Tax Working Group Public Submissions Information Release

Release Document

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taxworkingroup.govt.nz/key-documents

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

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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.

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.

THE FUTURE OF TAX

Introduction

I am one of the ordinary Kiwis, writing a submission and trying to finish it off before the end of April deadline. The Tax Working Group, terms of reference in the Submissions Background paper, states that increasing any income tax rate or rate of GST are outside the scope of this review. And any public comments from "The Tax Working Group" have been focused on any of these taxes. A Wealth tax, tax on Financial Transactions, A Broader Capital Gains tax, a land tax (LVT) and new Environmental Taxes.

With a strong focus on wealth inequality, specifically around wealth accumulation, which could lead to possible tax reforms, if the government was to follow any of the tax recommendations from the Tax Working Party. But over the past month I have become increasingly confused and frustrated regarding the messages and announcements coming from the Labour led coalition government. Which are often confusing, sketchy and seemingly vacillating and at times appear on the edge of conflicting with the terms of reference and scope of the Tax Working Groups review. Giving me cause to question and speculate as to whether any new tax changes or reforms that may be implemented to our present tax system could then be used to enable the government to bring in the extra revenue to offset the very high government expenditure without impacting on their promises of sustainable surpluses, net core debt and core crown spending targets.

There are 3 issues which are a concern for me:

1. *"Fiscally Neutral"* tax proposals
2. The increase in fuel levies via "*Hypothecated Transport"* fund
3. The huge ongoing Government expenditure relating to the Supply and Confidence coalition deals that were signed behind closed doors, between the Labour Party, NZ First Party and the Green Party to enable the formation of the Labour led coalition NZ Government along with the huge ongoing expenditure for the Labour Party's pre-election promises and the Labour Party fiscal responsibility rules signed with the Green Party ahead of the 2017 General Election. Which gave the commitment that the government will keeping posting sustainable surpluses to get Net Core debt down to 20% in 5 years and Core Crown spending near to 30% GDP.

1. "Fiscally Neutral" tax proposals

It is entirely plausible that any tax changes stemming from *The Tax Working Group* could be balanced by tax relief elsewhere and any tax *Working Group* proposals could be "*Fiscally Neutral"* causing me to speculate that any revenue from new tax changes or reforms that are implemented to the existing taxes would be offset by an "adjustment" in income tax.
"adjustment" meaning by raising the thresholds of cut-off point level of the present income tax system.
Regarding the terms of reference and the scope of The Tax Working Groups review. Why is that Increasing any Income tax rate is outside the scope of the tax review BUT adjustment of any income tax rate is within the scope of the tax review?

2. The increase in fuel levies via "*Hypothecated Transport*" fund

The increase in fuel levies for all NZ motorists and revenue used to build rail infrastructure and improve safety on regional roads.

We were told that this was a fuel excise and not a tax, but an excise is just a form of tax.
The fuel excise used specifically to "transport" in an a *hypothecated* fund – The National Land Transport Fund.

Hypothecated Tax
(to dedicate a particular tax to a specific area)
The downside is that politicians are able to find "innovative" ways to move the goal posts and obscure the definition of the "specific purpose" of which the tax was hypothecated and can allow governments to regain total control over how public money is spent.

Specific Purpose Transport in a hypothecated fund
Definition of Transport.

Modes: air, land, rail, road, cable, pipeline and space

Fixed Infrastructure: Cycleways, roads, railways, airways, waterways, canals and pipelines

Terminals/Operations: Airports, railway stations, bus stations, warehouses, depots and seaports

Vehicles travelling on The Network: cars, bicycles, buses, trains, trucks, people, helicopters, watercraft, space craft and aircraft

Some alterative options for a excise/tax that could be used specifically to "transport" in a "hypothecated fund"

1. A excise on all cyclists, using cycleways and all revenue used to upgrade aviation fuel and gas pipelines
2. An excise on all watercraft and all revenue used to upgrade road infrastructure

3. The Huge Ongoing Government expenditure relating to Coalition deals and pre-election promises

NZ has a progressive tax rate and a redistributive income tax system. To add fiscally neutral tax proposals that either bring "adjustments" to the existing tax levels alongside the introduction of new tax reforms, only serve to increase inequality and unfairness to the income tax system and place and extra burden on the decile 9 and decile 10 NZ households, who already collectively pay 52% of all income tax government revenue.
As a result of paying the top income tax level and receiving very low levels of government transfers. The proposed new tax reforms will serve only to add additional taxes and increase the upper tax rate level cut off points, but leaving the Government transfers, at the present lowest levels, therefore adding even more responsibility, and extra tax expenses on these NZ households who are already contributing more than half of the governments income tax revenue.

