

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: Faye Storer <action@campaignnow.co>
Sent: Thursday, 1 November 2018 3:49 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', 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 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.

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

However, in the event that new capital taxation is implemented, then any revenue should be used exclusively to cut taxes in other areas, in order to ensure a growing economy and rising incomes.

Taxes on savings

To tax people on their savings is underhand and punitive. People who save should be rewarded, not penalised.

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 people 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 outrageous and unacceptable.

People responsible enough to save should not be treated as 'cash cows'. The message it sends is that the government is encouraging New Zealanders to be on welfare because that way they will get a free ride on the suckers who 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 that can be 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, which 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.

Behavioural taxes

Hiking tobacco excise even higher is not going to stop smokers from smoking. It simply means that they spend less on decent food and household requirements. Visit any supermarket checkout and see this for yourself. In addition, it has created an extremely unsafe environment for retailers, with increased theft and attacks, injuries and even fatalities among smaller shopkeepers. The policy of having an annual increase has been an abject failure and is having unintended safety consequences for the general public. If the government is so concerned about tobacco usage and its health effects, then tobacco sales should be confined to government shops with appropriate security.

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 are sheer stupidity. People should be able to purchase and eat sugared foods if they wish. Putting additional taxes on is not going to reduce consumption or stop any overeaters from getting obese. If anything, then GST should be removed from so-called 'healthy and essential foods' and imposed on 'luxury/non-essential items' as they do in Australia.

Food and drink are about choice. Those who make poor food choices to the extent that they are affecting their health need a better understanding of nutrition, not for the government to act as 'mum' or 'dad' and stop them from buying certain items.

I submit that the Working Group should NOT recommend increases in tobacco excise or alcohol excise and should recommend that the Government NOT implement a sugar tax.

I also endorse the [broader submission](#) made by the New Zealand Taxpayers' Union in reply to the Working Group's Interim Report.

Yours faithfully,

Faye Storer

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