

## **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.

VERSION 10

Submission by Alan Brown accountant .I am a member of an accounting organisation

I have two accountancy practices - one in Auckland and one in Whangarei.

The majority of my clients are small businesses.

[1]

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I have asked a number of my staff and clients the following questions:

If I said “Inland Revenue” to you what is the first thing that comes into your mind?

- Most responses were – taking tax

I also asked the question -

Inland revenue friendly: T or F?

The responses (which I can print are) – “no way”, and

“We need the equivalent of a banking ombudsman for the Revenue - directly reporting to the Inland Revenue Minister, to deal with complaints.”

**The summary is that the I.R.D. is feared (but not respected)-**

**The tax System does not reward good behavior. Just waves a big stick if you do not comply.**

**That’s not fair.**

**So change the name , let’s call them C.G.I.**

**Collecting (the ) Governments Income**

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The desire to conquer death and destruction was one of the reasons that the Kings of England created the need for taxes.

Then as mankind evolved the reasons for taxes changed.

Democracy evolved, and social changes were made to the spending government made - as politics changed the face of government and how they earned and spent our money.

I would be surprised if the average man in the street could get their head around how the government spent their money let alone how they extracted it from the country’s economy.

Should we have additional tariffs – I guess we have been trumped there,  
but is it a way of the future?? or is it just a bargaining tool?

The fundamental error in the questions you have presented to the tech savvy population is that it doesn't foresee the future habits of spending and earnings by the populous.

### **So, what will happen in the future.?**

Let's take cars for example, today we can UBER them, have petrol or electric or any combination. Now let's extrapolate:

Today we have 98% petrol

but let's say in the future we have 50%.

### **How on earth is the government going to plug the gaping hole in the petrol tax revenue?**

It's not income tax or associated revenues but it is tax.

Tax the electric pumps?

### **How will the future generations want to work?**

Today's new generation - the entitled generation- expect to be employed on their terms eg later starts, fewer hours but a livable wage.

Is that cynical or real?

I guess the tax system would cope as the p.a.y.e. or withholding tax would be deducted from their wage/ contract earnings.

But what if they are self- employed on the net, being paid for content on their site

perhaps banked into their PayPal account overseas - or paid by crypto currencies or some future concept.

Future changes will occur rapidly, and we need a future tax system with that flexibility.

### **How will the family cope, and how can the tax system help them?**

The nature of the family and relationships are constantly changing in our community and the tax system doesn't seem to be keeping up. Working For Families is great – but when is the mother/father/parent in a relationship?

When do you account for it in her/his calculation for WFF? How do you determine whether a relationship exists?

Check on the rental agreement to see if both parties are named could be part of the answer. Check on the house title to see if both names are on it?

### **What other avenues are available to generate tax income?**

Currently in most states in America there is some form of legislation that is making it's way through the legislative process to allow for the consumption of marijuana, in small amounts, legally. The state taxes the weed and could collect large sums. Have you considered this?

### **What other changes are on the horizon?**

In the medical world there is a thing called the "God key" which people believe could do away with the national health system. Once you take this magic pill you will never be ill? Fact or fantasy?

Would the national health system buy the product – and, if so, who would they give it to? and for how much? a tax or a gift?

If this is true, then the funding for health care say 70% of it could be allocated to the super fund.

See below for a paragraph from an investment letter I receive.

"you see, there are only a few companies that hold the key patents to this entire technology...

so as this breakthrough soars, three small companies could potentially go even higher.

all the details on this brand-new biotechnology are in my [new video presentation](#), **"the biggest medical breakthrough since antibiotics."**

in this presentation, i'll introduce you to the biotech breakthrough i call the "god key." and i'll show you why right now is the best time to get involved.

getting in early can make a world of difference, and I show you exactly what you need to do today.

[click here to access my new video presentation.](#)

Regards, <sup>[1]</sup>

### **What about the future of robotics and the change in the way we work?**

Robotics and AI are the buzz words of the moment.

If jobs disappear because robots are replacing human beings how will the state deal with the lack of p.a.y.e. income?

Tax the robotic companies??

Well how about taxing the businesses that use them and charge them (the P.A.Y.E) the same amount they would be paying a real person.

