Tax Working Group Public Submissions Information Release

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Tracy Livingston: submission to the Tax Working Group

"The Government taketh away"

The most obvious place to start to reform our current ridiculous taxation system, that keeps the poor poor and enriches those who can use the system to their advantage (no judgement), is through a Financial Transactions Tax.

Democrats for Social Credit (www.democrats.org.nz) suggests the following which I agree with and recommend New Zealand/Aotearoa implements as soon as feasible.

"FTT is simple and inexpensive to administer, has no loopholes available for tax evasion, and gathers revenue across the entire economy. Where currently GST is **not** charged on financial services, which involve huge sums and correspondingly huge economic damage, those transactions will **not** be exempt under FTT.

• Replace GST with a financial transactions tax

• Setting the level of transactions tax at a very low percentage

• Relieving businesses of compliance costs when GST is phased out

• Collecting the tax through data bank facilities on every bank transaction at point of withdrawal

• Making the total amount of revenue raised available for Government spending as there will be no collection costs, just bank transfers

• Automatically increasing everyone's spending power as the GST level is far higher than any transactions tax need be

"The banking mechanism by which FTT may be gathered is already in use, thanks to modern technology. Banks already withdraw their own account fees as well as Resident Withholding Tax from interest on deposits through an automated function of account management. It will be very simple for the banking system to implement FTT, and very difficult to avoid payment.

Although there are some examples of FTT functioning in other countries, the full impact on the economy of FTT replacing all other forms of taxation remains largely an unknown. As FTT is intended to not only gather revenue for Government spending, but also to affect economic behaviour by discouraging speculation, it is thought advisable to introduce FTT progressively, beginning with replacing GST.

Many consider GST to be a 'poor tax'. People on the lowest incomes, with little or no ownership of the real economy, are taxed far out of proportion to their incomes compared with those with investment incomes and business ownership. GST also carries a cost to administer for both Inland Revenue and businesses. Therefore GST is an obvious place to begin tax reform, by replacing it outright with FTT at a very low rate. Because FTT is a 'cascade' tax, accumulating in the prices of goods and services, a low rate will ensure that those prices will still drop compared to current GST level prices.

Research reveals that currently some $50 billion dollars a day are involved in financial transactions within New Zealand. Just 0.1% of that figure (i.e. a tenth of a percent), a level so small that ordinary consumers and SME will barely notice the loss from each transaction, is $50 million a day or more than $18 billion a year in potential revenue. Add to that the money saved on the administration and compliance costs of GST, and the economic advantages of FTT are readily apparent.

However, FTT will have an intentional effect on speculative transaction behaviour, and it is difficult to accurately predict the scope of that effect. It is therefore deemed necessary that the implementation FTT be done in stages, adjusting the levels and accompanying regulations at each stage to maintain economic integrity."

Idea 2:
The next thing to work on is the handicap of "the scarcity of money". The government only creates 2-3% of our money, which is obviously not enough to run our country. If our tax system was sustainable, NZ would not have $90 B in public debt and $550 B in private debt, paying $12 million/day in government debt alone. Governments, including local government, never have enough income through taxes and rates (another tax), so they borrow money from the private banking sector (who get their money by creating it out of thin air). The creation of this money as debt money, instead of credit money the way a government creates it, means that as a nation we are enslaved in un-repayable debt. The creation of the right amount of money is the government's most vital role in running its country. Instead we have to sell off parts of our nation's heritage to pay the bills and our people and businesses have

to work like demons just to survive. “Conventional economics virtually compels sane people to engage in insane economic activity.” (J.M.Braden)

Social Credit has always advocated that our government should borrow from its own Reserve Bank at 1% interest or less. As loans are repaid, they can be taken out of circulation or reinvested to meet increasing demand. This injects spending power into the economy that is not inflationary. We need our Reserve Bank to support our country by creating money. The government already creates some of its money, just not nearly enough.

Democrats for Social Credit (www.democrats.org.nz) suggests the following which I agree with and recommend New Zealand/Aotearoa implements as soon as feasible.

Interest free loans will be available from the sovereign Reserve Bank Monetary Authority (RBMA) at an administration cost only, for:

• Investment in public and local authority infrastructure – public transport, sewage systems, public amenities, sustainable power alternatives, major environmental projects, etc;

• Providing a short term overdraft facility for the government to manage its cash flow requirements;

• Facilitating reciprocal trade arrangements made with other nations;

• Lending to trading banks to on-lend to their commercial, business, farming and corporate clients;

• Lending to first home buyers to increase home ownership; and

• Removing speculative demand from overseas investors chasing returns from high interest rates. A low interest rate policy will create a more realistic and stable trading value for the NZ dollar.

