

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

### **Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

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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 New Zealand Tax Working Group

My name is Eric Constantine, b. 1937, Manchester, England. I consider myself very fortunate in that I lived through the best period of the 20<sup>th</sup> century, that is the 1950s, 1960s and 1970s. I joined the Royal Navy in 1954 and served until **1964**. Between **1965** and **1968** we managed to save the **£200** deposit (10%) for our first home.

In November **1974** my wife and I and our two children emigrated to New Zealand. In **1975** we were fortunate to obtain, by City Council ballot, our first section. By February **1976** we moved into our first New Zealand home. We had two mortgages, one for the land and the other for the house, the section was bare and we had little furniture but it was a start.



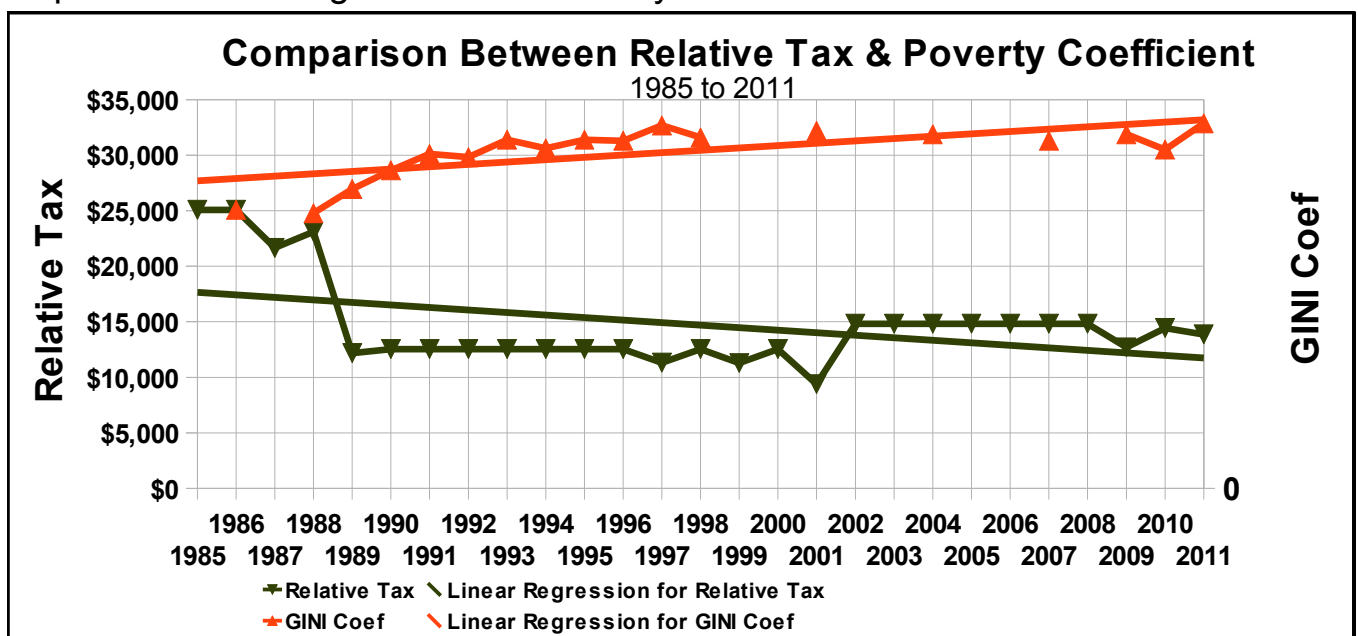
My reason for mentioning the above is that while many people condemn past policies as old and outdated I believe there can be no question that they worked, and worked well, in a post war era. I also believe that a post-war progressive tax policy was at the heart of our good fortune. The war may not be the same but there is no denying that we are still at war, poverty, housing, health, climate, fresh water, air pollution, infrastructure, employment and wages etc, are today's battlefields.

After reading the documentation there is no question that tax is a very complex issue.

