Tax Working Group
Te Awheawhe Tāke

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.

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;

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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.

From: John Andrews [1]
Sent: Tuesday, 30 October 2018 2:50 PM
To: TWG Submissions
Subject: Reply submission to Tax Working Group's interim report and proposals

Dear Sir Michael and members of the Tax Working Group,

This is a submission in reply to the proposals and questions set out in the Working Group's Interim Report.

Indexation of income tax brackets

Many government benefits and entitlements are indexed — income tax thresholds should be no different.

Inflation pushes taxpayers into higher tax brackets every year, meaning a higher tax burden despite not being financially better off. If the Government wants to increase taxes it should pass a law and consult with the public, not just watch as inflation punishes taxpayers years after year.

While the Working Group says that inflation is best handled by "periodic reviews of the thresholds" but New Zealanders haven't had a tax cut since Budget 2010. In that time average income earners have been made worse off by $500 per year from failing to adjust tax thresholds.

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

Capital taxation

New Zealand has one of the highest company tax rates in the OECD. The result is a low-investment, low-productivity economy. The Government must be committed to increasing New Zealand's productivity and allowing for greater growth in incomes.

Instead, the Working Group has put forward two proposals for an even higher tax burden on capital and investment. New Zealand will never become prosperous if we use an opportunity to review our tax system to simply punish entrepreneurship and investment.

If the Working Group does choose to recommend a form a capital taxation, it should recommend that any additional revenue is used to fund tax cuts in other areas. Full capital expensing would be a good use of any revenue. This would encourage businesses to accelerate plans for investment and expansion – putting a rocket under economic growth.

I submit that the Working Group recommend against implementing new capital taxation, but if they do, that any revenue is used exclusively to cut taxes in other areas in order to ensure a growing economy and rising incomes.

Taxes on savings

With interest rates so low, inflation eats away at savings by making the tax rate on interest income artificially high. If the Working Group wants to encourage households to save more for their retirement they should exempt the inflation component of interest income from tax.

Savers were paying an effective tax-rate of 77.8% on income in a six-month term deposit in September this year, which is far too high to encourage anyone to save.

I submit that the Working Group recommend that the inflation component of interest income be exempted from income tax, in order to ensure savers pay their actual income tax, not a rate often more than twice what they should be paying.

Environmental taxes

There needs to be more evidence on the costs and benefits of increasing the waste disposal levy before the Working Group recommends an increase. The main report used by the Working Group to justify the tax fails to take into account the cost of an increase in the levy to households.

Any change in the emissions trading scheme needs to be tightly focussed on the costs to households – especially low income households who are estimated to be more than twice as affected as households with an average income. Until there is an objective framework developed to assess the trade-off between economic growth and any environmental benefits from strengthening the ETS, the Working Group should not recommend a change.

I submit that the Working Group should not recommend changes to the waste disposal levy or the emissions trading scheme until there is more concrete evidence on the economic costs from increasing these taxes and an objective framework developed that weighs up the economic costs against the environmental benefits.

Behavioural taxes

With alternative nicotine products becoming more available on the market, reduced-harm products will be an important part of reaching the Smokefree 2025 target. Instead of hiking tobacco excise even higher, the Working Group should recommend that the Government adjust excise on reduced harm products according to their risk.

Alcohol excise should be simplified, but the Working Group should not treat simplification as an opportunity to increase alcohol excise across the board. While the Working Group suggests excise is progressive, excise is actually higher as a proportion of low-price alcohol, making alcohol excise regressive.

Sugar taxes should be avoided. Taxes on sugar hurt low-income households the most and the evidence shows they are not effective in reducing consumption or combatting obesity.

I submit that the Working Group should not recommend increases in tobacco excise or alcohol excise and should recommend that the Government avoid implementing a sugar tax unless it can be objectively shown as being effective in combatting obesity.

Beyond the points made above, I endorse the broader submission made by the New Zealand Taxpayers' Union in reply to the Working Group's Interim Report.

