

Tax Working Group Public Submissions Information Release

Release Document

September 2018

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Submission to tax working group 2018

From: Gary Alpaugh

The terms of reference for the tax working group specifically refers to “fairness” of the tax system.

I submit that the most important issue with the present system is its unfairness to taxpayers at the lowest levels of income and wealth accumulation. This phenomenon has been thoroughly demonstrated by author Rob Salmond (<http://pundit.co.nz/content?low-tax-for-me-high-tax-for-thee>) in “The New New Zealand Tax System” published by The Institute for Governance and Policy Studies.

Two significant aspects of our taxation system drive this.

- Unlike some other tax regimes, New Zealand does not have a tax free income bracket but taxes the first dollar a taxpayer earns.
- Taxpayers at the lowest level of income incur GST on virtually all their income.

[Example: A taxpayer on minimum wage of \$16.50 working full time will incur a combined income tax and GST of 26% of gross income; 15% income tax and 11% GST, percentages of gross income.]

The decisions of previous governments to implement GST and subsequently to increase the rate were influenced largely by the “efficiency” of GST compared to other taxation methods. The unfairness of GST on low income taxpayers was apparently deemed acceptable.

I recommend that this unfairness in our tax system be addressed by the following measures:

- Accept that GST is an unfair tax and abolish it and make up the required revenue by adjusting income tax brackets and rates.
- Accept that taxpayers at the lowest levels of income cannot afford to contribute income tax on the first dollar they earn and set a 0 rate tax bracket of perhaps \$12,000 per taxpayer.

I realize that these two measures will be seen as extreme. However, if the effect of income tax and GST on the lowest earners is compared to the effect on the highest earners if the above measures are implemented, I feel confident that we would not see a simple transfer of hardship from one group to the other. The effect on the high earners will be a reduction in their accumulation of wealth. Their families will not incur the hardships that will be alleviated for low income earners’ families.

In conclusion, I suggest that fairness to taxpayers most in need be made the top priority of the tax working group.

Respectfully submitted,

Gary Alpaugh [1]