Today a wealthy person buys a property for \$200,000, sells a year later for \$250,000, profit \$50,000, tax \$0. A pensioner with a 1yr Term deposit at 3% receives \$495 after 17.5% tax (\$105)

As stated I believe the major contribution to England's post WW II was the progressive tax system. In New Zealand the progressive nature of taxation has gradually been eroded to the point where even politicians shy away from having their incomes progressively taxed. Politicians are, today, more concerned with themselves than with society as a whole and I include the Labour Party.

I believe New Zealand **needs** a more progressive tax policy if it is to win today's battles, no minor skirmishing or poking round the edges. Some years back I compiled the following chart for one of my submissions.



While I don't have the resources today that I had then it would be interesting if a member of the working groups staff could bring it up to date. It would be more interesting if the salaries of politicians could be added to it, and would executive, private and local Government, salaries rise in proportion to the poverty coefficient? Please don't say they 'earn' them, they are either given to, or taken by, the recipients.

For the record:

**I care not how affluent some may be,  
Provided none are disadvantaged as a consequence.**

Thomas Paine.

Unfortunately far too many people today are disadvantaged.

**I support a more progressive tax on wealth/incomes in order to fight today's battles.**

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### **Capital Gains Tax**

I support the concept of a Capital Gains Tax. **I oppose a capital gains tax on the principle home.** At one point in time I would have had no objection to anyone holding another 1 or 2 properties for their retirement provided **all** are held for a set period of time, 10yrs, 20yrs etc and have been maintained to a standard determined by Government. Today, in the interests of a clear, and progressive tax policy, I would reconsider my position to avoid any ambiguity.

Remember: If I, as a pensioner, held a term deposit for 20 years I would still have to pay tax on the interest.

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### **Land Tax**

The following is based upon the Land Value based rating system of Palmerston North.

While I fully support a Land Tax **it will not work if it is not made robust enough to completely exclude all political interference both at Central and Local Government levels.**

In 1990 the Palmerston North City Council, in an effort to mitigate high rates on a number of properties made a change to the charges (which I supported at the time) following minor hiccups the system remained fairly balance for some 10yrs.

In 2001 the Council was led by, and supported by, what I personally considered to be a **neoliberal** minded majority. Since then considerable efforts have been made to continue mitigating the rates for the wealthy by reducing the variable (land rate) and increasing the fixed rate (charges). **Chart 1.**