Personal re-submission due to non acknowledgement of original:

RE: The Future of Tax Submissions from the Public

Dear Sir/Madam

This Submission is made in good faith as collective suggestions as to how the future tax system may be made "Fairer" and more equitable in New Zealand. I do sincerely trust that you listen, and act on this notwithstanding the fact that you may have already pre- prescribed the working Group's Policy Statement recommendations in readiness for September 2018, and this "public" forum is in all probability simply a public "PR" exercise?

I have read, understood and accepted your Privacy policy.

You have my permission to publish this entire document and my name on your website, but not my email or street address (both of the latter for obvious privacy and security reasons) other than that, I have no issue with disclosing any thing in this submission from a privacy point of view and there is nothing commercially sensitive disclosed here, just the truth from a concerned taxpayer.

How to use this document:

Because of the contextual and technical nature of much of this Tax Policy statement I have decided to respond primarily and directly to the https://taxworkinggroup.govt.nz/sites/default/files/2018-03/twg-subm-bgrd-paper-mar18.pdf - " TWG_bgrd", this means my response can be read in the context of your proposals and hopefully have more contextual meaning to you as a reader, so that I do not have to repeat any statements you have already made in the TWG_bgrd.

By reference to:

My notation ref **A**nn (Alpha , number number)

Section **S**nn

Page Number **P**nn

Heading Head (where appropriate)

Paragraph **Pa**nn (if appropriate)

A1 Executive Summary P5

There are a lot of misrepresentations in your TWG_bgrd document:

The Current tax system does not have "Horizontal Equity " and does not treat

"…the same treatment for people in the same circumstances…."

Rather, the NZ Tax Base is a Socialist Transfer System that seeks to reward the unproductive, or incapacitated members of society by taking much higher amounts of tax from those who have tried to save and "get ahead" whether that be by saving, or starting a business and handing that over to the more 'needy' members of Society, and done on a fiscal yearly spend as you collect basis.

That is fine and moral as far as it goes but is certainly NOT horizontal Equity "

The current NZ Tax system DOES modify behaviour, individuals use legal vehicles like Companies, Trusts, Partnerships, etc to minimise tax obligations, for example if they see or incur losses on the Stock Market they will buy property ("safe" bricks and Mortar – though not in Christchurch!)

An anecdotal personal example:

I have never bought or sold a Company share or stock market share in my life - Why>?

During 1987 I decided to informally study the share market behaviour, and taught myself some basic "charting" principles. In February 1987 there was an inverted "head and shoulders" in the share market. At the time I told my wife to get her super savings out of a managed fund her employer had originally set up for her, she lost 10% of it then, but if she had waited until October she would have lost the entire savings. We invested the [1] along with some further savings into a second property (to live in, with a very hefty mortgage) and last year that property sold for [1] not a bad risk averse return for going into debt heavily.

I knew of others who lost everything in 1987.

That is why New Zealanders love property, it is SAFE, you will not lose in a share market crash.

On the subject of New Zealand Tax Policy "NOT" being used to Modify Behaviour - I disagree.

TAX POLICY **MODIFIES BEHAVIOUR**

PUBLIC TAX POLICY STATEMENTS BY THE MINSTER OF FINANCE **MODIFIES BEHAVIOUR**

Another Anecdotal Personal Example that the now Hon Sir Michael Cullen may well remember from his days as Minister of Finance 2003-2004 please ask him – it is materially relevant to what you are trying to do now in this Taxation Review process:

And what follows, is a factual historical outcome submitted here as evidence of previous tax "policy" mis-applied via faulty legislation:

Timeline>

2/7/2004 - Media Statement by Minister of Finance **(Hon M Cullen)**

5/7/2004 – Letter from John W Andrews to Michael Cullen – Minister of Finance

Objecting to his provocative and inflammatory media statement of Friday 2/7/2004 that ….”on the Death of a Taxpayer…there would be a deemed sale at date of death”

I have the physical newspaper article still, along with the Hon Michael Cullen’s press release, and personal reply.

- Michael Cullen refused to answer my questions and issues raised re death and sale, or explain himself. All he replied was to give a depreciation policy

5/7/2004 – Letter from JWA to the Commissioner of Inland Revenue

Stating my objection to the word “**death** “ being a “deemed **Sale**” by Hon Michael Cullen, I advise IRD directly that I am –re-structuring my taxation position based on the advice of my solicitor

- IRD do not reply

To cut a very **very** long story short, the outcome of Hon M. Cullen’s tax “policy” statement (read intention) was that I was hounded by IRD for some years over a “deemed”value of a property transfer that was not a “sale”. In 2010 I was taxed according to the Revenue’s “interpretation” of their Rule of Law and charged penalty interest retrospectively.

