

Tax Working Group Public Submissions Information Release

Release Document

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From: Flora Gillkison [1]
Sent: Tuesday, 30 October 2018 12:27 PM
To: TWG Submissions
Subject: Submission on Interim Report

Submitter Flora Gillkison

30 October 2018

Dear Sir Michael and members of the Tax Working Group,

Please accept my 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, i.e. fiscal drag 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 taxpayer's years after year.

While the Working Group says that inflation is best handled by "periodic reviews of the thresholds" this is not working as 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. This is especially hard on young people

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.

I don't agree with a capital gains tax as it seems to clumsy to try to implement and while I understand that there are some who have benefitted from an economy with no tax on capital I think the extension of the bright line test is good and could be added to other areas such as share portfolios. Business already pays tax so to further tax them on sale seems unfair.

Where farms sell for a huge amount then perhaps CGT could be only charged where the gain is above say 2 million.

If the Working Group does choose to recommend a form of 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 recommends 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 also 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 Smoke free 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. But the costs of spirits are ridiculously cheap and our young people drink high levels of alcohol - spirits because it's so cheap. I think Excise tax should be much higher on any product that is above 10% in alcohol.

Sugar taxes should be made at source, i.e. on the sugar refining company or as import duty if producers import sugar so they catch all uses of sugar not just fizzy drinks. Apart from the poor research that doesn't really state whether there is any effect on reducing obesity common sense tells us that more highly processed carbohydrate like refined sugar will increase obesity. To avoid just hitting low income households

there should be a subsidy on fresh milk that is equivalent to the revenue gained from the sugar tax. This will mean milk is cheaper for families and children, teenaged girls and young women especially will get the calcium they need for good bones. This will reduce future health costs.

I submit that the Working Group should not recommend any further increases on cigarettes but should move the sale of these to pharmacies and people are able to only get them on prescription. The sale of synthetic marijuana should have the same excise tax as cigarettes. The harm this is doing is something that needs urgent attention.

Yours sincerely,

Dr Flora Gilkison

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