

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

### **Release Document**

**September 2018**

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# **SUBMISSION TO THE TAX WORKING GROUP**

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*Text in Green – Expects from Future of Tax – Submissions Background Paper*

Text in Black – Opinions of submitter

## **INTRODUCTION & OUTLINE**

Attached is the following submission containing genuine opinions from an average New Zealander wanting to survive and even get ahead in the world without interference and financial restrictions from Government entities. We are wanting to get ahead in life for my family and friends and being comfortable without being punished and restricted due to limited success.

I hope this Tax Working Group is genuine in its intention. It is a major concern that political agendas with no sound basis are being employed to systematically deconstruct a working system into something bordering on a socialist state, distributing wealth because others feel they deserve equal reward for unequal effort. The Taxation system must not be used as a mechanism to socially control and dictate behaviour's. Taxing people to control them will not work, it could be deemed a simple tax grab that has no evidence of working. Government needs to be there in support of All New Zealanders as a backup, not as a generational support system. Government interference is the cause of most problems in this country. Taking more from us will do nothing but make things work.

When considering all these aspects of tax it is essential that the heart of the Working class isn't ripped apart and that every avenue to get ahead in life is removed or taxed out of them to try and maintain "equality". Any additional, altered and increased taxes is an extremely high risk move for at best minimal rewards and this risks further eroding the ability of the average New Zealander and Family to get by let alone get ahead. The whole structure of the tax system is finely balanced and taking our money for a Governments agenda is wrong. We know how to spend our money better than any Government and we can do it more efficiently and responsibly.

There are only TWO entities in this country that can systematically take what they want from the hard-earned income of the average worker. That is Central Government and local Authorities. The fact that all others must work within a strict budget and simply cannot go to their boss and say I want more money because i cannot work or live within a budget is unrealistic. The fact that Government and Local Authorities can do so at will without true justification is abhorrent. The main cause of the so-called Income inequality is Local Authorities and Central Government. Any changes that increase tax paid will only affect the average New Zealand in a negative way. By taking our money and telling us that Central Government and Local Authorities know how to utilize this money in a better way is wrong. All it does is create more dependency on Central Government to survive while removing further rights and motivation to advance each individuals situation. This allows for low productivity (which has always been an issue in this country)

The vast majority of tax payers are workers and small businesses and they need to fully justify any increased financial intake with increased productivity

## **TAX WORKING GROUP DESCRIPTION/QUESTIONS AND SUBSEQUENT RESPONSES/NOTES.**

*"The Government has established the Tax Working Group (the Group) to examine further improvements to the structure, fairness, and balance of the tax system. The Group has also been directed to apply a particular focus on the future to its work, with a view to exploring the major challenges, risks, and opportunities facing the tax system over the next decade and beyond"*

This is a fair statement of intention however this vastly differs from points later specified in the Working Document. To do a thorough and proper examination of the whole Tax system must include ALL aspects of the System, not sections or specific areas. By specifying only sections of the Tax System is defeating the purpose of this whole exercise and does not truly investigate and determine what is appropriate. This is not comprehensive

*• changing demographics, particularly the aging population and the fiscal pressures that will bring;* - This is an important aspect that needs to be discussed and determined. All possible issues are unknown at this stage. There are far simpler solutions that have become a political football while this has continued

*• te ao Māori and the role of the Māori economy in lifting New Zealand's overall living standards;* - Irrelevant to this. With the equity and business nous that Iwi have now established, this on it's own should easily resolve itself and not require inclusion with this document

*• the changing nature of work;* Unknown and speculative with inconclusive evidence and to predict or assume is dangerous particularly when it may involve major change or none at all. It is better to evolve at a slow, steady pace to keep things stable without being reckless.

*• technological change and the different business models that will bring;* Unknown and speculative with inconclusive evidence and to predict or assume is dangerous particularly when it may involve major change or none at all. It is better to evolve at a slow, steady pace to keep things stable without being reckless.

