and environmental enterprises sometimes referred to as "work for the dole".

While this Te Tari Taake Transaction Tax (or legalised theft) concept may not remove all the distortions in a tax system and may also have dysfunctional aspects, it is in my view much more efficient and transparent particularly as related to the true costs of production and supply so the returns from added value and profit yield are more transparent. While the concept may need to be modeled at different settings of flat tax rates to evaluate returns and it may be logical the formula could include a retainer percentage for efficiency and stability of revenue yield the modeling is very simple even when applied to all the varieties of capital gains. Obviously this would undoubtedly reduce (excessive) company expenditures but I believe this is a much fairer way of balancing aspects of production and profiting going forward and therefore a stabilising influence in the productive sector and the financial services market by defining supply and demand so therefore potentially the whole economy. I even believe it could be a way to rationalise the hugely inefficient and irrational collection of council rates (alongside user pays for council services as per normal) to be distributed based on a per capita or as required basis for urgent or emergency localised needs.

From the 2016 AES survey; income for all industries is shown as $603,000million
Total expenditure for all industries was $535,000 million
Business earned $65,100 million

Govt tax revenue totaled $96,805 million from salary and wages $32,500 million

GST of $19,100 million

and corporate tax $11,600 million

(sub total for these sectors is $63,200 million)

plus sales other services and earnings $15,300 million

The survey shows other revenue of $22,467 million but also states total revenue as $96,805 million though the discrepancy is not relevant as it is the first three sectors we are concerned with.

To simplify the calculation I have rounded down the AES figure assuming a tight year of turnover to $600,000 M taxed at 15% = $90,000 M
Once again assuming a tight year rounded up and subtracted the tax claimable on expenditure of $540,000 M claiming 7.5% = $40,500 M leaving revenue of $49,500 M

While this is a very basic form of modeling you will note this $49,500M is just below the personal income taxes and the GST for 2016 at $51,600M and does not fully compute the potential as related to financial service charges and gambling.

Because conceptually under a Te Tari Taake Trans Tax Theft system the first three sectors, Income, GST and Corporate taxes could be replaced by this unequivocal system I have shown the figures at 20% with a 50% differential as this illustrates the potential to include council rates collection. Once again it is notable transaction taxes on financial services, lotto and gambling proceeds are not shown so it is a very rudimentary form of modeling. It is also possible to consider the tax yield on capital gains by claiming the differentiated rate of tax on the yield and costs of purchase, maintenance and running costs (but not depreciation) as a way of balancing those earnings.

So once again I have rounded down the AES figure assuming a tight year of turnover to $600,000 M taxed at 20% = $120,000 M
Again assuming a tight year rounded up and subtracted the tax claimable on expenditure of $540,000 M claimed at 10% = $54,000 M leaving a yield of $66,000 M

While it would not be practical for all companies to simply switch to a new system, smaller companies and sole traders would benefit by an option to calculate their tax this way reducing the complexity and costs of compliance. With digital payments tax can be deducted on payment possibly resulting in a claim on that invoice by a legal business or enterprise (e.g. 50% of trans tax paid) completing the transaction (assuming the claim is a legal expense) reconciling the transaction. This means when a transaction or "invoice" occurs and the tax is paid, either an allowable claim is made or no claim is made in the case of the non business expense. Each and every transaction is registered and reconciled completing the transaction and is therefore trackable as a completed equation. No other summation or rendering is required and therefore the balance sheet for that business entity is not required to calculate the tax as in the GST system we use already.

This type of "transaction tax" is naturally and logically a progressive user pays tax as the more a enterprise or an individual spends (thereby leveraging the externalities in the taxpayer supported market) the more tax is yielded being the accumulated tax component of the price paid by the consumer (minus the unnecessary costs of compliance and other distortions). While this could cause stresses to bottom lines of companies operating at tight margins the trading account will exhibit that problem very quickly as the calculations are very obvious and can therefore be addressed quickly through reviewing the businesses model to be addressed through refinancing options or other efficient means. The affect on capital of the same flat rate on capital earnings requires modeling though I believe it can rationalise those yields also and firmly believe we can treat it exactly the same where high earnings and low costs yield higher flat rate tax returns and losses to the capital base are not necessarily a concern to Government aside the provision of essential services and production. I think the various examples of Govt. bailouts of distressed operations such as Southern Cross Finance and refinancing of Air New Zealand are pertinent in this context.

The ultimate functioning of such a system could include Govt. support for the period an enterprise needs to initiate or rationalise it's income so to adjust it's trading and projections or in the case of bankruptcy to be liquidated with IRD assistance. This is efficient from Te Tari Taakes point of view as losses to the revenue which are costs to the externalities are easily identified and the companies balance sheet is of much less relevance to the Government. As it is the end user paying the accrued tax content (per item) accrued in the production and sales of goods and services (as it is in the present system) there is no real advantage gained from the exhaustive and falsifiable present calculations required. Conceptually I believe, partly depending on the rate of integration, this would quite quickly assist in a rationalisation of costs and excessive consumption (as total costs are no longer deductible), thereby assisting to balance pricing and yields within all sectors. So with Govt. revenue at approximately $95 billion the $95 billion dollar question is why do we continue to complicate and exacerbate the distortions and problems.

Presently income tax and GST revenue is subsidising all businesses expansions by paying for the costs of the externalities the Govt. provide but often through continually rising prices for goods and services that pay for the perks and privileges of some at the unjustifiably high end of executive remuneration as related to their self inflated self worth which in turn distorts the view of others self worth both positive and negative.

Obviously the elephant in the room is the removal of losses, costs and depreciation as tax deductions for business which would tend to reduce expenditures and so a challenge for businesses development potentially adjusting the costs of those services to the consumer, but I believe those prices are already subjected to serious distortion. Before the recent removal of depreciation on buildings and going back further fringe benefit adjustments and the LAQC rules now known as look through companies rules, allowable cost deductions were and still are quite irrational in my opinion and have an affect on over consumerism with unfettered expansion and domination by some businesses. For instance the fact petrol and diesel are deductible means business owners tend not to properly consider the waste factor or compute the harm to the environment, the trade deficit, the quest for oil and it's history of war mongering and the fact we are breathing the crap emissions. Now that's what I call a distortion!

If we are then to consider the implications of taxing capital yields I believe we can treat it exactly the same where high earnings and low costs yield higher flat rate tax returns and losses to the capital base is not necessarily a concern to Government aside the provision of essential services and production. I think the various examples of Govt. bailouts of distressed operations such as Southern Cross Finance and refinancing of Air New Zealand are pertinent in this context. So to consider this type of system as a potentially rational solution as noted in the first paragraph I have concluded with the following diatribe of historical evidence dating back to the dark ages for moving toward such a innovation in taxation. So once again while you may or may not read or agree with this view of history it is almost beside the point other than to say there must be change for the sake of equality, sanity and possibly our survival. Many of the questions posed in the brief are addressed in context above and many answers I would proffer around the more specific questions are quite obvious if we apply the same Te Tari Taake Trans Tax philosophy or "logically legalised theft concept". For instance BEPS is a mute problem if the only tax due is the trans tax minus any NZ costs (i.e. local) costs are claimable or the deeper issues concerning housing though I intend to expand on those questions and challenges in the near future the deadline approaches and mankind's decline continues so I better send this now.

Part two

So expenses like travel, entertainment, expense accounts and other perks complicate and distort true costs of production and while they created a lot of mind numbing work for bookkeepers (reduced through computerisation) it is the non legal deductions which can range from cashies or dirty dealings, back handers or bribes to costs of entertainment (claiming fringe benefits on inflated perks) which provides the sharp operators in the market too much scope for graft and scurrilous behaviour. Indeed even some lobbying is effectively tax deductible and scurrilous and certain types of unnecessary advertising which seem wrought with inflated costs such as ridiculously high salaries in that sector for backhanders to be paid.

As I am sure most are aware GST taxes the added value all businesses aim for to facilitate their trading and sustainability, and is therefore a tax that levies and is closely reflective of the value of the services provided by Government that empowers the marketplace. As noted above much of the GST yield accrues because there is no GST on wages claimed (then income tax is added) and that component is therefore a tax on business activities under another name. The market is empowered by numerous physical externalities such as roads and security extending to education, health and includes the bureaucratic asylum that is charged with running the conundrum. The complexity even extends to expensive and distorting attempts to address equality and social cohesion requiring accommodation supplements, working for families and other aspects of welfare and the transfer of wealth. There is constant discussion and discontent about the range of pay inequality and differences in access to opportunity which in my opinion depicts a failure of policy leading to the expansion of the the big brother or nanny state paradigm and its associated costs. While I agree the complexity of achieving balance in the welfare system via a transfer of wealth especially as it relates to the future of work and demographics is a huge challenge I would argue the only way forward is much less complexity and I believe the transaction tax system described can set the direction.

I am sure it is recognised by most that businesses and investments (+ excises and various Govt. services) produce all tax revenue simply because it describes the mechanisms of capital and trade for the purpose of providing sustenance and progress. The costs of externalities and services to the community as organised by the Government are thereby afforded by the ability to trade or in old speak conduct commerce. If we were to opt for a rational solution to reduce complexity, compliance and market distortions for businesses it seems to me something like the transaction tax described is the only logical approach. As I am sure it is widely understood and not just theoretically, the simple truth is that money only realises its value when it is spent. If Joe Blogger earns a million dollars or leverages the other bastions of the smoke and mirrors of inequality that the law allows for (and thereby encourages) such as undeserved wealth through tax free gambling or tax free gains on speculation, and let's not forget criminal activity such as robbery or drug dealing (if they get away with it long enough), but then alas poor Joe Blogger pops his clogs the following day he has not realised any value for his efforts such as buying a lotto ticket or purchasing a gun.

