

Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

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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 SUBMISSIONS

- 1 I agree that “*fairness*” is a useful benchmark. For example, it justifies taxing products purchased overseas on the internet. It justifies taxing multinationals in relation to their in-country earnings. But such a concept can only be taken so far. Fairness lies in the eyes of the beholder. What is fair to one tax payer is not necessarily fair to another. But I do think that a critical aspect of fairness is to ask whether, from the point of view of an individual tax payer, the amount of tax they are paying is perceived by them to be fair. That is particularly the case if that tax payer already is part of the minority who pays the majority of the tax (as I am).
- 2 The paper notes (page 20) that a progressive tax system is perceived to be fair in New Zealand. I agree - but it would be wrong to think that is a perception without limit. As things presently stand, a minority pays the majority of tax. Increasing the burden on that minority is not necessarily fair.
- 3 I oppose a wealth tax. It is no coincidence that such taxes are disappearing around the world. Issues with a wealth tax include:
 - What assets are to be taxed? If it is a wide range including collectables then there will be high transaction costs (e.g. valuations) associated with this.
 - Conversely, if certain asset groups are excluded then this will be distortionary and create perverse incentives.
 - How do you determine ownership of the relevant wealth particularly when assets are held in discretionary trusts?
 - What do you do about the wealth represented in Iwi settlements and holdings?
 - Such a tax would penalise asset-rich/cash-poor individuals particularly the recently retired. It will act as a disincentive to saving for retirement.
 - We already have a wealth tax in the form of local authority rates based on land values.
- 4 A land tax is a more focused form of wealth tax. Similar problems arise as above. Two extra points:
 - The use of bright line tests in relation to land speculation is likely to capture most land speculation.
 - Land may be held (e.g. land banked) for a variety of reasons and not necessarily for speculation. For example, land may be held within a family for historical/sentimental reasons (analogous to the holding of Maori land).
- 5 I am opposed to extending a capital gains tax beyond the bright-line tests already in existence. Some of the problems with a wealth tax also apply to a capital gains tax. For example:
 - What assets do you include in the taxable pool?

- What assets should be included/excluded? Paintings, stamp collections, antiques present numerous definitional problems. At what point is someone's furniture to be classified as an antique if antiques are to be included in the pool?
- 6 Excluding the family home and land from a capital gains tax is extremely distortionary.
- It favours those who own their family house in a city such as Auckland. A family who owns a \$3m house in Herne Bay is better off, from a tax point of view, than a family in Christchurch who owns three separate properties each worth \$1m.
 - How do you define the land upon which a house sits? In the case of a lifestyle block which is at the minimum sub-divisible size, does that include all of the land or some notional area? If the latter, how do you value the rest of the land when it cannot, as a matter of law, be sold?
 - The distortionary effect created by the exception means there can be no fair CGT on land generally (as opposed to the bright-line tests already in existence).
 - The proposals do not address land held through family trusts including the primary residential house if held in a family trust.
- 7 I believe that charities should, as a default rule, pay tax. In particular, religious charities should pay tax. There is no conceivable benefit in commercial operations (e.g. Sanitarium) being tax exempt.
- 8 There should be no exemptions for GST. Creating exemptions is entirely distortionary with the costs outweighing any benefits.
- 9 Superannuation paid in the Cook Islands and Niue should be taxed in New Zealand. As a concession to those two countries the Government has waived the payment of tax in New Zealand and, as I understand it, tax is not paid on these pensions in the country of receipt. This results in substantial transfers off-shore.
- 10 I support the removal of secondary tax for those working at two or more jobs (particularly where the nature of primary and secondary employment no longer seems valid).
- 11 I support environmental taxes. Those creating the externality should pay to remedy it.

Tom Weston