*• falling company tax rates around the world;* This is an important aspect that needs to be discussed and determined - they need to come down to complete and allow the majority of New Zealanders a chance to advance in life. More money in small business hands and more in the workers pockets clearly leads to less subsidies and benefits required to be distributed by Government

*• environmental challenges, including climate change and loss of ecosystem services and species;* Unknown and speculative with inconclusive evidence. Very dangerous to go down a path that will be extremely costly especially if/when proven exaggerated or even wrong. Science can NEVER be settled. Perfect example is South Australia, fast track changes with extreme financial costs over a short period of time and significant damage to finances for decades to come

*• growing concern about inequality; and* This is caused by Government interference. Less tax intake, more money in small business and more money with the workers who try to contribute. Reward effort not envy

*• the impacts of globalisation and changes in its patterns.* New Zealand must refrain from Big spending and further debt as we are susceptible to any changes internationally. Let New Zealanders get themselves sorted. Government be there as a temporary support system

*The design of the current tax system*

*New Zealand currently has a 'broad-based, low-rate' tax system. The Government raises about*

*90% of its tax revenue from three tax bases:1 • Individual income tax • Goods and services tax (GST) • Company income tax. There are very few exemptions to these three taxes (which is why our tax system is described as 'broad-based'). The benefit of having a broad base is that it allows the Government to raise substantial revenue with relatively low rates of taxation. Overall, the current level of tax revenue, including local government rates, is equivalent to 32% of gross domestic product (GDP), which is slightly below the OECD average of 34% of GDP. New Zealand's tax system is distinct in other ways. Unlike many other countries, New Zealand does not generally use the tax system to deliberately modify behaviour – with the notable exceptions of alcohol and tobacco excise taxes, which are intended to discourage drinking and smoking. New Zealand's approach to the taxation of retirement savings is also distinct. The tax system does not offer large concessions for retirement savings; retirement savings contributions are taxed when they are made and as investment income is earned, rather than when the savings are drawn down in retirement. The Group's work provides an opportunity to examine whether a broad-based, low rate system remains fit-for-purpose, and whether there is a case to depart from the internationally distinctive approaches to behavioural taxes and retirement savings. It is also an opportunity to explore whether there is a case to broaden the base further, for example with new taxes such as a comprehensive capital gains tax (excluding the family home)*

The above is the tax system we have and has in general worked well. It is by no means the perfect system and there will never be the perfect system. Adding or increasing taxes is not the solution. That has always happened before and clearly it hasn't worked. A tax in any form will always affect the middle and lower incomes as this will essentially remove their ability to live and survive without a Government handout. Stay away from workers livelihoods.

#### *Distributional outcomes*

*Higher-income households play an important role in funding the Government. According to established income measures, the share of all income tax paid increases as household income increases. Households in the top income decile (that is, the 10% of households with the highest incomes) pay around 35% of all income tax, whereas households in the lowest five income deciles (that is, 50% of households) collectively pay less than 20% of all income tax. The tax and transfer system (transfers are payments like Jobseeker Support and New Zealand Superannuation) reduces income inequality, although by less than most of our comparator countries. New Zealand's tax and transfer system provides a similar reduction in measured income inequality to the Canadian system, but a smaller reduction than Australia or the OECD average. Income inequality in New Zealand rose rapidly in the late 1980s to mid 1990s, but has been broadly stable in New Zealand since then. Information about wealth is less comprehensive than for income, but the information we do have indicates that wealth is distributed much less equally than income.*

Why are we comparing ourselves to other countries and then adjusting to suit them? Is there any evidence that they are right with their system and that it works? If our rates are similar then why increase? The issue is that we have with our location substantial additional costs that make it more expensive to live while these comparison countries do not have these. In general term we need to compare but for specific purposes it does relate as we will always more costs due our location. This aspect must be considered integral when considering more taxes.

Taxing on wealth with no information about any impacts or consequences is not appropriate. I am middle New Zealand and sure I would like to be wealthy but certainly do not begrudge the well off. They work hard or produce new products and services, create jobs and have taken a risk etc. I feel no need to take from them for being successful. They have had to pay tax all the way through

their gains and to be punished for that is fundamentally wrong and very disturbing. There has to be avenue for risk taking, job creation, innovation and the distribution of wealth is essentially an envy tax This a clearly an envy tax. This is disgusting.

