Tax Working Group Public Submissions Information Release

Release Document

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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.

From: Ray Craig <action@campaignnow.co>
Sent: Tuesday, 30 October 2018 3:43 PM
To: TWG Submissions
Subject: Reply submission to Tax Working Group's interim report and proposals

Dear Sir Michael 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.

Personal Income Tax: No tax on low personal incomes

Bring back an initial zero tax on the first, say, $18k per anum per person. Readjust income tax rates on higher income to balance.

Tax free income for the low paid is common in other countries. Children and students will not be subjected to tax. More importantly, beneficiaries and those on low fixed income will be able to utilise their full incomes to make ends meet. It is wrong to give meagre support to those in need and then take back some of that assistance to pay tax. All state support to the needy should be tax free.

Working For Families: Abolish

Transfers such as WFF have been valued by recipients but they favour families in need rather than everyone in need. Other fairer means of assistance should be adopted to supplement real income.

GST: Remove Food from GST

Removal would clearly benefit the low paid who pay a much higher percentage of their total income on food gst than the wealthy whose food gst is a much lower percentage of total income. (The interim report is missing comparative graphs relating food spending percentages to total income - not total spend. The published graphs are misleading in that they show the wealthy paying more gst but neglecting to show that it is much less when considering it as a percentage of their total income)

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

I am opposed to all such taxes. These taxes make tax more complicated when it needs to be simpler.

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,