### **The Revenue and Audits.**

Another issue that is not covered is the way the Revenue actually deals with

an average member of the public when they have an audit. Most of the audits appear to be standardised and solved within a 4-5-week period. But others drag on and on.

This is a disadvantage to the taxpayer- and certainly not fair- as it involves them paying large sums of money to resolve the issue.

During this process the Revenue insists that the taxpayer or agent responds almost immediately but when you request the same response from the IRD , they say it will take between 4-5 weeks!!

**That is grossly unfair.**

What I would like to see is a commitment by the IRD to respond to all businesses/individuals on matters that are not complex (oops that might be a problem- how would you define this?)

To resolve the audit within say 12 weeks , where both parties are required to respond to correspondence within 2 weeks of receiving it, **and accepting email as a means of corresponding.**

## **One strange thing under the income Tax Act**

There are a few anomalies in the Income Tax Act , but there is not enough time to list them all.

BUT there is one I would love you guys to fix.

The main principle with the Income Tax Act is to collect as much tax as possible.

There are many self-employed people that are slow paying their personal income Tax

From N.D Salaries .( No Tax deducted) Within my business we try to encourage our client to pay.

So what we do is to put them onto a salary when they own the company.

Plus give them an N.D salary as well.

This is strictly wrong.

But achieves the goal of them regularly paying tax.

In some case if this did not happen they would not be able to pay the tax.

Generally , people live up to their income.

So what I would ask of you is to :-

ENSURE THE INCOME TAX ACT HAS AN AMENDMENT TO ALLOW A SHAREHOLDER EMPLOYER  
TO BE PAID A SALARY AS WELL AS A N.D. SALARY WHEN WE PREPARE THE YEAR END ANNUAL  
ACCOUNTS  
FOR THE COMPANY.

Why do we need any more taxes? Haven't we got enough?? Or is there a social agenda??

SEE APPENDIX RE HOW TAXES ARE AND HOW I WOULD LIKE THEM TO BE. APPENDIX 1 AND 2

As shown above there are so many direct and indirect ways the members of society are taxed by the government of the day not just income tax, GST or company tax.

But surely you must also ask the question of how does Government **spend** what the IRD have collected?

There are many cases for independent reviews of the government departments that spend money like water.

If we have a review of the tax system we should also have a review of how the government spends the money.

Why increase the collection of taxes when more effective allocation of the tax money can produce a better result?

I acknowledge the Audit office is supposed to do some of this work – but that's a Government Department. I would prefer to see an independent entity undertaking this task.

One where the senior staff hold office for a limited time .

One that has teeth , that can stop or fine a Government department for overspending.

There must be a carrot and stick approach for the Government as well !

So, we are all crystal ball gazing and when it gets too hard, we come back to the old chestnuts.

The five pages of documents provide a too simplistic view of the tax system

but at the same time, you are channeling the majority of the submissions into dealing with these limiting questions.

So here goes let's try and deal with some of the questions you have raised in your 5 tax pages.

## **What we tax and what we don't**

**no : 1**

A brief review of the taxes,  
then a brief suggestion of what other things should be taxed.

I say the system is fine, don't add any more direct taxes.



## **What tax issues matter to me most.**

**no 2**

Again, here your website briefly shows what is and isn't taxed.

### **Capital gains tax**

O.k. the overseas treatment is different but, what's wrong with being different?

This attracts investment and strengthens our economy

helping our construction and associated industries,

I believe that whichever party brings this in will be a one term government.

**Don't go there for property.**

**Well actually Government already has, and it's called the bright line test!**

**For gold** – hey why not,

but how do you keep a record of who has what?

I don't want another department created to monitor it unless

it is run effectively and efficiently.

I have no idea how you would monitor this form of tax.

### **Land tax**

Why? Don't we have enough revenue off land already?

Rates ---

**no.**

### **Progressive company taxes**

Interesting concept, so why have the Aussies back tracked on it?

Be kind of fun if we can run it better than the Aussies.

But here you would have to make sure it is targeted to the right group.

Small businesses have many difficulties to face, so a helping hand by say an education wing of the government could help, and

**not** the i.r.d., as they instill fear into a lot of people.

I suggest you look at a rate of 10% for new companies, in a new business, (not existing businesses) for a maximum of 5 years.