### *Savings*

*There is some debate about the influence of our tax settings on the rate and composition of saving in New Zealand. In a broad-based, low-rate tax system, there should ideally be no difference in marginal effective tax rates between different types of investments. Relative to other countries, New Zealand's marginal effective tax rates are quite uniform, but it may be possible to achieve more consistency in the treatment of different types of investments.*

*2 Long-term residential accommodation is also not subject to GST, but applying GST to rent would raise various practical and fairness issues.*

Savings is a weakness in New Zealand. We simply don't because we cannot afford too. Remove or reduce tax on established, well defined saving schemes. Encourage people to do so. At this stage Kiwisaver is the only scheme that partially achieves this but the concern is that the different Governments over time will erode this by administering taxation around the edges which will diminish its effectiveness. Encourage not discourage saving

### *Overall outcomes*

*The Group is keen to hear public views on the overall performance of the tax system, and has a particular interest in assessments of the fairness and balance of our tax settings. Thinking outside the current system*

The current tax system is a simple and very effective way of generating sufficient funds for the Government. The fact that No Government has the ability to do what is right with the funds that are currently generated is disgraceful. Shouldn't need to raid the workers limited money to cover the inabilities or incompetence of successive Governments. The system is fair if you contribute to it. Its not fair to see others rewarded for not doing it. That is not fair. Encourage workers to better themselves and discourage low productivity. Encourage contributions to society, not handouts

*New Zealand has reduced its use of other tax bases under the broad-based, low-rate tax system. Previous reforms have eliminated the sales tax, excess retention tax, land tax, estate duty, stamp duty, gift duty and cheque duty. New Zealand also does not levy financial transaction taxes, wealth taxes, or a general capital gains tax. The Group will examine whether there is a case to introduce any additional taxes, particularly in light of growing international debate about income and wealth inequality. The Group also acknowledges public concerns about the tax practices of some multinational corporations, which exploit inconsistencies and mismatches in domestic tax rules in order pay little or no tax anywhere in the world. In this regard, New Zealand is currently implementing a suite of measures – developed in cooperation with other OECD countries – that will further strengthen the rules for taxing income from investment in New Zealand. But we also need to consider the taxation of income from the digital economy. Internet-based firms can trade with customers over the internet without having a physical presence in the customer's country that is necessary for income tax to be charged under present rules. This issue is becoming increasingly important as the digital economy accounts for a greater proportion of business activity. The Group invites comment on what the public sees as the most significant inconsistencies in the current tax system, and which of these should be addressed most urgently*

The above statement in general is welcoming. This avenue is required to level the playing field for legitimate competition in the New Zealand market. There is one concern with the above statement. *Income and wealth inequality*. This is wrong. Income is determined by effort, productivity, work ethic and experience. You don't pay people for any other reason but for what the job (not the person) is worth. Low skill, lower wage. If an individual is not happy with this then upskill, change job and work hard. It is up to the individual. As stated above a wealth tax is an envy tax. This is wrong.

## Appendix 1

*The Tax Working Group has been established by the Government in order to examine further improvements in the structure, fairness and balance of the tax system. The Government's starting position is that the guiding principle for the New Zealand tax system – namely, that tax should operate neutrally and as much in the background as possible – is sound. The Working Group will consider what improvements to this framework could improve the structure, fairness and balance of the tax system. In particular, the Working Group will consider the impact on the tax system of the likely economic environment over the next decade. The Government has the following objectives for the tax system:*

- *A tax system that is efficient, fair, simple and collected.* The Current system is as close to achieving these objectives as possible. Adding to it or altering it will only erode its ability to achieve its successes
- *A system that promotes the long-term sustainability and productivity of the economy* Removing more money from the tax payers will represent the complete opposite that it is trying to promote
- *A system that supports a sustainable revenue base to fund government operating expenditure around its historical level of 30 per cent of GDP.* As per The Tax Working Group document **“Overall, the current level of tax revenue, including local government rates, is equivalent to 32% of gross domestic product (GDP)”**. This is achieved. Why take more and decrease the livelihood of most New Zealanders?
- *A system that treats all income and assets in a fair, balanced and efficient manner, having special regard to housing affordability.* This is achieved. Why take more and decrease the livelihood of most New Zealanders? Housing Affordability is something that has no solution. This issue has been around for more than 50 years and can not be reversed without complete control of the government and a socialist state. Is this what is coming for New Zealand?
- *A progressive tax and transfer system for individuals and families.* What does progressive tax even mean (socialist tax system). This is jargon speak for stealing from the people who work for the people who don't. No Government can raise the standard of living for the lower incomes so it is easier to bring the middle down
- *An overall tax system that operates in a simple and coherent manner.* Current system is working well. Trying to fix or alter something working reasonably well will lead to complete disaster because it is done by the Government