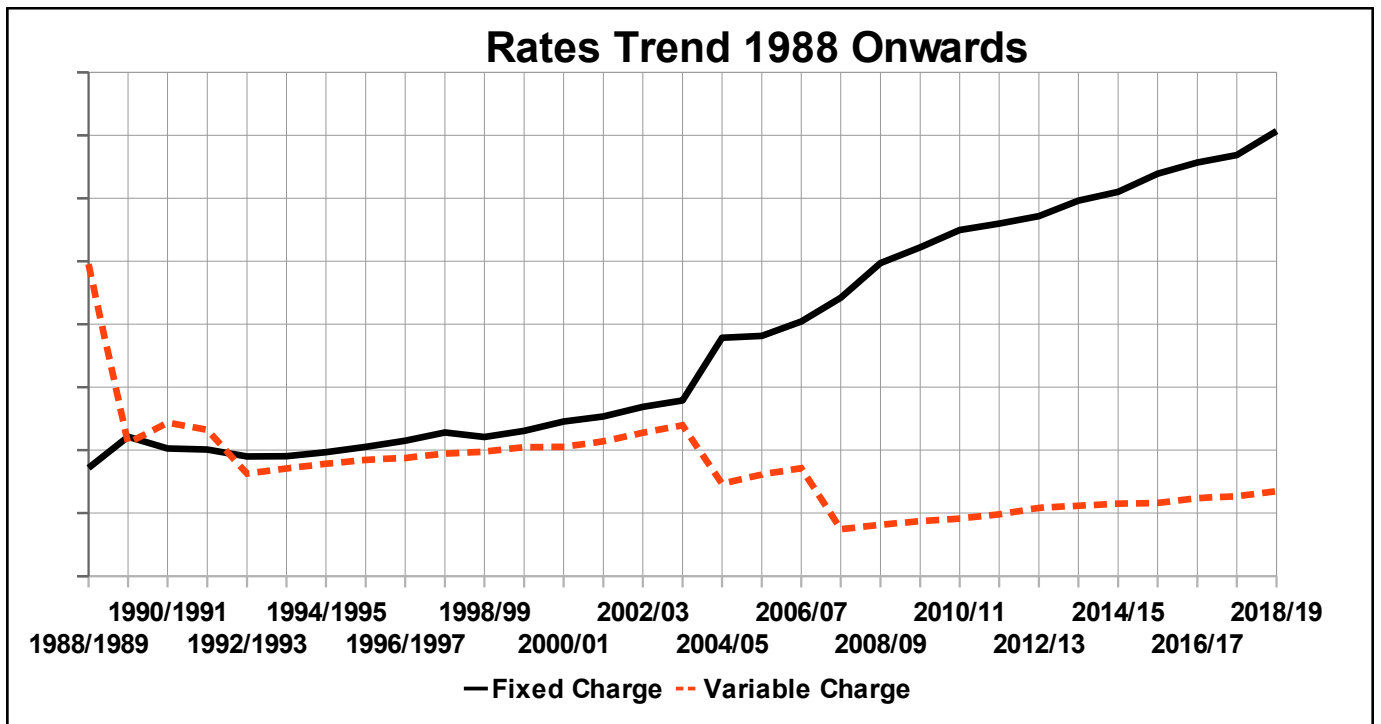


Chart 1.

This group of Councilors in their zeal to impose a greater burden on the less affluent continued to reduce the variable (land rate) benefiting the wealthy to such an extent that I calculated that the whole city would be on a “flat” rate in less than 9 years.

Chart 2.

