

Tax Working Group Public Submissions Information Release

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A Plea for the “Little” People

A Submission to the Tax Working Group

April 2018

By

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Introduction

Taxation has an impact on all of us but some of us bear the burden while others who can employ smart lawyers seem to skip meeting their responsibilities.

This is a submission for the “little” people, the people who have tax taken from their incomes at source and cannot claim for expenses as business owners can.

This is a submission for people who work two or even three jobs to provide for their families and then find themselves smashed with secondary tax.

This is a submission for people who try to save for their retirement but find that any income earned in their superannuation schemes is taxed.

The \$48,000 threshold is Rubbish

When I became eligible for Superannuation five years ago, I elected to keep working but reduced my hours to 30 per week. On advice from WINZ my tax code was S. The code for tax on my employment remained as M. Based on this, my nett per week was around \$600, considerably below the average. Towards the end of the financial year I was getting text messages from IRD telling me I owed tax. I wondered how this could be since all my income is taxed at source. When I went to the IRD site I found I owed nearly \$4,000. When I sought advice I found that my Super was in the wrong tax code because I had grossed over \$48,000 per year. No one told me about this during the course of the tax year, so I found myself in the unenviable position of having to find \$4,000. Then when I changed my code to SH I found I was paying nearly \$150.00 tax per fortnight just on my Super plus the tax I was paying on my employment. All this tax on a very moderate income is gouging. The \$48,000 threshold needs to go.

Abolish Secondary Tax

Throughout this country there are thousands of people doing their very best to provide for their families by working two or even three jobs. Our tax system rewards their efforts by slamming them with secondary tax. This too is gouging. We should be rewarding effort not penalising it. Secondary tax must be abolished.

Give Kiwi Savers a Chance.

New Zealanders are often told by politicians and officials that they must do more to save for their retirement, but find that any earnings from their Superannuation schemes are subject to tax because of the principle that all income must be taxed. This is a bitter pill to swallow for salary and wage earners. The money they are putting into their schemes is from income that has already been taxed at source, so now they are paying a double tax. Lifting our rate

of saving is ultimately good for the economy and will relieve a burden on the state. But if we are really serious about people saving we must give them an incentive. Earnings in approved Superannuation schemes should not be taxed.

Goods and Services Tax

GST has a serious impact on low income earners, especially since it appears to be beyond us to exempt essential food items. It is important that there is no increase of the current rate of 15%.

Foreign Companies

It is time that foreign companies front up and pay their share of tax. I am thinking particularly of Amazon, Microsoft and Face Book. Does Face Book pay tax on all the advertising it sells to New Zealand Companies? While I accept that this is a complex area I urge the Working Group to find a way to tax these companies on income earned within New Zealand.

Tax Incentives for Exporters

As a small country with a small domestic market, we must earn our money from exporting. I would like exporters to get tax incentives to help them maximise their reach and sales into foreign markets.

Conclusion

Our current tax system is loaded against salary and wage earners and favours those who can claim exemptions. Lower income earners are paying more than their fair share. People earning more than \$150,000 should be paying more. The tax cut of 2010, which they didn't need, cost us in social services. That cost has now become apparent.

If we wish to remain a first world country, with modern infrastructure and adequate social services, those who can afford to will need to pay more, rather than those who cannot avoid it. Moderate income earners have been plundered enough. It is time for some equity in our tax system.

Wayne Hawkins

30 April 2018.