

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.

The Tax Working Group on the Future of Tax Submission from the Ministry for Women

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1. ***What does the future of tax look like?***
Our world is changing. How can we pass on a tax system that will continue to support future generations.

A budget is the most comprehensive statement of a government's social and economic plans and priorities. In tracking where the money comes from and where it goes, budgets determine how public funds are raised, how they are used and who benefits from them. Gender-responsive budgeting¹ seeks to ensure that the collection and allocation of public resources is carried out in ways that are effective and contribute to addressing gender gaps and advancing gender equality and women's empowerment.

The Ministry for Women (the Ministry) recognises that women are differently affected by Government investment. In many overseas jurisdictions a gender lens is applied to government budgeting to test the distributional impacts of measures. The Ministry notes that this approach would also be applicable to gather information on the impact that taxes have on different groups of society, including Māori whanau, Pasifika families and, especially where these groups intersect with women-led households.

The Ministry for Women strongly recommends that gender responsive budgeting approaches be incorporated as part of our future tax system.

2. ***What is the purpose of tax? Should we be asking more of tax?***

The Ministry agrees that tax is a powerful societal influencer – duty on cigarettes and levies on polluters are excellent examples. These taxes have successfully imposed requirements on people and organisations that have merged into accepted cultural practices in our society today.

Dr Marilyn Waring challenged over thirty years ago, that the current system of calculating the nation's wealth made women's work "count for nothing". Today, this challenge is acknowledged in the Ministry's advocacy and championing that all labour contributions of women should receive the recognition they deserve, especially the care work of vulnerable family members.

¹ What is gender responsive budgeting: <https://unwomen.org.au/our-work/focus-areas/what-is-gender-responsive-budgeting/>

Recent Ministry research confirms that parenthood and caring remains highly gendered in New Zealand today. The responsibilities of care have long-term negative impacts for women through their lower rates of participation in paid work and consequently on their lifetime earnings and provisions for retirement.

Women who return to work after becoming parents earn hourly wages that are 4.4 percent lower on average than wages they would have earned had they not had children. Women with lower income before childbirth are far less likely to return to work at all. Approximately half of low income women are not in paid work ten years after their first child.

The Ministry for Women strongly recommends that the Tax Working Group considers how unpaid care work, performed mainly by women, both when they are in and out of the workforce, can be recognised and accounted for in our tax system.

3. ***Are we taxing the right things?***

The Ministry for Women strongly recommends the following four groups of women and their employment circumstances warrant consideration of tax rates that support and encourage them to pursue employment opportunities of their choice.

- i. Women's employment patterns differ significantly from men with more women working part-time and having less workforce attachment. The undervaluation of women's work, especially of women working in women dominated roles, means that they are more likely to do multiple jobs and be impacted by the higher rate of **secondary taxation**.
- ii. Women are overrepresented at lower income levels and are more likely to care for dependent children. Changes to government benefits and increases in taxes often have a disproportionately negative effect on these women. Tax benefits that acknowledge **childcare costs** from early childhood until children become independent are required.
- iii. Mothers who receive a benefit, have told us that the tax they pay when returning to work often makes the return to work not worthwhile, especially when the issue of childcare is taken into account. To encourage mothers back into the workforce, a more favourable **marginal tax rate** for women who are receiving a benefit is recommended.
- iv. The characteristics of mothers in beneficiary or low income households are important. The data identifies that parenthood is wage positive for fathers in New Zealand and wage negative for mothers. In the Ministry's work looking at the impact of parenting on earnings over time, the absence of hours worked has been identified as important to understanding income disparity. We consider this **information is best collected by IRD**.

4. ***Can tax make housing more affordable? Does tax have a role to play?***

The Ministry for Women strongly recommends that tax measures be used to support housing affordability, including renting, and the wider issues associated with secure housing tenure².

² The sense that a tenant has choice and control over their housing options; that they can stay in their home for as long as they decide to, and they are meeting their obligations.

Over the past three censuses in New Zealand, over half of those experiencing extreme housing deprivation were women.³ The Ministry acknowledges that the intersection of gender and ethnicity are important features in responding to low income and poor households, as are the lack of education and skills.

The persistence and duration of low income on housing are matters that the Ministry considers requires (i) stronger accountable policy coordination and partnering across agencies, including IRD, (ii) extending the administrative data collections of agencies to contribute to wider information system needs, particularly the collection of hours worked by IRD, and (iii) the commitment to an intersectional approach to the development of responses to women's housing needs at all levels.

5. ***Other tax issues that matter.***

i. Sanitary items

The Ministry considers the inaccessibility of sanitary items, because it is a woman-only cost, is an issue of equity that contributes to prevent girls from low income families attending school, training or employment. It is unacceptable that New Zealand girls' health and education is at risk due to the unavailability of affordable sanitary items.

The cost of sanitary items for girls and women is an issue raised with the Ministry for Women on a regular basis. The Ministry has received numerous letters from girls and women around New Zealand highlighting this issue, including a petition asking for the removal of GST on sanitary items.

The Ministry for Women recommends making sanitary items tax free so that they are more affordable for low income families.

ii. Research on the impact of parenthood on earnings.

The Ministry works to ensure that women have the same access to opportunities in the workforce as men. Research has shown that choices about career breaks, parental leave and flexible work can impact, usually negatively, on women's earnings, their ability to achieve their potential and their ability to prepare for retirement.

Key findings of this research⁴ are:

- Parenthood is highly gendered in New Zealand. The responsibility of care falls disproportionately on women, which has long term impacts on their lower levels of participation in paid work and lesser lifetime earnings.
- Women who return to work after becoming parents earn hourly wages that 4.4 percent lower on average than the wages they would have earned had the not had children.
- There is an employment gap for women resulting from parenthood, and it is different for different women

³ https://www.vice.com/en_nz/article/3ka5ki/mana-wahine-single-mums-are-the-largest-homeless-group-in-nz

⁴ Pacheco et al (2018) *Parenthood and labour market outcomes* (forthcoming, available on request)

- Career breaks have greater impact on women on lower incomes. Women with lower incomes before childbirth are far less likely to return to work at all. Approximately half of low income women are not in paid work ten years after their first child is born.

The Ministry for Women recommends that the tax system should encourage all employers to positively impact parents and caregivers in the workforce, for example:

- enable employers to continue Kiwisaver contributions during care-career breaks
- create positive tax incentives to employers who offer flexible work options
- support employer initiatives for return-to-work and training opportunities.