In addition to this the government, using big data, could determine the cause of failure in small businesses and provide education material to trusted advisors such as accountants to run educational seminars.

As part of accepting the registration for a new company there would be a requirement to attend one of these seminars , then within the 5-year window a minimum of one seminar each year.

A voucher could be given by the government for the first 3 years, then after year 3 the companies would have to pay a market rate.

But they could not be able to renew their company registration unless they got a third party confirmation that they have attended a training seminar.

## **Taxing the environment**

What a lovely idea, but I can see six green people in a room and no-one can make up their mind how it works!!

So, what is the social, environmental goal here?

to tax the farmers? to keep our streams clean?

Isn't that a local body concern not a tax concern??

How do you quantify the fart (methane) emissions from farm animals and how do you tax it? we all do it, do we all have to pay a tax?

So, my suggestion is that you look at a natural solution. There must be some plants that absorb methane, so there could be incentives to plant these to offset the gases.

In Saturday's Herald (dated 14-4-18) there is an article about the green initiative, they have been given 100 million already. I guess this has come from the main pool of taxes collected.

So, the Green party has their source of funds already.

## **GST**

**Love it on everything with a few exceptions,**

otherwise it creates a job for lawyers and accountants trying to fit everything into the exceptions.

It is still not perfect but not far from it.

**Keep it as it is , or increase it by 1-2%**

Although a small selection of our clients constantly getting it wrong.  
hopefully by mistake. We correct it and advise our clients.

no 3

**What is the purpose of taxes?**

**As mentioned earlier the purposes change over time, depending on the government goal and policy commitments, so is this a political question?**

**If so, why is it here?**

I believe I am in a democracy – well – I hope I am.

So, I want to make my own choices about what I do.

A tax should be something that we can firstly choose to accept then be adopted by the Government of the day.

Hopefully most people will accept it as we like our hospitals, our roads etc.

If they do not see the connection then it should be part of the school curriculum.

To me taxes are a way to fund government, not an open cheque book, but a limited resource that should be allocated effectively and efficiently.

**Naturally the system should be simple**

Where things such as drugs (tobacco) and alcohol are involved a form of tax should be applied as they appear to be high users in our hospital system.  
but I would want a direct flow of the tax money to go into hospitals and drug rehabilitation.

For future targeted taxes an internet-based referendum could be appropriate

I don't think **everyone** is happy when the government says this is bad, so we will heavily tax it.

### **With the sugar thing**

If there is an argument to say sugar is bad for us, then there should be a change in the quantities of sugar in the products.

It should not be an excuse for another tax.

So, I do **not** believe taxing high levels of sugar is the right thing to do.

Hopefully the consumer will see it is not good and change their buying behavior.

So, no, but educate.

no 4

## The future environment

### **Changing demographics- it has always been known!**

I guess this is how we tax the old to be able to maintain good level of supporting services.

This age group have paid their taxes, for over 15 years each Government in power knew of this bump in the population . So why didn't they contribute more to the super fund?

So that the generation who would benefit were taxed accordingly .

Surely it is better to increase the number of people that are of working age than to tax the older age group who have already been taxed.

My suggestion is: -

Make Kiwisaver compulsory so that future generations depend on this and use the superannuation fund to pay for the older group.

Please note that previous governments have not contributed to the super fund and decided to spend our money in a different way.

So, government, contribute more into the super fund for this age group.

Don't tax them.

If you must tax, then delay super so people receive this when they are say 70 onwards.

Encourage older people to work longer, provide them with an annual tax refund using a rebate system.

As confirmed by an Article in the Herald dated the 16-4-18 page A3 –“Kiwis can’t afford to quit”-work longer .

Tax the politician’s pensions , the people that made these decisions , not to put the correct funding into the Super fund .

### **Maori and the future.**

I guess we are talking about the Treaty of Waitangi issues here.

Surely Maori values should be New Zealand values.

Are we not all new Zealanders?

Recently it has been said

“The Tainui **iwi** body, a significant landholder with a thriving corporate business, is one of the wealthiest registered charities in **New Zealand**. Announcing a \$137.8 million profit for the 2017 financial year, Waikato-Tainui has come under fire from some parts of society for paying \$12,000 income **tax** in 2016.”

So , they too should not be charities and be taxed like every other business.

