

Tax Working Group Public Submissions Information Release

Release Document

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Submission to the Tax Working Group

New Zealand is experiencing widespread hardship, homelessness and poverty, despite being a very wealthy country. There are (as examples) inadequate mental health services, midwifery services and education is expensive and saddles citizens with debt. These difficulties affect much of the population, including people in employment. I personally know many people affected by these problems.

A root cause of this is extreme inequality, which I believe is one of New Zealand's most serious problems. The wealthiest 10% of New Zealanders own around 60% of the nation's wealth, while the poorest 50% own only 5% (or less) of the nation's wealth. I do not suggest that people should all be equal – but there would be many benefits from inequality being considerably *reduced*. For example – we could have the poorest half of New Zealand owning 15% of the nation's wealth, instead of the current less than 5%.

By simple mathematics, transferring 10% of the wealth of the richest 10% of New Zealanders, would allow the poorest 50% to have more than double what they currently have.

i.e. $10\% \times 60\%$ (wealth of the richest 10%) = 6%

This transfer would bring profound benefits to a large number of poorer New Zealanders and to the health of our whole society – while the very rich would remain very well-off (e.g. a person with \$100m would still have \$90m). The idea that reducing tax on the wealthy will stimulate economies has not worked anywhere in the world and can be discarded. There is plenty of evidence that the majority of the population having some wealth (a healthy middle class) and access to education and services, builds economies.

Our current tax system allows wealthy people to pay much less tax than poorer people, relative to wealth or income. This is because of the use of regressive taxes such as GST, and also because of very light taxation on capital and capital gains, both of which are mostly accessed by the already-wealthy. The wealthy also have the ability to pay experts to structure their affairs to minimise tax obligations. In my opinion, allowing the wealthy to pay less tax than poorer people relative to their wealth and real income, is unfair, immoral and socially and economically destructive.

Recommendations:

1. Taxation should be increased, but exclusively on the wealthiest 10% of citizens. This could be achieved by wealth taxes, capital-gain taxes and highly progressive income taxes. The wealthiest 10% hold the majority of the nation's wealth and are in an excellent position to cope with an increased tax contribution. This money should be used to improve the situation of the poorest 50+% of New Zealanders.
2. All tax changes should be assessed against effects on inequality.
3. Research should be conducted on the actual tax contribution made by New Zealanders relative to their actual, real income (not IRD-declared income) and current wealth. At present it is not possible to know how much tax people pay relative to actual income and wealth, in part because the wealthy often have little IRD-declared income.

I am happy to be contacted regarding my submission.

Ben Wybourne, 29/4/18