

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

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# Tax Working Group Submission

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[1]

## Introduction

The following details my comments, thoughts and ideas on taxation in New Zealand. I have commented on the five key questions asked, as well as some other points I consider important. While I have tried to limit what I say to the scope of your study, some points may be outside of this and for that I apologise. Thank you in advance for your time and please feel free to reach out if you would like to speak further.

## What does the future of tax look like to me?

I believe our tax system requires a complete overhaul for two reasons:

1. The current tax system and the way it is applied has significant gaps in it, such as the 'gig economy', a large part of property and multinational corporation profits; and
2. There are currently significant negative effects happening to our country which can be addressed by tax, such as long term health, rapidly rising property prices and environmental degradation.

I believe an optimal tax system would be made up of:

- A wealth tax, with sensible provisions in place for asset rich, cash poor parties such as pensioners;
- An adjusted company tax to address tax avoidance by multinational corporations;
- GST as it currently stands;
- Other relatively significant excise taxes on goods and services with negative externalities to society, such as driving, polluting, eating unhealthily, smoking and drinking.

As a wealth tax is unlikely to be politically achievable, an alternative may be to keep income tax as it currently stands and implement a capital gains tax with no exemptions to minimise enforcement costs.

## What is the purpose of tax?

While collecting revenue with minimal effort and compliance costs is currently the primary purpose of tax, I believe it should also be important that tax is used where significant negative externalities to our society are present. This should encourage parties to take into account some of that cost, and also provide revenue for government to address the resultant costs which arise to society.

While this is in place for cigarettes and alcohol, some other examples of this are:

- When someone elects to drive to work in the city alone every morning, they are imposing a cost to society in terms of increasing congestion and emissions, therefore they should pay a petrol or congestion tax of some form.
- When an individual chooses to eat lots of sugary foods for a long time they are more likely to use our health system, therefore a sugar tax should help address this.
- When a company creates carbon emissions the company should pay for this in the form of a carbon tax.

## Are we taxing the right things?

I do not believe so. With property and multinational corporation profits being largely untaxed for whatever reasons, this increases the burden on the general public. Also as the gig economy increases, cash jobs are likely to become more common making PAYE less efficient and requiring increased enforcement costs. I have already mentioned that tax should be used to address negative externalities.

## Can tax make housing more affordable?

Of course. Property is already an attractive investment due to currently low interest rates, high demand from population growth and the relative ease of avoiding taxation than, say, starting a business. Your own research shows the current system presents owner-occupied housing as the lowest taxed investment class by far, followed by rental property which is still almost 20% lower than the third lowest taxed investment class. While another important factor in investment decisions are the actual return on investment which is to be taxed, the health of the current market suggests that property should be taxed the same as anything else.

I believe a comprehensive capital gains tax should be implemented which does not exclude the family home for a number of reasons, primarily enforcement costs.

## What tax issues matter the most to me?

The number one priority for me would be to use tax to help address the negative externalities which arise from certain transactions, as spoken about in the purpose of tax.

## Other points

### Multinational tax avoidance

I have two ideas to minimise tax avoidance:

1. Tax based on revenue, rather than profit. Tax rates which differ by industry should be informed by research on companies around the world, and the onus should be on the multinational to make a case as to why they should pay less;
2. Tax based on global profits, apportioned to NZ revenues. Multinationals have resources available and likely already do create global profit and loss statements.

### Long term NZ

It is pointed out that the future of work is unstable. Two possible future scenarios I can envision are:

1. A largely increased publicly employed workforce to ensure our cities and towns are in top condition;
2. An increased benefit system to support the unemployed population, which may start increasing from those who choose not to work.

In both of these scenarios our government will incur increased expenses, and these will need to be funded either through increased taxes or reducing expenditure elsewhere. With an ageing population leading to increased healthcare and superannuation costs, I believe it is likely taxes will need to be increased in the long term and our tax system should prepare for this.

### Bank integration

One way to help reduce our dependence on PAYE and address the growing gig economy is to integrate the IRD with banks, much like PAYE is through integration with employers. Due to privacy concerns this is likely to initially need to be up to the customer to opt in to, and it will also mean some enforcement that the entirety of a customer's bank accounts are being tracked and there are none being hidden.

### Inequality

I also believe our country will be better for all with lower inequality. I think our top tax rate can be increased, especially for the very high earning, and this can be spent on supporting our citizens with the very least. I also believe wealth and capital gains should be taxed, as these are both taxes which will rarely hurt our vulnerable people, and primarily affect those who can afford it.

Progressive company tax

I think there are bigger priorities to be fixed in our current system before investigating this.

Environmental taxes

Yes yes yes, read above re: using taxes to address negative externalities (such as environmental harm).

GST exemptions

I believe it is safer to increase taxes on the negatives rather than introducing exemptions on the positives, as this increases rather than decreases revenue.