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;

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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.

NATURAL CANE SUGARS
CHELSEA
EST. 1884
NEW ZEALAND

26 April 2018

The Chair

The Tax Working Group

Dear Sir Michael and members of the Tax Working Group,

Subject: The Future of Tax in New Zealand

This is a submission from New Zealand Sugar Company Limited (NZ Sugar) on the future of tax in New Zealand, with particular reference to the proposals and questions set out in the Working Group's Background Paper.

Government has commented that the objective of the Tax Working Group is not about increasing the amount of tax revenue raised for the Government. The focus is on greater equity, appropriateness and innovation of tax revenue raising methods. NZ Sugar supports these objectives.

Tax Revenue neutrality

Where new taxes and tax increases are recommended by the Working Group, there should be tax offsets identified to ensure neutrality in tax collection. This criteria is consistent with the objectives of this exercise.

Company taxation

New Zealand has a high company tax rate compared with many in the OECD and significantly higher than many competitor countries in the immediate APAC trading region. High tax rates discourage investment and low investment impedes productivity improvement.

The corporate tax rate is a large cost to business. The survival of businesses like NZ Sugar depends on our ability to be internationally competitive. Higher company tax rates reduce our competitiveness and encourage less competitive businesses from low tax jurisdictions. This has the ultimate flow on effect of losing employment, businesses, investment and reduction in the company tax base of New Zealand.

The Background Paper's proposal of cutting tax rates only for smaller businesses is likely to have unintended consequences. If the Working Group seek to pick winners, then it should look to reduce tax rates for those businesses that have an evidential focus on export growth.

Bracket creep / fiscal drag

We understand that having fixed tax bracket levels in an inflationary environment serves to increase the tax take over time as more and more people move into higher income tax brackets. This is tax creep by stealth.

We submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation.

Charities and Non-Tax Paying Authorities

New Zealand's taxation system should not include provisions that give certain groups competing in the same markets as other tax paying New Zealand entities, undue competitive advantages.

Significant religious corporate entities such as Sanitarium pay little or no company tax and compete unfairly, in our view, on the New Zealand commercial stage. All businesses competing in the public arena, irrespective of the beliefs and objectives of shareholders, should be treated equally and on a level playing field with respect to taxation.

Capital gains tax

Capital gains taxes do, of course, already exist in the New Zealand tax environment.

Generally, we do not support a further increase in capital gains taxes. If the Working Group is set upon introducing further capital gains taxes then those taxes need to be specific, clear and focused.

A blanket capital gains tax will discourage investment and retard economic performance. There is also the risk of a 'lock-in' effect, whereby investors are discouraged from shifting capital out of unproductive investments.

Environmental taxes

Like most New Zealander's, we support measures that will maintenance and improve our physical environment and the biodiversity of that environment. Any proposed environmental taxes should come with measurable environmental outcomes and should be revenue neutral.

Lifestyle taxes

We do not support an increase and expansion of behavioural taxes, including a sugar tax or any other form of additional tax on food products. There is now a substantial body of evidence that indicates sugar taxes do not work and that they do not lead to a reduction in obesity. In addition, there is strong evidence suggesting that regular physical exercise and consuming smaller food portions do in fact lead to a reduction in obesity.

Yours faithfully,

[1]

John Ellis
Chief Financial Officer
New Zealand Sugar Company Limited
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