Tax Working Group
Te Awheawhe Tāke

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.

From: Graham Cliff <action@campaignnow.co>
Sent: Thursday, 1 November 2018 2:39 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 treated no differently.

Inflation (which appears to be gathering momentum) pushes taxpayers into higher tax brackets every year, resulting in a higher tax burden for the same gross income.

Whilst the Working Group claims that inflation is best handled by "periodic reviews of the thresholds", New Zealanders haven't had a tax cut since Budget 2010; this is why the National Party promised substantial tax cuts, following the general election - but those cuts were abolished by the current coalition government. In the last eight years, 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. It should be the Government's primary objective to increase New Zealand's productivity and thereby encourage greater growth in incomes.

Instead, the Working Group has put forward two proposals for an even higher tax burden on capital and investment: this approach can only lead to fiscal stagnation, at best, and stagflation at worst.

I submit that the Working Group should recommend against implementing new capital taxation.

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, then there should be an exemption to cover 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.

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 further increasing the tobacco excise, the Working Group should recommend that the Government adjust excise on reduced harm products according to their risk.

The cost of alchol abuse, to the health and social services, is unsustainable; scarce resources are diverted from other, more pressing needs. Alcohol has never been cheaper, relative to average income. I submit that alcohol should be subject to unit pricing, and that the scale adopted should represent an approximate increase in duty of 100%.

Sugar taxes cannot reasonably be imposed unless and until there is more robust research into competing models of taxation in this area. Arguably, a similar case can be made with regard to the salt content of manufactured foodstuffs.

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.

Yours sincerely,

Dr Graham Cliff