*The Working Group should report to the Government on:*

- *Whether the tax system operates fairly in relation to taxpayers, income, assets and wealth.* The current system is working as fair as possible and balanced correctly
- *Whether the tax system promotes the right balance between supporting the productive economy and the speculative economy.* Too technical for myself to respond
- *Whether there are changes to the tax system which would make it more fair, balanced and efficient.* The current system is working as fair as possible and balanced correctly. Minor changes to personal tax brackets, raise the thresholds as previously proposed and make the first \$10,000 tax free. This allows lower income earners to effectively see more of their money and use

accordingly. They know what's best of them and how to use it for themselves and families. Give New Zealanders to power to look after themselves. Most can easily do it. Considering the substantial taxes already to be imposed on all of us, there needs to be relief in the form of our money in our pockets. Its not being greedy to want more of your own money, its greedy to want more of other people's money

- *Whether there are other changes which would support the integrity of the income tax system, having regard to the interaction of the systems for taxing companies, trusts, and individuals. In examining the points above, the Working Group should consider in particular the following* Taxing companies, trusts and individuals already occurs, everyone and everything has to pay. Trust and individuals with average earnings pay the top tax rate, well above the company tax yet they do not have the ability of claim back or offset to the same extent of businesses. All three should be brought down to the level of businesses in the name of "Fairness":

- *The economic environment that will apply over the next 5-10 years, taking into account demographic change, and the impact of changes in technology and employment practices, and how these are driving different business models* Too technical for myself to respond therefore unable to comment

- *Whether a system of taxing capital gains or land (not applying to the family home or the land under it), or other housing tax measures, would improve the tax system.* This will have a detrimental effect. New taxes always do

- *Whether a progressive company tax (with a lower rate for small companies) would improve the tax system and the business environment.* No exemptions. The rate must stay the same. If there is threshold smaller businesses will likely avoid expansion if it meant incurring additional tax and compliance costs. It is tough enough and this will simply complicate it. Try to maintain the simple system we have

- *What role the taxation system can play in delivering positive environmental and ecological outcomes, especially over the longer term. In considering the matters above, the Working Group should have due regard to the overall structure of the tax system to ensure it is fair, balanced and efficient, as well as simple for taxpayers to understand and comply with their tax obligations. The following are outside the scope of the Working Group's review:* The Government role is to maintain the current system and make sure that it is strictly adhered too. Before altering a simple system to increase revenue, the Government must allow the IRD to effectively chase and punish all entities that are deliberately avoiding paying a reasonable amount of tax (corporates and multinationals etc). Then Government must be tougher on outstanding debts owed to it. That is the first thing that must done before even considering taking more from people who cannot afford it.

- *Increasing any income tax rate or the rate of GST* Income tax rates must remain as is but the thresholds need to be increased to allow for lower and middle-income earners especially to have more of their hard earned money. Each individual/family knows best how to budget their own money. Allowing (which is pathetic term really considering they earned the money not the Government) them to have more of their own money means less dependency of Government benefits. The current cycle does not and will never work. Stop stealing our money.

- *Inheritance tax* Families spend decades scrimping and saving. Parents and other family sacrifice so that their family can go on comfortably without having to suffer like they did. What right does Government have to **punish** these people who contributed their whole life to the tax system and then with their remaining money/assets try to take a another cut of something because you feel like it because it not fair. This is an ENVY Tax and I oppose this

- *Any other changes that would apply to the taxation of the family home or the land under it.* The current system is achieving this. Stop this punishing regime and leave New Zealanders with a bit of dignity. By removing any motivation to advance in life is only going to cause more problems

- *The adequacy of the personal tax system and its interaction with the transfer system (this will be considered as part of a separate review of Working for Families).* In addition, the focus of the

*Working Group should not be on more technical matters already under review as part of the Tax Policy Work Programme, including:* There haven't been any major flaws exposed so why fix something that is not broken. Other than that, this is too technical for myself to respond therefore unable to comment further

- *International tax reform under the Base Erosion and Profit Shifting agenda* Too technical for myself to respond therefore unable to comment

- *Policy changes as part of Inland Revenue's Business Transformation programme.*

*The Working Group will be able to recommend further reviews be undertaken on specific issues which the group considers it has not been able to explore sufficiently, or that were excluded from its terms of reference but which could benefit from being considered in the context of its recommendations. The Working Group's membership will include individual(s) with expertise in Māori community and business environments.* Too technical for myself to respond therefore unable to comment

*Chapter 3: Purposes and principles of a good tax system Principles for assessment*

*What principles would you use to assess the performance of the tax system?*

*How would you define 'fairness' in the context of the tax system?*

*What would a fair tax system look like?*

The current system is as fair as it can be as outlined in the Tax Working Group *Distributional outcomes*. It clearly indicated the following