All of which will reduce our need to over-tax people and local businesses.

Here Ellen Brown makes a strong case for sovereign governments to create their own money supply to reduce reliance on much more expensive debt money from the private sector. https://ellenbrown.com/2018/02/27/funding-infrastructure-why-china-is-running-circles-around-america/#more-13742 (just replace the word America with Aotearoa, the same issue applies). This would reduce the need to tax our citizens and would improve our competitiveness in the global market place. The cost of adding income tax, interest and GST increases the cost of our locally produced goods hence increasing cost to locals as well as export markets, reducing our competitiveness both locally and abroad. This has the double whammy negative effect of encouraging us to buy cheaper overseas goods as well as discouraging local producers/growers. Encouraging local producers/growers would flow on to increase prosperity for New Zealanders – the real 'trickle down effect'.

Incomes and benefits have continually fallen behind inflation (especially taking housing and energy into consideration); making life impossible without taking on debt. By the time we pay our tax, there is even less money. Income tax forces us to borrow at interest from the private banking sector, then the interest we have paid goes off-shore depriving NZ of the wealth we have created. We 'enjoy' one of the highest interest rates in the world – meaning that we pay not just the cost of our house (that's on a personal level but it works the same for infrastructure, health, etc) but also that amount two or three times over. No wonder no one has any money!

And it's even worse if you're poor, it's expensive to be poor....
https://www.stuff.co.nz/business/money/101241277/why-its-so-expensive-to-be-poor

"The Child Poverty Action Group calculated last year that a family able to boost their incomes through extra hours and hard graft from $42,700 to $47,700 may end up seeing 84% of the money being clawed back in tax, lower accommodation supplement, loss of Working for Families tax credits, student loan repayments and KiwiSaver deductions."

"Susan St John, a University of Auckland associate professor in economics and co-director at the Retirement Policy and Research Centre, said the country had "major issues" with child poverty which were not evident in Australia and the social welfare system was one of the biggest factors. "If you're going down the path of copying us, you really need to look at impacts," she said.

She said tax benefit policies disadvantaging children from low socioeconomic backgrounds and the lack of indexation of some welfare payments had resulted in the "rapid falling behind" of benefits. "It pushes families into poverty," she said. ".. It's nothing to be proud of.""

https://www.theguardian.com/world/2014/jun/03/dont-copy-our-welfare-cuts-new-zealand-experts-warn-australia

These statements alone should be enough for us to seriously look at changing our taxation system. Is this what we really want for our people? Our tax/benefit system is way too complicated, with convoluted methods of rewarding and punishing wage earners and beneficiaries alike. Subsidising employers with the Working for Families scheme must be a nightmare for IRD, as well as recipients. Secondary taxing those who work two or more part time jobs to make ends meet is ridiculously punitive and quite unnecessary.

If you make no real changes to the tax system (because I really don't expect you to actually DO anything), but this one, let all earners be entitled to keep all earnings up to a living wage, say $40,000/year, before taxation begins, with a graduated scale commencing after that. Scrap all complicated taxation and payment systems that require a huge bureaucracy to administer. The craziness of cutting someone's benefit if they try to earn a few dollars, is just cruel and pointless and probably costs as much to administer as the government 'earns' and of course, follows the law of 'unintended consequence' creating beneficiary fraud and turning our people into criminals and forcing people into poverty. (sometimes you have to think that the government is doing it on purpose!)

If money and education is only available to the wealthy, we will not be a contented, unified country. The bigger the gap between the haves and the have-nots creates disharmony. The solution is not taxing the rich to give to the poor, NOR the other way around. That just creates discord between us as a nation which is the last thing we need.

Privatising profit and socialising costs:

I'm not the first to say it, but we have a corporate welfare system in this country that subsidizes our low wage economy.

"There is no doubt our welfare system needs reform, and a massive one at that. The epitome of the precariat is someone who has no certainty in their job (or hours) but works hard, improves their lives only incrementally and yet is still reliant on state benefits which only serve to subsidise low-wage employers which keep wages artificially low." https://www.newsroom.co.nz/2017/12/06/65876/have-we-forgotten-the-working-poor# Which means that we, the tax payer, pay for (often multi-national) corporations and businesses to not pay a living wage or to only employ people part-time whilst the (multi-national) corporation enjoys the profits. If a person receives a tax-free living wage this would take pressure off all three parties – the employee, the employer and the welfare system.

Money is a man-made construct to enable the exchange of goods and services – we can use it do what we wish – so we need to be better at 'what we wish'. To use it as a commodity was never the plan – to make money from money, as we are doing in this age destroys our wealth base and limits our creativity and ability to create real wealth. And taxing our citizen's hard work but not the harmful activities in our economy (e.g. currency trading and speculation and environmental degradation) makes little sense and is a very old fashioned, poorly thought out practice.

