

Tax Working Group Public Submissions Information Release

Release Document

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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.

Christchurch Progressive Network

Response to interim Tax Working Group report

10 October 2018

Tax Working Group members
c/o Andrea Black
[1]

Kia ora koutou,

A bleak document which reinforces the existing wrong-headed narrative on tax

The TWG interim report is a bleak document. It acknowledges some of the most serious issues with growing inequality but dismisses in a seemingly perfunctory fashion the suggestions to tackle the obscene levels of wealth and poverty at the point of gathering taxation. It proposes just a modest nod to inequality with a broader capital gains tax alongside a possible recommendation for the first \$7000 of income to be tax free.

The structural inequalities in our broken tax-gathering system remain unquantified and unchallenged and the dominant, wrong-headed public understanding of tax remains firmly in place.

Dominant narrative

The dominant narrative has it that those on high and middle incomes pay the highest tax rates while those on low incomes pay virtually no tax but receive vastly more in transfers than they pay in tax. This narrative suggests the rich deserve their wealth while beneficiaries and feckless families on low-incomes are a burden the middle class and the wealthy must shoulder.

The interim report reinforces this dominant narrative by failing to spell out the regressive nature of GST while telling the public in detail that high-income earners pay the highest rates and amounts of income tax and that the net tax situation is negative for beneficiaries and families on low incomes. This paints those on the lowest incomes as passive recipients of the generosity of the wealthy. It makes them lesser citizens because we are told again and again (by politicians and now the TWG) that their tax contribution is negative, building more resentment.

This dominant narrative is reinforced daily by cynical politicians and a tax-illiterate media who swamp us with messages that top income earners pay the most tax.

Our recommendations for the final report

Rather than build on this dominant, wrong-headed narrative we ask the TWG to challenge it directly in its final report:

1. A robust presentation comparing the tax paid by individuals and companies 40 years ago with what is paid today (ie pre and post neoliberalism)
2. A discussion of the deeply regressive nature of GST and that this be presented simply and singly in graphical form. In the interim report is merely stated in passing and its influence buried in other data.
3. A graph which shows GST and income tax levels paid by different deciles **as a proportion of their income**. A further graph could include imputed capital gains added to the picture.
4. An emphasis on the fact beneficiaries and workers pay tax on every dollar they earn and every dollar they spend – unlike business owners and the wealthy who have myriad ways to

avoid tax. Some of the ways tax may be avoided by business owners and the rich should be spelt out clearly.

5. Include a discussion of Lisa Marriot's work at Victoria University which compares the crown approach to welfare fraudsters to that of tax evaders.
6. We strongly support a single crown debt agency which should remove the sickening disparity between the treatment of tax and benefit fraud.
7. Remove the comment (sorry I don't have the reference) to the effect that Kiwisaver is geared towards more help for people on low-incomes. As far as I'm aware this is misleading at best and should be removed. Not only do many resist joining because they can't afford the deductions from their meagre incomes but the percentage contributions from employers and government incentives mean those on the highest incomes get the greatest benefits.

If there is an opportunity to discuss these ideas further with the TWG we would be keen to do so.

Na,

John Minto
Convenor
Christchurch Progressive Network
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