*"Higher-income households play an important role in funding the Government. According to established income measures, the share of all income tax paid increases as household income increases. Households in the top income decile (that is, the 10% of households with the highest incomes) pay around 35% of all income tax, whereas households in the lowest five income deciles (that is, 50% of households) collectively pay less than 20% of all income tax."*

The top income earner pays a large proportion of tax and increasing that would be unfair. Therefore do the majority of middle New Zealand (middle incomes) have to be taxed higher? Is that fair? I don't think so. The balance is correct. The only changes to personal tax that should happen are bracket creep and the first \$10,000 be tax free. That is fair

*Chapter 4: The current New Zealand tax system Frameworks*

*New Zealand's 'broad-based, low-rate' system, with few exemptions for GST and income tax, has been in place for over thirty years. Looking to the future, is it still the best approach for New Zealand? If not, what approach should replace it?*

This is by far the best system that I have heard of. In comparison to other systems overseas there seems to be a complexity to other systems that is not here. This system for most New Zealanders is great because it is simply dealt with and most people don't need to do anything at all. It is dealt with on their behalf. It works well so don't stuff it up

*Taxes and behaviour*

*Should there be a greater role in the tax system for taxes that intentionally modify behaviour? If so, which behaviours and/or what type of taxes?* Tobacco and Alcohol are two that we have to control behavior. Does this or any other government truly believe that controlling the masses with more and more taxes is an effective way to remove bad behavior. What right does the Government have to impose on people this dictatorial way of compliance. A sugar tax, an environmental tax, a fuel tax and the list goes on and on. The stated reason would be to save the tax payers the burden of costs to the economy or the health system. The really reason in



Government control. It would be just the first step and this would allow future Governments to impose more taxes and controls over behavior. Who determines what is good and bad behavior? Who is right or wrong. The individual must be responsible for themselves. It must not be allowed to happen cannot and it won't work. I strongly oppose this and implantation would be wrong.

#### *Retirement savings*

*Should the tax system encourage saving for retirement as a goal in its own right? If so, what changes would you suggest to achieve this goal?* Yes No taxes on Superannuation and No tax on established savings scheme. Any aspect that involves saving for retirement should not be taxed (assets such as housing directly relating to retirement for the average New Zealander) New Zealanders do not save. Encourage them to save

#### *Chapter 5: The results of the current tax system Fairness and balance*

*Does the tax system strike the right balance between supporting the productive economy and the speculative economy? If it does not, what would need to change to achieve a better balance?*

I believe this about right because there would/should be mass discussion about this otherwise it is too technical for myself to respond therefore unable to comment further

### Appendix 2 – Design issues with a capital gains tax

*If you think the Group should design a capital gains tax (CGT) for Government consideration, we need your feedback now on a number of detailed design issues:*

A Capital Gains tax should not be considered. What is the purpose for this particular form of tax? There are several aspects that have not have any discussion about and it seems that the wording and language that this is already going to happen, despite most not understanding what is actually happening.

- Is it to level the playing field between people who work hard and want to get head in life and those who require constant handouts and have potentially made the wrong decisions in life?
- Is a pure revenue driven exercise to allow expenditure on unproven projects that will end up being white elephants?
- Is it to create a dependent society and therefore increase control over everyone, especially when they need everything supplied to them to survive?
- To remove and essentially punish the hard working, innovative person/s from contributing to New Zealand
- Is it because other countries do it so we must do it too?

Have any of the negative side effects even been noted or taken into account such as?

- Investment tightening
- Tight regulations
- Opportunities for lower and middle New Zealand to get ahead. This is suffocating and stifling any limited avenue to create and expand the worth of individuals/families
- Compliance Costs
- Implementation Costs
- This will increase dependency on the Government for retirement. For those older generations that have solely their Family home and a single rental, this will remove a significant portion of retirement funds that will need to be made up by the Government

