Tax Working Group Public Submissions Information Release

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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.

Five key questions for you to consider

Bullet Points.

- "Tax" in this document includes national government revenue and local government rates.
- Currently wrong generic approach to tax – it should be "tax what you don't want and don't tax what you want".
- Basically one form of taxation, resource rentals, with land as the central resource, along with ecosystem services and universal basic income, and essentially no other taxes.
- Full cost accounting
- Common resources to be communal, with rewards from personal and business use of them to be shared equally.
- Sustainable resource use.
- Increasing user-pays above a basic as-of-right level of necessities of life.
- Simple, automatically self-regulating, socially, environmentally and economically enhancing – a very much simplified tax and benefit system.
- Capital Gains Tax is a flawed approach – it's "push-pull".
- Those who profit monetarily from community investment in infrastructure should pay the most tax.

What does the future of tax look like to you?

Our world is changing. So how can we pass on a tax system that will continue to support future generations?

The most sensible tax basic is that you tax what you don't want (pollution, abusive resource use, social degradation, economic manipulation, etc) and don't tax what you want (work, productive activity, investment, improvements, etc).

I contend that there are continual problems with taxation from one government to the next over many decades, because the approach to tax, economics, social structures and the environment have been fundamentally flawed and captured by big business for their own purposes. The approach suggested below is a joining of three separate strands: Resource rentals with land as the central resource, ecosystem services and universal basic income. These have all been known about for a long time – Henry George and others – but aren't usually seen as a complete combined approach.

The resources of the world are not limitless, so renewable resource use must only be at sustainable levels, including full cost accounting and no externalization, or very carefully used and recycled where possible with non-renewable resources.

Common resources need to be the property of the whole community, not of individuals or businesses. (Land, water, radio frequencies, fisheries, etc.)

Overall tax burden to be as fair as possible in that, within sustainable limits, those who use more of our common resources for their own personal or business use pay the actual value of that use back to the community. Those who lessen their use of common resources pay less.

Resource rentals for revenue would replace local body rates and national taxes. Everyone has a right to a living amount of basic resources at a very low price (such as power and water). All use of resources beyond the basic level needs to be taxed at an increasing rate to discourage overuse and encourage sustainable and innovative use of resources. This is a major way that people and businesses can choose to reduce their tax, automatically reducing the impacts of costs on the economy, society and the environment. "You pay for what you take, not what you make." "*In Progress and Poverty, George examines various proposed strategies to prevent* *business depressions, unemployment and poverty, but finds them unsatisfactory. As an alternative he proposes his own solution: a single tax on land values. George defines land as "all natural materials, forces, and opportunities," as everything "that is freely supplied by nature." George's primary fiscal tool was a land value tax on the annual value of land held as private property. It would be high enough to end other taxes, especially upon labor and production, to provide limitless beneficial public investment in services such as transportation, since public investment is reflected in land value, and to provide social services such as a basic income. George argued that a land value tax would give landowners an incentive to use well located land in a productive way, thereby increasing demand for labor and creating wealth. This shift in the bargaining balance between resource owners and laborers would raise the general level of wages and ensure no one need suffer poverty. A land value tax would, among other things, also end urban sprawl, tenant farming, homelessness, and the cultivation of low value monoculture on high value land."* (Wikipedia)

It also means that those who most profit from infrastructure improvements, paid for by the community through rates and general taxation, pay a higher location value tax, which in turn pays for the infrastructure.

Much of the government's need for tax is to pay for wanted or desirable activities and to mitigate costs and damage to society, environment and the economy, so, a tax approach which embodies both true cost accounting and self-modified behavior (by individuals and businesses) that automatically reduces damaging impacts on resources, society and economy must be a simpler and better way of doing things.

Some form of embodiment of ecosystem services (where improvements to environmental quality bring a reduction in tax to pay) to encourage active enhancement of the environment and renewable resources beyond the effect of resource rentals. Another way costs to society are lowered and people can actively reduce the tax they pay.

Capital Gains tax doesn't work because it has a push-pull nature – besides taxing increase in the value of the land, it also taxes increase in quality of improvements, having a discouraging effect on investing in improvements. There should be just a land (location) value tax which *encourages* proper use. The ongoing, day-to-day nature of a tax on location value of land gives a continual signal to the market to invest productively rather than speculatively.

All of this would in general put New Zealand businesses ahead of the coming need internationally for just these approaches, while actually increasing their profits currently.

Universal basic income for all as a part of the resource rentals approach – a direct dividend to each person from the personal and business use of our common resources. Reduces social welfare administration hugely, with just a "modification" function left, such things as accommodation supplements and special needs, and it decreases the whole stigma and stress involved with benefits.

While overall tax take would be set to cover governmental needs, in this approach, most people would pay less tax than they pay now, and the super wealthy, who essentially pay no tax relative to their earnings would have to pay their fair share of tax, or lessen their impact on resources.

Tax administration would be very simple and tax avoidance and resource speculation and hoarding would essentially be impossible, because the resources are in plain sight (especially land) and it would be virtually impossible to "play" the tax system and avoid paying your fair share, while building-in the encouragement for legally minimizing tax owed in ways that have automatically good outcomes for the economy, society and environment.

There would be less cost to running government as people would be healthier, there would be more productivity, there would be much less crime and much less environmental costs, along with a drastically reduced tax and social welfare infrastructure.

What is the purpose of tax?

Fair and equitable use of and access to all the elements of life and a sharing in the fruits of participating in society and the use of our common resources, in ways that sustain and enhance the common physical, social and economic resources and discouraging economic hoarding of resources.

In New Zealand we like to keep tax simple. But should we be asking more of tax?

A resource rentals approach can be as simple as focusing just on the location value of land, along with other resource rentals – no income tax, no business tax, no GST, no complex exceptions, etc, etc, just sustainable resource rentals with location value of land at the centre. This much simpler approach can be shown to bring most of the economy into an easier, fairer and more environmentally friendly state.

Are we taxing the right things?

Around 30 cents in every dollar made in New Zealand goes on tax. Is it going on the right things?

See other responses.

Can tax make housing more affordable?

Making housing affordable is one of the biggest challenges we face. Does tax have a role to play?

With resource rentals there would be an inbuilt, automatic encouragement to downsize dwellings and land use (to self-reduce resource tax to pay), and a discouraging of price-increasing speculation, along with location value of land providing the funds for the infrastructure of developments and incentives to live in less high location-value regions (that is, live and work more regionally).

What tax issues matter most to you?

Whether you are doing your weekly shop, checking out your bank balance or making future plans - tax affects you.

Fair and equitable and environmentally protective and enhancing.

There is much detailed information on land value taxation and related issues at www.prosper.org.au/ and other places.

The Tax Working Group's paper calling for submissions explicitly seeks views on whether there could be items exempt from GST in order to benefit low income people

If the current tax system is in operation, yes, GST needs to be exempt from GST in order to benefit low income people.

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