Tax Working Group Public Submissions Information Release

Release Document

February 2019

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[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

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From: Paul Johansen [1]
Sent: Friday, 28 September 2018 11:39 AM
To: TWG Submissions
Subject: Submission to Tax Working Group

Dear Sir Michael and members of the Tax Working Group. This is an edited version of the NZ Taxpayers Union template.

This is a submission 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.

Sir Michael has said that the Tax Working Group is not about how to raise more revenue for the Government. I submit that this promise should be upheld.

Revenue neutrality

Where new taxes and tax hikes are recommended by the Working Group, I submit that the Working Group should identify other areas where the burden can be reduced to compensate taxpayers.

Bracket creep / fiscal drag

The effect of inflation pushing taxpayers into higher income tax brackets is a dishonest policy that allows politicians to tax New Zealanders harder, without ever having campaigned on it.

I submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation. I note that many government benefits and entitlements are indexed — income tax thresholds should be no different.

Company taxation

New Zealand has one of the highest company tax rates in the OECD. The result is a low-investment, low-productivity economy.

I submit that if the Government is interested in encouraging greater investment and growth in our productive sector, it should cut the headline business rate. This is preferable to the Background Paper's proposal of just cutting rates just for smaller businesses, creating a two-tier business tax regime with the associated complexities and incentives for business to stay small.

Expensing of capital

The Government must be committed to increasing New Zealand's productivity and allowing for greater growth in incomes.

I submit that the Working Group recommend allowing businesses full capital expensing within the first year of capital purchase. This would increase incentives for business to invest in capital (accelerating productivity growth) and increase wages (productivity growth is the most relevant factor in determining income growth).

Maori Authorities and charities

New Zealand's company tax system should not include loopholes that give certain groups competitive advantages.

I submit that the 17.5% income tax rate for Maori Authorities should be abolished – so that Maori Authorities are not provided with a cash flow advantage over non-Maori competitors.

I would like to see a full and final settlement of all treaty greivences instead of Maori being handed crumbs while we are forced to endure endless Maori cultural indoctrination at satuaration levels so they are alway in the spotlight and having to beg for money. Instead of 5 Iwi holding a 50 billion dollar purse between them I would like to see a fair distribution of money to all Maori who need a handup for education, health and housing purposes.

I submit that companies owned by charities should only be allowed to have the charitable tax deduction for profits actually distributed back to the parent charity, or specifically applied to the charitable purpose of the parent.

Capital gains tax

A tax on capital gains would discourage investment, stifling wage growth and distorting the economy. It would also cause a 'lock-in' effect, meaning investors would be discouraged from shifting capital out of unproductive investments.

It is the middle class who are the soft target here and who already by default pay most of the countries tax. In NZ it is almost impossible to live on the pension alone when one retires, so the challenge therefore is to work really hard like I have and buy an investment property to supplement ones pension and on that basis life will at least be comfortable although certainly not luxurious or expansive. The middle class already get hammered by tax bracket creep, whereby inflation pushes their incomes up and into a higher tax bracket which is a disincentive in itself, meaning why bother to work hard if you are only going to lose it in high taxation? The capital gains tax is potentially so punitive that it threatens to destroy the lives of those people who have aquired a single investment property as will force many of them to sell their properties which in turn will result in a sales glut and prices will drop like a stone so they will take a seriuos dou ble whammy hit.

In my understanding as this is proposed, if I own an investment property and through no fault of my own its value rises by $120 thousand dollars in one year, which is not by any means unusual, I will have to pay about $40,000 in capital gains tax, which would be its entire rental income return for the year! There is no way I could pay this so I would have no choice but to sell it. There would be no point in owning it because it would give me no income at all after I paid this draconian tax. I have worked hard all my life and paid my tax by the due date every month and have never been part of any tax avoidance scheme. I had to rebuild my business five times due to big changes in government legislation such as tarrif changes, noise control, alcohol regulation changes and then the ACC amalamation that forced me to start again each time. The amagamtion cost us $150,000 in lost revenue! Further, due to a heart condition I have had to pay for private medica l insurance for as far back as I can remember and we put both our kids through a private school as our daughter was ruthlessly harrased at primary school. Neither of these expenses were tax deductible, so my burden on the government has been far less than zero. I have also collected and paid GST since it came into force on time every time.

I submit that the Government should not implement such a draconian tax on people who are only using a single invrestment property to supplemnent their pension income.

Taxes on savings

We should not allow the tax system to discourage saving. Savers (namely those with retirement funds and investment schemes) currently pay tax on 'interest' that, in practice, partially just reflects the effects of inflation.

I submit that we should allow taxpayers to deduct inflation from taxable income earned via long term saving.

Environmental taxes

I submit that any proposed environmental taxes should come with recommendations which make them revenue neutral.

I submit that any taxes on water should operate in a similar way to water rights pricing and be sector neutral – politicians should avoid targeting specific industries or uses of water.

As an alternative to recommending specific environmental taxes, I submit that the Working Group develop an objective framework for future proposed environmental taxes to be measured against.

Lifestyle taxes

I submit that the Working Group recommend against the expansion of behavioural taxes, and instead outline the regressive financial damage they inflict on our most vulnerable communities.

I support the introduction of a sugar tax, a fat tax, but no other form of additional tax on food products. I would like to see GST removed from basic food items that stimulate good health and webeing. I oppose varying GST for different products. I support an increases to tobacco excise.

Beyond edited the points I have made above, I endorse the broader submission made by the *New Zealand Taxpayers' Union*.

Yours sincerely,