New tax reforms and tax "adjustments" should not be borne by "the few". And not if they have been introduced as a tool to bring in extra government tax revenue as a result of the rollout of ongoing government expenditure to cover coalition agreements and Labour Party pre-election promises
And to add to the government expenditure after only just 6 months into the Governments first term there are a total of 75 different groups of people, made up of inquiries, references and Working

Groups reporting to the government. Which means there are more Working Groups than there are MPs in the entire Government.

If the government appointed tax Working Group determines that they will be recommending Tax reforms in their interim report to the Government Ministers of Finance and Revenue.
Then I have a few proposals for consideration along with some further detail around their applications.

1. **<u>A personal wealth accumulation tax</u>**
   Targeting the top three personal net worth age groups, with the highest accumulation of individual wealth and who are also the older members of the NZ population
   Base tax rates ages: 45 years – 54 years
   Medium tax rate ages: 55 years- 64 years
   Top tax rate: ages 65 and over
   plus a number of add on taxes for all three tax rates

2. **<u>Pigouvian Taxes and Sin Taxes</u>**
   Specifically targeting all the 120 politicians in parliament
   add on taxes for all government party list MPs
   And a sin tax excise specifically to gambling winnings
   Target Group A: Government Labour Party MPS
   Target Group B: Government NZ First MPs and Government Green Party MPs

3. **<u>Environmental Tax</u>**
   Target group: all NZ Electricity companies who are both generators and retailers of electricity.
   Purpose of the environmental tax: to subsidise all costs including installation to enable all NZ households to sustain – reduce their energy costs by using solar generated energy to heat and provide power for their homes while also addressing Climate change and environmental challenges and pollution along with making all homes warm and dry.

<u>1. A personal wealth accumulation tax target group</u>

Older members of the population who have by the highest personal wealth

Base rate: 45 – 54 years (- net worth $182,000)
Medium tax rate: 55 years – 64 years (- net worth $278,000)
top tax rate: 65 years plus (- net worth $288,000)

Add on taxes, applicable to all three tax rates

a. **They own a family holiday home or Bach**
   Capital Gains tax on the holiday home or Bach
   Land Value tax on the land surrounding their family home, can be progressive ie The bigger the section the bigger the LVT

b. **The land surrounding their family home (exemption on the family home and the land underneath it)**

Land value tax on the land surrounding their family home, can be progressive ie the bigger the section the bigger the LVT.

c. **They own one or two rental homes, as income for their retirement**
Capital gains tax and Land value tax

d. **They own their own car**
Wealth tax – because it is an asset
National fuel tax and regional fuel tax on top if they live in Auckland
Carbon Tax – emissions from their car
Environmental tax – for using their car instead of cleaner, greener options such as walking, cycling and public transport

e. **An elderly relative dies and leaves them their estate**
Capital gains/wealth tax on the estate and assets

f. **They use either coal or firewood for heating their home**
Carbon tax

g. **They own a antique and painting collection**
Wealth/Capital Gains tax – on their assets

h. **They have a bit of money set aside in savings accounts and investment accounts for retirement**
Capital gains tax

i. **New public infrastructure improvements is built in their neighbourhood, increasing their house RV**
Property Value Capture Tax

j. **They buy a lotto ticket each week and if they win cash they will be taxed on their winning**
Sin Tax

k. **They drink orange juice, fruit juices and other non alcoholic drinks**
Sin tax in the form of a sugar tax

l. **A trip of a lifetime is planned**
1. They will need to exchange NZ currency into Euros, after the exchange rate is factored in and the bank fees are paid. An extra bonus Tobin tax
2. They need to send some cash overseas to use/pay for their planned holiday after the exchange rate and bank fees have been taken. An extra bonus a Tobin Tax.

2. Pigouvian Taxes

Specifically targeting the 120 politicians in parliament.
Applied when:

a. They speak with forked tongue
b. They exhibit sour grapes behaviour

c. Anytime hot air emissions are detected

Additional taxes for all government list MPs:

a. If they are judged to be high-flown and overblown
b. If they put on a lot of dog

Supplementary Taxes (Sin tax/excise specifically to gambling winnings)

a. If you are a member of a party that is part of the coalition government and your party has more Party List MPs than electoral seat MPs and the Electoral seat MPs make up less than 14% of your total seats in parliament
b. If you are a member of a party that is part of the coalition government and your party MPs are all from the Party List meaning that your party has zero Electoral seat MPs in government.

