

Tax Working Group Public Submissions Information Release

Release Document

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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.

Environmental and Human Health Aotearoa wishes to submit the following comments to the 2018 New Zealand Tax working group for consideration:

“Contrary to the opinion of the New Right, the payment of tax is a measure of citizenship, of being a member of society. Taxation is not theft of one’s market income, but is the method of payment for the services that government provides.”

What is the purpose of taxation

New Zealand has adopted a ‘broad-base, low-rate’ philosophy to tax policy. The concept of this approach is that taxing across a broader base provides for overall lower tax rates. While some tax policy adheres to this approach, there are some significant gaps that challenge the coherence of the approach. The most obvious gap is the almost complete absence of taxes on capital in New Zealand.

It is notable that the primary group benefitting from this absence of taxes on capital is the wealthy who own capital assets. The groups most disadvantaged from increases in rates of GST and GST in general are those who have the lowest incomes. It must be acknowledged that a broad-base, low-rate tax regime cannot be achieved when a key component of the tax base i.e capital gains is excluded.

A tax system that did more to address this unfairness and unjustified inequality would have several elements. The first is a higher top rate for income tax. New Zealand’s 33% top rate is extremely low internationally (the UK and Australia, for instance, both have a 45% top rate).

Other options are to implement the polluters pay principle, but make sure the cost is not passed on to customers. Make sure that harmful practices like smoking, sugary foods, chemical pollution are severely discouraged by taxing the producers. Just because something may not be easy, is no excuse to not do it. We need action and strict regulation. Why wait?

EHHA supports a progressive taxation system where people on high incomes and businesses with large profits pay more, while those on low incomes pay less.

Flat taxes such as GST hit those on low or fixed incomes the hardest. A fairer system would also include tax on financial transactions. This would also dampen speculation on the financial markets.

A fair tax system based on the ability to pay will then provide sufficient revenue to fully fund public services. All New Zealanders would benefit from free education, free health care, and a more stable, secure society.

Do we tax the right things?

No we don’t! Yes, to a proper capital gains tax on everything except the family home. Also tax companies properly (see above).

We need a GST reform urgently. It is highly unfair and regressive. In New Zealand we pay GST on ridiculous things, for instance university fees, food, etc. It’s time to reform GST and make it less regressive and more progressive i.e. tax more GST the higher value a good is e.g. expensive cars. We should also remove GST on building material to encourage building and renovating houses.

Changing demographics?

Changing demographics are irrelevant, if we change to a progressive tax system. We suggest that it is time to return overall to a proper progressive tax system. It is time high income earners paid their fair share. Restore progressivity to the personal income tax system, in particular for anyone earning over, say \$5million in a year, a rate of 90%; above \$1 million 80%, above \$500000 70%, under \$20000 no tax.

Eliminate all tax loopholes and eliminate tax haven loopholes, both through international bodies such as the OECD, and through putting taxation on a place-of-sale rather than a headquarters basis.

Ensure progressivity in corporate taxation so that those corporates earning more than \$1 billion pay at least 90% on earnings above that level (similar to proposed personal income tax rates above). Again, measures need to be taken to prevent companies avoiding such taxes by heading offshore: sourcing tax by sales, and careful watching of transfer pricing and of pricing of centrally-charged services, would be necessary accompaniments.

We support the following policies:

- Introduction of a more progressive income tax regime with tax cuts for the majority of New Zealanders and increased taxes for those on higher incomes.
 - Restore progressivity to the personal income tax system, in particular for anyone earning over, say \$5million in a year at a rate of 90%; above \$1 million 80%, above \$500000 70% etc. First \$20 000 tax free.
 - Introduce a progressive and selective GST. Immediate elimination of GST on food and education.
 - “KiwiCare” health tax, whereby 1.3% of total taxable income be treated as dedicated to health.
 - Introduction of financial transactions tax (FTT) at the low rate of 2 cents per \$100, to be charged on withdrawals only, not deposits.
 - Introduction of capital gains tax. Inheritance tax on amounts over \$100 0000, at 20 cents in the dollar.
 - Increasing taxes on casinos and all other forms of gambling to Australian levels or above.
 - Introduce taxes on sugar, chemical and other pollution.

Some information of EHHA

Environmental & Human Health Aotearoa (EHHA) is concerned with the impact of pollution on both ecosystem and human health locally, regionally and globally.

Our current focus is on:

- chemical, pharmaceutical and biological pollution and waste disposal
- water pollution, water rights and water use

Please visit our website at www.ehh-aotearoa.org