I then did considerable research into the Revenue’s respective pieces of legislation. After some years of dialogue, communications and meetings they refused to accept my interpretation of the legislation. This culminated in my initiating court action against them (please see John Wayne Andrews v CIR TRA 001/2014) because my evidence exposed their mis-application of the law they quickly refunded the tax with interest to prevent the action going further in Court which would have exposed them to a class action from thousands of taxpayers who had been abused in exactly the same manner as I was.

So, to the reader of this document - if nothing else is gleaned from this submission please be aware that your proposed Tax Policy changes will have embedded mistakes, your changes will be open to interpretation, arbitrage and the fair principles of legal tax minimisation because luckily there are unqualified people like me out on the street who will stand up to your “authoritarian” edicts and win legal cases with the truth.

The full 350 pages of evidential legal submission, angst and personal cost can be presented and discussed with you – if you choose!

Please JUST GET IT RIGHT and do not put members of the public through what I had to go through. Because you (the then Finance Minister - Hon Michael Cullen) got a few words of “Policy” wrong.

A2 Executive Summary P6 Thinking outside the Current system

Why would you as a tax policy working group want to suggest raising extra taxes based on …” international debate about income and wealth inequality…” ?

Please explain your ‘waffly’ and ‘woolley’ thinking ?

Income and wealth inequality is based on a huge number of factors:

Government policy :

Immigration - admitting new migrants with lesser skills, or greater skills that displace existing workers.

Political decisions not based on Cost benefit Analyses – eg. No further Oil and Gas Exploration to please the Green political party with a loss of 11,000 jobs

Student Debt that hampers a whole generation of youths because the Government want to “feed the Education sausage machine” and make money out of foreign Students.

Government Housing Policy that makes homes unaffordable, high bank indebtedness, inflated house valuations by QV.

Those who have become “wealthy” have usually done so because of <u>Hard Work</u>, those who have not become “wealthy” are usually “poorer” because they have not worked hard or have not dared to go into business because the business climate or cost structure is too harsh, academic education is not necessarily a precursor to income or wealth creation.

And you want to intervene into Human Choice ? and then tax some and not others ? because they have tried harder ?

Unfortunately the Tax Working Group is not “God” and nor can you play at being “Gods” and intervene with an Orwellian Utopia feel good “policy”. I am sorry but you are beginning to sound like the Hon Michael Cullen in 2004 with his re-defining the legal meaning of Death.

You will always have income and wealth inequality under Socialism

You will always have income and wealth inequality under Fascism

You will always have income and wealth inequality under Communism

You will always have income and wealth inequality under Totalitarianism

You will always have income and wealth inequality under Capitalism

You will always have income and wealth inequality under Trumpism

You will always have income and wealth inequality under AngelaMerklism

You will always have income and wealth inequality under Leftism

You will always have income and wealth inequality under Rightism

You will always have income and wealth inequality under Globalism

You will always have income and wealth inequality under Patriotism

You will always have income and wealth inequality under Nanny Statism

Any “……ism” you can think of – New Zealand is actually an amalgam of some of the above …”ism’s”

And the same for all these I haven’t thought of :

https://rationalwiki.org/wiki/List_of_forms_of_government

You cannot change Human Nature – please be realistic!

Your statement on Page 6

…..” Relative to other countries, New Zealand’s marginal effective tax rates are quite uniform….”

Sorry, but is a total LIE :

Differential Entity tax rates of 17.5%, 28%, 33% IS NOT “quite uniform”.

With regards to the taxing of online sales – yes I think that is a good idea, by all means charge GST on imported small value items –all this is going to do is force small New Zealand companies out of business because they are uncompetitive in this globalised commodities market – the result is and will be very simple and straightforward, NZ consumers buys overseas because the "cost" and "profit" structure in NZ is too high because we are so small and the compliance costs so high, that GST impact is, and will be minimal because the online sales are still cheaper relatively speaking.