3. Environmental Tax

A progressive tax targeting all electricity companies who are both generators and retailers of electricity. This tax is specific to the net percentage of total annual profits. All government revenue to be placed in a "Household Solar Generated Energy" "hypothecated fund" specifically to subsidise all costs including installation to enable all NZ households to produce solar generated energy to heat and provide electricity for their homes at zero cost for low income households and subsidies for the remaining NZ households.

The Labour led governments Tax Working Group

A review of the NZ Tax System

NZ is one of 35 countries in the OECD that have a mixed economy structure: a mix of government spending and free market systems, based on the share of government spending as a percentage of GDP – incorporating both the private sector of capitalism and the public sector enterprise of socialism to overcome the disadvantages of both systems.

In 2017, OECD "The Structure of Tax Receipts" NZ had substantially higher revenues from taxes on Corporate Income and Gains and Goods and Services taxes (GST).

NZ is also equal to OECD average for taxes on property. In 2015 NZ had one of the lowest government debt of all the 35 OECD countries, coming in 4th out of 35.

Comparisons:

NZ	35.6% GDP
Australia	67.7% GDP
Netherlands	77.5% GDP
U.K	112.6% GDP
USA	125.9% GDP

Mixed Economies

Very few economists would argue that the government should try and intervene in all areas of the economy. Private business and financial incentives pay an important role in a well functioning economy, even if the desire is to promote greater redistribution.

NZ Net debt to GDP
2016 - 24.40%
May budget 2017 - 23.8%
2016/2017 fiscal year - 22.20%

NZ Debt to GDP (core Crown spending)
2015 33% GDP growth (3.19%)
2016 32.1% GDP growth (3.58%)
2018 28.5% (2017 National Government forecast)
2022 27.8% (2017 National Government forecast)

Economic Growth

In August 2017 the then National led Government had a government surplus if $3.7 billion for 2016/2017 and economic growth forecast to be 3% over 4 years.

The tax take was 7.3% higher compared to the same period the previous year.
Government Net debt was $62 billion, equal to 23.8% net of GDP in the May 2017 budget, but in August 2017 was updated with Net Core Crown debt estimated to be $2 billion lower than bydget forecast.

This has meant that the new Labour led government has benefited from the higher gain in expected government revenue.

Labour Led Government and Expenditure

1. Cancelled National Governments $8 billion tax cuts and used this money for "Families Package and other Coalition Confidence and Supply deals"
2. Expenditure and outlay for "Free tertiary fees" and "Kiwi build"
3. The creation of 75 inquires, reviews and working groups.
4. Maintaining core funding for Health and Education, costing billions of dollars alone, without injecting the further revenue that is needed for these 2 core sectors.

NZs Tax System

A broad based progressive low rate and distributive tax system. It has a more concentrated source of government revenue than all of the 35 OECD countries with the exception of Denmark.
And NZ is now one of the few developed countries currently running on a fiscal surplus.
90% of the governments tax revenue comes from just three tax bases, allowing NZ governments to raise substantial tax revenue, with low tax rates. This simple and low rate tax system reduces government administration costs and gives less opportunity for tax avoidance.

