Tax Working Group
Te Awheawhe Tāke

Tax Working Group Public Submissions Information Release

Release Document

February 2019

taxworkingroup.govt.nz/key-documents

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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.

Organised by Income Equality Aotearoa New Zealand Inc

More equal societies work better for everyone

Response to the Interim report of the Tax Working Group by Income Equality Aotearoa NZ Inc

For information about Closing the Gap go to www.closingthegap.org.nz

1. We acknowledge the work that has gone into, and the thoroughness of the interim report.
2. We are pleased at the recognition of the importance of reducing income/wealth inequality in New Zealand because of the damage this does to our society but we believe that apart from possibly reducing tax on the low-paid, the interim report actually contains nothing else that would reduce inequality. We believe that the final report should set out clearly how a reduction in inequality would occur through the recommendations.
3. In the interests of a tax system that is comprehensive, both horizontally and vertically fair and just, and is capable of being easily modified in the light of changing work structures and availablility, we feel that the work of the TWG has been seriously constrained by the terms of reference. We would hope that comments about that will form part of the final report. The final report should encourage the Government to look at further changes such as capital gains tax on the family home—with rules and exceptions, a much more steeply progressive tax system which includes taxes on capital, a financial transaction tax, and a tax system that is closely integrated with the welfare system.
4. We believe that in the interests of fairness etc there is a clear need for tax system that basically taxes ALL income regardless of source and this again is constrained by the terms of reference. We would encourage the TWG to include this principle in the final report as an encouragement to Government to look at further changes such as inheritance taxes, much higher taxes on high incomes eg over $150000 per year, land taxes---the absence of these is a huge impediment to the supply of housing, taxes on land banking would make a difference to local authorities abilities to open up land for housing.
5. The current rate of GST is regressive in the sense that because of the percentage of income the poor spend on things compared with the wealthy. A reduction in the rate of GST would help matters considerably. We still believe that it is a better system with GST on everything but it should include financial transactions.
6. Overall tax take. We believe that the Minister's insistence that the total tax take must be less than 30% of GDP is unreasonable. It is clear that the Government does not have enough income to properly fund the work that it needs to do. When our tax take is compared to the tax take of the Scandinavian countries with much lower inequality than us it is clear the path we must take. A clearly higher tax take.
7. It is pleasing that the TWG is taking a positive approach to ensuring that foreign-owned companies working in NZ are paying the appropriate levels of tax. An approach of taxing overall turnover would be a good start.
8. We are delighted to see that environmental taxes are being considered.
9. Lastly we would reiterate the importance of the TWG measuring up to its statements about reducing income/wealth inequality with clear statements as to how their suggested modifications to our tax system will indeed achieve the objective of reducing this inequality

Many thanks for listening
Peter Malcolm General Secretary of Income Equality Aotearoa NZ Inc "Closing the Gap" 31st Oct 2108

From: Graham Robertson [1]
Sent: Thursday, 1 November 2018 1:45 PM
To: Peter Malcolm
Cc: TWG Submissions; Bryan Winters; Chris Lee; Colette & Brian MacKenzie; Fiona Proudlock; [1] Gray Southon; Ian McLean; John Garwood; John Robson; Julian Fitter; Gary Ware; Peter Jensen; Ron Lopert; Ron Major; Sheelagh Leary; [1] Jenny Ricks; Manu Caddie; Merrill Simmons-Hansen; Robertson, Neville; Nick Jennings; Nick Wright; Ron Cormack; Tracey Sharp
Subject: Re: submission to the Interim Report

Hi Peter

A good response.

I am not sure about a blanket support for a financial transaction tax. If you look in Wikipedia there are a myriad of forms this might take but they appear to be most popular (as an idea if not yet implemented) as a tax on the transfer of assets. We had such a tax once on land sales called stamp duty. I am sure if it meant here to apply to all transactions. Big difference between trading in shares or buying the groceries. Is it a feel good slogan that gets bandied around without folk knowing that it should be more specific?

There will always be ways around inheritance taxes and the rich people with highly paid lawyers will place assets in trusts where beneficiaries can change but the trust ownership of assets does not. Needs a great deal of work to be done on it and it is possible someone has done so.

Not sure what is meant by GST on financial transactions. Does this involve GST added to all transfers that are not otherwise a "taxable activity". Or that the business doing a transaction eg a conveyancing lawyer, have GST applied to their input. I would be surprised if that is not presently the case as they are providing a service (the S in GST)

We should really go for the tax take not being limited to the current 32% of GDP. A recent comparison by the NY Times (having a look at policies that in the US are labelled "pure socialistic evil" eg Nordic countries) concluded that with taxes of 44% of GDP these countries delivered comparable benefits to their wealthy people as found by the wealthy in USA due to free health care and education. (Plus longer holidays) It goes without saying that the less well off were incomparably better than poor people in the US.

There is no evidence that the 32% tax take is better economic policy for growth etc. In fact there are plenty of economists who disagree with this theory that apparently was developed in the Chicago School of Economics.

Therefore I support all that you have said on that subject and particularly inviting the TWG to tell the government of the fallacy of sticking to this 32% target.

Cheers

Graham

On Wed, Oct 31, 2018 at 4:39 PM ClosingTheGapNZ [1] wrote:

> Please find this submission attached
> Peter Malcolm

More equal societies work better for everyone

organised by Income Equality Aotearoa New Zealand Inc

From: Julian Fitter [1]
Sent: Thursday, 1 November 2018 3:40 PM
To: Graham Robertson; Peter Malcolm
Cc: TWG Submissions; Bryan Winters; Chris Lee; Colette & Brian MacKenzie; Fiona Proudlock; [1] Gray Southon; Ian McLean; John Garwood; John Robson; Gary Ware; Peter Jensen; Ron Lopert; Ron Major; Sheelagh Leary; [1] Jenny Ricks; Manu Caddie; Merrill Simmons-Hansen; Robertson, Neville; Nick Jennings; Nick Wright; Ron Cormack; Tracey Sharp
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Peter
I would agree with Graham in most areas, however I strongly favour:

- Removal of GST from food – clearly an iniquitous concept
- CGT on family homes is a non-starter, so let's get it on other assets as that is doable and common sense.
- Inheritance tax means a significant tightening of Trust rules – ie settlor cannot be a beneficiary.

Julian

From: Graham Robertson [1]
Date: Thursday, 1 November 2018 at 13:44
To: Peter Malcolm [1]
[1]

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