

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

### **Release Document**

**September 2018**

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

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [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.

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.

## **SUBMISSION TO TAX WORKING GROUP**

### **What does the future of tax look like to you?**

I want to see a tax system that is fair, equitable, consistent and uncomplicated. As the population ages we need to be thinking of ways that the elderly can continue to be contributing members of the society. Science shows that a large part of the decline we see in the elderly is a consequence of isolation and lack of purpose.

#### **Changing Demographics**

We also need to create a tax – shared by workers and their employers – for a superannuation fund to be held and managed separately for the purpose of supporting people when they retire. As a government fund, the superannuation fund should not be taxable. Private retirement saving schemes should be given a tax benefits such as the tax deferred pension funds in other countries. Increasing tax on investments is a disincentive to saving for retirement.

#### **Te Ao Maori**

I'd like to see the wealth arising from Treaty settlements be applied more directly to developing skills and opportunities for Maori rather than in generating more money.

#### **The Changing Nature of Work**

What is described here is a direct result of government policy that shifted the economy from a PAYE basis to individual contractors and “trickle down” mythology. I'd like to see more of a commitment between employers and employees with employers sharing responsibility for working conditions such as sick leave, regular salary increases in line with inflation, pension funds, etc

#### **Environmental Challenges**

Taxing negative impacts on the environment just serves to raise the price to the consumer while detrimental practices continue. Government needs the courage to regulate for change rather than tax for change.

#### **Technology**

The rise of online platforms that bypass tax were created, in part, by the public's frustration with being held hostage to corporate greed and by the need to supplement income in an environment where many people who have full time jobs can not afford the necessities of life. This is another opportunity to address the source of the problem rather than be the ambulance at the bottom of the hill.

The real threat of technology is the rapid move to replacing people working in jobs with machines that can do the job more quickly and cheaper. I have no suggestions/solutions, but think it is possibly the greatest threat to the economy, to our tax base, and to the social fabric of New Zealand

### **Improving Productivity**

The absence of a widely applied capital gains tax, together with immigration policy that allows foreigners to buy NZ property (and to automatically gain residence status in the process if they invest enough money for three years!), AND by forcing the repatriation of the NZ dollars invested overseas with the FIF tax amendment, property speculation boomed – rendering the NZ economy largely non productive, with no tax revenue from the property speculation, a generation unable to buy a home and many New Zealanders left homeless.

I would like to see a capital gains tax (that does not include the family home), a revocation of the FIF tax legislation (replaced by capital gains tax on the sale of foreign investments), and a widening of our single pointed reliance on dairy farming and tourism (both of which are having a significant negative impact on the environment)

### **Inequality**

In replacing the higher income tax rate with GST we effectively made the poor relatively poorer because GST is charged for the essential things we all require - most especially food and utilities – and we are all taxed equally on those essentials regardless of ability to pay. I would like to see GST eliminated from store bought groceries (not restaurants or take aways) and from household utilities (not for business)

### **Globalisation**

Although goods and services can be bought by New Zealanders from anywhere in the world (with no GST revenue), due to our geographic location it is often more expensive to buy online. A greater problem posed by globalisation is the fact that multinational organizations can (and do) avoid tax amounting to billions of dollars while millions of people globally, who are living and working in countries other than where they were born, are caught up in complex compliance requirements between differing tax jurisdictions.

### **What is the purpose of tax?**

The main purpose of tax is to ensure that every citizen has access to food, shelter, education, healthcare, and transportation in a safe, just, and sanitary environment. As in an 'extended family', we are all responsible for contributing tax revenue for the wellbeing of our society according to our individual means. It is therefore important that tax also be used to ensure that people have the means to engage productively in employment by supporting the acquisition of the skills required for gainful employment.

It is NOT the purpose of tax to manipulate public behaviour by making certain undesirable behaviours more expensive through taxation. We can better incentivise good behaviour by focusing on providing the means for those in every sector of the society to feel valued for their contributions in a society they are proud to be part of.

## Are We Taxing The Right Things?

When a business buys something and sells it for a profit, it is called “income” and everyone understands the justification for paying tax on the profit from sale. **Capital gains should also be taxed on anything that is sold for a profit:** including the sale of property (with the exception of the family home), financial investments, business, etc. There should be no tax until capital gains have been realised.

As stated above, **we should have a payroll tax** – shared by workers and their employers – for a superannuation fund to be held and managed separately for the purpose of supporting people when they retire. As a government fund, the superannuation fund should not be taxable. Private retirement saving schemes should be given a tax priority such as the tax deferred pension funds in other countries. Increasing tax on investments is a disincentive to saving for retirement.

**We should not tax charities** but should have regulations in place that ensures a certain per cent of their donations are applied directly to the beneficiaries or cause they serve. If the charity makes money from running a business the same per cent of profits must be applied directly to the beneficiary cause.

**I strongly disagree with a wealth tax.** Tax should be limited to ‘income’ – ie. to money received - whether passively as in investments or actively through business or employment. It should not extend to money one has saved or to material possessions one owns. **Taxing wealth is a powerful disincentive to saving.** Any *additional* money that wealth generates should be taxable (interest, dividends, capital gains, profits from gambling, etc)

Tax on the value of residential property for the purpose of setting local rates is the only exception. An additional tax on the land that one’s home sits on will create too great a tax burden on long term home owners (some of whom are already being forced to leave) and on those new home owners who struggle to pay a mortgage.

**Estate Tax should have a threshold like \$2 or \$3 million before it is taxable.** There should be **zero tax on money left to charities.**

**Taxing a business with no base in NZ whose goods are sold here used to be accomplished with import tax.** Globalisation has rendered most countries as ‘subsidiaries’ of a regional umbrella group through binding regional trade agreements. Import tax would now isolate us and lock us out of regional trade. Britain reclaimed their right to act independently and we are all waiting to see the outcome.

## Can Tax Make Housing More Affordable?

Yes. The housing crisis is a direct consequence of government policy that focuses on attracting foreign currency into NZ to balance the outflow of NZ

dollars overseas. I believe that **capital gains tax on the sale of property** that is not the family home will help to make housing more affordable. We should **no longer allow negative gearing** on losses from rental property. And we should consider **rent control** measures to secure tenancy for long term tenants.

### **What Tax Issues Matter Most to you?**

**Capital Gains Tax** on property other than the primary family home and on anything sold for a profit is probably the greatest source of taxable revenue that we have not realised due to political inertia. Capital gains tax will put our tax system more in sync with other nations and should cancel the FIF regulations that created a whole new arbitrary tax category (tax on accrued value or unrealised gain) rather than join the globally community in accepting tax on capital gains.

Respectfully

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