But then if Joe or his beneficiaries had invested those (laundered) funds and derived a income presently they are subject to progressive income taxes peaking at 33 cents in the dollar(at $83k) so the leverage his activities profit from and the value extracted from the marketplace have a profit margin of 67% (after $83k). Nice work if you can get it, that is sitting on one's chuff thinking up the next scam or legalised theft to participate in. It seems we are forced to ignore the smoke and mirrors of the bastions of inequality such as lotto and gambling or profiteering, rackets, grand larceny, graft and all the other perks and baubles such as expense account deductibles which are not to be levied by Inland Revenue or the "game and slaughter" might cease to yield to the already disgustingly rich. And this is all facilitated through the smoke and mirrors as afforded (though unaffordable) through crap governance because the complexity of deciphering who is stealing what ever amounts that are excessive in terms of the services they provide and the overall good they provide for the community is empowered by tax law courtesy of Government. Inequality anyone? Social unrest anyone?? Maybe crime as a career would be good for our future when jobs are due to be decimated by automation. Maybe a UBI will fix the crime related to desperation and motivate the no hopers as we stumble into over population in the 21st century. One can only wonder as to the results of the inertia and denial of those who would be King until such time as there is nothing to be King of nothing

The payments of cash in the ever expanding under the table economy of course avoids tax issues nicely thank you very much and is a distortion the system shows a perverse tendency to encourage because "cashies" and backhanders (e.g. such as lawn mowing, cleaning and domestic maintenance) are an efficient form of business requiring no compliance. The fact the IRD periodically threaten to clamp down on the mainly domestic cash transfers for services, so sometimes look for someone to make an example of (and sometimes destroy their lives) does little to arrest the problem and meanwhile the banks seem to specialise in grand larceny, price fixing, racketeering and fraud. The increasing use of electronic payments and this simplified user pays tax system can help to address those issues through transparency and we could then possibly evolve to operate a Government sponsored simple tax paid voucher system in the domestic services market reducing the functionality of cash which could help address issues around potential job losses and welfare. I personally have concerns when we speak about a UBI (to replace welfare services) in terms of incentives to work and fairness so would be unlikely to be convinced by conceptual details, though reducing the bureaucratic asylum would be the only upside in my opinion. So I maintain a transaction tax as recommended here can reduce bureaucracy both in the collection of taxes and the welfare system through the concept of a pre taxed Govt supplied voucher system

If we are then to consider the implications of taxing capital yields I believe we can treat it exactly the same where high earnings and low costs yield higher flat rate tax returns and losses to the capital base is not necessarily a concern to Government aside the provision of essential services and production. I think the various examples of Govt. bailouts of distressed operations such as Southern Cross Finance and refinancing of Air New Zealand are pertinent in this context. So to consider this type of system as a potentially rational solution I have concluded with an indulgent diatribe of historical or some might say hysterical evidence dating back to the dark ages for moving toward such a innovation in taxation. While you may or may not read or agree with this view of history it is almost beside the point except to say there must be change for the sake of our sanity and survival.

While leaving the implications to macro economics aside at this point I believe unbalanced capitalism particularly in the 21st century is proving itself to be extremely unsustainable and destructive to the wider challenges such as climate change, job losses, health and inequality so all of society and our future as a race. I note Walls St is busy trying to corner the market for Lithium and Cobalt supplies to sell the shares that will leverage the sales return for the speculator's dividends which will likely impede the uptake of electric vehicles. The only nail in the foot of their largess is Chile who I believe have nationalised their substantial reserves but of course the CIA may try to overthrow the Chilean Govt. If that scenario manifests or a similar unbalanced power play occurs in the market as orchestrated by those who worship at the altar of capitalism while the evangelicals shout their hymn to the American dream, greed is God, then I believe the only remedy is a wooden stake to the heart of the vampires on Wall St., silver bullets for the were wolves of London, a fire extinguisher for the Chinese dragon, a aspirin for the Nikkie????? oh and a sausage for the Aussis and maybe New Zealand could lead with innovation in taxation as a balancing influence.

I strongly believe the evolvement of capitalist tax systems around the world and the associated law are a relic from the dark ages having evolved through centuries of rule and domination by an aristocracy and via the further evolution of distorted ethics and greed has resulted in it's modern equivalent the noveau aristocracy, an extremely powerful financial elite. In my opinion the excesses, market failures and decades of skullduggery as mismanaged throughout history by numerous governing bodies both Capitalist and Communist, (before and after Glasnost exhibiting the failure of the Marxist utopian fantasy and China's rise to power) is epitomized by the "Greed is Good" mantra from Wall St. I believe most would agree since the eighties the American brand of winner takes all capitalism has been substantively underpinned by neo liberal deregulation (e.g. the Glass Spiegle Act) and even CIA orchestrated domination of some foreign Governments so I consider the 2008 GFC to simply be the most recent manifestation of this history of greed and dysfunction. I also believe most would agree aside GINI coefficients, adverse events, bull and bear markets and so on, this imbalance is convincingly linked to inequality, high costs and low pay rates resulting in serious levels of poverty even in New Zealand, the luckiest country in the world, where as poverty in other countries can mean starvation and death. Would you like tea with your totalitarianism everyone or do you need alchohol and drugs to survive it ?

In my opinion these errant tax concepts cause much distortion in the markets such as consumer prices and falsely justify large imbalances in earning potential including high returns on investments. All around the world we see the negative results of extreme inequality undermining social cohesion as a major catalyst for unrest and violent struggles as various systems continue to line the pockets of those in positions of power and influence such as banking, financial services and politics which in turn push the earnings expectations of all professionals and business owners. Then there is the smoke and mirrors and extreme illogic as is blatantly evident in the fact proceeds of gambling and large prize packages are untaxed. The level of some Lotto prizes could just about rescue some small Nations from poverty and as a bastion and excuse for the irrationality of inequality manifests as an evil abomination. The fact that a individual can become outrageously rich based on spending a few dollars and the fall of a few balls underpins the carefully cultivated raw prawn that inequality is normal and fully supported by Govt policy. As noted above the issue is further confounded by the perverse reverse psychology of progressive income taxes, i.e. very high earnings are justified because an individual pays a elevated amount of tax. The interesting proof of this is those costs are transferred to consumer pricing (another form of taxation) making the costs of many services and particularly professional services outrageously high and unaffordable so the many disadvantages of not being well educated or well heeled are reinforced. The real measure of wealth is the "take home pay" as it compares to the cost of living and the ability to save.

It seems we are constantly embroiled in arguments and controversies as to levels and details of tax policy followed by discontent over the outcomes by those not favoured generally defined as business verses workers or left and right over the changes enacted by the factions. Tax systems being the mechanics of Government funding are at the core of the ideological schism between styles of capitalism as promoted by the wealthy and communism as the deeply flawed reaction to oppression and inequality where the opposing systems are a reflection of the ideologies and philosophies concerning freedom and human rights as they relate to the balance of incentive and reward. This idealistic schism in my opinion has been instrumental in so much conflict and death so the continuing greed and domination need to be suppressed and economies balanced as related to efficiency and equality.

It seems to me the ridiculous complexity masquerading as sound economics is proffered by a traditionally conservative financial establishment which tolerates large distortions in derived incomes and certain excesses of production and consumerism at a severe cost to the environment (e.g. cars and plastics). These settings favouring the already wealthy appear to result in excessive leverage often wielded like a weapon in the marketplace and disproportionately enabled by the taxpayer funded externalities as controlled by Governments. While it might be argued a type of balance and progress is achieved in the long run as had evolved at various stages of the industrial revolution, capitalism is now trending towards a precipice through bubbles and bull runs in the markets marked by excesses of profiteering particularly on Wall St as derived through false instruments of doom such as derivatives and the hype of investing . These marketplace discombobulations are enabled by law and substantively it's relationship to tax law, ie the Greed is God given right to tax the population not only via Te Tari Taake but through a concentration of wealth and power that taxes through consumer prices. But enough about the history and futility of wasted taxes and Governmental bureaucracy gone mad, the question is will we evolve common sense policy such as the leveling influence of a GST style of tax in a workable efficient and logical form.

Please excuse my sarcasm though it is appropriate to treat such governance with the disdain it deserves. The difficulty with moving to a substantially more user pays paradigm such as a transaction tax is confounded by the the law firstly and the settings to provide enough revenue to start a leveling of income taxes and I am confident the differential in the collected sales tax and the claimable on receipts is the only rational way to achieve it. As noted all revenue is sourced through business activity or gambling or crime. The fact only the claimable rate of a flat tax transaction tax concept is deductible will I believe surreptitiously cause a lowering of the extremes of remuneration. If we agree that all taxes are afforded by business or enterprises legal or otherwise leveraging the market as provided for by Government is there any real point in the insane complexity of the present system which is another cost and thereby another unnecessary distortion for business and Government to decipher and as noted above as quoted in the brief to the green paper 3-4% of GDP and $2.5 billion to SME's. If there is a serious flaw or distortion in this system then I cannot see it and as mused, simplicity and transparency could be a catalyst to make the world a more rational peaceful and progressive enterprise even assisting to preserve and guarantee our survival.

From:	Linda [1]
Sent:	Monday, 30 April 2018 5:18 PM
To:	TWG Submissions
Subject:	Linda Grace

To Whom it May Concern

I would like to propose the following be taken into consideration during the working groups restructure of the tax in NZ

1): GST be taken of fresh food so it becomes more affordable for people to eat fresh food. In provinces like Marlborough
which has very little produce grown in the area and the vegetables, fruit etc. are shipped in to the region which makes it very expensive
compared to city and areas that grow large amounts of produce.

2). A sugar tax is a waste of time unless it is about 300%especially when comparing a sugary fizzy drink which can be purchased in the
supermarkets for as little a $1.50 for 2 litres how do raise the tax on that to equal a 2 litre of Milk.

3). Churches should be paying tax on income just like all business's in NZ. It is a cash business and is it fair to penalize other business because
they are not preaching the bible to a lot of gullible people. Income is Income no matter where it comes from and is taxable for all, not non taxable
for the chosen few.

thank you reading this

Regards Linda Grace

[1]

From: Community Foundations of NZ CFNZ [1]
Sent: Monday, 30 April 2018 5:08 PM
To: TWG Submissions
Subject: Submission to Tax Working Group

Submission to the Tax Working Group

I am submitting on behalf of Community Foundations of NZ, representing as a membership organisation about 20 community foundations across NZ. We are part of an international network of charitable foundations.

LOSS OF IMPUTATION CREDITS

The issue we have, along with a large number of charitable organisations within New Zealand is that we are unable to recover imputation credits earned on investments in New Zealand companies.

Because our members are tax exempt charities they have no income tax with which to offset their imputation credits. As a result, imputation credits are lost.

The imputation credit regime was set up so that taxpayers would pay tax at their own final tax rate rather than being taxed twice, once at the company level and again at the individual level. This system works well unless the taxpayer is tax exempt.

Apart from charities effectively paying income tax, even though they are tax exempt, the imputation credits situation also encourages charities to invest in a way that concentrates their portfolio risk - for example by investing in a commercial building, rather than a listed property trust. When the tax system drives investment decisions the result is sub-optimal for the charitable sector.

Community Foundations of New Zealand submits that charities be able to recover imputation credits earned through their investments in tax paying New Zealand companies.