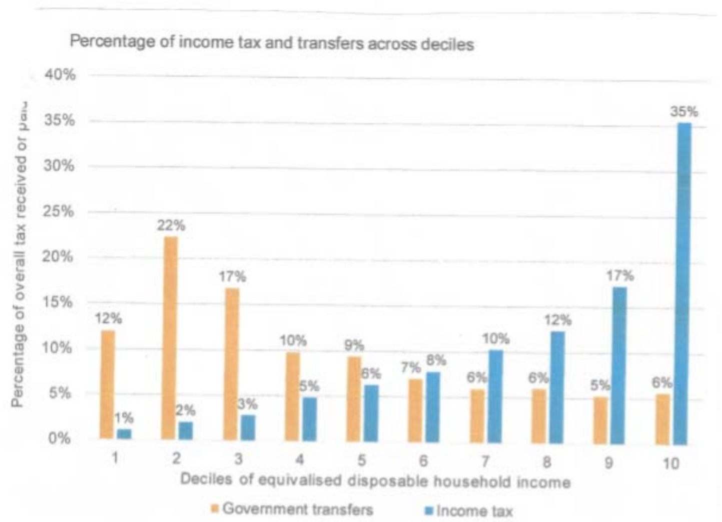
The three tax bases

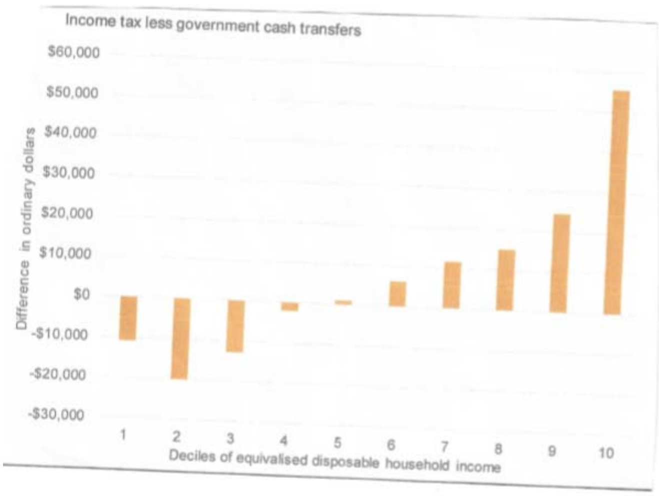
Individual Income Tax - 40.2%
GST - 31.4%
Company Income Tax – 16.3%

NZ has reduced its use of other tax bases in order to keep our tax system simple, broad based and low rate. Previous tax reforms have eliminated Sales taxes, excess retention taxes, Land taxes (LVT), estate duty taxes, gift duty taxes and cheque duty taxes.
Previous tax reviews have rejected introducing Financial Transaction taxes, wealth taxes and a General Capital Gains tax.

The Tax Working Group will now examine whether there is a case to introduce any additional taxes particularly in the light of growing International debate about income and wealth inequality.

Income and Wealth Inequality and the present NZ tax system of Individual progressive tax rates along with a redistributive tax transfer system





The Fundamental difference between Capitalism and Socialism lies in the scope of Government intervention in the economy (discretionary fiscal policy)

A mixed Economy balance

Free market – Entrepreneurs are able to make a profit
Government intervention – progressive taxes to reduce inequality

Distributional Outcomes

10% of households with the highest incomes pay around 35% of all income tax and 50% of all households in the 5 income deciles collectedly pay less than 20% of all income tax.

Decile 1 - 8 collectively pay 45% income tax
Decile 9 and 10 collectively pay 52% income tax

Decile 1- 5 collectively pay 17% income tax
Decile 6 - 10 collectively pay 82% income tax

Government Cash Transfers

Decile 1 - 5 collectively receive 70%

Decile 6 - 10 collectively receive 30%

Deciles 1 - 5 collectively - the amount they receive in cash transfers is greater than what they pay in tax.
Decile 6 pay 1% more in tax than what they receive in transfers.
Decile 7 pay 4% more in tax than transfers
Decile 8 pay 6% more in tax than transfers
Decile 9 pay 12% more in tax than transfers
Decile 10 pay 29% more in tax than transfers

The NZ Tax System

NZ has a progressive and redistribute tax system "The more you earn the more you pay "and a government system to help NZers in the lower income households.

The result of our Tax system is that government income tax revenue is dependent on a small group of high earning salaried individual NZers to pay a large chunk of tax. Making it a risk to our tax base as people are mobile and can move overseas.

2016 figures

The top 3% of individual income earners ($150,000+) pay 24% of all tax received

- on a net basis, 48,000 households pay 28% of all tax
- one in three households are contributing nothing to NZs tax take
- 663,000 households or 40% are net tax negative and thousands more are net tax neutral

A Progressive Broad-based Distributive Income Tax System and Wealth Accumulation

Socialist Economy
The primary concern is an equitable redistribution of wealth and resources from the rich to the poor.

Free Market Economy
Contents that inequality itself, is the driving foe that encourages innovation which then pushes economic development.

Mixed Economy Structure
Incorporating both the private system of capitalism and the public-sector enterprise of socialism to overcome the disadvantages of both systems.

