Tax Working Group Public Submissions Information Release

Release Document

September 2018

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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.

Rcvd 19/3/18

15 March 2018

The Working Group Secretariat,
P.O. Box 3724,
Wellington, 6140.

Dear Secretariat.

The present tax system discriminates against savers and works to the advantage of the tax take of the government.

Assume $100 in a bank deposit at 3% gives a return to the depositor of $3.00 over one year. Over the same year inflation at, say, 2%, results in a reduction in value of $2.00 so that a return to the depositor is $1.00 over that year. That however is not the net return to the depositor as the tax taken on the $3.00 earned at 30% is $1.00 so that the depositor has no net gain but the state has a return of $1.00. Even worse is an interest rate of 5% and inflation at 3%. I am sure that some expert can correct me on these figures but it does seem that the government is taking more from savings that the depositors.

Of course the deposits are in a bank and there is an element of safety to consider. The government however now requires the Reserve Bank to meet other elements other than the banking system in monitoring banks. Government requirements for housing are to be taken into account which may lead to less control of banking practices and higher risk of failure of a bank. Recent case of the insurance company is a case in point. In case of failure of a bank it is depositors that have the deposits reduced or eliminated so that the old adage of "as safe as a bank" is no longer true.

I consider it is in the long term interests of the country to encourage savings and to have the state take more from savings than the savers seems to penalise them.
I may be incorrect in my calculations above and I am willing to see so more expert evaluation of savings and the tax outcomes if that is the case.

[1]