Another anecdotal example : I can buy a book from the Book Depository in the UK with free shipping across the world at half the price that local NZ book sellers will sell it at, it is courier delivered to my letterbox, then straight to my study.

Also you might want to consider introducing a foreign workers company payroll tax – by this I mean all the large NZ corporates who take NZ jobs away from New Zealanders and award them to workers offshore (outsourcing, etc) and to be "Fair" those companies should be taxed heavily for destroying New Zealand's economic base.

I can guarantee you will be too scared to implement that ?

That is why Trump's Patriotic sentiment is so popular – i.e to bring the US jobs back home and fight Globalisation, and this is why the trade 'wars' will continue for some years.

There is no 'Left' or 'Right' any more in world politics – it simply comes down to Globalisation vs Patriotism.

A2 Executive Summary P7 Specific Challenges

Capital Gains tax:

CGT Is simply a wealth tax and is already in place.

What further taxes are to be introduced ?

In any event the family home including those held by Trusts should be exempt.

It will be political suicide for the party who tries to implement it , because of the overseas experience that it does nothing to alleviate the problem of housing affordability. People invest in their homes for SAFETY and security – the minute you start attacking that, and or introduce death duties on the family home or even investments then you will have a tax revolt on your hands as that is the height of unfairness and in all honesty is just a tax grab aimed at taxing the people in society who have worked and saved hard to buy a home or provide for themselves and families in later life .

Instead of a blanket CGT why not tax the **change in equity** a Borrower makes when **borrowing** heavily to acquire an investment?

Presently Savers are penalised in that they are taxed on savings income with NO allowance for inflation whereas Borrowers get off "scott free" and pocket the capital gain generated by their borrowing. A "**Change in Equity**" tax could apply to other asset classes as well like farms, or businesses that have to borrow heavily, but would only accrue when the farm or business is finally sold and where no other asset of the same class is purchased (or exchanged) in its place.

In short, if you are going to introduce tax "Fairness" then you need to balance the Saver – Borrower imbalance.

If a person or tax entity is a Commodities trader, e.g. in stocks or shares, or fine art, collectibles etc then the capital gains made are ALREADY being taxed, as are the profits of traders in Property via the Bright Line rule.

See www.ird.govt.nz/campaigns/2018/brightline.html

You have **already introduced** the Capital Gains tax so please stop trying to mislead the public by this form of misrepresentation.

Please acknowledge the facts of the current ACTUAL situation.

I strongly suspect there is a further hidden agenda here ? that has not been published in your background paper?.

Would it be fair comment to suggest that you are in fact putting forward a "wealth" or "death tax"?

Even though that is not directly alluded to in the paper ?

If you do, or intend to, then I suggest you set a **tax free threshold** of at least two million dollars, simply because if a taxpayer is an Aucklander and has saved or invested for their retirement then that figure is probably the only realistic benchmark for self responsibility.

But on reflection I am not sure that the tax working group rewards or wishes to promote "taxpayer" Self Responsibility?

Taxes collected should be fiscally neutral, 30% of GDP is actually quite high, from your statement, I interpret this to mean that for every dollar generated in the economy the government takes thirty cents in tax? You would do well to look at how prosperous are other countries who have adopted much lower rates e.g. Hong Kong at 16.5% - this actually supports my recommendation of a single tier flat 17.5% tax across all taxation entities mentioned below.

You would do well to adopt a single tier tax system like Hong Kong:

https://www.guidemehongkong.com/business-guides/supporting-a-business/hong-kong-tax-rates-and-income-tax-system

Progressive Company tax:

Taxes for all entities (Companies, Trusts, Maori entities etc) should be set at 17.5 % (but not including the rate for GST) then there will be no unfairness, no arbitrage etc.

Environmental taxation:

You have NO right to Tax the air we breathe or the water we drink, you already tax food .

You (the government) do NOT own the air or the water of the land – the people do, all of us – all ethnic groups and not just the Maori who originally murdered all the original Maoriori inhabitants and drove them off to the Chathams.

By all means take a water tax off the bottlers selling the Canterbury Aquifer waters overseas – that water theft is criminal and I understand there already is a huge public outcry against it.