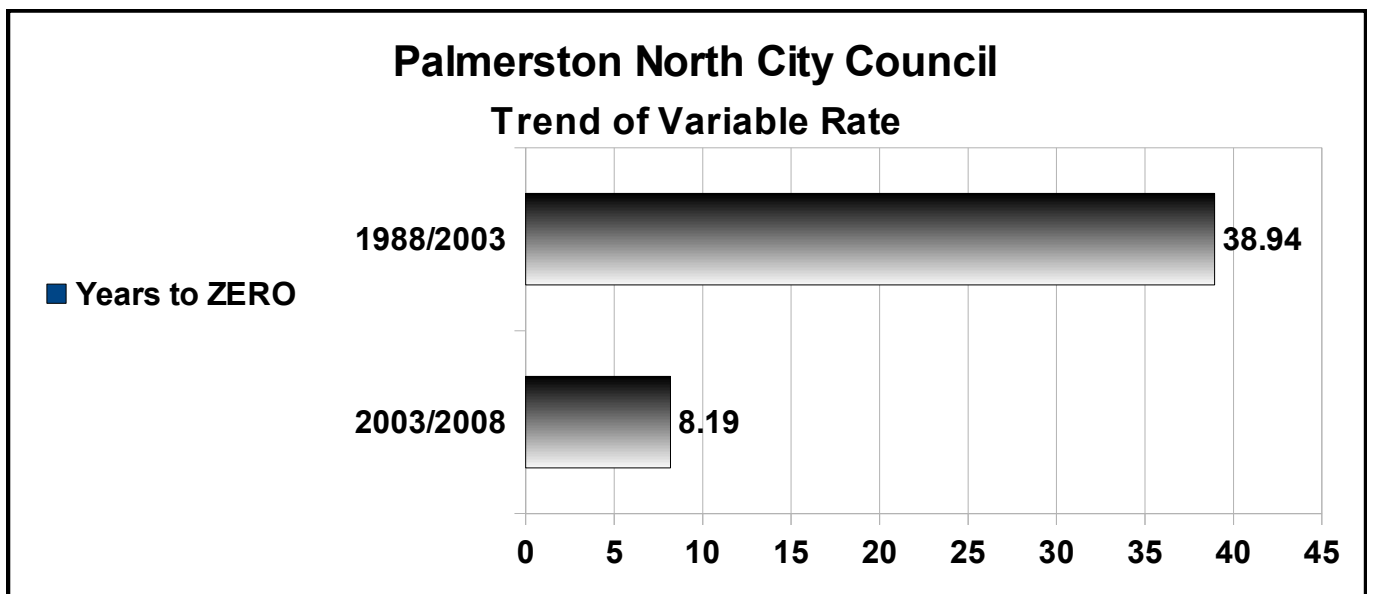


Chart 2.

At this point the City Council, in its wisdom, began to slowly, very slowly, increase the variable (land rate) (chart 1) while increasing the fixed (charges) even faster and therefore continuing to burden the less well off at a greater rate.

The burden upon the poor, in Palmerston North, and the most vulnerable, was even further exacerbated by **Quotable Value NZ** in 2015.

In 2015 the majority, if not all, commercial premises had their land values significantly reduced which in turn reduce their “General Rate” the following, **Chart 3** is based upon those commercial premises situated in the city's main square.

