Tax Working Group
Te Awheawhe Tāke

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;

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

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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 Tax Working Group - Dated 12 April 2018

Submitters: Kath & Pat Blewman

[1]

Background

We are a retired couple in our seventies. We own our home which is mortgage free. We have income from NZ Superannuation and investments from savings. These savings have been accumulated during our working life and from a payout of an employer superannuation fund. (I (Pat), as the breadwinner of the family, belonged to a defined benefit superannuation scheme which my employer wound up, after my retirement, with a lump-sum payment to all beneficiaries.)

Our income has reduced over the last ten years due to interest rates significantly reducing and inflation which fortunately has been reasonably low. We have been married for over fifty years, have three adult children and eight grand-children. We would consider ourselves a traditional family of our generation. I (Pat) retired as a business executive for a global corporation and experienced redundancy once in my working life. Kath was the homemaker and nurturer of the family until our children left home. She studied for a business diploma and worked for some years before we both retired. (We have been retired for fifteen years.)

Summary

1. we support the introduction of a comprehensive capital gains tax excluding the family home. The calculation of capital gains tax to be made and paid on the realisation of assets.

2. we do not support the introduction of a wealth tax paid annually.

3. we support retaining no exemptions to GST ie keep it simple.

4. we support the charging of GST for all purchases of goods and services off-shore.

5. we support the taxing of all the commercial activities of charitable organisations.

6. we don't understand why Maori Corporations/Trusts have a more favourable tax rate than others. If it was some incentive to build such enterprises, then maybe the time has come to review whether the need still exists. (Maybe this is covered by our view that all commercial activities of charitable organisations should be taxed.)

Commentary

1. Capital Gains Tax - we feel a comprehensive capital gains tax on the realisation of all assets excluding the family home is a better arrangement than today where gains on the sale of assets depend on your intention at the time of purchasing the asset. We realise it will be difficult to

implement but once established, coverage of unintended consequences and/or work-arounds can be implemented later.

2. Wealth Tax - we realise there are several forms of wealth tax but assume the favoured one being considered would be an annual tax on assets. We think there are several problems with this form of taxation. It seems to us to be a disincentive to save for retirement. Also, it erodes the asset base for retirees on which they depend to earn income. There may be difficulties paying such a tax annually as some elderly are asset rich but cash poor. Currently, some aged people have difficulty paying Local Body rates because they are cash poor. Additionally, it seems unfair as it seems like a double tax ie paying tax on the income earned and on the value of the assets used to earn the income or paying tax on income used to accumulate savings.

3. GST - as per point 3 in our Summary.

4. GST - as per point 4 in our Summary.

5. Commercial Activities of Charitable Organisations - we suspect many of our small business organisations and maybe even bigger ones, find it difficult to compete with charitable organisations who undertake commercial activities as they have a taxation advantage. Maybe they should pay full tax and get an exemption for profits expended on charitable activities.

6. Maori Corporations/ Trusts - as per point 6 in our Summary.

Kath & Pat Blewman