- *Should the CGT be a separate tax or part of the income tax? Most countries tax capital gains as part of the income tax.* No. I oppose Capital Gain tax therefore it is relevant
- *Should capital gains be taxed on an accrual basis or only when realised (i.e. only when the asset is sold)? Most countries tax on a realisation basis. How should matrimonial property settlements and disposal of assets on death be treated?* No. I oppose Capital Gain tax therefore it is relevant
- *What assets should be covered given that the terms of reference exclude any tax on the family home? Should it include just rental properties, shares, collectibles, private assets such as cars?* No. I oppose Capital Gain tax therefore it is relevant. Why not include a wrist watch or mobile phone? This is going beyond rationality
- *Should assets held by KiwiSaver and other savings schemes be taxed?* No
- *Should assets held offshore be subject to tax?* No
- *How would a capital gains tax integrate with current tax laws, such as when land sales are already taxable, our company imputation system and our CFC/FDR rules?* Unable to Comment due to being the average New Zealander
- *When should non-residents be subject to tax?* All individuals who are within New Zealand and are here must be contributing
- *Should capital losses be ring-fenced to be offset only against capital gains income or should they be offset against any income? If capital gains are taxed on a realisation basis tax base maintenance considerations suggest that capital losses should be ring-fenced.* No. I oppose Capital Gain tax therefore it is relevant
  
- *Should there be roll-over relief allowing capital gains re-invested in similar assets to be treated as unrealised? If so, when should roll-over relief apply? For example, should a farmer selling a farm and buying a new farm be taxed on the increase in value of the old farm?* No
- *How should death, emigration and immigration be handled? Death and inheritance should be left out of any tax discussions. It is a delicate situation and would be more complicated dealing with people not of sound mind at the time*  
*Emigration and Immigration.* If you are in the country or have assets earning income in the country then you pay tax in accordance with the current system we have
- *How should gifts and gambling winnings be taxed?* Don't tax them, what is the point? This is getting far to miniscule and technical. They should be left as is. This will complicate the processing of this and then anyone fortunate to win money will have this taken off them. How would this work if someone had a benefit with child support? is this income and therefore they are cut off? The lotteries commission benefits from this system and so do communities in NZ. Does this mean they lose revenue that is used to distribute to worthy entities throughout the country. How does work for charities? Should they be exempt. Exemptions mean loopholes. Don't waste our time and money on this
- *What should the rate of tax on tax on capital gains be – the normal income tax rates, or some other rate(s)?* Zero. I oppose Capital Gain tax therefore it is relevant. The fact that this question is here clearly indicates that public submission are a waste of time and the Working Group is going through the democratic motions for the sake of it with no intentions of actually listening to us . The agenda has been set and we just have to accept this.
- *Should any allowance be given for inflation in calculating capital gains?* No. I oppose Capital Gain tax therefore it is relevant
- *Should there be a de minimis rule?* • *What administrative implications would there be from a capital gains tax?* Too technical for myself to respond therefore unable to comment other than a Capital Gains Tax must be not be implemented

• *What rules should govern the transition into a capital gains tax? The options seem to be cost of the assets (retrospective taxation of past accrued gains), valuation at date of introduction or only assets acquired post introduction (the Australian rule). Zero. I oppose Capital Gain tax therefore it is relevant. To make this fait accompli even remotely fair would be to at least give discretion to New Zealanders and start it clean from a point in the future and make it for assets acquired post introduction. Anything less and back dated is greed*

• *How should family trusts be integrated into the system? Family Trust are set up with good intentions. To make sure that family assets is safe and that there is peace of mind. Most New Zealanders are vulnerable to external sources from businesses and the economy itself and anything can happen that could conceivably wipe a family clean and leave them with nothing. No Taxes for this. If there are major concerns regarding a trust set up for criminal activity allow the IRD to investigate if sufficient evidence is available or there is a long line of questionable activities.*

Family trusts that generate any income are immediately subject to the highest tax rate on that income. As it is not an individual it must be treated as a separate entity. The rate is an excepted rate in line with the highest tax rate. There is no need to alter this on the grounds of fairness.

### Appendix 3 – Questions for submitters

#### *57Future of Tax Submissions Background Paper Tax and business*

- *Does the tax system do enough to minimise costs on business? No*
- *Does the tax system do enough to maintain natural capital? Unable to Comment due to being the average New Zealander*
- *Are there types of businesses benefiting from low effective tax rates because of excessive deductions, timing of deductions or non-taxation of certain types of income? These allowances are there to help offset significant costs and compliance. Unable to Comment due to being the average New Zealander not owning a business*
- *Thinking outside the current system What are the main inconsistencies in the current tax system? Which of these inconsistencies are most important to address? Is there a case to consider the introduction of any new taxes that are not currently levied? Should any taxes be reduced if new taxes are introduced? Tax exemptions create inconsistency. Remove all exemptions and therefore it makes the Tax system truly fair. No NEW TAXES*

#### *Chapter 7: Specific challenges Housing affordability*

*How, and to what extent, does the tax system affect housing affordability for owners and renters? Is there a case to change the tax system to promote greater housing affordability? If so, what changes would you recommend?* The tax system takes so much from the tax payer that the remainder of there money is used for Mortgage and Rental payments then for essentials of living, nothing for saving.