Many thanks

Chris Milne

Board Member, Community Foundations of NZ

From: Andrew Phillips [1]
Sent: Monday, 30 April 2018 5:02 PM
To: TWG Submissions
Subject: Re: Thank you: Future of tax submission

I have a further submission in relation to business income of charities.

I generally support the introduction of a tax on business income, that takes into account that charities may be building investment over multiple years. I also consider there should be an exemption built in for iwi groups, recognising the unique position of treaty settlement charities seeking to achieve redress for historical grievances and build long term sustainability.

Most charities however, that seek to generate funds through either investment or business, should pay tax on income to the extent to which they do not either (1) pay taxes for their charitable purposes, or (2) demonstrate how they are saving for a future charitable purpose. A possible alternative is introducing imputation type credits for business tax charities (as suggested by Talia Smart in her Robin Oliver award winning presentation), seems reasonably sensible.

This would incentivise the charities using funds towards their charitable purposes. Charities already have to separate out their business activities for any overseas spending, or FBT reasons, so this shouldn't be too onerous for most charities, and perhaps a de minimis to reduce impact on entities like Op Shops, and charity fundraising activities (that would generally be donated entirely to charities in any case). A review of stats on the Charities Register shows a number of entities who do not spend funds on charitable purposes directly.

I consider this is also a good opportunity to look carefully at the potential review into charitable purposes, and ensure that the tax exemptions are appropriate. The 2001 Tax Working Paper on tax and charities could be revisited in this respect. This may be necessary to ensure that entities that submit that their business activities themselves are charitable can be adequately dealt with.

It would be sensible to have a review of all the current exemptions and consider whether they are all appropriate for this day and age, particularly the broader CW exemptions beyond charitable and amateur sporting bodies.

On Mon, Apr 30, 2018 at 4:35 PM, <secretariat@taxworkinggroup.govt.nz> wrote:

> Thank you again for taking the time to share your thoughts on the future of tax with the Tax Working Group.
>
> WHAT YOU SUBMITTED
>
> Here's a record of what you submitted.
>
> Submission ID: 4649
>
> Submitted on Monday, 30 April 2018 - 4:35pm
>
> Submitted values are:
>
> First name: Andrew
> Last name: Phillips
> Email: [1]
> Comment:

I do consider the fundamentals of the tax system are flawed. We need to avoid taxing income where possible, and seek to tax wealth, to reduce inequality and more effectively redistribute income and support investment in socially responsible business.

Currently, the wealth of the country/world is being concentrated in a smaller and smaller group of hands, this is supported by the broad based tax regime that does not touch wealth, and instead focuses on income.

Tinkering as what appears to be proposed by the tax working group is not enough. Although I recognize the political difficulties in attempting to do anything more substantive, the reality is that social problems are only likely to grow.

This may be covered later in the submissions, but I do consider the purpose of a tax regime should be beyond ensuring the revenue is supplied, but further focus on creating a more equal society - vertical and horizontal equity seem sensible starting points.
Sign up for email updates: Add my email address to the Tax Working Group email update list.
Acknowledgement: I am aware that my submission will be released on this website, with my email address withheld, and have noted the Official Information Act [1] and privacy [2] considerations that apply.
Question: What does the future of tax look like to you?

To manage your email update subscription at any time use the Subscribe/Unsubscribe link in update emails or at https://taxworkinggroup.govt.nz/about-site#contact.

WHAT HAPPENS NEXT?

The Tax Working Group will be considering all submissions as it works towards producing an interim report to the Government in September 2018 and a final report in February 2019.

Keep up to date with the Group's progress on https://taxworkinggroup.govt.nz/.

OFFICIAL INFORMATION ACT

Submissions will be proactively released on the Tax Working Group website and only redacted or withheld on the grounds of privacy, commercial sensitivity, or any other reason under the Official Information Act. We will withhold your email address as a matter of course, but not the names you supplied.

Those making a submission who consider that there is any part of it that should properly be withheld under the Act should clearly indicate this by forwarding this email to submissions@taxworkinggroup.govt.nz.

We cannot alert you personally when your submission has been released on the website.

PRIVACY

The Tax Working Group Privacy Policy and Privacy Officer contact details are at https://taxworkinggroup.govt.nz/about-this-site/privacy.

Thank you again,

Tax Working Group Secretariat

[1] https://taxworkinggroup.govt.nz/your-submissions#oia
[2] https://taxworkinggroup.govt.nz/your-submissions#privacy

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From: John Strevens [1]
Sent: Monday, 30 April 2018 4:57 PM
To: TWG Submissions
Subject: Proposals from John Strevens

Submissions by John Strevens

1. Change in treatment of Interest

Background - Financial and Social Problems in NZ

There are several issues in New Zealand Society that need attention. Among them are:-

- The rising cost of housing in relation to income, particularly in Auckland and expanding cities such as Tauranga
- A general lack of savings in the economy leading to families being unprepared for adverse events
- Investment in productive assets restricted by lack of local capital leading to trend for overseas investors to take over NZ companies
- Severe trade imbalance after taking account of financial transactions
- Increasing level of private debt to overseas holders
- Growing calls for a capital gains tax
- Concern about the effect on society of the current level of inequality

Common to the cause of many of these problems is the low rate of saving in our society so that

- people are looking to start a family or a household without significant savings accumulated over previous years
- the supply of capital in New Zealand is inadequate to ensure that the proportion of productive assets in New Zealand ownership does not decline as the country develops

Common misperception in considering the problem

Part of the problem relates to a common misperception of the effects of inflation. I refer to the belief that inflation brings capital gains to asset holders. In fact, inflation itself alone does not bring capital gains, because the real value of the asset is not going up, it is the value of the measuring unit that is going down. What inflation does is to bring capital losses to the holders of monetary assets. This loss provides a significant disincentive to save. It is this effect that underlies much of the feeling that a capital gains tax is needed.
Of course, some assets rise much faster than the inflation rate and it can be argued that there should be supplementary systems to tax that additional gain

Capital Gains Tax Option

The rapid rise in housing and the concern about inequality have led to increasing calls for a capital gains tax. For a number of reasons that I will not enumerate here, a capital gains tax is of limited benefit in achieving the objective of slowing asset price rises, reducing inequality in the society, or gaining significant tax revenue in relation to the costs and difficulties of administration.

Alternative Solution

I set out below a proposal I put to the Minister of Finance in and email in September 2013. A reply from Treasury gave some arguments against it which I did not believe were of consequence in relation to the benefits.

Rather than an extension the aspects of the tax system design to tax capital gains tax, a significant improvement in several areas of public policy and social effect could be achieved by making the first 2% of any interest received non-assessable, and the first 2% of any interest paid non-deductible. Two percent is an appropriate figure because this is the average of the government's target of 1 to 3% for inflation. The government target should be used since this a statement of the government's policy for the decline in the value of the monetary unit and because a calculation based on projected or actual figure would add an undesirable complexity to the system.
Such a change would recognise that the part of interest received represents a recovery of a capital loss and so should not be taxed. Similarly, that part of interest paid by a borrower relates to the benefit received due to the decline in value of the monetary unit and they should not receive an additional benefit by being able to deduct that portion of the interest paid against income.
Financial institutions would have little difficulty in creating programmes that would provide a split between assessable and non-assessable interest on their yearly statements of interest. I believe that such a change in the tax policy would be relatively easy to implement and administer as compared to alternative reforms and be very positive both politically and socially. Its beneficial psychological effect on behaviour could exceed its technical impact.

Benefits

- Recognise that monetary investments suffer a capital loss equivalent to inflation and that the interest return equal to that loss should not be taxed
- Recognise that the incentives to save in our society need to be increased and provide a psychological incentive to do so
- Be a credible alternative to an expansion of the areas where increases in nominal value are subject to an effective capital gains tax
- Provide a benefit to small savers whose savings are often in the form of deposits in banks, that earn a low rate of interest
- Not add to the costs of home owners with a non-deductible mortgage, yet add a small additional cost to those who have borrowed to buy housing for investment purposes
- Make company structures with high debt slightly less attractive. It would add about .6% to the effective interest rate as decided by the Reserve Bank from time to time,
- Be an equitable policy between savers and investors since it recognises the change in the value of the monetary unit

It may be argued that this would represent a disincentive to borrow and invest. But for a normally financed trading company the change in total costs would be small and effectively represent just a .6% increase in the interest rate on the amount of debt owed (assuming a 30% tax rate). It would bear more heavily on property investment operations because they tend to be more highly geared, but that discouragement to property investment would be a desirable effect of such a change.

It may be argued that this change would bear heavily on highly leveraged farmers. However, it represents an increase of only .6% in the cost of the first 2% of the interest – a change that is well within the range of variations in financing cost that ought to be expected over any interest rate cycle. Some small disincentive to the current high gearing of many farmers would be an advantage.

The balance of effect on the public finances would be close to neutral, but, even if it is negative, the benefits are likely to outweigh the costs.

2. Company Tax

Commission on Paye Deductions

Background

Factors

- There have been comments that the rate of company tax in New Zealand should be reduced to improve the competitive position of NZ companies compared to those domiciled overseas or who are able to organise their affairs so that they are taxed in countries with a lower tax rate;

- A casual view of the profits of companies in New Zealand shows that there are often very large profits being made by companies that employ few staff:
- The trend of legislation has been to add greatly to the costs, complications and liabilities of employers of workers and so entrepreneurial activity that employs few workers becomes more attractive, as does the contracting out of any necessary labour force to the detriment of working conditions;
- The problems associated with a workforce, including the necessary reporting to the IRD with compulsory deductions for such things as fines, child support, student loans, together with the increased liability under health, safety and other legislation bear particularly heavily on small employers;
- Percentage payments for the collection of money or for its prompt payment are common in commerce.

Proposal

That as an alternative to a reduction in the company tax rate or a reduction in tax on smaller companies or as a justified initiative on its own, the government should allow an employer deducting Paye etc from its employees to retain a percentage of the deduction to compensate for the work involved, the liabilities incurred and also by way of a contribution to the public benefit of creating employment in small enterprises. A figure of 5% would be reasonable and an upper limit of, say, a percentage yield to the company of, say, $2000 per month could be instituted.

Transport to Work

Background

- Many firms provide transport for senior workers, often in a form that gives them the benefit of transport to work.

