

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

### **Release Document**

**September 2018**

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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.

## **Submission by Ian Kuperus to the Tax Working Group**

### **Proposal to Establish a wide Ranging Task Force to Address the Black Economy.**

#### **Summary**

This proposal is to establish a wide ranging task force that can take a multifaceted approach to tax evasion and the black economy.

The recent Black Economy Task Force in Australia could provide a helpful example.

#### **The Need for Much Greater Action**

Substantial revenue is being lost to the Government through the black economy – certainly hundreds of millions per annum. Reported prosecutions for tax evasion are negligible when the scope of the practice is considered. The more this is tolerated the greater the problem becomes.

It is a fundamental issue of fairness to other New Zealanders who bear a greater tax burden as a result and to businesses that seek to be competitive while paying their fair share.

Furthermore it is the thin end of broader corruption that is a scourge to many countries and significant cause of poor economic efficiency and driver to poverty. New Zealand is blind to the evils of corruption because of our current low corruption status – this leaves us complacent and not vigilant enough about the problem.

#### **A Broad Based Approach**

Piecemeal approaches – while welcome will not turn the tide on the black economy. There needs to be a whole community mindset change – similar to what we have witnessed about smoking over the last few decades.

This is a complex and multifaceted problem and needs to be tackled with a range of sustained and coordinated approaches. Some of the components that could be considered –

- Working with industry groups and trade training institutions to get businesses prone to evasion on the right track
- Working with community and ethnic leaders to help immigrants understand the importance of tax compliance
- Making tax compliance a part of the entry regime for new immigrants and making significant non-compliance carry the risk of expulsion. As a point of comparison medical issues are a basis for refusing applications and expulsion.
- Making it easier for payers to decline the offer of cash jobs and putting in place incentives to pay in more tax compliant ways.
- Significant and sustained publicity.
- Considering hypothecation of cash economy tax payments so they are associated with funding local high profile community projects to build community support for a change in practice.