Local Authorities have this belief increasing rates is required to do the same job each year. What we tend to see is Social engineering from Local Authorities who clearly ignore their core requirements and feel that more money is required. How can New Zealanders get ahead when they know rates will always increase with no actual benefit to this. This is a cycle that is ever increasing. If Rates go up, this will always be passed on to Renters who we assume are trying to save for their own home. There needs to be a reset for Local Authorities. Implement a Rates Freeze for 3 three years (evaluate after a General Election). Give New Zealanders a little

breathing room. With the freeze it does make Rent rises harder to justify and should allow tenants more scope to save. Fundamentally there is little Government can do to solve an issue that has always been around in New Zealand and other Western Countries. But minor changes like this is a start. Further reduction in compliances / taxes on owners could mean less Rent rises. This is a private/ commercial situation that the Government cannot control without seriously damaging the Economy

Make Saving easy by removing tax from saving accounts? Incentivize saving without redistributing the cost to others in the economy.

### *Capital gains tax*

*Should New Zealand introduce a capital gains tax (that excludes the family home)? If so, what features should it have? Land tax*

There is a current Capital Gains tax in play. There is no need to introduce a more complex mechanism that will remove the only avenue for hard working New Zealanders to get ahead. There are no Multi-millionaires routing the system. They are generally beyond this and achieve their success reasonably quickly.

This avenue is for available to ALL New Zealanders who only have minimal resources to help them progress in life using the slow, safe path. They still pay significant tax anyway. You don't avoid taxes

The inclusion of a Capital Gains tax will have detrimental affects on Middle and Lower New Zealand as there only avenue of investing is removed.

- This will this affect Housing Investment as it will collapse
- This will affect the average Families ability to save or invest
- This will affect the ability of older New Zealanders to retire who are nearing retirement age who have invested in say one additional house thinking that they could sell down and retire. Why sell now if they are taxed again?
- This will have a detrimental effect on housing stock
- This will affect stock markets which generally has trouble achieving significant investment from average New Zealanders
- Any assets deemed to be valuable such as art, bonds etc would be included

There seems to be a perception that this will solve a lot of problems however if you assess other countries who have this system in place, they seem to be having the exact same problems regarding incomes, wealth and housing affordability. This is not the solution and everyone knows it. This is clearly another attempt at dispersing wealth evenly and a cynical ploy to control everyone.

What is a definition of a "family Home" The destruction of the institution of Family over the years and decades and the broadening of society means that this is essentially nonexistent. Is someone living alone a family? What if two families by one house? If someone dies therefore is it still under the family home exclusion or is now inheritance tax? Is it still exempt?

Allowing exemption of the family home allows for a loophole that lawyers and accountants will exploit. They always have and always will unless there are NO EXEMPTIONS.

There are so many questions unanswered or in fact questions not even asked that this seems like a con job with a smoke screen covering something that most New Zealanders would oppose if they knew the truth. **I strongly oppose this for all the reasons stated and for many more not stated.**

*Should New Zealand introduce a land tax (that excludes the land under the family home)? If so, what features should it have? Environmental taxation*

A Land tax is current there. It is built in as part of Local Authority rates. This is how they determine the value of the rates (The Improvement Value and the Land Value). Another Land tax would be double dipping. There are several situations of double dipping including GST on The rates bill. **I strongly oppose this tax**

*What are the main opportunities for effective environmental taxation? Progressive company tax*  
There are no opportunities to effectively tax something that is an unknown. There are currently many avenues that try to achieve this. By being more specific New Zealand will continue to fall head first into the social controls that we should avoid. We currently have Cigarettes and Alcohol under this. There is some solid evidence that support this measure, however this has an effect on a naturally dwindling proportion of the population. The scale for this is small. I oppose this extremely drastic and dangerous pathway as New Zealand would not survive economically in comparison to the rest of the world. This will be a death nail.

*Should the tax system do more to support small businesses? In particular, is there a case for a progressive company tax? GST exemptions for particular goods*  
Company tax rates must decrease to stay competitive and it must be across the board. To support all businesses, less compliance costs for a start, they are stifling them to a point where they cannot survive let alone expand.