Proposal

Accept that the cost of travelling to work is a legitimate deduction from the income earned and allow any employer to reimburse any member of their staff what they believe is a fair estimate of the cost getting to the place of employer but with the provision of IRD guidelines. No additional payments would be allowed to those who have a vehicle already provided by the employer available for home- work transport

John Strevens,
[1]

I am happy to have any representative of the tax working groups contact me to discuss these proposals

From:	Colin Looser [1]
Sent:	Monday, 30 April 2018 4:48 PM
To:	TWG Submissions
Subject:	Submission

Dear Tax Working Group,

I strongly support a tax on carbon emissions as part of New Zealand's climate change response, with the proceeds going to help fund initiatives that will rapidly transition New Zealand to carbon-neutrality.

I support the idea of new taxes to reduce environmental and social harms. Any such tax should be based on strong scientific evidence of the harm. Ideally the tax collected would cancel out the harm, by a) reducing the amount happening due to the increased cost, and b) by remediating the remaining harm. I'd prefer the tax to focus specifically on the particular harm (I believe this is "hypothecation" from the background paper). Ideally part of the tax would also fund regular measurement and reporting to ensure the harm is indeed being reduced. I'm not convinced about the downsides to hypothecation mentioned in the background paper: the Government could always choose to put money from general income taxes towards reducing the harm if the tax was insufficient or infeasible; spending the tax in "more worthy" areas may create an incentive to allow the harm to continue so that the tax can fund those areas.

Specifically, for harm reduction, in addition to the carbon tax, I support some form of sugar tax, and some form of tax on nitrate pollution and any other pollution of our waterways. I'd support an investigation into whether plastic & packaging could be reduced using a tax.

Yours sincerely,
Colin Looser
[1]

From: LLoyd Christie [1]
Sent: Monday, 30 April 2018 4:45 PM
To: TWG Submissions
Subject: Submission

The tax discussion article suggests using the tax system to target Maori need. That is Racism."Racism is the differentiation on the bass of race." We in New Zealand do not want to go down the racist path.
Taxation is a very blunt tool if targeting "need" is required because it would catch many who do not have the need. Those in need are best served by addressing the need directly.

Any taxation that is not equitable will not stand the test of time.

Yours Faithfully

Lloyd Christie

[1]

From: david willis [1]
Sent: Monday, 30 April 2018 4:43 PM
To: TWG Submissions
Subject: TWG

Submission

1. There should be a review of the company tax rate with consideration given to introducing progressive rates that individuals face. Top end rates should be aligned with individuals and other entities. By entities I am referring to companies, trusts, partnerships etc.
2. Government approved pension schemes. Kiwisaver has been very successful since its introduction in order to get Kiwis to diversify themselves and save for retirement. Given that the contributions are all post tax there should be a special exemption or reduced rate of tax (10-15%) on the income that is generated from these schemes to their participants.
3. The recent introduction of the accounting income method is helpful but why not allow all tax payers who are not subject to PAYE to be able to pay tax as and when they can during that same tax year with a final wash up by 7 July (for 31 March tax payers) with no penalties or interest being levied. Late payments post this period should be subject to interest and penalties.
4. There is no point in a CGT or other wealth tax. The new extended bright line test should be given time.

With kind regards
David Willis

From: Paul Jennings [1]
Sent: Monday, 30 April 2018 4:42 PM
To: TWG Submissions
Subject: Submission

Hi,

I would appreciate it if you would give consideration to the following comments regarding replacing the current income tax system with a wealth tax system.

Facts for consideration:

- FY17 Govt income tax was about $28b,
- Total household net worth was about $1.65 trillion,
- To replace the income tax revenue with a tax on net worth would be a tax rate of only 1.7%.
- There is an increasingly large group of people who own many assets but pay little tax because the assets generate little net "income", whilst still hugely increasing net wealth (opinion: this seems to be grossly unfair)

Pros:

- It would make the vast majority of households (maybe >99%) better off,
- This would make it more politically acceptable than a capital gains tax.
- It would increase the disposable income of all income tax paying people without increasing business costs,
- The people who are worth the most would pay the most, as opposed to the current income tax where only those earning "income" pay (and these people are not the most wealthy, even those on high salaries),
- It would remove all income tax from any sources, including wage and salary tax, rental income tax, dividend tax, etc: the impact of this would be widespread and significant whilst not eroding the total NZ tax receipts,
- It would automatically adjust for economic growth, thus requiring no adjustment of tax rate bands, etc,
- It would be easy to understand and relatively easy to implement,
- It would align a large section of tax revenues with the increasing unease in the world that the very wealthy are getting rich through asset growth without contributing to the public good,
- People couldn't hide wealth in company structures as this would tend to generate profits which would be taxed under the corporate tax structure.
- The 1.7% tax rate wouldn't be burdensome on many people (see below in "cons" for some discussion on this)

Cons:

- There are some people who have little income but considerable wealth (say in a family home) for whom it could be difficult to free up the cash required each year. The possible solution could lie in a sort of reverse mortgage type of product where banks lend these people the annual tax, and are repaid on eventual disposal of the asset.
- Valuation of some assets could be contentious. Counter to this is that virtually every asset of material value owned by anyone currently has a mechanism for valuing it and so this shouldn't be a big issue.
- It could lead to hording of assets in secret (cash in the mattress or gold bars in the wardrobe anyone?). However, I'd say anyone who does this to avoid paying 1.7% tax probably has other issues that need addressing, so it probably wouldn't be a big group.
- It might lead to some of the very wealthy moving to Australia or elsewhere. I'm ok with that. If it is levied on all NZ residents, and all NZ citizens regardless of where they live, it'd probably work well.

The point being, this would seem to be a far fairer and more rigorous taxation system than either today's income tax or a capital gains tax, and yet no-one seems to be even considering it. There are probably good reasons, but I can't see why it doesn't seem to even be on the agenda for discussion.

Thanks for your consideration of this discussion. I would be very happy to contribute further to the exploration and development of this idea if requested.

From:	kate thompson [1]
Sent:	Monday, 30 April 2018 4:42 PM
To:	TWG Submissions
Subject:	Submission on the future of tax

Hello,

I would like to please make a submission on the future of tax.

I would like to see a new UN Global Tax Body that will ensure that multinationals pay their fair share of tax. Developing countries are missing out on $150 billion each year due to multinational tax avoidance which deprives governments around the world, (including New Zealand), of the money they need to tackle poverty and inequality. New Zealand needs take responsibility for this global issue and be part of a solution.

I would like a tax to be introduced on products that damage the environment, in order to encourage sustainability in New Zealand.

I would prefer not to be contacted to discuss my submission.

Best,

Kate Thompson

From: Bev Collison [1]
Sent: Monday, 30 April 2018 4:35 PM
To: TWG Submissions
Subject: NZ to support a UN Tax Body to tackle tax avoidance

NZ to support a UN Tax Body to tackle tax avoidance

- 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.

Cheers,
Beverley Collison

From: Irene Johnson [1]
Sent: Monday, 30 April 2018 3:57 PM
To: TWG Submissions
Subject: Submission

To: The Tax Working Group

From Irene Johnson

[1]

30 April, 2018

I do not want to appear before the committee

'Equity and fairness' should be the core value of tax policy. All policy should be judged against these words.

comments;

The tax working group should explore tax methods which will ensure that multinationals pay their fair share of tax.

I have read the Child Poverty Action submission and strongly support the aims:

in particular:

'The future of tax should have a focus on children'. Our Prime Minister, Jacinda Ardern, has stated that 'The Government is committed to supporting families and children'.

The Child Poverty Action recommendations support this ideal.

Housing: I support the recommendation that 'The Government should set up an expert group to design a net equity housing tax'.

The Government should consider a tax (‘health levy’) on sugary drinks.

That the tax scale be more progressive by increasing tax rates on high personal income AND a more progressive system of personal tax thresholds. To help, correct the current system where low income earners pay a disproportionate amount of their incomes in income tax, GST, fuel and other excise taxes.

GST of 15% is applied comprehensively, this should be offset by Working for Families and other tax credits. (see-personal tax thresholds).

‘Māori and Pacific have a much younger age structure than the total New Zealand population’

Comment: Māori and Pacific people die at a younger age than non-Māori/Pacific people.

Inequality:

See comments re progressive taxes.

Retirement Savings: New Zealand has KiwiSaver, however low income families find it difficult to impossible to save. See tax thresholds, Working for Families.

Taxes and behaviour: Taxes that are intended to modify behaviour should be considered with extreme care.

Comment: The 2010 Law Commission Report and recommendations re 50% increase on alcohol was dismissed by the then government. The Sale and Supply of Alcohol Act, 2012 failed to address the issue.

From: Colin Ratcliffe [1]
Sent: Monday, 30 April 2018 3:53 PM
To: TWG Submissions
Subject: Submission

Part of my understanding of the proposed changes is to make the system "fairer". In light of this I just wish to comment on exactly that, and not necessarily the points that you offer for comment.

My wife and I had worked for wages for over 40 years and have saved hard for our retirement. There have never been any opportunities to get any advantages from the TAX system.

The previous government obviously had a taxation system designed to help the rich get richer (by being able to manipulate the system) and I have no solution on how to fix the problem, however;__

I see so much going on around me that frustrates me. EXAMPLES:--

A person with a rental property is able to do work around their own house, say - - putting up a fence or getting windows cleaned, perhaps a bit of painting, replacement carpet etc. These can be a charge against the rental property.

A builder can get his house painted, a new kitchen installed etc and it is a charge against his company

We used to go out regularly for dinner with friends and one of them always used his business mastercard to pay for the meal.

We have friends who have an accommodation business. They buy an new refrigerator, get some painting done to their own residence,and recarpet same, and most of their food and alcohol gets charged to the business.

While all of this is going on , I imagine that they are able to claim back GST. (although I don't really know how GST works in claiming back)

In all these examples above, because they charge against the business, this reduces the "declared" figure that they pay tax on. In the meantime if I buy a new refrigerator, get some painting done, recarpet etc (all of the above)I have to pay tax on my earnings before I "buy" these things and also have to pay the GST component.-----So all of these "people" are probably in the vicinity of being 40 or so cents in the dollar better off with so many of the things that they can do or buy.

Another situation which I have heard of (OK it is only hearsay) but nevertheless is very believable/possible, is one where a young couple had their new house built by a large construction company which was owned by the parent of one of them, the company being large enough to absorb the total cost (or almost all) of the house.

My wife's cousin is a builder and he built a holiday home down the sounds. You can bet your bottom dollar that most, if not all the materials were paid for by his business.(Neighbours-- same thing)

People in bigger businesses can work the system even more.

Jealous-- envious--- sour grapes--- I guess so, but there has to be a fairer way.

