

Tax Working Group Public Submissions Information Release

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Tax Working Group submission

Dear Dr Cullen

I'd like to speak specifically to "Defining Fairness"

Preamble

Firstly, I believe we now accept that Government has obligations under the Treaty of Waitangi. And -

It is well-demonstrated that Maori life & financial outcomes are much worse than those for Pakeha/other.

Therefore, I submit that we must consider the impacts on "fairness" of any proposed new tax structures - specifically as they apply to New Zealanders "at the bottom of the heap" - since most of those are Maori.

I wish to make a submission, therefore, on the philosophical underpinnings to our tax structure in areas where tax tools can improve outcomes for the poor; but also where they can make changes where the rich and privileged are being either over-paid, under-taxed, or often both - and where, in consequence, the tax take is unfairly reduced.

In considering issues such as these, I further submit the Tax Working Group must cast its net widely.

I submit that the Group must consider areas such as (to give just one example) -

Health outcomes - where current financial structures work to limit the access of poorer working families to warm, dry, safe, secure housing; and to timely, affordable & compassionately-delivered medical care.

And in which area it is (fiscally) well-demonstrated and accepted that - to employ a couple of familiar clichés - "prevention is better than cure" and the "fence at the top of the cliff is cheaper and more effective than the ambulance at the bottom".

Thus, I submit that the Tax Working Group ask itself:

"Are there changes we can make to improve life for our fellow Kiwis 'at the bottom of the heap?'"

"Do not the Treaty, common humanity, & the principle of equity oblige us to consider such changes?"

"And, when considering future taxes, should we be constrained by narrow-focussed models of the past?"

Background to my thoughts:

I submit that two incremental changes have, over time, diluted the "fairness" of our tax system

Firstly:

One could argue, Dr Cullen, that our Welfare State has its origins in the Waitaki/Nordmeyer era.

You will recall the operating principle was very simple: a modest tax from all who earned, accumulated in a fund, and available to those in need.

There was, then, no sense of "entitlement" such as has crept in as the generations have passed

An example: the superannuation "pension", now paid to anyone 65-plus, & largely regardless of circumstance.

This is a very different animal to the rigorously means-tested Old Age Pension of 120 years ago.

Re entitlement:

I believe a feeling of entitlement has crept into benefits, subsidies and tax-breaks. The late (and lamented only by landlords) LAQC might be an example.

This mindset has become enshrined over time; and tackling it is now a recognised "election-loser".

I submit that this works to progressively dilute "fairness" - a core value of our society.

On its own this is potentially manageable.

But, secondly:

The political influence of the rich has been allowed to grow - incrementally and almost invisibly.

Thus, now, the tools which allow those rich to accumulate further wealth, demonstrably at the expense of the poor, are embedded in society.

Just one example - housing & rent:

For many years now a worker on the average wage cannot provide for their family without government assistance - unless perhaps they live in the provinces and are unusually resourceful.

(This is fundamentally wrong in itself, but is probably a topic for another day)

One result of this is the ubiquitous accommodation allowance/supplement - in its various forms.

The availability of this - effectively a government supplement paid directly to landlords - contributes to spiralling rents; especially in the cities.

A larger consequence is the affect that constantly-rising rental incomes have on house prices and housing affordability - that well-recognised spiral.

Governments address this at their political peril.

As is widely commented-upon, one of the worst aspects of our three-year version of Westminster Democracy is that it is almost impossible for government to tackle large issues like these without cross-party support.

Hence the (independent) Tax Working Group.

I submit that many things have combined to make New Zealand no longer the "fair" society we once valued.

But I believe we can lump these into two broad categories; and I submit that these are issues the Working Group is conscience-bound to consider:

(one) The financial burden of creeping entitlement - especially in the superannuation area. A looming disaster for a country with an aging population.

And (two) the inability of government to make the structural changes that are needed -

Needed, firstly, in the balance between income and the affordability of family essentials such as good quality housing and affordable, available health care

And needed, secondly, in addressing the "capture" of political parties by the rich and influential

That is background, then

Now that we have established "background", my thoughts around Fairness, are simple:

ONE

Benefits - and this includes "super" - are about need, but are not about entitlement. No millionaire or "rich" person should ever receive any benefit.

TWO

The idea that "I have worked and paid taxes all my life, so I am entitled to a pension/benefit" or to "get my taxes back" is just fundamentally wrong.

Tax (personal or business) is one cost of a fair and decent society, in which all New Zealanders can live and enjoy the opportunity to do basic things: raise a family & benefit from the fruits of their endeavours.

THREE

Although there are many issues around benefits for sole or low incomes parents, dealing with these should not punish a child, or result in it being deprived of basic rights (food, shelter, health care, love, education) because of the actions of parents.

FOUR

It should be recognised that the process of the accumulation of wealth has increasingly become one which benefits the few at the expense of the many.

I submit that the question "What is good for our society?" should be asked alongside "What is good for promoting a sustainable business or trading environment?" when tax structures are being designed.

Five

Within sane and fair limits, the idea that residential property over and above the family home, or farm property, or business property, or real-estate or assets held in trusts, is sacrosanct and cannot be considered an asset subject to tax, or

subject to being broken up or sold off - rather than remaining available to be handed on, complete, to the inheriting generation - should be considered.

If a recipient of "National Super" or other benefit has no liquid assets but holds, say, some \$\$ millions of farm or real estate; or, perhaps, pays "rent" to a family trust or the like; and may even be receiving some form of accommodation allowance, then I submit that is a "lifestyle choice" at the expense of other taxpayers. Such persons should not receive a benefit.

In conclusion

A courageous government - represented by the Tax Working Group - should be asking itself a common-sense "Is this fair?" question whenever it considers:

Trust legislation and taxation

Capital gains tax

Taxation of the fruits of "land banking"

Universal entitlement

The "real" level of income of working families

The actual purchasing power of that income, and the measures we use in calculating that

The influence which the rich and established financial interests have on tax legislation

Other financial aspects of New Zealand life which do not pass a "fairness" test and the equitability of which could be improved by changes to tax structure

Then:

If it is not "fair", and does not promote future equity, then government (which may need to be reminded it is still *in loco parentis*) must act.

Those are my thoughts

Thanks for the opportunity to make a submission

I am happy to be contacted or to enter into a dialogue

Mike Nash

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