Tax Working Group Public Submissions Information Release

Release Document

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From: [1]
Sent: Sunday, 29 April 2018 2:47 PM
To: TWG Submissions
Subject: brief contribution
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Submission to Tax Enquiry

from: Jeanette Fitzsimons, [1]

kia ora

This is a very brief and last minute submission on a few points - I'm sorry i didn't have time to do more.

1. The framework

I strongly support the framework Treasury is now using, of the four capitals. For several decades I have been advocating moving away from GDP growth as the sole aim of economic management. In budget 2,000 a tiny fund was secured by the Green Party in negotiation with Labour, for Dept Statistics to start work on an alternative system of national accounts using resource accounting principles. Not much was ever heard publicly about it but I understand the work was continued beyond that initial funding - I think it was only $750,000 - and has gradually become part of Treasury thinking.

2. Eco taxes

NZ is somewhat behind other countries in adopting the principle of taxing environmental bads rather than productive goods. This would include scarce resources and pollution. A carbon price is an obvious place to start but glaring omissions are taxes on water, waste and various discharges. A good surrogate for nitrous oxide pollution (major greenhouse gas) which is very hard to measure on farm, would be an input tax on urea which drives unsustainable intensification and associated nitrous oxide emissions. The purpose is not to penalise but to incentivise more sustainable behaviour. How this is communicated is vital: "we are not trying to penalise you, but to make sustainable behaviour more profitable (like water efficiency, nitrogen efficiency, landuse shifts where appropriate, boiler fuel shifts from coal to waste wood) .

3. Inequality - asset taxes are needed

I don't believe poverty can ever be eradicated by income transfers alone. Wealth and assets increase as and of themselves and currently are not touched by the tax system. The very wealthy do not necessarily have high incomes but have access to very high living standards and sources of investment to increase their wealth even further. They have the security of knowing that if a disaster befalls - eg health costs, or major repairs to home or replacement of car, they can sell assets to pay for that while the poor are exposed to high risk in these areas. Some shift of tax from incomes (at the base of the tax scale, not the margin) to levy wealth or assets is essential to address inequality.

4. Capital gains

A capital gains tax is a step towards taxing assets, but not a strong step. Skipping that and going directly to an asset tax or land tax (with appropriate safeguards) is in my view preferable. But a capital gains tax would be better than nothing.

5. "The family home and the land it stands on"

Exempting the family home and its plot of land from any form of wealth tax could be hugely distortionary of house prices and investment incentives, in a similar way to the lack of a capital gains tax. It makes sense to exempt that part of the value of the family home that is required to provide a place to live. But exempting unlimited value will drive investment out of productive enterprises and into grandiose real estate which is the opposite of what is needed. Bearing in mind that only equity is taxed, exempting the average house value or a bit more will leave most people unaffected but capture the value of those who choose to store their wealth in ostentatious housing. It will reduce prices at the top end of the market and free up some capital for productive investments. While this (and other useful changes) appear to be ruled out by your terms of reference, strong mention could still be made of the desirability of doing this in a future term, and a case built for it.

6. GST

I strongly oppose introducing exemptions from GST to combat poverty, as many have advocated. The one big advantage of GST is its simplicity and lack of exemptions (apart from financial services which helps some build serious wealth). Exemptions create unintended loopholes and administrative complexity. Retailers may well not pass on the reductions anyway.

7. Trusts

I am not up to date with Trust tax law but my understanding is that they still enable people of high incomes to shelter behind them and pay a lower rate of tax than they would if that income had accrued to them personally. A revision of trust law is needed to institute a “look through” rule where the tax rate of the ultimate beneficiary is used to tax trust assets. An exception may be needed where the trust is for the long term care of people with disabilities.

8. A Tobin tax

I have supported for many years the so-called Tobin tax where financial transfers between countries are taxed at a very low level to support international development and environmental work. this cannot be implemented by any country alone, but there is a group of countries who already support it and we should join them. the arguments i favour are well set out elsewhere.

I also support international collaboration to ensure transnational corporations pay appropriate tax in al countries where they operate, as advocated in submission to this enquiry by Oxfam.

Thank you for the opportunities to make these brief comments and I’m sorry I have not been able to go deeper into examples. Best wishes for your work.

Jeanette Fitzsimons