

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

# TAX WORKING GROUP SUBMISSION

## SUMMARY

*This submission is based on four principles:*

1. Less tax is better provided that society is progressive and caring
2. It is better to incentivize people with rebates than to punish with tax
3. Helping the wage earner by taking from the wage payer is counterproductive.
4. The administration cost of collecting and reallocating tax is significant.

*Summary of submission:*

The basis of this submission is to incentivize people to reduce their need for govt/tax funded products and services such as:

- Education
- Health
- Aged care
- Superannuation
- Clean energy
- Support for the disadvantaged
- Support of the environment
- Accommodation

This would be done by making a person's spend on the above tax-deductible.

*Benefits to New Zealand*

- No change to tax rates, but high earners increased self-reliance would reduce costs to Government.
- NZ'ers that are able, would look after themselves with their own money.
- Government able to focus tax spend on those that need it.
- Reduced tax administration costs

## HOW IT WOULD WORK

The government would make provision for people to:

- Opt-out of free **education**, their spend on education becomes tax deductible.
- Opt-out of free **health**, health spend becomes tax deductible.
- Opt-out of free **aged care**, aged care spend becomes tax deductible.
- Opt-out of **superannuation**, and in return receive an increase in the percentage deductible off the other areas in this list.
- Opt-in to **clean energy** usage, spend on clean energy becomes tax deductible.
- Opt-in for **support of others**, any spend on charitable organisations becomes tax deductible.

- Opt-in for **support of the environment**, spend on environmental initiatives become tax deductible.
- **Rental<sup>1</sup> costs (up to a cap)** become tax deductible e.g. up to \$500 per week of rent payments would become deductible if money was auto-redirected into KiwiSaver.

## WHAT THIS MEANS TO INDIVIDUALS

### IMPACT ON LOW EARNERS

- There would be no reduction in services and benefits to low earners.
- There would be more incentive for unemployed to get paid employment because once they start paying tax it can be off-set against accommodation costs... making home ownership more achievable.

### IMPACT ON MIDDLE INCOME EARNERS

- These earners would see opportunities to become more independent via self determination
- Those middle income earners that want to pay for private medical or education etc could do so and would reduce demands on government funded services.

### IMPACT ON HIGH INCOME EARNERS

- High earners would see the logic and benefit in this approach.
- It rewards those that already are independent but also incentivises those who are unnecessarily free-loading off the government for education, health etc.

## SUBMITTED BY

Chris Yates

27 April 2018

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<sup>1</sup> Excluding mortgages from this is like applying a capital gains tax on housing by stealth. It reduces the gap between the renter and the owner. It provides less incentive to owners while also making it easier to own if desired. It increases demand/supply for affordable housing but does not incentivise large property holdings.