

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

### **Release Document**

**September 2018**

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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.

Thanks for the opportunity to suggest improvements to our current tax system. My suggestions are below:

1) We should have a financial transaction tax at a low rate (eg 0.1%) on **every** movement of money from anywhere to anywhere. This would be simple to apply (like GST), and would discourage speculation (which adds nothing to the value of NZ) or at least gain some benefit for NZ from it. Some have suggested this is simply GST for the rich, and like GST, the income from it should be used to offset other taxes (like income tax). There should be no exceptions (for simplicity).

2) Income tax bands should move every year with inflation (or use some other transparent calculation). Failure to do this results in an increasing tax take **without any discussion about increasing taxes**. This is simply unfair, and allows governments to claim to be giving a tax decrease every few years, when simply restoring parity to a system broken by inflation and time.

3) Capital gains taxes, while great in theory, are likely to be complex (particularly if there are exemptions eg 'family home'), to have high compliance costs and to raise only small amounts of revenue - certainly in the short term. The questions then become, do we want to send 'signals to the market' by using capital gains taxes? Would these signals work? ... and is this likely to raise significant money or simply cause aggravation?

I suspect capital gains taxes in general, will be more trouble than they are worth, and won't send useful "signals" - particularly if there are large sections of the economy with exemptions. If we have one, there needs to be **no** exceptions. It may be wise to allow some kind of deferred liability (at zero interest) so that no cash is payable until the asset/property is sold.

4) GST should be lowered to a **maximum** of 10% (using other taxes to offset the income lost). This tax tends to hit those on lower incomes the most. This tax otherwise works well.

5) A carbon tax should replace the ineffective emissions trading scheme (which has never worked). This is the only useful way to encourage people to move away from burning things.

6) Resources of all sorts should be taxed when extracted/used. This should be used to allow for "public bads" often left behind by extractive industries to be cleaned up/fixed/repared. Perhaps this could be achieved by taking a percentage of their income as a bond, to be returned after (say) 50 years of no problems. This should encourage doing things properly the first time, and would allow for our current lack of knowledge in many areas - many toxic sites requiring clean up now were run correctly at the time with the knowledge we then had. It is not acceptable that the cost of public bads from private profit enterprises should be paid for by those not profiting.

Suggest that this sort of resource tax should apply (at a much higher rate where the turnover of organisations is high) to "developers" that regularly wind themselves up to avoid any possibility of previous liabilities. This is simply cheating and should be discouraged - vigourously.

7) There should be some level of income that is tax free, and/or a state provided basic income for everyone. This would discourage the disparaging of "beneficiaries", encourage people to do some work, and allow them to keep more/some of what they earn when they do. It makes no sense to say that people must work, when their marginal tax rate is more than 50% if they do. Add any kind of work related expenses to this, and it is no surprise to me that people say it "isn't worth it". Similarly for short term/seasonal work, doing some should not result in losing benefits, as this does not help the beneficiary, nor the business that desperately needs people for 6 weeks work. Perhaps a few weeks work each year (say 6 or 8) could be exempt from income calculations in these cases?

8) While not entirely a tax issue, I recommend that we look at some way to encourage a more equitable society generally. This could be measures to limit the range of salaries in any organisation

to (say as a start) 20 times (i.e. the CEO cannot earn more than 20 times the lowest paid person), or some form of basic income. It is recognised that more egalitarian societies do better on almost all measures of wellbeing than less egalitarian ones. ALL our systems should be good for people - if they aren't, **then why are we doing it that way ?**

Thanks again. :)

Assumptions/principles:

No one should pay more than 50% of their income (total) in tax. There **should** be an income level where you do pay 50%. :)

Tax income is a "Public Good" which is often used to pay for "Public Bads" (eg cleaning up pollution).

The more you earn the more tax you should pay.

The more you own, the more you should pay (though people that own a lot but have no cash income could find this challenging). Perhaps there could be some kind of deferred liability at zero interest so that no cash is payable until the property is sold and cash is available ?

Resource use should be taxed at source. Oil, gas, coal, water, everything that is extracted in some way and not then available for others to use.

A carbon tax is the only fair way to encourage a reduction in carbon use - it's clear that the ETS has not, does not and cannot work.

Speculation adds nothing to NZ.

Everyone should have enough to live on no matter their circumstances. This could be either a universal income (preferred), or no tax payable on the first X thousand dollars of income.

Relying on income tax is a very limited (and some say decreasing) way of raising money for the public good. The tax base must be spread.