You already have a carbon emissions scheme- deal with it , all that scheme is doing is making private organisations in Europe, and Eastern Europe especially, wealthy at the cost of the New Zealand taxpayer.

Have the Tax working group really understood what is really going on with the ETS ? you need to open your eyes.

Please excuse the analogy but ….

https://dictionary.cambridge.org/dictionary/english/can-t-see-the-wood-for-the-trees

Likewise, introducing "behaviour taxes" is quite intrusive and does overstep a basic human fundamental of the "Right to Choose".

The choice to (further) tax fossil fuel vehicles has not been though through, by far the bulk of New Zealanders cannot afford to buy an Electric Vehicle (EV) , you **could** provide a tax incentive towards their purchase and like the German Republic you could provide tax incentives to convert to Solar or other forms of fossil free energy use. But current and past governments have refused to do this why?

GST Exemptions:

Will be costly to implement, but NZ has already the highest paying GST (VAT) rate in the entire OECD simply give the low income earners relief directly.

B1 S2 P10 The Future Changing Demographics:

Increasing Taxes on Capital Income and reducing PAYE income tax creates a deferential tax bias that penalises older taxpayers who have already spent the bulk of their lives paying taxes – that is extremely unfair. Tax has already been paid on the earnings of their usually fixed incomes.

That sort of generational tax bias is not acceptable, and would be political suicide for whomever implements it.

Raising taxes on spending i.e. by raising GST will affect low to middle income families much more than for retirees for example.

Please see this crude but interesting analysis of generational spending shown below.

I would add in New Zealand's case for the age tranche of say 18 years to early thirties years of age that section of taxpayers are spending (or borrowing) money to purchase :-

Education,

Travel,

High tech gadgets,

Rent, and living cost consumables including entertainment

Cars,

Fashion and clothes,

With the exception of retirement travel (for those who can afford it) by far the bulk of this spending is made by the age tranche 18-35

Vis - " Harry Dent Aged Demographic Spending Curve"

Excerpt Credit and Copyright acknowledgment for review purposes is accredited to Harry Dent.

Retirees do not spend like young families or young singles do.

Older Generations have ALREADY contributed to their future health care by the taxes they have already paid in their youth as New Zealanders for 40 or 50 years previously.

The Major problem that all Governments of all generations face is that they do not Actuarially set aside taxes paid on a user or generational base to provide for their future drawdown - much like the ACC model or the original Cullen Super Fund that was stopped by a later Government.

Governments "of the Day" spend all the taxes fiscally gained in one year on whatever they choose with no thought for the future use or who should actuarially benefit from the original Taxation Contribution.

How about introducing a tax and savings policy that is CONTRIBUTORY based ? like the ACC model where taxes collected are ringfenced into areas of PRESENT and FUTURE use.

E.g. current and future road use, a well made road has a life expectancy of over 50 years – amortise the tax over the life of the road, the same with taxes collected for future superannuation, and future health requirements.

The "Spend as you Go" policy is foolhardy to say the least and quite irresponsible.

You are correct, the tax system does NOT encourage saving for retirement and instead penalises savers or investors for attempting to provide for themselves and not rely on a so-called "Nanny State" (which in all truth is a Transfer Payment Socialist State, not even capitalist, oh… never mention the "C" word in a tax policy working group J they're so "evil")

Savings are made from TAX PAID PAYE or business income

The savings or investment income during its life is TAX PAID (deducted at source)

Why on earth would a Government be so greedy and inequitable as to TRIPLE tax retirement savings on drawdown when they are needed most?

I don’t think even Robin Hood would see the “fairness” in that ? King John may have though J

C1 S3 Page 19 Equity and Fairness

You go to great lengths in this section and in many other areas of the TWG_bgrd document stating that that the tax system is fair and should continue to be “fair” in the future.

I would suggest that your version of “Fairness” is very subjective and the tax structure is basically **UNFAIR.**

What is “Fair” about granting a Concessionary tax rate of 17.5 % to Maori owned businesses where the “pakeha” Company rate is 28 %, the Trust rate is 33% and the top personal rate is 33% with the average personal rate being somewhere between 20% and 25% depending on the weighting of the tranche being observed.