## Selected City Centre General Rate Reductions

September 2015 Valuations

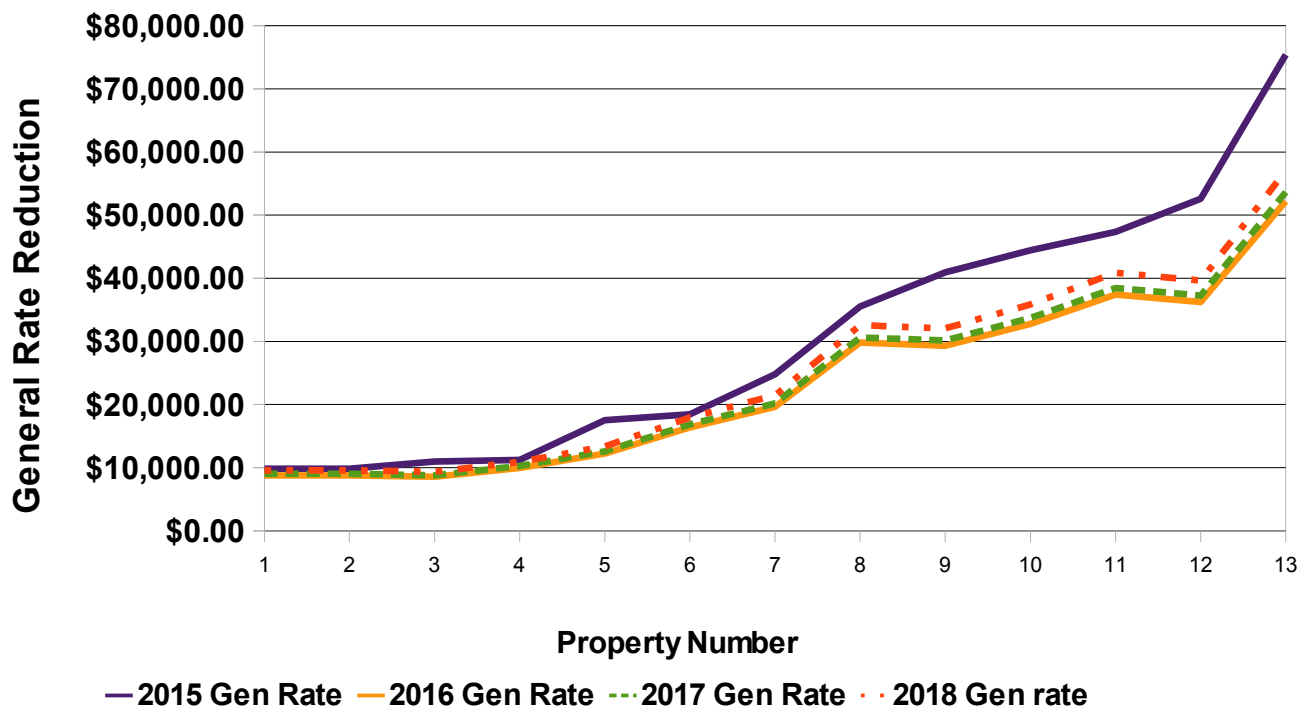


Chart 3.

As the group can see these premises have paid, and continue to pay each year, less of a **general** rate than they did in 2015. This shortfall is taken up mainly by the poorer, more vulnerable and less affluent residential ratepayers (**chart 1**). Bear in mind that the above chart **only applies to 13** of the city's commercial properties. A similar, but less drastic, effect was also applied to many in the Rural Sector where their Land Value remained static but the burden still has to be carried by the residential sector.

As a result I believe that this year both the PNCC and Regional Council are taking advantage of that situation by applying higher rates, significantly increasing spending and significantly increasing debt.

Horizons Regional Council, forced to introduce Capital Value rating by Central government who, by the way, would not apply it to government land, found it too onerous on the wealthy after 3 years and guess what, **introduced fixed charges to mitigate wealthy properties. (Chart 4.)** Note: Alternative, and minor, mitigating fixed charges, not shown, are often added they are usually based upon land area.

It follows, that regardless of whether rates are charged on Land Value or Capital Value politicians, central or local, will abuse each system for either their own benefit or for the wealthy and the excuse, as always, to be fair, or as my city council would say **“try to be fair”**. Unfortunately, from my perspective, they never succeed and in fact fail quite miserably.

In 1963 no one put their hand up when Capital Value rating was first suggested, and I believe, if memory serves, it was the Labour Party pushing it in the 1980s

