

Tax Working Group Public Submissions Information Release

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
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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.

TAX WORKING GROUP SUBMISSION

Subject : Superannuation (SUPER) Entitlements and taxation.

There has been much political discussion on STATE pensions and eligibility. I believe that the WINZ (MSD) organisation on this hugely expensive benefit is rort with inconsistencies, & the tax collected is much less than it should be.

The recent report from OECD on NZ being least generous for pensioners is obvious with a universal simple entitlement.

Some of the issues I believe exist are:

- **Initial entitlement for SUPER**

The local MSD branches seem only capable of explaining and action the basic SUPER benefit. They do not go into a person's other pension details both private & overseas that make up their total pension income.

The Wellington MSD International from my experience dealing with foreign state pensions are incapable of proper administration. They are administratively inefficient and start to action penalty notices on the assumptions that Foreign pensions are not paid into their Westpac Bank account. They later on profusely apologise for their errors!

My wife (a Kiwi) was charged for non-payment penalty well over \$1000 to be paid within 10 days in the new year. I wrote to them explaining both our British pensions were in my Westpac account, but they didn't take any notice of it before charging for the non-payment! They took 3 months to sort out their errors. I can provide our Client Nos.

- **New Immigrants over age 65**

Immigrants arriving over age 65 should not be allowed SUPER or trade-in from foreign pensions. They have to be individually dealt with separately as to their income & assets from overseas and what their family here are contributing.

- **Non Residents**

Persons living permanently abroad should NOT be entitled to any SUPER. If they are TAX residents of a country abroad they also should not be entitled to NZ SUPER. Only tax residents of NZ should receive SUPER.

- **Deceased persons**

Deceased persons over a reasonable time say 4 weeks since their passing have their SUPER ceased. Penalties apply from then on. It's up to their next of kin to inform WINZ/MSD.

- **Pro-rata entitlement**

The policy of **British & commonwealth** country pensions NHI paying for their SUPER should be urgently reviewed. The fact is the NHI pension is made up of a basic pay (equivalent to SUPER) and contributions made (similar to KiwiSaver). MSD do not recognise this breakdown. It is all taxed 100% and not recognised money received from abroad by IRD!

It is separately transferred to a secret Westpac account – why? British born & Kiwis worked abroad in the UK are unhappy about this policy. No wonder many do not declare this which is widespread. Instead, the TOTAL of all income such as kiwisave pensions (private & SUPER) & foreign pensions (currently taxed 100% in return to receive SUPER) should all be paid to MSD into their Westpac account and taxed before distributing to the individuals.(PAYE). That will ensure it is taxed for all SUPER entitlements including foreign and private pension & annuities correctly for everyone. Superannuitants should NOT have to record payment by payment & exchange rate which MSD

deduct currently from NZ SUPER when opted-out.

- **Possible Solutions for discussion**

SUPER eligibility should be longer periods and pro-rated e.g. in Britain the full entitlement is 42 years. Ours is 10 years (or less). It could increase gradually to 25+ years and pro-rated.

- **Checks on SUPER residents are in NZ**

All super residents should receive a letter with a stamped address return envelope from MSD checking (say every 2 years) that they live at that NZ address entitles them continue with SUPER. MSD has them a resident here, asking for a reply and confirmation of their address. If there is no reply then another follow-up and if no reply to that reminder letter then SUPER ceases. They can reapply in person or their power of Attorney is asked to reapply to MSD. Many of them may have deceased and the money is unaccounted in various bank accounts which should be claimed back.

Residents absent for being abroad on holiday with a permanent residence in NZ should not affect their SUPER, if they are away up to one year, as the checks above will be effective. If they move abroad then SUPER ceases.

- **Tax only in NZ**

Where people have lived and been taxed abroad, but are now a resident in NZ, then they should be applying for taxed only in NZ (e.g. HMRC Double Taxation UK/NZ). IRD should advise and insist on this to enable NZ to get the benefit. Other country immigrants need to comply to paying tax only in NZ and if receiving a foreign pension are treated in the same way.

- **Simplify Tax returns (IR3)**

Retirees are mainly on fixed incomes and should not need to fill in tax returns, even though it's an obligation to do so. Mostly they are incapable of understanding it and cannot afford to employ Accountants. The information is all available for IRD/MSD to automate it.

All other pension incomes should separately be shown on MyIRD if it was collected and recorded by MSD together with PAYE taxation deducted.

Each person should be asked by MSD of changes to their income annually, such as dividends & rentals etc. so it can simply be adjusted where necessary, and a recalculation for auto-refunds for overpaid tax, as well as adjusting the PAYE system to claim back underpayments.

- **RECOMMENATION**

I believe the pension entitlement should be much fairer than the current system. The tax collection on Pensions & annuities needs to be automated.

The politicians must decide collectively the affordability of SUPER and the retirement age.

The Tax Working Group needs to make many of these issues happen for a satisfactory change! I would appreciate their time on these matters.

Dated 16th April, 2018