And finally what is fair about the rort of the AIL by Foreign interest bearing investors (Approved Issuer Levy) Rate of **2% that has the effect of cheating all New Zealanders when they are forced to pay the full NRWT tax rate ?**

The AIL an unfairness that falsely uses lack of savings in NZ as the excuse to get supposedly cheaper funding from overseas. IT systems and processes do exist to ensure NZ savers have a chance to invest with an equivalent of AIL level tax regime.

Can you please consider a tax law which insists that Corporates, Government and Individual businesses first seek ANY debt to be satisfied internally within New Zealand, and kick starting a virtual cycle of retention of interest flows within NZ and further investment of these returns taxed fairly i.e. no more or no less than overseas funders?

Many years before the Panama Papers were published (9/5/2016) I had alerted a number of NZ Finance / Revenue Ministers (Bill English, Peter Dunne, Todd McCLay and even PM John Key) of the Rort of Foreign owned trusts not paying tax in New Zealand, but as usual no listened to a very small resident taxpayer voice.

So the question is raised are you really prepared to introduce “Fairness”

From experience I actually doubt your ability to do this?

On the subject of Foreign Owned companies the Chinese own a good portion of our sovereign debt, and have intentionally infiltrated a lot of our commercial and wealth creation vehicles, do you understand that you are allowing New Zealand to be 'sold out under our feet' ?

What tax policy are you introducing to safeguard sovereign ownership of our assets for our own future generations?

Do you understand what is about to happen when the tap of financing cheap money supply is turned off? I don't think so?

If you want to PROMOTE FAIRNESS why don't you propose setting the tax rate for all companies, trusts, Foreign owned trusts and Partnerships at 17.5% especially new businesses for the first two years.

Furthermore why is it that you penalise NZ Family trusts at a rate of 33%?

These sorts of trusts are set up by self responsible settlors wishing to provide for their spouses and families?

Instead of relying on the interference of a "Nanny State" these trusts are distributing Capital and Income without relying on taxpayer funding or engineered Socialist meddling. So why does the current and future proposed system actively penalise self responsibility so harshly?

The Maori owned business concession tax rate is blatantly **racist** against all other ethnic groups in NZ except Maori, and contravenes the Bill of Rights Act and the Human Right Act by this overt discrimination.

PLEASE CORRECT THIS anomaly that is really Intentional Political discrimination aimed at "placating" Maori even after they have been granted Billions of Taxpayer assets, income and tax transfers at the cost of all other ethnic groups in New Zealand.

As an afterthought you might want to investigate why those tax breaks and resulting prejudiced profits are not filtering down to the iwi children who really need the financial help the most?

With regard to the discussion over …"vertical equity (fair treatment of those with differing abilities to pay tax).."

I recommend that for Sickness Beneficiaries, war Veterans, Students and Superannuitants that there should be a tax free beginning threshold of say $10,000 (possibly 15,000) meaning that from 0-15,000 is not taxed, and tax accrues only after that level. New Zealand does not treat these areas of society particularly well. NZ is a low wage high cost economy and in case you haven't tried it, try living on a student allowance or pension, it is not easy !

C2 S3 P20 last paragraph

This statement in your paper does not make grammatical sense

…."This is because a tax on profits (i.e. after allowing deductions for costs) will generally lead to firms continuing to make similar businesses decisions with a tax that they would without the tax…."

Please explain?

If you adopted my single tier flat tax all of the problems referred to on this page would go away.

The tax Working Group needs to do a lot more research , and I mean a lot, before you can even consider introducing "Social Cost " taxation, at the moment the logic you demonstrate is incomplete and not fully thought through, and your background paper does not go any where near addressing the issues and considerations with this form of a new "tax grab".

D1 S4 Page 24 Sources of Taxation Revenue

After allowing for GST and sundries it is interesting to see that approximately 70 -74% of all taxes collected comes from individuals with only 26-30 % coming from Company taxes. You will have the exact breakdown, but what I have stated here is pretty close to the truth.

So roughly three quarters of all revenue is paid for BY the people and hopefully USED by the people? For mostly Education, Health and Welfare etc.

Time does not permit research of that here but I will investigate, if you can confirm that, then the balance appears fair, if it is not true then then you have an issue that you have not addressed?

