

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

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

7 March 2018

Sarb Johal

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Chair and members  
Tax Working Group  
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## SUBMISSION TO THE TAX WORKING GROUP

Dear Chair and Members,

I am writing this submission in my private capacity as a citizen of New Zealand.

1. This submission is in response to the stated terms of reference of the Tax Working Group, "to examine further improvements in the structure, fairness and balance of the system. I note that increases to personal tax are outside of scope. However, the terms of reference also refer to matters such as treating all income and assets in a fair balanced and efficient manner, and a progressive tax and transfer system. It is under these criteria that I wish to make this submission.
2. I address my comments in this particular submission to the issue of tax free allowances for income earned.
3. I recommend that you investigate the institution of a tax-free allowance in New Zealand, set at an appropriate threshold below which any income earned is free from taxation. An income-tax free allowance may be considered in line with any changes to capital-based taxes that you may be contemplating. Any income tax-free threshold may also be tapered in, and the threshold altered as the flows of taxation alter over future years, where the tax revenue for the New Zealand government may be likely to shift from income-based to a more capital-based structure. I think this is also a progressive introduction to the tax system, where those with lower incomes get to keep a bigger proportion of their income (free from income-based tax) compared with those with higher incomes.
4. In order to at least partially address potential loss of tax revenue from this progressive development, you may also wish to consider flexible tax-free allowance thresholds for earned income, where the income-tax free allowance gets smaller for those earning a certain amount of annual income, (for example, \$120,000). This could be implemented in a way such

that when income is above this 'high income threshold', the taxpayer loses their personal income-free allowance at \$1 for every \$2 earned. This would mean that income earned over a certain figure would receive no income-tax free allowance, and would be tapered down from a certain point. This seems to make sense to me in terms of an equitable outcome.

5. There may also be differential bands according to age, or family circumstance, to make allowance, for example, for the impact of superannuation (including income derived from superannuation from overseas sources for immigrants to New Zealand - an increasing proportion of our population), or the number of children in a family, and / or the number of dependents that the family is caring for.
6. If set appropriately with changes in tax bands for income (which also need looking at as wage inflation has placed many middle income earning New Zealanders in inappropriately high tax bands), I believe that this income tax-free allowance policy may require investment in the early years, but may well be offset by reductions in other areas of Government expenditure through benefits, and other tax-transfer payments such as Working for Families. There may also be opportunities to consider tax-free allowances with other initiatives, such as a minimum basic income.
7. This policy would have the effect of lessening the burden on those who are primarily reliant upon the income produced from their own labour rather than any income or wealth derived from various assets they may have acquired or have inherited over time.
8. **In sum, I recommend that you consider the introduction of a policy of income tax-free allowances** as part of the suite of recommendations to be introduced in 2020, should the Government win that election.

I am not an economist, but would be willing to discuss these issues in person should the Tax Working Group wish me to come to talk to these issues.

Many thanks

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