*Should the tax system exclude some goods and services from GST? If so, what should be excluded? What else should be taxed to make up for the lost revenue*

The Australian GST system for example has multiple exemptions regarding fresh foods as well as other products etc and with those exemptions comes increased compliance costs and substantial monitoring requirements. When determining an exemption, what is the definition of a particular product? Does it meet the strict standards and definitions initially set out? Who determines what is exempt and monitors this? Why consider making exemptions when most common products will only decrease by a few cents and there is no guarantee that the retailers will decrease prices. This will not happen. There are far too many negatives to this to make any meaningful gains when taking in account the cost of compliance.

The Current system of GST is simple and efficient. Sure there are issues regarding GST on other Taxes (Fuel, Rates etc), but this is a fairer way to generate revenue for the Government and with increased tourists this helps increase their contribution while it **should** allow reductions of personal tax rates.

## ASSESSMENT AND SUMMARY

- The fact that within the Future of Tax - Submission Background Paper it has been stated that the NZ Taxation System is " Justifiably commended internationally for being simple and efficient system should be the basis of maintaining for the benefit of all New Zealanders. This is exactly how it should be. With the Government's starting position being that the guiding principle for the New Zealand tax system – namely, that tax should operate neutrally and as much in the background as possible, therefore why the need to change?
- It is impossible to achieve a perfect system so don't try fixing something that is working reasonably well. Trying to improve something that is structurally working well may achieve minimal increases in revenue or more likely cause significantly long term damage and an increase in division in New Zealand
- I believe it has been projected by treasury that revenue to the Government coffers is likely to increase over the next few years under the current system. Therefore making changes that have no basis or evidence of improving the current simple and efficient system is not required.
- If all Exemptions are not removed then this is a political stunt therefore this is a complete waste of my and other New Zealanders time and effort. From experience when submissions are called for it always ends up being a token gesture of Democracy to present the view of being open.
- If this agenda is legitimate then this Tax Working Group must make the truly courageous announcement and decisions as outlined below in the recommendations. If not this Tax Working Group is just a Political side show with a false public agenda and the underlining virtue Signalling indicates to New Zealanders that this is a fait accompli and we have no true democracy
- It is requested that this Tax Working Group are upfront and honest and take this seriously, remove the preconceptions that are there regarding real agendas and be realistic regarding this issue. The wrong decision and implementation of the Virtual Signalled Taxes will likely result in an increased rate of decline in the standard of living and create a state of dependency which will benefit no one.
- **If lower and middle-income earners have more of their hard-earned money, just consider the psychological and emotional wellbeing that everyone would have, not having to worry about money, not required to beg for their own money from a Government Department, no humiliation asking for help from others, no shame while being in public. This is caused by Government constantly taking from everyone and then bribing us with our own money. They know they can stand independently and the can be proud. The simple solution, the first \$10,000 tax free and raise the tax thresholds for all**

**I SEEK THE FOLLOWING RECOMMENDATIONS TO THIS TAX WORKING GROUP TO BE ADHERED TOO.**

- GST should remain as it is.
- Personal tax brackets to remain with thresholds moved up. This is outside the narrow scope set out but is the fairest, simplest and most effective way to increase wages and decrease dependency on Government support
- The first \$10,000 should be tax exempt (this applies to all).
- We currently have a Capital Gains Tax of sort and it should remain as is. Expansion of this will destroy any remaining endeavour in this country. The use of an expanded system in any other country has achieved nothing other than take the hard working persons money off them just for being productive and achieving some success.
- Minimal Tax rate to saving accounts with reputable Institutions to encourage savings
- No taxes to retirement savings. Leave that to the individual as this will help encourage personal savings and will reduce the need for Government pensions in the long run
- No taxes or uniform lower taxes on established savings schemes to encourage savings
- **No Capital Gains, Sales tax, excess retention tax, land tax, estate duty, stamp duty, gift duty, trust tax, wealth tax, inheritance tax, Gambling tax, behaviour taxes. None because it is not sustainable for most average New Zealanders**
- For any Tax changes there **MUST NOT be ANY EXEMPTIONS.** If this Working Group are 100% truly entrenched in the ideology behind this scheme to change the “Tax System” for the betterment of all New Zealand, then it must remove ALL exemptions because any exemptions allow for loopholes. With loopholes in play this means there are avenues and ways to structure and minimize Tax. Nothing should be exempt.

SIGNATURE AND DATE

[1]

VAUGHN ALLAN  
30 APRIL 2018