It would be an interesting calculation to establish how much of the NZ Generated GDP is repatriated offshore to the parent companies who own the 30% of GDP profits that is not benefiting New Zealanders? I would challenge you to publish those statistics? And establish "fairness" in that context?

i.e. **WHERE ARE THE PROFITS of New Zealand GDP are actually ending up ?**

D1 S4 P26 Taxes and Behaviour

Again I totally disagree with you mis-representation of the Taxed – Taxed – Exempt argument concerning retirement savings (TTE) :

You statement is a total lie

1. **Retirement savings are saved from tax paid income originally**
2. **The income from the savings is taxed through out its life**
3. **On drawdown the retirement savings income cashed are cumulatively added to the owners taxpayer's liability for the year realised**

This is TAXED, TAXED , TAXED (TTT)

You are SUCH LIARS and yet you think you can table a background document like this and go un-noticed ?

And just for the record the KiwiSaver PIE incomes are Taxed , most providers simply offset some of the earnings for the year to offset the tax due, again another one of your lies!

S5 P28 Individual Income tax

All that figure 7 shows is that New Zealanders pay amongst the highest of all OECD countries in terms of top personal income tax rates – that is hardly an award winning precedence and totally inequitable when read in context with a fixed corporate rate, concessionary Maori rate and AIL levy?

33% is NOT a low personal tax rate!

D2 S4 P28 Taxes and Behaviour

Your statement that Corporates <u>only</u> contribute 4.6% of GDP in terms of Tax take, displays the extent of your tax base IN-EQUITY. By default the remaining 95.4% is generated from private individuals or private partnership businesses and of course government spending, which in NZ has always been traditionally over 40% of every dollar spent in the economy!

(The GDP formula (Y) is personal consumption, business investment, government spending and net exports - Y = C + I + G + X **)**

If you cannot see the in-equity displayed by your own statistics then you do not deserve to be on the Tax working group panel.

S5 P30 Company Income tax and GST

Figure 8 Company income tax rates and revenues – simply shows that NZ companies are the best in the OECD at minimising tax payable – hardly equitable is it?

Figure 9 Value-added taxes as a percentage of GDP **on page 30 shows clearly that New Zealand has the HIGHEST rate of GST (per GDP) in the entire OECD**

THAT is APPALLING !

GST in New Zealand SHOULD BE REDUCED back to a more equitable 10-12 % but of course you will not do that as your brief is NOT really about equity is it? Let's be honest?

Figure 10 on page 31 is not properly explained – the deciles are not annotated as to what they mean, i.e the deciles are meaningless unless you show the weightings of that decile in terms of actual population taken numbers from the cohort.

Again, a little 'sleight of hand' misrepresentation by the TWG

On page 34 – the "targeted approach" has the effect of stifling any effort a low income household (i.e receiving benefits) will make to earn more because any income they earn above their benefit will accrue tax at 80 cents in the dollar – that is hardly equitable and the main reason why it is not worth them trying to work and get ahead.

Please consider the reality of many New Zealanders

Figure 11 similarly ?

The statistics on page 36 are particularly damming, and EVIDENCE of the FAILURE OF YOUR TAX POLICY TO DATE

Please learn from your past mistakes

(also you should have defined 'Gini' in your document I couldn't find any explanation there)

But see https://en.wikipedia.org/wiki/Gini_coefficient

It is now 11:25 pm 30/4/2018 and I have run out of submission time , so the document is now sent unfinished.

So in conclusion my suggested tax policy I submit to you is summarised as :

1.Tax should be Contributory and Actuarially based so that the original contributors of the tax benefit from the tax as and when they come to use it in the present and in the future.

2.Tax across all commercial business vehicles and individuals should be equal.

3. **There should be no Tax bias based on Ethnic preference or factional Favouritism.**
4. **Sickness Beneficiaries , Students , Veterans and Superannuitants should be granted a minimum tax- free threshold that supports a basic humanitarian living standard (i.e living wage).**

5 Foreign entities should pay the same level of tax as New Zealanders with no political favouritism.

Let us see if you can measure up, Fairly?

And I hope you listen and take action second time around

Yours faithfully

John Wayne Andrews