

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

### **Release Document**

**September 2018**

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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.

## Submission to the Tax Working Group

Thank you for the opportunity to make a submission on the future of tax in Aotearoa New Zealand.

I would like to address two major concerns: the climate crisis and poverty/inequality.

A significant carbon tax is likely to be a necessary part of any adequate response to the climate crisis. While estimates of the social cost of carbon range across a huge spectrum, I believe that the higher estimates are more realistic, and that a carbon tax will ultimately need to go over \$500/tonne. It seems sensible to introduce this incrementally, with a clear signal to the public (and businesses) as to how this will be introduced. A starting level of \$50/tonne, raised by \$50/tonne every six months until it reaches \$500/tonne would be a good start. If this level still did not bring about the necessary reductions in carbon emissions, it could be further increased.

To enable a just transition, the tax system should be altered in other ways to cushion the impact of this on those less well off. These measures will also help respond to poverty/inequality more generally:

- Introduce a tax payment threshold of \$20,000 (i.e. those earning under this amount should not pay any tax.)
- Abolish GST.

While this is beyond the remit of the tax working group, I also support the raising of the minimum wage to a living wage. I acknowledge, however, that the combination of such a minimum wage and a significant carbon tax could cause challenges for some small businesses. Given this, a somewhat progressive company tax could be introduced. One option might be to allow a \$20,000 tax threshold for businesses as well as for individuals. This would need to be done carefully so that it was not abused, however.

Both in the beginning period of the carbon tax as well as after emissions have been reduced the carbon tax will not in and of itself be able to make up for the reduced tax take resulting from the measures named above. Furthermore, in order to provide adequate social services for all New Zealanders, the tax take needs to be increased from current levels. This can be achieved in several ways:

- Introduce a wealth tax.
- Increase the tax rate for the current top tax bracket to 40%.
- Introduce a further tax bracket for earnings over \$120,000, at a rate of 60%.
- Introduce a financial transactions tax.
- Introduce a comprehensive capital gains tax (paid upon sale of the asset).

Many thanks for your time,  
Jonathan Oosterman