

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

### **Release Document**

**September 2018**

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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.

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**From:** Amar Jakhu [1]  
**Sent:** Monday, 30 April 2018 10:26 PM  
**To:** TWG Submissions  
**Subject:** Tax submission  
**Attachments:** S80414-185427.jpg

To the Tax working group,

Hi, my name is Amar Jakhu and I applaud the government for taking the steps to reform the tax system.

I don't wish to disclose my profession, but it involves advising on tax matters, and I have studied tax policies in other countries when I was at university.

I believe that tax is a necessary instrument for any state to have. A good tax system is one of the key features of dynamic and prosperous economies.

My submission will be divided into a specifics section and a general section. By specific I mean certain policies and legislation that need to be addressed. And by general, I refer to broader policy ideas and principles that the group can incorporate into the the tax system. I will begin with a the specifics.

My job involves helping and advising people on their working for families tax credits. It hurts me whenever I encounter a situation where a struggling parent has had to adjust their income estimate several times in a financial year with different jobs and we have to tell them that they have been paid all that they are entitled to once their income estimate goes a bit higher.

I was shocked to learn that people who receive sizeable payouts from inheritance distributions and divorce settlements do not have to have such payouts taken into consideration for their working for families. Our current legislation allows a family that get a \$100k inheritance distribution to continue receiving working for families, even though that inheritance money will also be spent on the children of the family. In my opinion this is absurd and unjust, as we penalise people for getting a few thousand dollars and stop their payments and yet people who get a substantial increase in their financial position can continue like nothing has happened. I'm not saying that such distributions and payouts should be taxed, but, they should certainly be considered in calculating how much working for families tax credits the family gets.

Another specific that concerns me involves the tax agents who boldly advertise refunds and take large cuts off of people's refunds. I don't mean to degrade tax agents - they are useful for people that have complicated tax situations (eg with trusts, businesses, and investments etc). But, the large swathes of the public that only have their salary and wages for income need to be informed about how easy it is to do their own tax returns and get all of their refunds. Their tax refunds are their own hard earned money and they deserve to keep all of it - especially if it involves working for families lump sum payments. I was appalled to learn that some tax agents discourage people from doing their own tax returns. I have proof of this in the screenshot attached to this email. The IRD and Commerce Commission need to do something to ensure that hard working New Zealanders aren't getting swindled out of their hard earned money by tax agents that exaggerate how how hard it is to do tax refunds.

Now for some general points.

I would argue that tax can and should be used to encourage some behaviours and discourage others. If we broaden the application of this principle, we would tax different industries at different rates. For instance, a strip club and a dairy farm should not be paying the same amount of tax. The dairy farm supports more spill over jobs and industries in contrast to the strip club. The dairy farm is more strategic within the broader

economy and should be subject to fewer taxes as it is more productive at creating wealth. I'm not arguing for economic nationalism here - it would be good if we ensure that foreign companies enjoy lower taxes if they are in strategic industries like dairy too. NZ should always ensure that it is meeting its obligations in the World Trade Organisation.

An example of the above can be seen with postwar Japan. One of the ways that they were able to build world class industries in consumer electronics and vehicles, was through selective tax rates for different industries. Strategic sectors like semiconductors and engine manufacturing were taxed at much lower rates to encourage growth and investment in these areas.

Another area that the group should look into is removing GST from fruit and vegetables. Also increasing the In Work Tax Credit should be another thing to look at as it rewards hard working individuals and families and can fill in the gaps that employers aren't able to.

Thank you for reading this. Feel free to contact me or ask questions.

Kind regards,  
Amar Jakhu