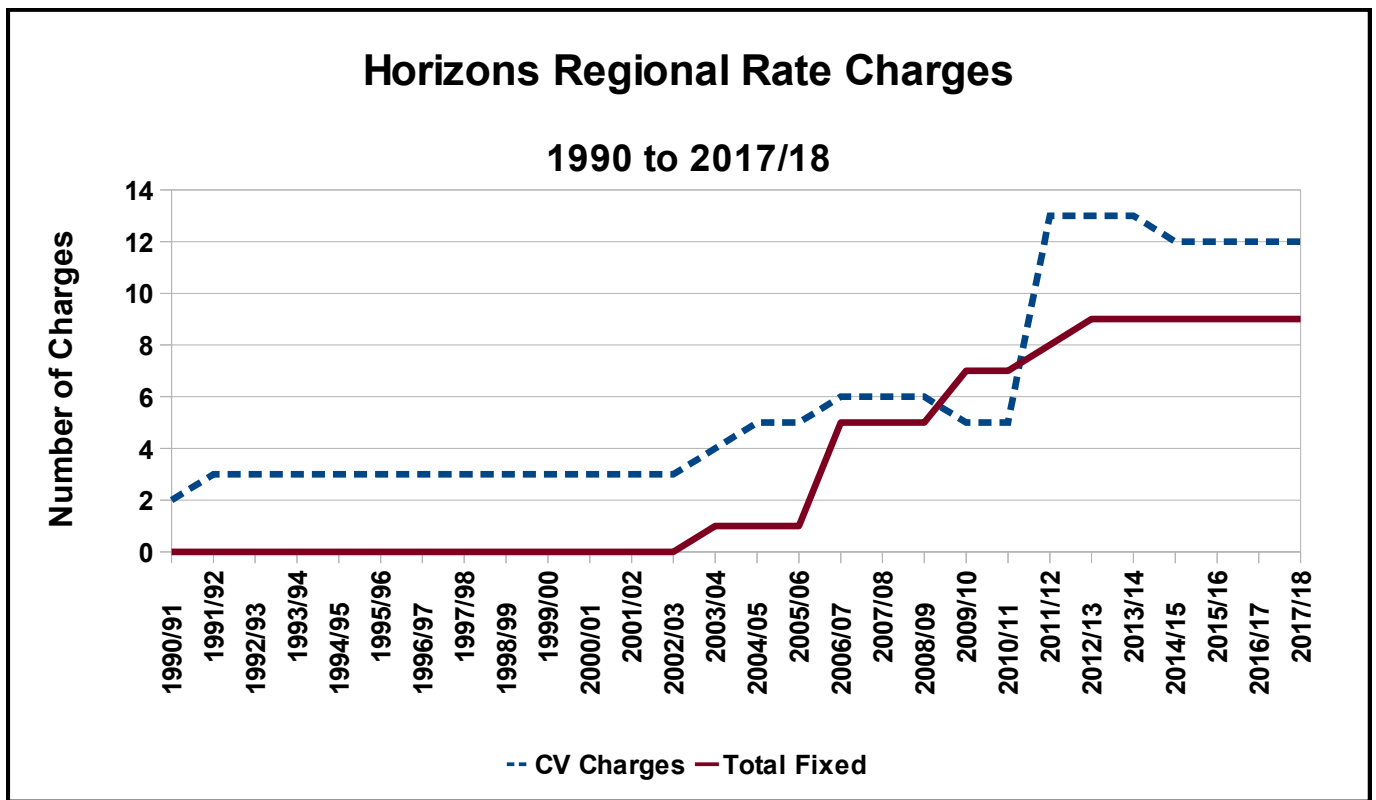


Chart 4.

As charts 1 and 4 clearly demonstrate the rating system(s), whether LV or CV, are clearly manipulated to benefit the wealthy, which includes politicians.

**Yes, taxation is a very complex issue, but who made it so?** Personally I would like to take a greater interest in it but I have to spend so much time of what I have left fighting my local and regional councils.

One last word, farming and commercial enterprises do not pay rates *per se*, they are an overhead, if a farmers rates go up he charges more for his product, when the commercial rates and costs go up they pass the charges to the consumer (and the local rate and tax payer), when the working persons rates go up they ... are stuck with them. **Government has devolved responsibility to the private sector for employment, wages, housing and poverty.**

In response to Amy Adams, Dominion, 15/3/18, p,A10, it isn't the amount of tax that is important, it is where it comes from and to whom the national wealth is distributed to.

Thank you for this opportunity, Unfortunately I did not learn of this process until a few days ago but if I can provide any further information on my local rating system please do not hesitate. Palmerston North was the first borough to introduce Land Value rating following its initial proposal by Central Government in the early 20<sup>th</sup> century and after much discussion in the latter part of the 19<sup>th</sup> century.

Thank you again.

Eric Constantine <sup>[1]</sup>

[1]

Attachments: (2) Is this how New Zealand is to end up?



Published on Monday, April 16, 2018

## Ahead of Tax Day, John Oliver Details 'Long and Infuriatingly Proud History' of Corporate Tax-Dodging

Citing last year's massive tax giveaway to the rich and corporations, which will ultimately raise taxes on tens of millions lower-income families, Oliver says, "We just had a huge chance to reform our tax code and we absolutely blew it."

by [Jon Queally, staff writer](#)



Comedian John Oliver lays it out just how much corporation and the wealthy benefit from the U.S. tax system. The rest of you? Not to much. (Photo: Screenshot/HBO)

Comedian John Oliver pulled no punches (well, he pulled a few) during Sunday night's episode of "Last Week Tonight," especially in the feature segment in which he eviscerated the U.S. tax system by revealing just how endlessly favorable it is to corporations and the wealthy at the expense of everybody else.