Colin Ratcliffe

Sent from Mail for Windows 10

From: Bruce Johnson [1]
Sent: Monday, 30 April 2018 3:50 PM
To: TWG Submissions
Subject: Submission

I am concerned that charitable trusts that have favourable tax advantages are able to purchase existing tax paying business's thus reducing the level of tax revenue available to the consolidated Fund due to the reduced tax liability of the charity
Further these charities with their tax advantage are able to tender for contracts against existing Business's who have to cost in the full true tax liability as part of their tender. Eg. Go Bus !!

Signed Bruce Johnson [1]

From: Ele Ludemann [1]
Sent: Monday, 30 April 2018 3:36 PM
To: TWG Submissions
Subject: Submission

To the chair and members of the Tax Working Group,

Dear All,

My name is Elspeth Ludemann.

I make this submission as an individual.

As a general principle simpler taxes are better taxes.

Simpler taxes reduce costs for the IRD and taxpayers by making it easier to administer and comply.

Simpler taxes reduce loopholes.

Revenue neutrality

If the TWG recommends new taxes and tax hikes you should identify other areas where the burden can be reduced to compensate taxpayers.

Bracket creep / fiscal drag

The effect of inflation pushing taxpayers into higher income tax brackets offsets gains from pay rises and allows politicians to tax New Zealanders harder, without ever having campaigned on it.

It would be fairer, and simpler if annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation were legislated.

Company taxation

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

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

A different tax rate for SMEs would give some businesses an advantage not available to their competitors.

Any tax which encourages businesses to spend more time on working out how to avoid or minimise their payment rather than on running and growing their business is a bad tax.

Expensing of capital

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

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

Maori Authorities and charities

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

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

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

Capital gains tax

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

The Government has directed that any CGT would not apply to the family home.

This would go against the principle of simplicity, reduce its effectiveness and increase both loopholes and potential for avoidance.

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

Taxes on savings

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

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

Environmental taxes

I oppose any environmental tax. This would treat those whose with a light environmental footprint the same as those whose footprint is heavier.

Any environmental cost should be carried by those who incur it and that is best dealt with by regional councils not through tax.

I oppose any tax on water.

However, should there be any taxes on water they should operate in a similar way to water rights pricing and be sector neutral – politicians should avoid targeting specific industries, users or uses of water.

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

“Sin” taxes

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

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

New Zealand’s GST is very simple, it should be kept that way.

I oppose increases to tobacco excise. The tax has reached a point where it now incentivises criminals to steal tobacco.

Yours sincerely,

Elspeth Ludemann

From: Matt Kennedy [1]
Sent: Monday, 30 April 2018 3:23 PM
To: TWG Submissions
Subject: Submission from a New Zealander living in Chile

Hi all,

While penning my submission on my phone, it turned out I had more than 1000 characters to say. Please feel free to contact me about any points I make—or anything else. I'm happy to play any part in the process.

—

My thoughts on what the future of tax in New Zealand should look like.

I believe the following changes are required:

1) **The introduction of some form of emissions taxation**. The economy has to be forced into the realities that we live in a closed ecosystem and that there isn't infinite room for growth and consumption. It's a complex issue, but taxation I believe is most effective way of addressing it. Left to their own devices, companies will "green wash" and most consumers will be none the wiser. Everyone is more sensitive to prices than they are willing to deeply learn about environmental problems and boldly acting on them. So I think taxation is the way to go.

2) **A robust approach to disincentivising property investment and speculation**. Fewer things are more absurd than getting rich from making it harder for people to afford roofs over their heads. The capital tied up in property should be shepharded towards companies and innovation which might actually improve the wealth of *all* New Zealanders (through new jobs, R&D projects, and more business opportunities). Capital gains tax might address part of this, but I'm not sure it will go far enough.

3) **Trusts and the likes should only offer legal benefits. Not tax benefits.** It's unacceptable that these can be used to hide wealth and income and as such help with tax avoidance. Especially as our current system is graduated, so for it to function correctly richer New Zealanders should be indeed be paying more tax. However richer New Zealanders are also best placed to afford exploring complex tax-shelter and property investment options to avoid paying a large chunk of this tax. In the case of trusts, this probably means the tax rates need to be the same as personal tax rates. Addressing company tax rates seems more complicated—but needs to happen also for this to be effective.

4) **Addressing Global Citizenship.** I'm writing this from Chile and living between the two countries tax jurisdictions has be incredibly complicated—and I'm certain I'm still not doing it right. These types of situations are becoming more and more common as more people travel and choose to stay overseas for longer periods of time. I think the Tax Residency timeframe needs reviewing (possibly shortened) and clearer resources provided to step you through tax implications of living overseas for stints. The numbers of "Digital Nomads" seem to be climbing annually as well—and I bet many aren't paying tax in any jurisdiction. Futher, I think the Student Loan overseas processes are based on the notion that people who live overseas are earning big dollars. I've been overseas and effectively volunteering for stints (without earning much at all) yet I am expected to be repaying $3,000 each year. If I was in New Zealand I would be well below the minimum repayment threshold.

5) **The future of money and agreements are already here.** New Zealand needs to be leading the way with clear and straightforward acknowledgement and perhaps regulation of cryptocurrencies and related blockchain technologies. This is an incredibly exciting space for exploration and innovation. However

exchanges in New Zealand seem to be on pause as banks are unwilling to work with technology which the Government hasn’t reviewed or acknowledged. There are also clearly many tax considerations to be made—it doesn’t seem right lumping cryptocurrency as “property” for tax purposes, like they’ve done in the United States. However if people are profiting from speculation, it only seems right to tax it as a form of income. Initial Coin Offerings (ICOs) are another taxation area which needs further deliberation and clarity provided.

—

Matthew Kennedy

From: Martin Butcher [1]
Sent: Monday, 30 April 2018 3:10 PM
To: TWG Secretariat
Subject: The future of tax

Hello,

I am so sorry, I accidentally just sent you an incomplete submission.
Here is the completed version.

Here are my suggestions.

1.**GST and capital goods - houses and other dwellings**
Apply GST in exactly the same way as with other goods and services.
This will reduce the (pre GST) price of a house.
There will be scope for refunding the GST: for every year you own the house up to five years IRD will refund three per cent (a fifth of the GST you paid). Or five percent for three years.
The GST and the refund incentive can apply to householders and property investors alike.

2. **Charities**
Remove tax exemptions from charities and remove the tax relief arising from donations.
Many charities are not charitable and exist only to enrich their leaders and to provide them with resources (such as membership data-banks and -bases) by which crimes (scams and so on) may be facilitated. If a charity is worth Government money (effectively by way of tax exemptions) then the Government can instead pay that charity directly. At present, tax exemptions encourage misuse of charity resources; an example: Your charity has a membership data-base and you hire someone to use the data-base to obtain details from members, or you sell access to the data-base to a mail order outfit.

Further, IRD involvement will mean that a charity will be scrutinised more aggressively than by auditors (who may have close ties to the charity). And IRD involvement may help bring to light some of the rampant abuse of volunteers that occurs in many New Zealand charities. Tax exemptions assist in this abuse.

Thank you for the opportunity to make a submission.

Martin Butcher

From: Lynette Brown [1]
Sent: Monday, 30 April 2018 2:54 PM
To: TWG Submissions
Subject: Submission on Fair Dividend Rate.

While we agree with the principle to reduce the dependence of New Zealanders on property investments to fund retirement, we consider that the "fair dividend rate" used for on shares held overseas (in our case in Singapore) actively discourages investment in anything other than property as this rate is set at 5% which is far higher than any realistic returns that can be expected

From: Tania Merton [1]
Sent: Monday, 30 April 2018 2:42 PM
To: TWG Submissions
Subject: Submission

Good afternoon
I would like you to look at the secondary tax, at the moment it penalises people for wanting to work
1. If you are on a benefit that has to be classed as primary income, so if you want to work and get off the benefit, you are charged secondary tax and most of the time you would be better off on the benefit
2.Also when I was in this situation, I had 2 jobs, 22 hours, and 15 hours that I got charged secondary tax on both as still receiving $35 wk from winz, still classed as primary income
I sincerely hope thetr will be some changes as it doesnt act as an incentive for people to get off their bum nd work Tania Merton
Sent from Samsung tablet

From: Pat Benson [1]
Sent: Monday, 30 April 2018 2:41 PM
To: TWG Submissions
Subject: Submission

Hi there, just a few thoughts,

Cashless society, remove cash and replace GST with a 15% Sales Tax which is paid at the time of the transaction. Means everyone including drug dealers at least pay some tax.

Pokies, at present Casinos, chartered club and Nz Racing board retain all proceeds from their machines, they should have to distribute back to the community via the trusts as publicans do via the various trusts (Pub Charity etc)

Religion, remove the tax free status of all churches, why do the Brethren's need to own 2 6plus seater private jets. They also get special treatment around the Resource Management Act, it's sickening . Churches are also a big contributor to poverty care of the tithing.

Living wage, pay all 18 year old and above an amount every week (say $200) and $100 for maximum of 2 children then remove all benefits except for special needs. Being a cashless society it would be very easy to control how this Govt contribution is spent (I.e. not on alcohol)

Capital Gains, unfair to impose capital gains, mainly it would be a tax on inflation.
I brought a building in 1994 for $400,000, sold it in 2016 for $4,500,000, over the same period a cone ice cream went from 40cents to $4,50, inflation at the same rate.

Make it simple

Regards

Patrick Benson
Sent from my iPad

From: Martin Butcher [1]
Sent: Monday, 30 April 2018 2:39 PM
To: TWG Submissions
Subject: The future of tax

Hello,
Here are my suggestions.
1.GST and capital goods, houses (and other dwellings) in particular.
Apply GST in the same way as with other goods, and services.
This will reduce the (pre GST) price of a house.
There will be scope for refunding the GST: for every year you own the house up to five years IRD will refund three per cent (a fifth of the GST you paid. Or five percent for three years.
The GST and the refund incentive can apply to householders and property in vestors alike.

From: Ian Gilray [1]
Sent: Monday, 30 April 2018 2:23 PM
To: TWG Submissions
Subject: Submission

Please note this is my personal submission and is not from the Open Polytechnic.

Firstly I fully support the proposal to "ring fence" the tax treatment of investment properties.

Secondly if a CGT is to be introduced it must include owner-occupied properties otherwise the continual investment bias to property will remain and disadvantage those who invest in productive assets such as shares and other assets.

By exempting owner-occupied properties people will be incentivised to over capitalise their investment in their home rather than other productive assets.

