Tax Working Group Public Submissions Information Release

Release Document

February 2019

taxworkingroup.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: Brady Nixon <action@campaignnow.co>
Sent: Thursday, 1 November 2018 12:49 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" 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.

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 ordinary New Zealanders. Capital taxes need To be carefully considered, measured and aimed at capturing those who exploit the market through speculative 'flips' and land bankers rather than the general populous.

Recognition of the limited cashflow of most Nw Zealanders is also required. We are cash poor by asset rich. A gain is only realised on sale and the focus needs to be specific to that rather than considering a tax payable every year. How can that be funded unless one earns significant income. In Auckland, even high earners are struggling to own homes. Let's be realistic.

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. A tax should avoid the family home or a family holiday home at all costs and focus on investment classes of property.

I also have significant concerns relating to a proposed tax on holiday homes which is unworkable and would result in the large scale sell-off of holiday homes, flood the market, and result in a significant slump. I own a holiday home that was paid for by selling up I n Auckland, shifting to Tauranga and having enough left over to buy a holiday home so that we could have a place for our family for holidays and memories.

That my family owns a holiday home is not because we are rich and the proposed tax would mean we would have to sell - it's unaffordable and unrealistic. We would lose a lot of money selling in a flooded market.

Adding to my objections, the home hasn't gone up in value. Whilst I do agree that some people benefit from large gains on such dwellings they are specific to locations. Our place has gone up [1] in 10 years, yet would be penalised by a tax equivalent to a third of our take home income. How is that rational or realistic? We pay all our taxes now and work hard.

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 and it needs to focus on investment classes of capital.

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.

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.

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.

Aside form that the emissions trading scheme assumes the rest of the world plays fair and equally when we know that it does not. Until a world wide consensus and unequivocal participation is reached a tax in NZ will be to the detriment of NZ businesses, achieve nothing and ignore the real issues of pollution and environmental damage. I support cleaning up our world but a tax does not do that.

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,

Brady Nixon