Citing last year's massive tax giveaway to the rich, which will [ultimately raise taxes on tens of millions lower-income families](#), Oliver says, "We just had a huge chance to reform our tax code and we absolutely blew it."

As *The Week* [details](#), Oliver goes on to pillory the ability for corporations to avoid taxes by exploiting loopholes and a worldwide web of tax shelters:

Oliver walked through the "long and infuriatingly proud history" of corporate tax avoidance, with a special nod to Apple and Google for being top "innovators in weaselly accounting," though GE and other huge companies paid zero federal taxes for much of this century. The new tax bill does force some of those companies to pay taxes on money stashed overseas, but at bargain rates — a gamble that did not pay off in terms of job creation in 2004, and probably won't this time either, Oliver said.



Published on Thursday, April 12, 2018

## Confirming He 'Does Not Give a Crap About Working People,' Trump Proposes Rejoining TPP

"In a series of broken promises Trump made to the working people of this country, rejoining the job-killing Trans-Pacific Partnership would be the biggest yet," warned Sen. Bernie Sanders

by [Jake Johnson, staff writer](#)



Representing just how much he "gives a crap" about working people or upholding signature campaign promises, President Donald Trump holds up his fingers in the Roosevelt Room at the White House on March 8, 2018. (Photo: Chip Somodevilla/Getty Images)

As if his enormous tax cuts for the rich, attacks on the safety net, and efforts to help [bosses steal their employees' tips](#) weren't proof enough, President Donald Trump further demonstrated that he "[does not give a crap about working people](#)" on Thursday by [telling lawmakers](#) he is considering rejoining the Trans-Pacific Partnership (TPP), a trade pact he [withdrew from last year](#) and repeatedly derided as "terrible."

"It's a ridiculous reversal and a slap in the face to the hard-working Americans Trump promised to fight for. TPP is a lousy deal."

—Sen. Elizabeth Warren

In a [statement](#) responding to the news that Trump has directed his top economic adviser Larry Kudlow and Trade Representative Robert Lighthizer to examine options for reentering the 11-nation accord, Lori Wallach of Public Citizen argued that the president's move "could bring short term joy to Democratic campaign operatives" but would be yet another signal that Trump "cannot be trusted on anything."

While Republicans like Sen. Ben Sasse (R-Neb.) [were quick to celebrate](#) the president's step toward reentering an agreement analysts have said would reward



corporations at the [expense of workers and the environment](#), progressive lawmakers and [union leaders](#) decried Trump's TPP directive as a potentially disastrous "step in the wrong direction."

"In a series of broken promises Trump made to the working people of this country, rejoining the job-killing Trans-Pacific Partnership would be the biggest yet," [warned](#) Sen. Bernie Sanders (I-Vt.) in a tweet on Thursday.

Sen. Elizabeth Warren (D-Mass.) also weighed in, calling Trump's move "a ridiculous reversal and a slap in the face to the hard-working Americans Trump promised to fight for."

Negotiated under a veil of [strictly-enforced secrecy](#) by the Obama administration and so-called trade advisory committees [stocked with corporate representatives](#), the TPP was never really even about establishing conditions for "free trade," as [numerous analysts](#) have noted.

Rather, as *The Intercept's* Zaid Jilani [argued](#), the pact is primarily aimed at "protecting corporate profits" by "crafting regulatory regimes that benefit certain industries."

The deal—which was [signed in March by 11 Asia-Pacific nations](#) amid fierce grassroots opposition—is particularly generous to Big Pharma, as it "expands monopoly protections and patents for various pharmaceutical drugs," Jilani observed.

Dean Baker, senior economist at the Center for Economic and Policy Research, [concluded](#) in a 2016 analysis that "the TPP is a deal about redistributing more income upward"

"It's imposing more competition on those at the middle and the bottom while maintaining and increasing forms of protectionism that benefits those at the top," Baker wrote. "The TPP is a protectionist pact for those at the top who are worried that free trade will undermine their income—like it did for those at the middle and bottom."

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