As an example one person may purchase a dwelling twice the average value (say $1,000,000) for that locality and enjoy significant capital gains over a period tax free, while another may purchase at the average value ($500,000) and invest the remaining $500,000 in other productive assets which would be subject to a CGT. The proposal to exempt the family home just perpetuates the bias towards unproductive property investments.

If the family home is to be exempt, then maybe it should only be up to a certain value, say the average sale price for that area.

Ian J Gilray

Dip VFM, MBA
Registered Valuer
[1]

From: Robert Broer [1]
Sent: Monday, 30 April 2018 2:15 PM
To: TWG Submissions
Subject: Capital Gains Tax on Land - a mechanism

Hi, I would just like to express support for and propose a mechanism for collecting CGT on land.

Advantages of proposed mechanism:

- it provides a steady stream of revenue while collecting CG.
  (addresses 'realisation' issue, p.48 Submissions Background Paper, para.4)

- low income landowners facing cash flow issues can apply to have repayments reduced and settlement deferred until change of ownership occurs.
  (addresses 'low income cash flow' issue, p.48 Submissions Background Paper, last paragraph)

- the CG tax liability of owners of exempted land can be 'forgiven'.
  (addresses 'owner-occupier' exemption per TWG Terms of Reference)

Reasons for support of a CGT:

I support a CGT on all land (but not the improvements on the land) that can be bought and sold (is tradable) because:

- it taxes wealth increases which are not currently captured
- it is fairer to those who do not own land property yet pay tax on their alternative investments (investment tax equity)

Proposed Mechanism: The "Capital Gains Tax Liability Mortgage" or CGTLM

- A CGTLM would be attached to all land titles and be payable to Inland Revenue by the land owners at the prevailing interest rate.

- Typically, the mortgage amount would be updated by the capital gain when revaluations are done by regional councils.

- The CG mortgage is repaid with regular installments like a normal mortgage and settled in full when change of ownership occurs.

- Payment of the CG mortgage by owners of exempted land would be forgiven.

Thank you for the opportunity to provide feedback.

Regards,
Robert Broer.

From: Mark Patrick [1]
Sent: Monday, 30 April 2018 2:08 PM
To: TWG Submissions
Subject: Re: Thank you: Future of tax submission

Thank you for giving me the chance to make submission.

I know I left it to the last day.

I wish all commissions and working groups had such a comprehensive, well set out, easily read and 'user friendly' website.
Yours should be the template for future ones.

My only problem was that the outlines' screen was rather large and I could not reduce the size of the screen and writing; but that might be more to do my computer than your website.

I would have liked to have made a full submission; but as I work nights my brain gets a bit 'blotto'.

I did make one spelling error.
"2. iii" should read "the actual based country" not "there actual based country"; although "their actual based country" might be more correct.

Thanks,again,

Mark
> On 30/04/2018, at 1:52 PM, secretariat@taxworkinggroup.govt.nz wrote:
>
> Thank you again for taking the time to share your thoughts on the
> future of tax with the Tax Working Group.
>
> WHAT YOU SUBMITTED
>
> Here's a record of what you submitted.
>
> Submission ID: 4583
>
> Submitted on Monday, 30 April 2018 - 1:52pm
>
> Submitted values are:
>
> First name: Mark
> Last name: Patrick
> Email: [1]
> Comment:
> A very brief outline of my views.
>
> 1. Imported goods bought 'on line' to be taxed GST as other imported goods.
>
> 2. Companies (especially internet based ones) to be taxed
> i where there profits are made;
> ii the registered based country;
> iii there actual based country.

>
> 3. Tax avoidance to be classed as tax evasion; that is illegal.
>
> 4. Those, causing Government, to 'plug' a 'tax loophole', to be
> charged the cost of having new regulations and laws passed through
> Parliament, as well as any fine for penalty.
>
> 5. Those causing land and environmental degradation to be fined/taxed
> for the environmental loss (e.g farm 'hill country') This may see land
> 'retired' from e.g active farming, and given 'reserve status'; this
> land would not be taxed, but could be used for 'passive' carbon tax
> credits.
>
> 6. Local body rates will not attract GST - 'a tax on a tax'.
>
> 7. Female sanitary products to be exempt from GST.
>
> 8. The tax on long term investments set in 1989 to be abolished.
>
> Thanks
> Sign up for email updates: Add my email address to the Tax Working
> Group email update list.
> Acknowledgement: I am aware that my submission will be released on
> this website, with my email address withheld, and have noted the
> Official Information Act [1] and privacy [2] considerations that apply.
> Question: What does the future of tax look like to you?
>
>
> To manage your email update subscription at any time use the
> Subscribe/Unsubscribe link in update emails or at
> https://taxworkinggroup.govt.nz/about-site#contact.
>
> WHAT HAPPENS NEXT?
>
> The Tax Working Group will be considering all submissions as it works
> towards producing an interim report to the Government in September
> 2018 and a final report in February 2019.
>
> Keep up to date with the Group's progress on
> https://taxworkinggroup.govt.nz/.
>
> OFFICIAL INFORMATION ACT
>
> Submissions will be proactively released on the Tax Working Group
> website and only redacted or withheld on the grounds of privacy,
> commercial sensitivity, or any other reason under the Official
> Information Act. We will withhold your email address as a matter of course, but not the names you supplied.
>
> Those making a submission who consider that there is any part of it
> that should properly be withheld under the Act should clearly indicate
> this by forwarding this email to submissions@taxworkinggroup.govt.nz.
>
> We cannot alert you personally when your submission has been released
> on the website.
>
> PRIVACY

>
> The Tax Working Group Privacy Policy and Privacy Officer contact
> details are at https://taxworkinggroup.govt.nz/about-this-site/privacy.
>
> Thank you again,
>
> Tax Working Group Secretariat
>
> [1] https://taxworkinggroup.govt.nz/your-submissions#oia
> [2] https://taxworkinggroup.govt.nz/your-submissions#privacy
>
>
> --
> CONFIDENTIALITY NOTICE The information in
> this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:
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From: [1]
Sent: Monday, 30 April 2018 2:02 PM
To: TWG Submissions
Subject: Submission Paul King re earlier filing to TWG

Dear Tax Working Group

1. There needs to be major changes made to the way IRD handles their own mistakes.

2. When IRD makes a mistake, and they have admitted mistakes in my case in the District Court which I won against IRD, they refuse to pay compensation or make right the wrongs they have caused. The Judge made it clear I did not owe ANY tax. IRD said $300,000 plus. IRD refused to honour the Judge. My home was taken and sold at mortgagee sale due to IRD's lack of ability to correct their errors and deceit on their part to cover up.

3. In the past we have seen [1] commit suicide over IRD mistakes. In my case my brother had a serious car accident at the time IRD raided his home.

4. We have had [1] begrudgingly paid $550,000 years after the fact, and they lost years of their life and New Zealand lost jobs and growth in the economy.

5. The onus of proof needs to be reversed. Innocent until proven guilty but at the moment not if the IRD says you are guilty. This is against Human Rights treaties signed by New Zealand.

6. IRD needs to pay compensation as soon as possible to people.

7. Any other rules the Tax Working Group makes are useless without attention to my submission. Taking money illegally is not the kiwi way to run a country.

8. I have provided the Working Group detailed notes and also photocopies of original IRD documents showing IRD officers committed perjury and perverting the course of justice.

9. We need a Royal Commission in Banking in New Zealand

10. We need a Royal Commission into IRD

quaerite veritatem in omnibus rebus

Paul King
[1]

From: Artur Francisco [1]
Sent: Monday, 30 April 2018 1:45 PM
To: TWG Submissions
Subject: Submission to the Tax Working Group - NZ to support a UN Tax Body to tackle tax avoidance worldwide

Tena koutou katoa,

My name is Artur Francisco and I am writing in order to make a submission to the Tax Working Group regarding the future of tax in New Zealand.

Tax avoidance deprives governments around the world (including NZ) the money they need to tackle poverty and inequality. The Paradise and Panama Papers demonstrated that the lack of tax transparency is a global problem that needs a global solution.

Governments must act together to force this system to end. Countries must work collaboratively to remedy the system. This will be most easily done through a new UN-based (an intergovernmental) 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 as a key step towards a coherent global system and level the playing field leading to more transparency and a better business environment.

Therefore, I 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 by advocating for a UN tax body.

More information on why a UN tax body will benefit everyone can be found **here**.

Please, do not hesitate in contacting me may you require any further information regarding this submission.

Finally, I would like to thank the working group for this opportunity to speak up about the future of Aotearoa/New Zealand and I wish you all the best in your efforts.

Kind regards,

Artur Francisco

[1]

From: Janine Boyden [1]
Sent: Monday, 30 April 2018 1:00 PM
To: TWG Submissions
Subject: Submission

I only have one submission and it is around rental property.

I believe that if you are to pay tax at the time you make a profit you should conversely be able to claim a loss at the time you make a loss.
In a time we are constantly told nz rental stock is cold, damp etc etc why would you tell landlords they are not allowed to claim their repairs & maintenance expenses.

I believe though, if you have borrowed large to purchase a rental house you should not be able to claim the mortgage interest as an expense. You cannot claim the principal so why not apply to the same to interest.
This may help with getting rental houses out of investors and into 1st home owners.

Janine Boyden

From: Margaret [1]
Sent: Monday, 30 April 2018 12:44 PM
To: TWG Submissions
Subject: my submissions

hi Team

INVESTMENT PROPERTIES & FAMILY HOME

I know several people who have mortgage free family home. They then decide to buy investment property to rent out. They borrow, they then put the full mortgage on the investment property, Claiming the interest against the income on the tax return. This is wrong, they are claiming interest against income, reducing their tax liability. In some cases they don't pay any tax, as their interest is bigger than their other income.

Some high profile professional people do not pay any taxes, they have huge property portfolio.They know how to restructure their affairs to minimise tax.

They snap up the good properties because of connections with their lenders.

thanks

Margaret

From: Tet Yoon Lee [1]
Sent: Monday, 30 April 2018 12:35 PM
To: TWG Submissions
Subject: Tet Yoon Lee's submission to Te Awheawhe Tāke (Tax Working Group) on the Future of Tax

To whom it may concern:

I believe it is unlikely since my submission is of a general nature however I'm fine with being contacted to discuss my points. I would prefer contact by e-mail so am not including any other contact details for the moment. No parts of my submission raise privacy concerns.

