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

Submission to the Tax Working Group 25 March 2018

Kerry McDonald
Policy & Performance Ratings

Congratulations on your background paper. It provides a clear and realistic view, in contrast to the prevalent “cheer squad”, aggregate GDP oriented rubbish.
The Savings Working Group (which I chaired) provided a similar context in its January 2011 Final Report.

I strongly recommend that the TWG follows the advice of the Savings Working Group on taxation matters, as set out in its Final Report to the Minister of Finance – Recommendations, Tax Policy p14-15 (refer Treasury website).
The recommendations relate to a number of still-critical tax policy matters which still need to be addressed.

New Zealand’s poor long term economic performance generally reflects poor policy decisions by successive governments, including on taxation; decisions oriented to re-election rather than improving the living standards of New Zealanders.

It is notable that politicians and others are critical of various generally larger companies for not paying enough tax. But, the reality is that the companies were/are with very few exceptions complying with the law/tax policy - but the law/tax policy did/does not provide for them to pay a higher rate of taxation, basically reflecting the OECD rules. This matter is only belatedly being addressed.
Having been a director of numerous companies, including the BNZ, I am very familiar with this matter and am happy to discuss specific examples. I had retired from the BNZ Board when it, inappropriately, settled its case. Another overseas owned company was informed that a special tax audit was targeted at gaining an additional $120m in tax; but the audit resulted in an additional $119,000 being paid and we received a very positive letter from IRD thanking us for our very positive engagement with the audit.
So please stick to the facts and no more political obfuscation! Your background paper is a good start.

There needs to be a full review of tax policy, particularly where the OECD rules are outmoded, to get fairer, less anomalous provisions. These rules need to be better aligned with other policies, including on immigration and foreign ownership.

For example many people have their home in NZ, their families/dependants reside here and they fully benefit from the expenditure of the NZ government on a wide range of services but they pay no tax here - and often no tax anywhere. This includes highly paid contractors, in many occupations where their work is outside NZ and may be spread between a number of tax jurisdictions.
It also includes wealthy individuals who may have token business interests in NZ to qualify for residency, pay little/no tax here and have no tax liability here for their offshore business interests.

Current immigration policy is a disaster for the future of New Zealanders. It has to be reassessed, in the context of its tax implications, in terms of which categories of immigrants make a positive fiscal contribution over time, including the impact of dependants; and in terms of National Economic Benefit. Many low skill, low income immigrants have a net negative impact on both criteria.
I have reviewed the Treasury data on this question. Their analysis is woefully limited.

Yours sincerely

Kerry McDonald
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