Household and Individual Accumulated Wealth

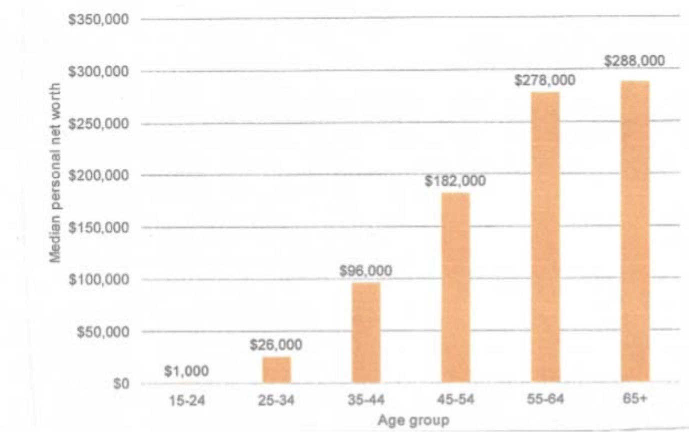
1. Household net worth is higher for the 2 top quintiles 4 and 5
2. Personal net worth is higher in the age groups 45-55 years but progressively much higher in age groups 55-64 years and age groups 65 years plus

a. Household Net Worth

It could be said that the wealthiest households have worked hard all their lives and chosen to save more and invest a proportion of their income long term, and for future financial security and towards their retirement years. By doing so they are in turn helping to promote economic growth, for all New Zealanders to benefit from.

b. Personal net worth tends to depend on age, as people accumulate assets throughout their working lives. On average older people are wealthier than younger people.

Figure 18: Median personal net worth by age group (2015)



Individual and Household, Accumulated Wealth,

Most NZ rich listers are self-made people and entrepreneurs who have created businesses. They are people who have taken personal risks and invested their own capital.

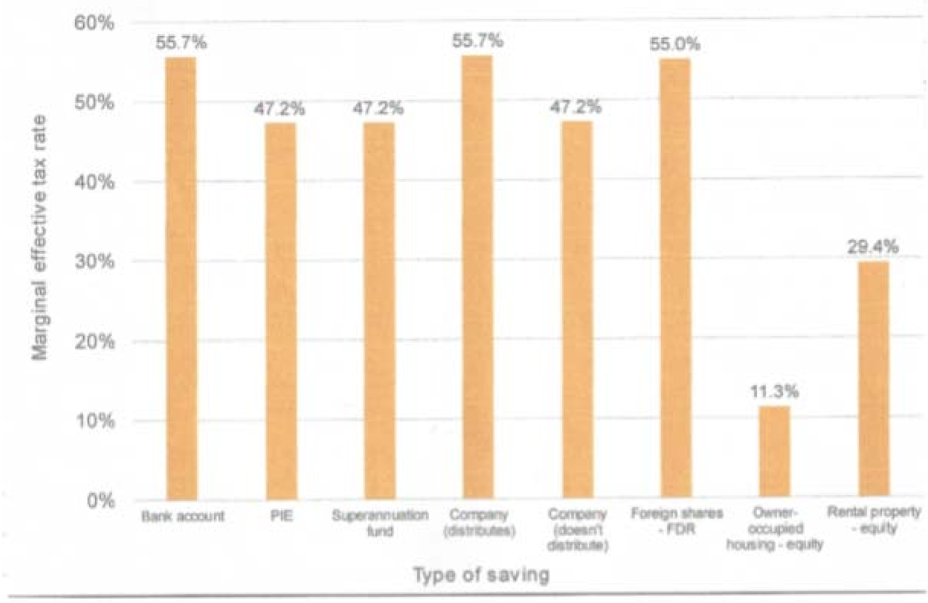
Non-Owner-Occupied Housing Wealth

This shows that this wealth is held by the wealthiest quintile. **But** does not distinguish between rental property investors and the NZ tradition of owning a family holiday home or Bach. Baches are often handed down through many generations of family members and are used and shared between family members and their friends to enjoy.
If the bach or holiday home is used for both rental and private purposes then it is classed under mixed use assets for IRD and taxed. The criteria being if during the tax year your property is used both for private use and income earning use and it is also unoccupied for 62 days or more.

Marginal Effective Tax Rates on Savings

All very consistent with rental properly equity around 17% below and owner-occupied housing equity the biggest problem.

Figure 21: Marginal effective tax rates on savings



Past Tax Reviews, established criteria, costs and benefits for the introduction of tax reforms

1. **Efficiency** - previous government forecast in 2017 economic growth expected to be 3% of 4 years

2. **Revenue integrity** - present tax system simple broad-based, progressive and redistributive system thus making it harder for tax avoidance

3. **Fiscal adequacy** - previous government (2017) surplus was $3.7 billion for year 2016/2017. NZ is now one of the few developed countries currently running on a fiscal surplus

4. **Compliance and administration costs** - present tax system is simple and broad-based which keeps compliance and administration costs down to add further taxes alongside income tax would add complications and greater compliance and administration costs as a result

5. **Coherence** - all of the tax working groups suggested taxes, have either been eliminated or not implemented with previous government reviews or reforms. To keep our present tax system simple and low cost, any further tax reforms will need to be simple and low cost, none of the taxes that have been suggested fit that criteria and would not make any sense to introduce them to our present tax system.