To finish up, I thought I would share some of J.M. Braden's ideas on the hows and whys of changing taxation and taxing negative behaviour to move towards positive behaviour.

The entire article by Robert Snefjella is here: https://www.globalresearch.ca/economic-system-reform-saving-the-planet-salvaging-the-human-prospect/5628951

"Braden calls his proposed economic program Intelligent National Frugality (INF). It is offered as a corrective to current economic systems that in effect *mandate* environmental degradation, increasing resource scarcity, and social breakdown and dysfunctions.

He proposes an alternative taxation and pricing and financing strategy that will inherently encourage environmental stewardship, more careful resource use, and greater social health, and discourage resource foolishness and energy gluttony: Thus *Intelligent*.

The term *Frugality* explicitly rejects the ideology of perpetual economic growth, and the culture of 'more and more stuff is better and better', of material and energy extravagance. But it allows for a wealth of cultural expression and unlimited qualitative progress within the context of a much more careful and sensible human presence on earth.

The term *National* identifies the nation state as the scale at which INF economics should apply, and also that a country is the appropriate political vehicle for establishing INF economics. Implied is that in order for any country to be able to carry out such a reformed economic system, it must have sufficient independence and sovereignty.

Given that current **financial systems are catastrophically flawed**, proposals have been made for economic system reform that is intended to provide broad, not narrow, benefit, and to eliminate harmful features. And what person of goodwill would not prefer economic system designs that work well – intrinsically – on behalf of broad, not narrow, human benefit, while encouraging harmony with the biosphere, and including a decisive concern for the future?

One basic principle found at the heart of Braden's thesis is that a taxation and pricing system should as far as possible encourage the beneficial and discourage the harmful – encourage the good and discourage the bad. Stated thus, it's a principle hard to argue with, but it begs the ongoing question as to what constitutes good and bad."

Braden's core answer is that INF economics would heavily tax those types of energy classified as non-renewable – so-called fossil fuels and nuclear – <u>on the basis of their actual energy content</u>, and <u>at the primary stage of their movement into use.</u> This would mean that all processes and products coming later, using either the energy or matter of the energy source, would in cost and price reflect that original taxation. (Obviously nuclear doesn't pertain to NZ, however the ideas can still be used for whatever activity we wish to reduce. T.L.)

All direct and indirect subsidies would be removed from these forms of energy. (or any negative activity we wish to reduce T.L.) And the tax would be introduced gradually, intending a not-seriously-disruptive process of increase over a period of years.

As a result, there would be a growing disincentive to use fossil fuels in a cavalier fashion, and a growing incentive to use such energy more carefully. More benign and renewable competing forms of energy, and processes that use these, would gain comparative price advantage; thus be encouraged."

"Which leads to another key principle of INF economics: that human energy, mental or physical, is not taxed at all. Human energy thus becomes the financially most advantageous energy of choice in many instances. Under INF economics, sales taxes and value added taxes would also be eliminated.

There is no inherent 'right' or 'left' ideological basis for Braden's proposals. But in order to implement his ideas, it is as noted necessary that a country be able to make independent national economic policies. This includes not being bound by restrictive bi-national or multinational economic agreements that preclude independent national initiatives in economic policy.

Braden repudiates so-called 'free trade', which in practice elevates international financial and corporate power over indigenous national economic policy, and he endorses less reliance on distant trade and long transport of goods. INF economics inherently encourages a more decentralized and self-reliant society; and a tendency towards many more and smaller *internally competitive* industrial enterprises and businesses. And many more small farms, and villages and towns, would primarily serve their locality. INF economics would also intrinsically encourage production of products featuring ease of repair, durability, recycling, and so on."

So I don't personally have the answers to our taxation problem, but certainly the system we have now is obsolete (if it ever wasn't) and not fit for purpose. I look forward to some if not all Social Credit ideas being utilised by this government bearing in mind that the first Labour Party in government in New Zealand used Reserve Bank funding to great advantage for our nation. With our current technology so much more is possible. We need to 'go back to the future' to ensure financial security for our people, be a good place to do good business, stabilise our economy, reward hard work, create satisfying jobs within a high wage economy, support parents to provide for their children, take care of our environment by using tax very specifically and more. To reiterate Social Credit,

"Whatever is environmentally, socially and technically feasible AND desirable, is absolutely financially possible"

so please let that guide you in your decision on changing our taxation system.

Kia kaha, Kia ora. Tracy Livingston, [1]