Tax Working Group
Te Awheawhe Tāke

Tax Working Group Public Submissions Information Release

Release Document

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From: Ann Fullerton <action@campaignnow.co>
Sent: Tuesday, 30 October 2018 12:43 PM
To: TWG Submissions
Subject: Reply submission to Tax Working Group's interim report and proposals

Dear Michael Cullen and members of the Tax Working Group,

This is a submission in reply to the proposals and questions set out in the Working Group's Interim Report.

I regret not having the hours needed to carefully study and give a detailed response to this Interim Report and the Taxpayers' Union submission. Nonetheless I feel compelled to say two things you must already know. 1) Like most of the Western world, New Zealanders are overtaxed. 2) This tax burden falls disproportionally on low and fixed-income taxpayers.

For example, National raised prescription costs from $3 per item to $5. The coalition government hasn't brought this back down to $3. Reducing prescription costs could have been funded (largely if not entirely) by NOT donating millions this year to The Clinton Foundation. What have the Clintons or their shonky foundation ever done for New Zealand taxpayers?

Yes, if people choose a healthy diet and lifestyle they might need less prescriptions. But what about people who simply can't afford a healthy diet? Budget white bread and tomato sauce sandwiches are filling and far cheaper than 1 kg apples. Cheap, carbohydrate-high foods predispose to health problems like diabetes. 'Grow your own fruit and vegetables' isn't an option for the homeless, or invalids, or time-pressed workers doing long hours in low-paid jobs. The government had the chance to lift some pressure off low and fixed income Kiwis at a time when incomes are further cut by illness. Instead? It donated millions to The Clinton Foundation.

The point: government already has ample tax revenue pouring in. *The state does not need a capital gains tax.* You can guarantee when capital gains tax is extended to family homes - and it will be - politicians will mockingly justify it to 'them out there' as fairness.

What we need is more accountability to taxpayers and saner spending of New Zealand taxes to directly benefit New Zealanders. No foreign foundations. No ridiculously high pay to arrogant public 'servants'. No upping the numbers of overpaid government employees and their strangulating red tape. No corporate welfare. No overseas aid thrown away on corrupt foreign bureaucracies. No taxes blown on thousands of elderly, sick and criminal migrants who come here to leach and contribute nothing.

Tax spending decisions are made by career politicians so short on low-income Kiwi experience, they have no insight into what it's like to be too poor to meet someone for a coffee. They have no idea of what it's like to choose between paying for petrol to get to work, or pay for the power, or pay the doctor. They do not know what it's like to limp from low payday to low payday. Or how it feels to hear a well-fed, flashly-dressed and heavily-bejewelled Winz case manager - usual public 'servant' lifestyle courtesy of other's taxes - lecture you about budgeting.

I suggest a wide-ranging royal commission to call for ideas to cut mismanagement of state spending. To encourage high public participation it should hold hearings in the main centres.

I also suggest it be chaired by an honest but astute individual heading a similar committee. One without a hidden agenda to change tax rules to increase voter dependency on and hence votes for any political party.

Dream on, guess.

Regards

Ann Fullerton

Indexation of income tax brackets

Many government benefits and entitlements are indexed — income tax thresholds should be no different.

Inflation pushes taxpayers into higher tax brackets every year, meaning a higher tax burden despite not being financially better off. If the Government wants to increase taxes it should pass a law and consult with the public, not just watch as inflation punishes taxpayers years after year.

While the Working Group says that inflation is best handled by "periodic reviews of the thresholds" but New Zealanders haven't had a tax cut since Budget 2010. In that time average income earners have been made worse off by $500 per year from failing to adjust tax thresholds.

I submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation.

Capital taxation

New Zealand has one of the highest company tax rates in the OECD. The result is a low-investment, low-productivity economy. The Government must be committed to increasing New Zealand's productivity and allowing for greater growth in incomes.

Instead, the Working Group has put forward two proposals for an even higher tax burden on capital and investment. New Zealand will never become prosperous if we use an opportunity to review our tax system to simply punish entrepreneurship and investment.

If the Working Group does choose to recommend a form a capital taxation, it should recommend that any additional revenue is used to fund tax cuts in other areas. Full capital expensing would be a good use of any revenue. This would encourage businesses to accelerate plans for investment and expansion – putting a rocket under economic growth.

I submit that the Working Group recommend against implementing new capital taxation, but if they do, that any revenue is used exclusively to cut taxes in other areas in order to ensure a growing economy and rising incomes.

Taxes on savings

With interest rates so low, inflation eats away at savings by making the tax rate on interest income artificially high. If the Working Group wants to encourage households to save more for their retirement they should exempt the inflation component of interest income from tax.

Savers were paying an effective tax-rate of 77.8% on income in a six-month term deposit in September this year, which is far too high to encourage anyone to save.

I submit that the Working Group recommend that the inflation component of interest income be exempted from income tax, in order to ensure savers pay their actual income tax, not a rate often more than twice what they should be paying.

Environmental taxes

There needs to be more evidence on the costs and benefits of increasing the waste disposal levy before the Working Group recommends an increase. The main report used by the Working Group to justify the tax fails to take into account the cost of an increase in the levy to households.

Any change in the emissions trading scheme needs to be tightly focussed on the costs to households – especially low income households who are estimated to be more than twice as affected as households with an average income. Until there is an objective framework developed to assess the trade-off between economic growth and any environmental benefits from strengthening the ETS, the Working Group should not recommend a change.

I submit that the Working Group should not recommend changes to the waste disposal levy or the emissions trading scheme until there is more concrete evidence on the economic costs from increasing these taxes and an objective framework developed that weighs up the economic costs against the environmental benefits.

Behavioural taxes

With alternative nicotine products becoming more available on the market, reduced-harm products will be an important part of reaching the Smokefree 2025 target. Instead of hiking tobacco excise even higher, the Working Group should recommend that the Government adjust excise on reduced harm products according to their risk.

Alcohol excise should be simplified, but the Working Group should not treat simplification as an opportunity to increase alcohol excise across the board. While the Working Group suggests excise is progressive, excise is actually higher as a proportion of low-price alcohol, making alcohol excise regressive.

Sugar taxes should be avoided. Taxes on sugar hurt low-income households the most and the evidence shows they are not effective in reducing consumption or combatting obesity.

I submit that the Working Group should not recommend increases in tobacco excise or alcohol excise and should recommend that the Government avoid implementing a sugar tax unless it can be objectively shown as being effective in combatting obesity.

Beyond the points made above, I endorse the broader submission made by the New Zealand Taxpayers' Union in reply to the Working Group's Interim Report.

Yours sincerely,