

Tax Working Group Public Submissions Information Release

Release Document

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Submission to tax working group
April 2018

From: Mary Hamilton, ^[1]

[1]

Preamble

- The tax system needs to raise sufficient revenue to carry out properly the collective purposes of society and should embody its values
- In this country both the short and long term welfare and wellbeing of its people are the prime goals of society.
- A main impediment to this well being is the steadily growing gap between rich and poor. This gap is associated with a variety of negative outcomes for both poor and rich (The Spirit Level); therefore it is reasonable for the reduction of this gap to be a prime goal of the tax system.
- This is not the same thing as treating 'the economy' as the goal, which can result in a thriving economy, an exploited workforce and rundown basic services.
- I am not suggesting that all the ideas I give below should be implemented. Others will know how much each tax can generate. Also how much each with cost to administrate. It also seems important that a tax system not have too many sections to it. The overall theme is sufficient taxes to pay for the complete government programme, significantly redistribute income and encourage people to change certain behaviours.

Some suggestions to close the gap between rich and poor:

- More steeply progressive income tax.
For instance \$0 - 15,000 -- 0% or an even higher threshold if feasible -- rising in steps to %40 at \$150, and %45 or %50 over \$1million (cf top tax band in Denmark 55.8% and %54 in France)

Having an even higher tax threshold might enable such things as accommodation allowances to be scrapped and thus both simplify the system and perhaps even help lower rental rates.

The current tax system seems to encourage property investment as tax advantaged relative to other forms of investment, as interest payments can be counted as a business expense and so tax deductible. Perhaps property needs to be reclassified so this cannot happen. Property investors have not gone into productive business

- Capital Gains Tax.

Need to exempt the family home.

- Wealth Tax

This could be assessed annually. Perhaps tax free under \$1 million, 0.5% over \$1 million

1% over \$2 million

5% over \$5 million

Need to exclude land officially designated as a carbon sink, QEII covenant or similar. Hopefully this would encourage the formation of more carbon sinks.

At every step need to consider the effect of taxation on our goal of becoming carbon neutral by 2050, in addition to the effect on the poorest 10-20% of the population.

Could consider excluding land used for organic farming. This in turn would mean less nitrate use and lower stocking rates.

Closing loopholes: a wealth tax must be at a higher rate than Family Trust Tax. This latter might therefore need raising.

- Financial Transaction Tax of \$0.001% over \$1,000.

This could be considered. How much revenue would it raise?

- Empty homes tax. This could be assessed at 1% of a residential property's assessed rateable value on property empty for more than 4 months per year

Either this would raise some revenue or it might help a little to reduce house prices.

- Cut gst from 15% to 10% as it is a regressive tax. However, investigate all practical ways to include items bought from international websites so that our own businesses are not disadvantaged.

Other taxes: nearly all of these are taxes on products that generate large negative externalities.

- Health taxes, for instance tobacco, sugar, alcohol. The purpose is to encourage health and wellbeing and also to pay some of multiple health costs these items cause.
- Carbon taxes. These need to be considered with the group working out the practical methods of reaching carbon zero by 2050
- Plastic bag tax. Aim to discourage use and rate perhaps 20 cents each.
- Tourist Tax. A flat \$50. This is low enough not to discourage much travel.
- Multinational tax avoiders operating in New Zealand. I have no suggestions as to how except to investigate the issue as it seems to be a loophole in need of closing.