At a trust tax rate , that’s 33 c in the dollar.

### **The changing nature of work**

As indicated earlier in this paper the methods of payment may vary in the future.

If you are paid by bitcoin today can the revenue track it?

Rather, support the bitcoin exchange so you can capture the data and tax the income?

The tax system must be adaptable and move quickly with the future changes.

If people are paid via PayPal, then you need to gain access to the PayPal accounts and see if the individuals or companies are trading. If so, then tax their income.

### **Environmental challenges**

Do you mean climate change or pollution in the streams and oceans?

What are you trying to achieve?

With climate change we need to first acknowledge it, perhaps teach it in schools so that people understand the reasons behind the tax if any.

With streams and the ocean - again aren't you covering an area that local bodies should act upon? Not a tax issue.

With the oceans, send out the navy to collect the masses of plastic, put on a plastic tax on companies that manufacture plastic items.

Then use this money to reward people to recycle the plastic.

Charge overseas fleets that fish in our oceans, legally, an environmental tax for the mess they dump back into the sea.

Locate, and impound ships that illegally fish in our waters. Then sell the ships providing a percentage to the navy and a percentage to environmental purposes.



## **Technology**

**As mentioned earlier the tax system must be flexible and able to change with the changing times.**

So, any new business model imported from overseas must be licensed in some way for the government/local body to be aware of the effect on the current economy.

With Uber, registration and thus tax on the income

With Air B&B a charge to the owner/user that is put back say into tourism.

It is impossible to foresee the changes, but someone needs to monitor the trends.

We are not, normally the first to use something new so look at the economies around the world.

See what is developing and be proactive not post active.

## **Improved productivity**

What is wrong with relatively poor productivity?

Robots should increase productivity .

If we are low, in global terms, and this is seen as an important issue then the government must, in some way help business in some way .

Perhaps through the business owners trusted advisors,

such as accountants.

## **Inequality**

**Through time immemorial there is always someone who feels that they are not equal.**

**Once it was the serfs, then the middle class, then women and gosh now the gay community.**

There is no quick fix to solve these issues.

Over time the government did not support the suffragette movement , they raised their profile and overtime establish their identity.

In our current society social media is used to raise concerns.

Trump's organisation used it to win an election.

Why doesn't the state use big data to establish the county's concerns.

Then, depending on the ruling government use the various arms of government to identify the issues and assist financially and educationally to help resolve the inequality.

With any legislation the concept is good, but the delivery is difficult.

Working For Families is a social piece of legislation to help those in need and hopefully the children.

Great in concept but hard to recover the money for partners that will not pay a fair share.

Education should play a part, instill in people that if they have children then they have an obligation to support them. If not in person then financially. Enable the Revenue to use a number tools to encourage defaulters to pay their rightful obligations.

**To act promptly, not months or years after the debt has**

**accumulated.**

## **Globalisation**

**Well it's not new, everyone loves a deal so if it is cheaper by buying from overseas everyone should have this choice.**

My solution to the potential loss of tax revenue (gst) is to legislate so that any overseas purchase the individual would be charged the g.s.t. by the bank. They do it with an overseas charge at the moment so why can't they add the g.s.t.? then pay this to the Revenue.

The hole in this, would be if the individual or company has an account overseas and use these funds to pay for the imported items.

So as mentioned earlier you need access to these accounts.

**Can tax make housing more affordable?**

**I guess this is the hot potato of this current and past government**

What has it got to do with tax??

Property has always been hard to buy, you have to give up a little of your lifestyle to have a future benefit of a mortgage free home.

I sometimes wonder if the current generation can't give up anything but they can find the money to pour into their cars!!

So, they want to be given the funding for a home!

Is this the entitled generation speaking?

Perhaps you could bring back the capitalisation of the family benefit.

as a deposit on a home.

As well as providing a deduction of the interest from the first home mortgage for a limited time period. No more than 3 years.

This interest deduction could also be given to the parents if they funded their children into homes -

**Enable Kiwisaver's to use the total value of their Kiwisaver Account in full , without question to purchase a new home.**

**Capitalise the family benefit and give an interest deduction incentives to new home owners and their parents**

**Don't tax houses -**

particularly those owned for investment. Who else provides  
a home for someone who cannot or does not wish to buy their own house?