Summary:
* Support a broad capital gains tax on property, think we can design a decent system with reference to all the other systems out there
- think it's clear many people are investing with the assumption of capital gain despite claims to the contrary
 - fair chance effect on house prices will not be that great considering other non-tax issues that arise
 - needed to remove unfair and harmful incentives for property investment
 - will likely also reduce extreme amounts of negative gearing some people are taking on and the flow on risks to NZ economy
 - do not believe our current regime is necessary or even beneficial to the problems we do face like building more houses

* May only be fair if it also applies to shares and other investment
 - need to carefully consider the fairness and effects of any implementation considering the exclusion of owner-occupied homes

* Strongly suspect capital losses should only be offset against capital gains, but not something I've considered in detail
 - as with most things the group will consider, a matter of 'least worst' or 'least unfair'

* Group should consider as far as practicable given limits of the terms of reference, the issue of the owner-occupied exclusion, in consideration of what to recommend to the government such as a future enquiry

* Support land tax.
 - do not think has to be in opposition to CGT although interaction and also with rates needs to be considered
 - have not considered in detail since find it a far less likely outcome than a CGT, whatever the recommendation

* As far as possible within terms of reference, group should consider profit shifting and effects of digital economy and how to try and mitigate them
 - do not think we should only be a follower, worth being a leader if we have good reason to think it may be worthwhile

* Need to come up with solution for GST on online purchases
 - loss to government revenue
 - unfairness to local retailers, even if the effect on them may often be exaggerated and it's far from a solution to the problems they face
 - look at Australia and other countries and other proposals from experts

* Strongly opposed to further complexities to GST by reducing or exempting certain items
 - bureaucratic nightmare with significant compliance cost
 - perverse outcomes like benefiting something which is clearly luxury over something which is basically essential
 - plenty of examples worldwide such as classic Jaffa cake one
 - although something imperfect may be worthwhile, clear that it's not the case here
 - better to adjust thresholds and rates for income tax, and benefits so that people can choose for themselves where to spend the money even accepting we may not agree on some of those decisions

* Support careful consideration whether other parts of tax system should be adjusted to better target problem of income-inequality

* Support existing pigovian taxation like alcohol and tobacco taxes

* Support other pigovian taxes such as sugary drink tax if there is sufficient evidence or it's carefully monitored
 - many risks if not careful, similar to GST problems

* Support environment taxes with sufficient evidence or careful monitoring
 - many systems are poorly designed so great care is needed

* Group needs to carefully consider the perverse incentives in our system and how to deal with them
 - lack of fringe benefit tax to parking spots obvious example
  + especially compared to better benefits like for public transport
  + even without comparison clearly flawed

* Significant challenges posed by 'gig' economy and 'sharing' economy
 - we already have tax evasion problems especially with tradespeople
 - greater resources are being put into this which is good especially given fairness
  + need to take care not to go too far and harm people unnecessarily
 - need to ensure tax evasion isn’t a significant problem with these new trends whether intentionally or unintentionally

* Existing tax avoidance by the well-off needs to be considered
 - minimise as much as is fair and practical
  + do not penalise people for reasonable decisions, even those done to avoid tax
 - consider use of trusts

* Consider as far as possible within your terms of reference the superannuation and its long-term sustainability
 - poses significant dangers to our tax system
 - system was not prepaid for a long time
  + even after Super Fund was introduced, payments only lasted until another government decided to ignore the issue
 - doesn't seem to be any way we can make up for not prepaying it in the past
  + with current trends, hard to imagine how we will sustain current system of high payments without means or asset testing just from future taxes

* Retirement saving incentives need to be carefully studied and improved
 - even with current superannuation system, people need significant retirement savings

* Wealth tax may work in an ideal world where it's common but will likely just be avoided
 - study only if sure that's good use of time compared to alternatives

* Do not think progressive company tax good idea
 - compliance costs, complexities and perverse incentives
 - start-up tax may have more merit but also likely a bad idea

* Don't introduce excessive complexity to tax system
 - especially on personal level, but also company level
 - comparison with other systems shows clear advantages of our system in many cases

Main submission:
Kia ora,

I believe there are currently major problems with the taxation of property in NZ. It seems clear that many people, despite their public instances to the contrary are actually banking on a capital gain. Evidence from this would be the large number of people not even making money from their investment property initially given the costs especially of servicing their mortgage, compared to their rental income. As we know enables them to use these losses to reduce their income tax. There is a proposal to ring fence losses which will limit this (although those with multiple properties and most of those who invest long term will still be able to do so) but even if this is implemented we still have the wider issue.

Is it really the case that these people are only buying the property for their future rental income? As said, I find it hard to believe this is really the case for all or even most of those doing so. The proposed increases in the bright line rule may help to reduce speculation. But it will not completely deal with the fact people are incentivised to buy property for the untaxed capital gain.

I appreciate that stronger capital gains taxes have not prevented rapid price rises in quite a number of other jurisdictions. I'm not convinced the evidence exists that proves they don't work. As with all things of this sort, a key problem is we cannot know what the situation would be like without the tax. I particularly do not believe the evidence exists that they make things work, provided the system is well implemented.

With all the evidence and examples out there, I believe we can design a system which works. I do not think this will miraculously solve the problem we are facing of house prices many times the median income. I'm not even sure it will make a big dent particularly in the short term. But if it removes the unfair and harmful incentives for property investment compared to other forms of often better investment, this will be a desirable outcome.

To be clear, I do not believe that property investors are somehow 'evil' or 'bad'. I simply think that our system which gives excessive benefit to them is wrong. While I do not deny cultural issues are also likely a big factor, it's recognised that obtaining capital in the NZ market is difficult not only because of our small size but also because a lot of capital is headed towards property. And often not towards the construction of new property but purchase of existing ones. (Some may be spent on upgrades.)

I do not think the property investment climate in NZ is necessary or even conducive to building new homes on greenfield sites, or even to some extent infill house. While we will need investment for these, I think a different system will be far more conducive to it.

Besides the problem companies face from getting investments due to our captivation with property, the way a lot of property investment happens with incredible amounts of gearing means that it's easily possible for there to be major problems if there is enough of a fall in house prices. We've seen this in many other jurisdictions when the proverbial 'bubble' bursts. While there may be reasons this is unlikely here in NZ, as it's clear we are still significantly short on housing stock, it's another sign of the problem with our current climate. Some people suggest that changing our system in this way may precipitate such a collapse. I find this unlikely with a well designed carefully implemented system. And if it were true I'd argue it's evidence of how flawed our system is.

I recognise that if an almost universal capital gains tax is implemented on property, it may only be fair it also applies to shares or any other investment. In NZ, we already have the situation where companies tend to pay more dividends (which are already taxed) than overseas and capital gains tend to be lower. So, the effect of this is likely to be reduced. I do think the group needs to consider careful how to deal with the fact that owner-occupied homes will not be subject to any CGT, and how this interacts with any CGT on shares or other investments and whether some adjustment will need to be made for this to produce the fairest outcome as possible that is still in accordance with the terms of reference (ToR). Considering for example, someone who does decide to rent for all their lives for whatever reason will potentially be subject to a CGT on all their capital gains. Whereas someone who does buy a owner-occupied home will not be.

I do believe that preventing capital losses being offset against other income is very likely the best choice although I admit it's not something I studied a great deal. I recognise this will be unfair to some people, but as with so many things, and pretty much everything you are considering, I think it's a matter of what's the least worst or least unfair option.

In relation to the terms of reference, I do not understand whether you are allowed to consider the effects of a CGT on owner occupied homes in any fashion. If you are, I do ask that you consider it as far as possible with due consideration of your ToR and the time you have available. The reason do so would be as far as possible for you include any conclusions in your report. For example, mentioning it as something which should be considered in the future with reasons why. (If you would only be allowed to mention a further enquiry with limited reasoning given, the time spent should be reduced accordingly although the interaction with your other recommendations would need to be considered.)

I recognise that given the way home ownership is seen in NZ, this always going to be incredibly controversial. For better or worse, we are different from places like Germany where it's far more common for people to live long term in the same rental housing. And so home ownership is often seen as important for stability and security. But I do not think we should completely shy away from the hard questions if we don’t have to.

On a land tax, I do feel there is likely significant merit to the idea. I'm not sure it has to be in opposition to a capital gains tax although the interaction of the two along with council rates will need to be carefully considered. I admit I find it unlikely it will be implemented even if it is recommended or if it is specifically offset by some reduction to mean no new revenue collection. Or if it is it will be in an incredibly reduced form likely limiting its effectiveness even more than the exemption to owner-occupied homes. For that reason, I have considered it less. I do understand and agree that the group will recommend what you think is best regardless of such considerations but on an issue like this, it’s likely you will also mention alternatives.

I do have significant concerns over both profit shifting and the complexities the digital economy pose to our tax system. It seems fundamentally unfair how little tax MNCs often pay on profit that is primarily being generated in NZ. And with the digital economy, this is something that smaller companies, are doing as well. I think we not only need to look carefully at any system overseas and follow them, we should also look carefully at research and proposals and be willing to be first if necessary. I will not comment further since I understand much of this is outside your ToR but ask that you consider it as far as possible.

I do believe we have to come up with some solution for GST on overseas purchases. Beyond the amount the government is losing, it's clearly perverse that a big multinational like Amazon has lower prices, at least in part because for low value items there will be no GST (or duties). I recognise that our tiny size and the compliance costs involved and the other complexities especially with companies like those in China who'd be much less willing to voluntarily comply with any law we design make this quite difficult. Still I think we need to do something.

I do not believe that this is the only reason, or even the primary reason why many New Zealand companies are struggling. It's clear many of these companies have handled the move to internet purchases poorly. And there are clearly a lot of other issues e.g. postal rates that can apply for items being sent from China vs sending in NZ due to the nature of the international system, low wage economies and those with significantly reduced standards etc. Yet despite all this, I do think it is important we improve the current situation where purchases often up to $400 from overseas are effectively exempt from GST.

For guidance, we can look at Australia and other countries, as well as recommendations from economists and others who have studied the issue. The consultation with Minister of Finance suggests that this is already being looked at but it may still be worthwhile considering in more detail depending on what is planned.

I do not believe introducing exemptions or a reduced rate of GST for certain items is a good idea. (I'm not quite sure if reducing the rate for certain goods is outside your ToR. While there are differences, I do not consider the difference between an item zero-rated for GST and a reduced rate are significant enough to matter. So, I will consider them together. If you are only allowed to recommend a zero-rating or exemption, this makes no difference to my submission.)

