Tax Working Group Public Submissions Information Release

Release Document

February 2019

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From: Freda Woisin <action@campaignnow.co>
Sent: Wednesday, 31 October 2018 7:53 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" but 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.

It is worrying that the governance of our tax collection system, seems Ad hoc. The taxes gst/ levies etc are gathered, redistributed through agencies, to top up rents, food, family benefits, which in turn subsidies, landlords, businesses. With the present housing crises, Government is putting citizens into motels. All because of poor long term stategies/immigration changes including extended families that put pressure on NZ welfare system, across political divide over the past 50 years, now due to unforseen factors we are getting snookered with rising collective debt.

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 a 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 – putting a rocket under economic growth.

I submit that the Working Group recommend against implementing new capital taxation, but if they do, that any revenue is used exclusively to cut taxes in other areas in order to ensure a growing economy and rising incomes.

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 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 far too high to encourage anyone to save. As a single person, over the past 54 or so years as a taxpayer, there has been no or little government/public retirement scheme incentive(mr Muldoon squashed that option for us baby-boomers (think what that accumulated fund could have been used for as investment in NZ's infrastructure today?) We rely historically on the 'investment propeerty to prop up our retirement, sadly this is not an option for the majority of our tamariki and mokopuna. Definitely a siesmic change in mindset and culture is needed.

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.

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. In my view, Cenral Governments, Regional goverments/councils, district councils, Department of Conservation, NIWA ,Ministry of Agriculture and Fisheries, Ministry of Primary Industries, have been remiss in not leading from the front regarding the Waste Minimistion Act 2008, to which all Councils have bylaws to promote waste minimisation and management. Now, we in Aotearoa (this whenua that is our home, gives us sustanance, shelter, water and wellbeing) are confronted in 2018 with at least 100 years of degrading and polluting our environment, rubbish, toxic dumps,slashing and burning, rubbish pits on private land and massive landfills- still kicking-pardon the pun- the can down the road. N ick Smith, Minister in the past Government launched a tyre recycling venture, how is that going? Grass roots citizens are leading the charge, lobbying for plastic/glass bottle deposit schemes, targeting fast-food companies, promoting composting, replanting vegetation along waterways. Action and collaboration is urgently needed - otherwise it will cost us all in the end.

Any change in the emissions trading scheme needs to be tightly focussed on the costs to households – especially low income households who 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 until there is more concrete evidence on the economic costs from increasing these taxes and an objective framework developed that weighs up the economic costs against the environmental benefits.

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 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 should be avoided. Taxes on sugar hurt low-income households the most and the evidence shows they are not effective in reducing consumption or combatting obesity.

I submit that the Working Group should not recommend increases in tobacco excise or alcohol excise and should recommend that the Government avoid implementing a sugar tax unless it can be objectively shown as being effective in combatting obesity.

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,

Freda Woisin