

Tax Working Group Public Submissions Information Release

Release Document

September 2018

taxworkinggroup.govt.nz/key-documents

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

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

I am a chartered accountant working in a public practice firm in provincial NZ. I have been in this role for 28 years and have experienced a wide range of business activities over that period.

Tax policy and settings are key to a lot of investment decisions. The current settings heavily bias towards investments providing capital gains which are generally lightly taxed in NZ.

With my experience, I see the following tax issues that need to be reviewed by the Working Group with sound recommendations being provided to the government of the day.

- Depreciation on motor vehicles – there should be a limit on the capital value for motor vehicles that depreciation can be claimed on. This value should be somewhere around \$60,000 (GST exclusive), as this will cover most vehicles used by NZ businesses. Having a vehicle valued at greater than this amount provides little economic benefit to the business or NZ.
- Capital Gains – all real property (land, buildings, shares, businesses) should be subject to a capital gains tax, or subject to similar provisions to the taxation of overseas investments using FDR/CV – although the rate should be reduced from 5% to 4%. There should also be a de minimus exemption for the main residential home costing less than \$1,000,000 for any property. This exemption amount needs to be adjusted annually using the average increase/decrease in residential property prices. All capital gains should be taxed separately from income at a flat rate of 25%.
- National Park Entrances Fees – many other countries in the world have entrances fees for anyone wanting to enter a national park. This should also be introduced in NZ. NZ residents should also be charged, but the rate should be half that charged to non-residents. There could be daily, weekly, monthly and annual passes issued at various rates. These funds should be allocated exclusively to DoC to further the work they carry out to enhance our environment.
- National Identity Number – and IRD number should be converted to a national identity number to enable better identification of individuals to reduce tax evasion. A card with picture should be issued at no cost every 5 years for children under 18 and then 10 yearly thereafter. There would be no need to have a separate number for a drivers licence or passport – just a national identity number.
- Taxing Overseas Entities – rules need to be amended to make overseas based companies selling goods/services to NZ customers to pay their fair share of tax. Income for NZ tax purposes could be calculated using the net profit percentage achieved by the parent company. Transfer prices rules are not effective.
- GST on Imported Low Value Goods – Australia has brought in laws requiring NZ entities to register for GST in Australia for sales of goods/services to Australian purchasers. The same law needs to be passed here in NZ, or customs de minimus rules need to be abolished.
- Increase Marginal Tax Thresholds – marginal tax thresholds need to be lifted significantly. The 17.5% threshold needs to go up to at least \$75,000 and the top tax rate should not start until at least \$110,000
- GST – this tax works very well. No additional exemptions are required.