

**From:** § 9(2)(a)  
**Sent:** Sunday, 5 September 2021 3:23 PM  
**To:** Policy Webmaster  
**Subject:** Consultation on Long-Term Insights Briefing

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To whom it may concern,

I wanted to make a brief submission on your consultation. Because of limited capacity (other work), I will not be able to engage in too much further correspondence.

I have carried out work on economic policy as a consultant for the United Nations Development Programme between 2014 and 2016, and as a political advisor in the UK Parliament in 2019-2020. § 9(2)(a)

In brief:

- (1) The relationship between tax and productivity is an important question.
- (2) I am not persuaded by the briefing that within that line of inquiry, the question of whether company tax rates should be cut is the most pressing tax issue relevant to NZ's productivity problems.
- (3) I am surprised that the IRD does not seem to be paying more attention to a different question about tax and productivity: namely, whether the under-taxation of finance and real estate stifles long-term productive investment by encouraging investment in finance and real estate rather than elsewhere in the economy. (Financial services are exempt from GST, and it is widely acknowledged that property is lightly taxed, for example because of the absence of a capital gains tax.)
- (4) I would like to see the IRD consider other ways of taxing property, for example the "fair economic return" method proposed by Terry Baucher and Susan St John, as well as whether finance should be taxed more fairly (including through a financial transaction tax, as exists in the UK via stamp duty, or through the removal of the GST exemption for finance).
- (5) If the IRD does focus on taxing capital or company tax rates, I suggest a much more critical approach needs to be taken to the question of foreign direct investment (FDI). In recent years commentators and economists alike have highlighted that FDI can be associated with tax avoidance, is not necessarily linked to the creation of jobs, and may not support productivity. A far more nuanced, disaggregated approach should be taken to the question of the merits of FDI.
- (6) I would also like to see the IRD take a more serious look at the question of whether distributions from trusts are fairly taxed at present. This may have links to productivity.
- (7) I agree with the point in the consultation document that the shifts in company tax rates in the UK and US suggest that NZ would be bucking company tax rate trends in relevant jurisdictions if it were to proceed with cutting its company tax rates.

Thank you for your ongoing work. I admire the work you do but I think it is important that the topics for Long-Term Insights Briefings are carefully selected. I'm not convinced the lowering of company tax rates is the issue of most pressing concern from the perspective of the public or the long-term interests of the economy.

Ngā mihi,

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