

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

### **Release Document**

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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.

## Introduction

In their ground-breaking book, **The Spirit Level**, Richard Wilkinson & Kate Pickett, provide hard evidence to show how almost everything from life expectancy to mental illness, violence and illiteracy, is affected not by how wealthy a society is, but by how equal it is. It shows societies, with a bigger gap between the rich and poor, are bad for everyone in them - including the well-off. ***The Spirit Level***: [Richard G. Wilkinson](#) and [Kate Pickett](#), published in 2009 by Allen Lane – also in the US (Bloomsbury Press) and later in the UK (Penguin Books)

## What does the Future of Tax Look Like?

Tax needs to be fair and sufficient and comprehensive.

For tax to be fair and credible and thus merit compliance tax must be progressively applied to all income. As income rises, so does tax. The system tax wealth created in NZ, products brought to NZ, leaving NZ and those who reside or work here no matter the source of the income local or global.

Tax-on income should be free or very low (say 3.5%) up to the level for instance of the current single National Super (e.g. \$0 to \$16,000) then progressive much as the current bands to \$150,00 at 39%, but the next band should cut in sooner and we should be prepared to tax up to 95% of really high incomes (Top Tax rates Denmark 55.8%, Aust. 49%, USA 46.3%, Fr. 54%, UK 45%), but when I was growing up higher rates were not uncommon for the very wealthy.

This system should apply to all who choose to reside, or own property or enterprises in NZ. Where individuals or entities claim to be paying tax in another jurisdiction, an assessment should be made based on explicit criteria, such as the income necessary for that lifestyle or ownership in NZ. Transnationals should pay a tax based on the NZ element of their activities.

The tax system needs to be sufficient to fund the activities required to maintain and develop our infrastructure, people and environment with a view to transitioning to a carbon neutral economy and eliminating wastes such as plastic that are seriously polluting our ecosystems

A Flat Tax of say 0.01% on all financial transactions, including cryptocurrency transactions, exempting transactions less than \$1000 needs to be introduced, and an annually assessed wealth tax – starting at say \$2million of assets, including family trusts, but this should be examined to avoid it being regressive.

An Empty Homes Tax on residential properties in NZ cities unoccupied longer than 4 months annually, taxed at 1% of the property's assessed taxable value.

## What is the Purpose of Tax?

To fully fund the government, protect the natural and social environments upon which people and the economy are reliant, insure that wealth is fairly allocated and to shape behaviour.

While pollution and, resource degradation or depletion has harmed the natural environment, the extreme inequality that is developing in recent decades is degrading the social environment. The existing taxation system has facilitated this environmental and social decline through exploitation of many commons.

Tax can and should play an explicit role in encouraging preservation by taxing that which harms and encouraging that which helps. This is particularly relevant to our green-house gas emissions. Taxing rather than subsidizing the activities which emit carbon dioxide, methane and nitrogen oxide and fluorinated gases and the like and providing tax relief for changing land use and transport modes away from fossil fuels.

## Are We Taxing the Right Things?

Along with a financial transactions tax, a capital gains tax is required.

While I consider charities should retain their tax-free status, entities trading for profit it should not be considered to be a charity. Sanitarium, is a huge corporate, that I feel is routing the system

GST could be removed from essentials such as food, medicine and sanitary products. And morph into a luxury tax to discourage unproductive consumption. GST could be extended to include items NZ consumers buy from overseas international websites.

Frequent speculative financial trading needs a 'Robin Hood' tax small enough to not burden legitimate activity, large enough to discourage if not stop it.

A carbon tax priced to account for the full impacts and a premium is required. Returning the premium portion of the tax collected evenly to all consumers will help to offset the impacts. This might include raising the lower threshold even higher than I've suggested above.

Estate and Gift tax to encourage meritocracy, not dynasties.

A Revenue Tax on Foreign Multi Nationals diverting profits to avoid tax, say a NZ company tax on portion of total revenue earned in New Zealand (e.g. 10%) times their total international company profit This would include companies whose businesses depend on digital advertising, online marketplaces, including google, facebook, amazon, twitter, uber & airbnb,

Departure Tax on non-value-added goods. Too many of NZ's resources, logs, water are sent overseas. A departure tax could increase employment and income to NZ.

The government should not fund losses from investing or asset sales.

The current tax system is highly regressive with the poor paying tax on nearly all of their income twice due to GST and tax rates which tax even the minimal income required to sustain life.

## **Can Tax Make Housing More Affordable?**

The lack of a capital gains tax unfairly subsidises unearned income. This has resulted in a speculative unaffordable housing market.

Capital is poorly allocated to non-productive investing in housing.

Capital demand and costs are increased as the housing bubble builds creating the need for more capital from overseas lenders and cash outflow from the country.

## **What Tax Issues Matter Most to You?**

Fairness both in contribution and in sharing the gains from the tax system through infrastructure and a safe sustainable community and environment.

Tax loopholes which primarily benefit business, corporations, investors and high net worth individuals should be closed and emphasis given to our common heritage and wellbeing.

A progressive tax structure where tax rates increase with the ability to pay should be seen as the quid pro quo of the private advantage of the better off.

Evading and minimizing tax, especially by those with high tax liability should be recognized for the antisocial behaviour that it is and subject to serious loss of privileges. Instruments such as asset protection trusts set up basically to avoid tax should be voidable for the collection of legitimate debts including assessment of an appropriate tax.

Parliament should be able to work in conjunction with the IRD to speedily close loopholes and adjust laws and regulations to thwart evasion and avoidance.