6. **Procedural Equity and Fairness** - Our present tax system is a progressive and redistributive tax system. Top 2 deciles collectively pay 52% of all income tax revenue deciles 1-5 collectively. The amount they receive in cash transfers is greater than what they pay in tax.

To add further accumulated wealth taxes alongside the top 2 deciles who are collectively already paying 52% of all income tax revenue is neither fair or equitable.

These six established benchmark criteria's have been successfully applied and maintained within the present NZ tax system. Any introduction of further tax reforms by the present NZ government serve only to add extra ongoing administrative and compliance costs and will not beneficial to all New Zealanders.

Wealth Tax

a tax on tax

"You work hard all your life, pay tax, save money and pay tax and then you pay tax in what's accumulated and left over. Does that seem fair?" - an ordinary kiwis opinion.

Previous NZ governments reviews have rejected this tax.

- Wealth taxes have been proven to bring in little government revenue
  France bought one in between 1998-2006. It bought in $2.6 billion government revenue per year but $124 billion flight of capital.
- Across OECD nations, a wealth tax represents less than 2% of total tax revenue for governments
- It deters entrepreneurs, analyses of 4 countries who abolished wealth taxes increased self-employment by up to 0.5% points.

In the UK, not even a Labour government has ever introduced a wealth tax.
Denis Headly, famously said *"I found it impossible to draft one (wealth tax) which would yield enough revenue to be worth the administrative cost and political hassle."*

Land Tax

(excluding the land directly under your family home)

1. The land surrounding your family home
2. The land surrounding your farm house
3. The land surrounding your family holiday home or Bach
   (previous reforms have eliminated land tax)

Value Capture Tax

Grant Robertson on Property Value Capture Tax: "The government was investigating innovative ways to bridge the funding gap to pay for rail and roading infrastructure the country needs especially around Auckland. These options included Value Capture which the productivity commission championed early last year"

For funding infrastructure by taxing the households and businesses that most benefit from it. Includes rail and roading. For households it can be applied before or after public improvement is built.

Tobin Tax or Robin Hood Tax

A financial transaction tax which includes taxes on currency transactions.
“The original purpose has been eclipsed among activists who have increasingly seen the Tobin Tax as a good way of raising revenue for Economic and Social development” - (even Mr Tobin was not impressed)

- When you get paid and make a payment on your mortgage
- When you send money overseas to pay for your upcoming holiday
- When you exchange NZ Cash into other currency’s (after losing money on NZ exchange rate + bank fees) to take with you on your upcoming holiday
  This tax will affect ordinary Kiwis through Kiwisaver.

Previous reviews have rejected Finical Transaction Taxes.

Broader/Comprehensive Capital Gains Tax

“You are taxed on your income, spend the rest and it is taxed with GST. Buy alcohol, cigarettes or petrol and it has a sales tax on top of GST. Pay for Council Tax (rates) and pay GST on top of the Rates tax. Now they want to take the rest you have managed to save and call it Wealth/Capital Gains and tax it repeatedly (annually). Does that sound fair to you?” - an ordinary Kiwi

Previous tax reviews have rejected Capital Gains Tax

Tax Working Groups Tax Submission Background Paper appendix 2 Design Issues with a Capital Gains Tax feedback on a number of detailed design issues

1. Rental Properties
2. Holiday Homes/Bach (exemption only for family home)
3. Share market shares
4. Collectables, jewellery, antiques, paintings etc
5. Private assets such as cars, boats etc
6. Assets held by Kiwisaver
7. Other Savings Schemes
8. Gifts and Gambling winnings e.g. lotto
9. Family Trusts
10. Disposal of assets upon death - estates

Phil Twyford, regarding Capital Gains/Wealth Tax: “Its not okay that the 1% are making money out of assets and paying very little tax, while ordinary Kiwis go to work to pay their tax every day. We have to change that.”

