

Tax Working Group Public Submissions Information Release

Release Document

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Submission to the Tax Working Group on the Future of Tax

Anders Crofoot

[1]

The Purpose of Tax

Tax should be used to fund things that the Government does. The Government needs to be careful and not over reach and provide services that could be done by the private sector. The Government should provide things that no other entity can, Law/Regulation, Police, Defense, Health, Education and Social Safety Net. Tax is a very blunt tool and as such is not appropriate to try and fine tune people's behavior.

What We Tax

Having emigrated to NZ from the USA I have been very impressed with the NZ tax system. It is simple and efficient. I think the current settings are about right.

Can Tax Make Housing More Affordable?

In a word, no. The reasons for increasing house prices would be many and complex and they are not unique to NZ. Looking at other countries where there are similar issues and they have different tax settings (capital gains in particular) it isn't solving the problem.

Tax Issues

Capital Gains

A lack of a capital gains tax was an attraction for emigrating to NZ from the USA. The experience of having lived and paid tax in the USA showed that a capital gains tax is very good business for accountants and lawyers who can help those who can afford them structure their affairs in ways that minimise the tax. Additionally, dislike for paying tax causes distortions and decisions are made based on tax rather than other economic considerations.

NZ does have a usable capital gains tax policy that has good logic to it, if you are a trader then those capital gains should be treated as income, so greater efforts could be made in appropriate collection from some who may be avoiding the tax.

I would not support expanding the capital gains tax.

Land Tax

A land tax while possibly administratively simply is fraught with inequities as the value of land has little connection with ability to pay. In fact for some environmental outcomes it could drive quite perverse incentives, where open space is desired, if it is taxed there will be incentives to intensify and develop.

I would not support a land tax.

Progressive Company Tax

This would seem to just be a complication in the tax system as the majority of NZ companies are small. It could well be a perverse incentive to grow a company.

I would not support a progressive company tax.

Environmental Tax

Tax is a very blunt tool and environmental issues are not simple. Regulatory rules can be more finely tuned and would seem a more appropriate way to address the issues.

I would not support an environmental tax unless it could be very finely tuned.

GST on Everything

The NZ GST system is straightforward due to its relatively few exemptions. If we started to load it up with exemptions with the aim of changing behavior it would add costs and likely have little effect on behavior. Very high excise taxes have not stopped drinking and smoking.

I support continuing the existing broad GST that currently exists.

I also wish to express my support for the submission put in by Federated Farmers of NZ.

I would be happy to be contacted by the Tax Working Group and the Secretariat.