As has been seen in other countries, such policies tend to be a bureaucratic nightmare with massive compliance costs. They make the system much more difficult to administer both for the government, and for stores and others who collect GST. They can lead to court cases and silly disputes in trying to decide which category something fits in. And they have perverse outcomes.

For example, a common suggestion is to exclude fresh food. Yet this means someone buying a $1000 imported Japanese Kobe steak benefits significantly more than someone buying a $8 NZ Rump steak. While GST is by nature generally regressive, this is undesirable. Especially since the $300 spent on a laptop by someone on the benefit, for their child's education or work will be taxed as normal even though this may be almost as essential as the food.

As per my earlier points, I do not believe additional complexities or alternatives to define luxury vs essential will work. Instead they will increase cost for little gain and still result in perverse outcomes. If you include computers or tablets, you again get weirdness like an expensive gaming computer or mining computer being exempted. You'd then find other stuff that is essential since a lot of stuff is almost essential in the right environment. If conversely you tried to define what an essential computer is even ignoring the bureaucratic nightmare you'd find your definition includes a lot which aren't essential but includes a lot which aren't since what's essential is going to vary a lot from person to person.

As an example, on a related issue, if GST is removed from unprepared fresh food but applies to prepared food, defining prepared food is a lot more difficult than it seems. More important, while preparing food has numerous benefits, even for someone on the benefit it may be that a combination of work, child care and similar duties and ill health means that it makes sense to buy prepared food on occasion.

While a lot of prepared food is unhealthy, it does not have to be. A bean, tau foo (tofu) or lean chicken salad without excessive dressing can be quite a healthy meal. And unprepared food can be prepared in a healthy fashion. Flour, fish, potatoes and oil could be used to make a somewhat health fritter (especially when combined with vegetables) or fish and chips.

And in any other example I've read or considered of which attempt to define differing rates for 'luxury' vs 'essential' items ends up with similar problems. I'm sure the group has heard of the Jaffa cake case, and so have also though of the obvious question. Why should it be that a biscuit covered by chocolate should receive the standard rate, but a cake or uncovered biscuit the reduced rate? I'm hoping most members have examined at least at a cursory level the complexities generated by any one of the systems worldwide.

I appreciate that even if a system is imperfect it doesn't have to mean it isn't worthwhile. But I do not believe this is the case here. It would be more desirable to make up for the burden of GST for the purchase of essential goods on poorer households by adjusting benefits and tax rates for the low incomes. This effectively allows people to decide for themselves what is essential. People, even those, in poverty may still spend money on items which it's hard to argue are a 'luxury' and yes, they will pay the same GST as on items that are 'essential' and so there isn't a tax incentive for them not do to so, but I ultimately don't think one is necessary. While the transfer system and adjustments to tax rates may be outside your ToR, I assume this does not preclude you saying that it's in part better to handle it there.

I would support the working group carefully considering whether there are other areas of the tax system which could better target the problem of income-inequality in addition to our transfer system. As this may include changes to thresholds and rates and the later at least is outside your ToR, again you should recommend this be examined properly in a different enquiry if this is possible and you feel it's worthwhile.

I support our existing pigovian taxation like that on alcohol and tobacco. I recognise that in some particularly with tobacco there is a feeling that it's primarily a 'sin' tax due to questions over whether the level of taxation is really needed to make up for the externalities especially given the reduction of life span and our superannuation system. But even ignoring the morbid nature of such considerations, I feel they do not generally consider wider societal costs of tobacco usage.

I recognise the concerns some have expressed about the interaction between the increased taxes and poverty, given that for addiction and other reasons, some people struggling financially may still choose to purchase the items. The effect of this can be felt not only by the purchaser but their family or other relying on them financially. However, I think the taxes are worth it regardless.

Completely outside the ToR, but I think that other non-tax measures of reducing the costs and harm caused by these should be considered for the future in preference to simple taxation increases. These can include issues like advertising, branding and medical or other assistance.

Some jurisdictions have imposed another form of pigovian taxation, a sugary drink tax. There is some evidence that these have desirable outcomes. I am not opposed to the introduction of such taxes if carefully implemented and there is either sound evidence for them, or they are part of a properly monitored experiment.

While these may work and be desirable in a carefully defined way likely as a separate tax, I do not think this applies to a whole system GST level. However, there is still is a strong risk of perverse outcomes or questionable policies along with significant compliance cost and bureaucratic complexities. Yet, if done well I think these can work since even despite the problems, they can be the 'least worst' option especially since they are targeting these externalities in a specific limited fashion rather than either some perceived unfairness or trying for excessively overreaching societal goals.

Some jurisdictions have also proposed or tried a wider 'sugar tax' or a 'fat tax' but as far as I'm aware these have generally had significant shortcomings and so have never lasted long if implemented at all. I feel these highlight why there is such a risk.

By the same token, I think environment taxes and other taxes with specific aims if done well, properly designed and monitored may work although I have not considered in great deal the options. I do agree with what was said in the working paper of the strong risk of these not working properly.

I am concerned with the perverse incentives that encourage bad behaviour, not just to the environment but socially, that exist in our system. For example, I've long been concerned with the issue mentioned in your paper about car parks commonly being excluded from the fringe benefit tax. Especially when compared to an AT Hop card or other similar incentive. And noting even if both weren't taxed, I don't see a good reason why a car park should be exempt. I suspect the group is aware of the somewhat infamous jetski in an Auckland Council carpark and the obvious implications of why exactly them parking a car they drive is better than them commuting via some other fashion and using the car park for this purpose.) It is unfortunate that such necessary adjustments can be turned into political football as happened in the past with previous tax groups, so it's important we somehow deal with these issues.

Although I agree there are significant challenges to our system from the 'gig' economy, 'sharing' economy and other changes, it's not something I've considered a great deal. I do think our existing simple tax system will fortunately reduce the increased compliance costs, but we do need to consider the issue.

I do have concerns given how much tax evasion there likely already is from tradespeople and others who often work on a cash and how well we deal with the issue. I am happy with the increased efforts to reduce this and think the government needs to be encouraged to work on reducing these given the clear unfairness. I do also think we have to be careful to not introduce a system where people are excessively unfairly required to account for their income if they've likely done nothing wrong. This is not just due to the compliance costs for all sides, but the personal toll it will extract. While perhaps mostly a matter of IRD policy which is excluded by your ToR, I do think the IRD's new data analysis system needs to be implemented carefully.

While the use of electronic transactions can make tax evasion harder, it does depend on the nature of the transaction. Cryptocurrency transactions could be harder to track depending on the design of the system. In addition, even if the records are there, getting access to them raises privacy and cost concerns especially with MNCs and if there is widespread evasion. This could also be unintentional when people aren't aware of the requirements.

It's clear there's also significant tax avoidance especially by the extremely well off who use experts to help them structure their affairs. As with MNC's this behaviour may be understandable. But from a society POV we need to minimise it, as fairly as possible and practical. Without conversely unfairly penalising people for personal decisions even those done to avoid tax. So no 'class warfare' only fairness. For example, I've never seen a good reason for taxing citizens wherever they live, as the US does, which is probably why they're one of the only ones who do so. Note that I am not referring to the well-known case where people paid themselves very low wages which was found to be wrong by a court. While I have not studied this in great detail, it does seem to me the IRD handled this in a reasonable manner.

Questions that arise are things like, is there a reason this avoidance is fair especially compared to those who are not doing so? Are we able to design a system to reduce this avoidance? What perverse effects may it have? And the typical, how much compliance cost will these add compared to the benefits?

An obvious area is with the use of trusts. While some of these are not pure tax issues and may be excluded by your ToR excluding the transfer system, e.g. the use of trusts to be able to gain the rest home subsidy, there is clearly an interaction with the tax system. I do believe we've made some progress on these, the elimination of the gift tax forced more consideration of how trusts should be handled but I strongly suspect things still need to be improved. For the avoidance of doubt, I recognise there are plenty of good reasons why a trust may be used.

This may be mostly excluded by your ToR excluding the transfer system and the adequacy of the personal taxation system. But I do think we need to consider carefully the long-term sustainability of the current superannuation regime given the age thresholds and the lack of means an asset testing. Unfortunately, because of how controversial, this is something no government really deals with well.

If it is allowed by your ToR, hopefully the group can at a minimum warn of the dangerous to our tax system given expected trends of population growth and lifespans. Especially since the cost of healthcare will also significantly add to that. We all know our original system had no prepayment and relied solely on tax revenues to pay for it year by year, but it's hard to imagine how this is going to work given the way our population, and our country and world is changing. Correcting this now given the future burden and trends is not likely to be possible. Particularly when future government foolish stop payments to the Super Fund. This should come with a recommendation that this be investigated further if any of it is missed by the group studying the transfer system.

I do think it is important that the right incentives are put in place to encourage saving for retirement. Even with our current superannuation system, most people require savings in some form (e.g. a house they own) to live comfortably in retirement or they will need to rely on means or asset tested government benefits. As far as possible, we should try and encourage people not to require such benefits. While we already have the Kiwisaver system, I believe there is still great room for improvement.

On the issue of the wealth tax, while I think the idea may have merit in an ideal world, the fact it's never really gained currency anywhere and the unlikelihood of it being implemented combined with the likelihood those who we most expect it to apply to will largely avoid it makes me feel it's not that worthwhile considering. Although this is just my personal view and I'm not saying the group spend time on it if they think it's worthwhile considering your time and other limits.

On the progressive company tax, I do not believe this is a good idea. As far as I'm aware this is hardly ever implemented. I appreciate, as also mentioned by your paper, that Australia currently has this in some form, but and your paper again mentioned this, it seems to just be a way to gradually reduce the corporate tax. While I recognise as I've said before that there's nothing wrong with being leaders in a lot of cases, it seems to be the compliance costs, complexities and perverse incentives such a system would create mean it would never be worthwhile. A start-up tax rate may be of greater merit although I do not believe this is likely to be a good idea either.

I do think we have to be careful not to excessively complicate our system whatever we are trying to achieve. I hope most members of the group have filled out a tax return before. I think it's quite revealing how simple it tends to be. (I recognise for some people calculating income and losses and other aspects is not trivial.) When you hear of the headaches in other places, especially in the US with all their extremely weird exemptions and complexities by comparison it's easy to recognise the advantages we have.

While this applies particularly at the personal level, it also applies to the company level. There is also an interaction with other aspects of the tax systems, for example as mentioned in the working paper, whether it makes any sense for 'payroll tax' on employers in addition to our existing PAYG income tax, considering it's ultimately just a tax borne by the employee.

Thanks for your consideration and for your efforts to improve New Zealand by helping reform our system of taxation.