

Tax Working Group Public Submissions Information Release

Release Document

September 2018

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.

Formal submission to the Tax Working Group

30 April 2018

Overview

- Thank you for your presentation to the Māori Economic Development Advisory Board (MEDAB) by members of the Tax Working Group on 11 April 2018. This submission summarises the themes and issues raised during this session.

Our Whakaaro

- The tax system needs to enable active participation by Māori as individuals, whānau businesses and entities in the New Zealand economy.
- Our primary concern is that the Tax Working Group Report makes recommendations that will lead to a more equitable tax system and considers that issues regarding tax collection and revenue distribution are closely linked. Therefore, tax collection and tax distribution should not be considered in isolation of each other.
- Previous work undertaken by Te Puni Kōkiri and others confirms that Māori are paying high levels of PAYE and are heavily reliant on welfare payments but are unable to benefit from other features of the tax system such as Working for Families like non-Māori. Māori households are different in make up to non-Māori households and the tax system needs to be flexible enough to support this.
- The demographics in Aotearoa are shifting and Māori will make up a greater percentage of working age people along with people of Pacific and Asian descent.
- Supporting, growing and unlocking the potential of rangatahi should be a key driver in system design. At the moment working age Māori and others are being asked to support older New Zealanders that have often accumulated large wealth throughout their life and yet are able to access superannuation. Tilting the system in favour of the young is crucial whether that be through tax credits, incentives or other mechanisms. At the same time means testing of superannuation should be considered.
- The Māori Economy is also growing and the tax system needs to be supportive of social and cultural values of manaakitanga, whanaungatanga and kaitiakitanga – Māori business tend to use these values to inform their decision making. We are aware of international examples where social enterprise tax rates are utilised. It should also be noted that Māori businesses and organisations are often the first into communities to support after a disaster occurs, as in Edgecumbe and Kaikōura so there should be a tax incentive in doing that work in the community.
- The MEDAB believes that any consideration of a capital gains tax should be focused only on short term investments and avoid situations where the intention is to hold the asset for a long period of time. Many Māori often purchase a second home for whānau that are not in a position to own their

own home so this should not be captured. Even the consideration of a capital gains tax on short term investments in property needs to be carefully addressed as there is a risk that the opportunity cost is built into rents which Māori will be more exposed to given their lower rates of homeownership and higher dependence on rental accommodation.

- Māori interest in whenua tuku iho is not contestable. Our whenua is a taonga that we must protect, retain and maintain. Māori land owners face a number of challenges not faced by other New Zealand land owners such as fragmentation, multiple owners, and many years of Treaty negotiations meaning that it remains difficult to generate a return from the underlying asset. The rating burden faced by Māori land owners still remains an issue though better relationships are being formed with some local authorities. MEDAB is against any move towards a land tax as Māori should not be penalised for seeking to maintain and develop their cultural assets.
- MEDAB are of the view that the Māori authority tax exemption is an outdated concept that does not fit the changing profile of the Māori economy and Māori entities. We believe that Tax incentives for a wider array of Māori owned businesses could be considered on the basis of encouraging the development of underutilised Māori assets and unlocking Māori entrepreneurial and enterprise potential.

END.