A broader Capital Gains Tax on Residential Investment Properties

“It will affect middle New Zealanders. People who are asset rich and cash poor. Like self-employed business owners. New Zealanders who own a family Bach. Elderly people who have saved their whole lives for retirement and are living off their savings and/.or rental property returns.” - an ordinary Kiwis view on extra taxes

Nationwide Rental Crisis December 2017, January 2018 and February 2018

Trade Me Rental Figures
A shortage of places available to rent nationwide down 49% between Dec 2017/Jan 2018 compared to same time period Dec 2016/Jan 2017. Total number of new bonds lodged in 2017 were down 99%. The biggest annual decrease since 1993.

Capital Gains Tax on all residential Investment properties means new rules on Landlords, could see them exit the market and even further reduce the supply of rentals, which are already in short supply. Its getting hard for the overwhelming majority of Landlords, who only own one or two rental properties. These are all sophisticated profit driven land lords. They are nurses, doctors and teachers. They are getting out of the market and doing other things or retiring.

Minister of Revenue, Stuart Nash: "The changes to the bright line test will ensure that residential property speculators pay income tax on their gains and makes property speculation less attractive".

Phil Twyford - on plans to address the rental crisis: "The only way to seriously keep rents in check is to greatly increase the supply and the Government has a role to play in this".
In both increasing the supply and softening the rough edges of the Private Market, he wants to introduce legislation to reform Residential Tenancies Act and to increase the supply the Governments Kiwi Build Plan building 100,000 affordable private homes over a ten year period and this would free up rentals by moving tenants into private homes.

February 8th 2018
A goal to build 16,000 affordable homes over the next 3 years may be overly optimistic, documents from the MBIE suggest after Phil Twyford has said that 16,000 would be built in the governments first term, MBIE documents estimated only 8000 homes would be constructed over 3 years.
It would take 4 years to build 16,000 homes.

"They are not building homes for the homeless or low income earners, they are going to be building affordable homes, that cost $500,000 or more, that most of us can not afford" - an ordinary Kiwis view

Tax and Behaviour (and coalition supply and confidence deals)
Social costs are taxed at a higher rate and social benefits are subsidised or taxed at a lower rate

Pigouvian Taxes
A tax that aims to change individual behaviour which the government deems to be harmful to other people or the outside environment
Examples:

- A fuel tax
- A water consumption tax
- A royalty on bottled water
- Carbon taxes on fossil fuels (could include electricity)
- Waste sent to the land fill tax (a Green Party coalition deal - a commitment to minimising waste to the landfill by reducing all waste classes by 2020)
- A wind down of the exiting government irrigation schemes (another Green Party Coalition deal)
- No new irrigation schemes will be funded by the government (yet another Green Party Coalition deal)

Carbon Taxes
When Australia introduced a version of a Carbon Tax in 2012, more than half of the Government

revenue ended up being given back to pensioners and poorer households to help with their energy costs.

In 2007, when David Parker was the Climate Change Minister and Dr Michael Cullen was deputy PM, the Labour government proposed a Carbon tax on both fuel and electricity, estimated to bring $360 million per year revenue for the Government but the government was forced to do a U-turn in the end.

1. The governments recent short term environmental solution that will likely result in long term negative effects for the NZ Economy. The removal of existing government subsidies and investment in irrigation schemes.

The benefits to the NZ Economy of irrigated NZ farmland

2000/2002 - 4% of irrigated NZ farmland producing $1 billion net per annum at farmgate. 12% of agriculture GDP

2012/2013 6% of irrigated NZ farmland producing $2 billion net per annum at farmgate. 20% of agriculture GDP

Variable summer-dry climatic conditions on the summer dry east coast of NZ coupled with market supply and value added processing requirements mean that irrigation is now essential for consistent and quality food production.
Of irrigation infrastructure projects, the vast majority are multipurpose and provide, both irrigation and town and stock water supply.

This summer 2017/2018 alone saw six regions declared in drought as dry weather hammered primary produces right around NZ.

The government subsidies Irrigation systems in NZ through crown irrigation investments Ltd, which co-invests, provides grants, applying commercial expertise and leadership.
On April 6th 2018, the government cans Canterbury and Marlborough Funding for Irrigation Schemes.
Irrigation NZ CEO disappointed, because irrigation projects were worth $1.2 billion to communities around NZ every year.
This was a huge lost opportunity for those rural communities.
The projects all have local community support and also meet strict environmental requirements around river swimmabiliy and nutrient limits.

The harmful effects of Irrigation Schemes on the outside environment - why Labour government canned funding for Canterbury and Marlborough Irrigation schemes.
Grant Robertson, minister of finance: "Because they have a potential to lead to intensive farming practices, which may contribute to adverse environmental outcomes"

And more likely: a supply and confidence coalition deal between Labour Party and Green Party. No new irrigation schemes will be funded by the Government and a wind down of the existing government subsidised irrigation schemes.

