Tax Working Group Public Submissions Information Release

Release Document

February 2019

taxworkinggroup.govt.nz/key-documents

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]   9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2]   9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From:	Graeme Easte [1]
Sent:	Friday, 26 October 2018 5:43 PM
To:	TWG Submissions
Subject:	Submission to Tax Working Group - Please introduce a decent Tax Free Increment for All

Hi,

I did not contribute to the first round of consultation as I was under the impression that your group would not be considering changes to basic income tax but now I gather that you are open to suggestions.

I have one very straight forward proposal. Rather than give tax cuts off the upper levels of taxation that really only benefit high income earners (which has happened many times during my adult life) - why not flip things and give every one exactly the same tax break by allowing the first $x,000 of everybody's income to be tax exempt - with the tax exempt quantum being adjusted upwards as and when appropriate.

I ask this in the name of equity and fairness, and also as a matter of transparency. Historically almost all tax cuts have gone to the already comfortably well off - effectively transferring even more of the nation's wealth to them at the expense of the majority who get little or nothing (the so-called "block of cheese" tax cuts).

Ideally, the tax exempt income level should be based on the minimum level of disposable income calculated to meet basic costs of necessities such as food, accomodation, etc. This is probably of the order of at least $10,000 for an individual adult (*is this in fact correct? This is the sort of number that was used when I studied economics a long time go - it is probably quite a bit more these days*). In the first years of such a scheme I would expect the quantum to be set considerably lower as it was phased in at an affordable level for the government and then increased over several years to reach whatever level is deemed appropriate (this might mean for example that the sum is set at say $3,000 in year 1, quickly increasing to $6,000 in year 2 and $10,000 in year 3, after which it would become inflation-linked with much smaller increments - apart from those years when a tax cut was deemed appropriate, it which case it could be stepped up by a decent notch.

The various steps in the income tax schedules could then be modified as required to ensure that overall tax income for the state was maintained at an appropriate level to compensate for the significant amount forgone to allow a universal tax free portion of their income. If and when it was felt advisable to have tax cuts these could largely be achieved by appropriate increases in the level of tax free income.

I would argue that such a scheme would be considerably easier to implement, manage and administer than the alternative which some are proposing - i.e. The UBI (Universal Basic Income) or similar scheme which would actually pay everyone a common level of basic income and hence (largely or even totally) replace the benefit system . Although I understand that several countries are already trialing this concept (eg. Kenya at just $1,000 per person per annum whereas Switzerland is considering $2,600 per month), perhaps we should just wait a few years and see how the theory actually works out in practice.

Cheers and good luck with your task.

Graeme Easte
[1]