

Tax Working Group Public Submissions Information Release

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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.

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In summary, our tax system needs to be transitioning from mostly taxing income and all consumption to taxing wealth and consumption beyond basic items of food, housing etc.

We need a tax system that supports innovation and green production and discourages rent seeking in which rentiers take money without contributing to any kind of production. This kind of activity has contributed to property speculation and means the wealthy continue to get wealthier at the cost of those who must sell their labour. In my view, speculation is a social and economic bad for the average New Zealander and should be discouraged.

Our tax system should support all New Zealanders to get access to what they need to have decent, healthy, comfortable lives but not necessarily lives of luxury. Wealth inequality IS already an issue in New Zealand (regardless of how fast it is or isn't growing, and how) and is accentuated by levels of debt that families now have to take on to buy houses or the high levels of rent people have to pay for their housing.

Tax can and should encourage desired behaviours e.g. – healthier eating, cleaner production, reducing the use of plastic and fossil fuels, investment in research and innovation, less speculation in housing, building smaller houses and volunteering whilst discouraging undesirable, antisocial behaviours such as rent seeking, land banking, property speculation, luxury consumption, free riding, overuse of plastic packaging and pollution and loss of our air, water and soil resources.

These are some thoughts:

Tax ALL financial transactions

A flat tax of 0.01% should be imposed on all financial transactions over \$1000. including cryptocurrency transactions. This is easy to do and hard to dodge, does not include people paying for basics such as buying groceries, or paying rent at the lower end of the scale.

Introduce wealth taxes

A wealth tax should be paid and assessed yearly based on the amount of net wealth held by individuals, and companies:

- 0% below \$1.2 million,

- 1% between \$1.2 million and 5 million;
- 2% exceeding \$5 million.

This would bring New Zealand into alignment with places such as Australia, the United Kingdom, Canada, Denmark, Germany, France Belgium and the Netherlands.

Introduce an Empty Homes Tax on residential properties in New Zealand cities that are unoccupied longer than 4 months annually. Consider taxing at a rate of 1% of the property's assessed taxable value. We could require as they do in Vancouver that residential property owners submit an annual property status declaration.

Keep what capital gains taxes we already have. It is good to keep that tax off the family home.

Consider inheritance taxes. It seems appalling that people can inherit any amount without paying any tax and yet beneficiaries are "taxed" by having their benefit cut as soon as anyone gives them some kind of assistance or a birthday present of money (most of which are tiny by comparison to what happens with inheritances). If need be, put an amount on what people can inherit free of tax and tax in bands in the same way we tax income tax. A lack of inheritance taxes advantages the rich and helps to maintain social inequality. That should change.

Income Tax

Long term, look at minimising income tax for those below *average (NOT median)* incomes. At this stage, it should be feasible to tax income as follows:

- Tax-free \$0 to \$14,000;
- 17.5%: \$14,001 to \$48,000;
- 30%: \$48,001 to \$70,00;
- 33% on \$70,000 to \$150,000;
- 39% from \$150,000 to \$1 million
- 49% over 1 million.

This compares with top tax rates in Australia of 49%, USA of 46.9%, France of 54%, Denmark of 55.8% and the UK of 45%).

No matter what, personal income tax already is hidden in trusts and a number of other mechanisms for those who can afford to pay tax professionals to do this. These kinds of dodges cannot be taken advantage of by those on lower incomes. Given that New Zealand has relatively high company tax and yet not very high personal income tax by comparison to the countries listed above, it would be good to look at how they manage tax sheltering behaviour adapt if for this country.

Company Tax

We need to ensure that that multinational tax avoiders operating in New Zealand pay tax here commensurate with the profit that they make from New Zealanders.

To do this, we must ascertain New Zealand Company Tax on the portion of total revenue earned in New Zealand relative to their total international company profit.

Impose a Revenue Tax of 6% on Digital Multinational Companies similar to that being considered in the EU and which has been actioned by India) that have a turnover of more than

New Zealand \$1.3 billion and whose businesses depend on digital advertising, online marketplaces, including google, Facebook, Amazon, Twitter, Uber & AirBnB, (<https://www.stuff.co.nz/business/industries/102407858/New-Zealand-could-follow-europe-and-impose-revenue-tax-on-likes-of-google-and-facebook>)

There may be a case to decrease the company tax rate, particularly for small businesses with small incomes. To a certain extent, it seems relatively easy for businesses to minimise profits already through a range of mechanisms that already exist, so I'm agnostic on this question but it also seems very reasonable to support small business wherever possible – it is often much more efficient and beneficial to the local economy that larger business and helps to circulate money in the local economy.

To care for our health

Consider taxes on sugar, tobacco, alcohol and excitotoxins such as glutamate, aspartate, and cysteine (although my personal view is that these last should actually be banned altogether from our food system, given the social cost of them in terms of how sick they make some people, and their effects on brain health and function). These should be flat taxes, across the board, all able to be raised to same rate as current tobacco tax.

To Care for our Environment:

This is of vital importance to get right. Our environment has been treated as a cash cow and the environmental and social costs of many activities are not factored into use costs of our collective activities. We must internalise many of the costs that have been externalised and which have led us to the environment crisis we now collectively face. New Zealand MUST take the lead in this. At present it lags behind much of the developed world.

Ideas include

- A Climate Change Levy similar to that imposed by the United Kingdom's Climate Change Act 2008),
- Improve the effectiveness of our Emissions Trading Scheme and or better still use a system of carbon taxes to collect money for initiatives to lessen our national reliance on fossil fuels and get our economy going, bring farmers and farming practice into this in stages.
- Consider a landfill and waste tax similar to those in the UK and Germany.
- Impose a nitrate fertiliser pollution levy at \$2 per kilo of nitrate along with rebates rewarding tree planting, increasing biodiversity, & regenerative and organic agriculture
- Impose a plastic bag tax 20 cents a bag at point of sale - to discourage use of single use plastics. Think about how to tax any single use plastic packaging and how this might be taxed at the point of production.
- Take a Tourist Eco tax of \$35 per person entering the country flat rate to be spent managing the resources that are used by tourists e.g.-national parks, beaches, campsites, toilets.
- Impose a clean water royalty to be paid by all industrial and commercial consumers that impact on water quality. Longer term, consider how this might work for industrial consumers of water *quantity*.

- Reduce GST to 10% at least on basic food items, because it disadvantages those on lower incomes. Extend GST to include items New Zealand consumers buy from international websites.
- Place a tax on developers of greenfields around our cities, particularly where there are valuable horticultural soils, and provide tax breaks for the more complex brownfields developments needed to intensify housing in our cities and prevent the need for people to travel great distances just to get to work each day.
- Our housing shortage is not a shortage per se, but a shortage of cheap housing. Developers are currently incentivised to build large and expensive houses and often use covenants to require new builds to be large when that might not be the choice of a new landowner. It would be good to tax the building of large houses, to make covenants on house size and cost illegal (or tax them to discourage it happening), and to provide tax breaks to developers for building smaller, cheaper houses.
- Allow local councils beyond Auckland to impose regional petrol taxes to help with developing and encouraging the use of more efficient forms of transport that minimise the use of fossil fuels. This tax could also help contribute to health outcomes through getting people using more active forms of transport.

Thanks for the opportunity to submit on this topic.

Yours faithfully,

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