A supply and confidence coalition deal between Labour Party and NZ First party "honour existing crown irrigation commitments"

2. <u>The governments recent short term environmental solution that will likely result in long term negative effects for the NZ economy</u>.

A ban on all oil and gas offshore exploration permits, resulting in a significant impact on Taranaki because the bulk of the industry is there.

Impact for NZ

1. Locally produced gas is used directly in the domestic market, kiwi homes and businesses.
2. 30% NZs net gas production is used for energy generation. 20% for electricity. 45% for petrochemicals, methanol and fertiliser.
3. A lot of gas is used in the production of methanol which is exported, only methanol is exported
4. Compared to France, only 1% of Frances oil and gas consumption is produced domestically except for Methanol which is exported

Results

1. At the moment it is impossible for NZ to import natural gas, as there is not the right infrastructure in place
2. It is likely to mean as NZ transitions away from gas, a supply gap will form in the market
3. Oil will continue to be imported just as it always has
4. It will do little, if anything, to NZs use of oil and gas
5. Household power bills will probably rise

Economically

The moment the government begins stripping existing commercials rights (as seen in oil and gas permits) investment confidence plunges.

Conclusion

Interest in offshore oil and gas exploration has dramatically tapered off in the past couple of years and opinions are that there will be a downgrade shortly, in the extent of existing oil and gas reserves.
If this was to occur, it will likely impact on the belief that there is at least 10 years of domestic natural gas still available to meet the needs of the domestic market and the biggest industrial gas users such as Melhanex, Fonterrra, NZ Steel and fertilizer companies, Balance and Ravensdown, along with electricity generators (who use their gas fired power stations when wind or water is short).
If our existing locally produced oil and gas reserves have been used up over this 10-year period of time, then this will likely lead to a greater use of coal industrial heat and the need to build the required infrastructure, for the importation of Natural Gas instead.

The Sin Tax

A tax used to change individual behaviour that is harmful to the user.

- A government sponsored tax without making the use of the products illegal.

- An excise tax used to increase the price in an effort to lower their use, or failing that, to increase and find new sources of revenue.

NZ already has a Sin Tax (excise) on cigarettes and alcohol. The tax working group is considering further sin taxes on:

- Soft drinks
- Sugar
- Gambling winnings e.g. If you are lucky enough to win lotto, the government will take their share of your winnings!!!

Taxing Regulations aimed at unwanted behaviours

- Giving government greater intervention and the power and control to dictate the definition of unwanted behaviours without making the unwanted behaviour illegal.
  Example: a sugar tax
  government intervention regarding personal food choices and lifestyle decisions.

Dr Eric Crampton Chief Economist, "The NZ Initiatives - a think tank", recently shared his opinion regarding a sugar tax.

"The sugar taxes are offensive. They presume that some government official knows better than you, about what food choices are best for you. They presume poor people are too dumb to make the right choices and must be guided by their betters.

They are also deeply classist, because they are generally aimed at things like soda, rather than expensive coffee drinks. And if people flip from chocolate bars to potato chips, are they really that much healthier?"

Conclusion

Its important that we keep our present tax system of lower and flatter taxes and keep it simple to maintain stability and balance within our Mixed Economy Structure.
Our present tax system has efficiency, revenue integrity, has a fiscal surplus, has low compliance and administration costs and maintains coherence.
It is also broad-based, has progressive tax rates along with a redistributive cash transfer system.
"The more you earn the more you pay".

The statistics clearly show that the lowest income households (deciles 1 to 5) collectively receive 70% of all redistribute cash transfers and these cash transfers are greater than what these households pay in tax. And the two highest income households (deciles 9 to 10) together pay 52% of all income tax.
Therefore, any household or personal wealth accumulation (highest in the two top quintiles 4 and 5 households) and progressively higher in age groups (45-55 years) (55-65 years) and (65 years plus) personal wealth can be attributed to a decision made by these households and individuals to work hard throughout their working life, take out personal loans to gain qualifications for career advancements, maybe take extra personal risks by becoming self employed and starting their own business, while putting savings aside and making investments for future financial security and retirement.

By doing so these households and individuals are in turn helping to promote economic growth for all New Zealanders to benefit from.

It is important that we keep our present tax system of lower and flatter taxes and simple.
So we can continue to encourage and inspire all Kiwis to finically succeed in life, thereby lifting prosperity for all New Zealanders.

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