

## **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.

**Hui Notes**  
**Tax Working Group consultation hui**  
**Tax workshop organised by Te Au Rangahau and Te Au Pakihi on 12 April 2018**  
**Wharerata, Massey University, Palmerston North**

Contact: Dr Jason Paul Mika  
Co-director Te Au Rangahau Massey Business School  
[1]

**Attendees**

Amos Ponga, Aroha Paranihi, Charles Ngaki, Charmaine Ratima, Daphne Luke, Farah Palmer, Hinerangi Raumati-Tu'ua, Jack Morris, Jason Kim, Jason Mika, Lisa Warbrick, and Turoa Karatea

**Presentation**

Hinerangi Raumati-Tu'ua, a member of the Tax Working Group (TWG), gave a presentation providing context around the issues that the TWG is considering. The Māori economy is a growing force worth over \$50 billion in commercial assets.<sup>1</sup> However, there are still many disparities that persist. New Zealand's demographics are changing – the Pākehā population is aging, and as they retire will be increasingly supported by the Māori, Pasifika, and Asian population. These and other challenges (globalisation, the changing nature of work, technology changes, and environmental challenges) are being considered by the TWG's review. The TWG is interested to hear Māori perspectives on how best to address these challenges.

The presentation concluded with several questions to consider:

- Are there parts of the current tax system that warrant review from the point of view of te ao Māori?
- What are the biggest challenges you're facing when you think about tax right now? What changes are needed to make the system fairer and more balanced for our mokopuna?
- How could tikanga Māori (in particular manaakitanga, whanaungatanga, and kaitiakitanga) help create a more future-focused tax system? What does the group need to keep in mind when exploring the impacts of new taxes on Māori, Māori land (e.g., capital gains tax, wealth tax, land tax)? How should we deal with taonga assets (e.g., heritage assets and settlement redress) under these sorts of taxes?
- Does the Māori authority tax regime support or hinder Māori economic and social development? If it hinders it, why and what would make it better? Are there changes to the Māori authority tax rules that you would like the TWG to consider further?
- What should the TWG keep in mind from a Māori perspective as it explores environmental taxes?

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<sup>1</sup> See Chapman Tripp. (2018). *Te ao Māori: Trends and insights March 2018*. Retrieved from <https://www.chapmantripp.com/Publication%20PDFs/2018%20CT%20Te%20Ao%20Maori%20-%20English.pdf>

## Discussion

The attendees considered that the TWG should consider the following matters:

- New taxes, such as a capital gains tax or a land tax, will impact on Māori and it is important to ensure that these impacts are assessed appropriately.
- There was some support for a capital gains tax, as long as it was at a relatively low rate and there were appropriate exclusions– for example exempting the whānau home.
- “Anything that happens on our land is cultural”. The group considered that tax revenue generated from any land tax associated with a particular region should go back to that region by way of the marae or the Māori councils under the Māori Community Development Act 1962.
- Revenue generated from any environmental tax should be redistributed to/by Māori for Māori.
- There was support in principle for taxes on the commercial use of water. Any water tax should also only be imposed on the biggest water users, by having a tax-free threshold of water use below which no tax would be imposed.
- Resource consents for the commercial use of water (for example, irrigation) can be worth a lot of money, so there is a need to consider the tax treatment of those consents.
- GST should be removed from bottled water so that it is a more attractive option for consumers in relation to unhealthy drinks.
- A sugar tax was not supported. Other (i.e., non-tax) regulation would be more effective as sugar could simply be replaced with other harmful ingredients.
- The cost of fruit and vegetables was raised as an issue, and there was support for removing GST from fruit and vegetables to make them comparatively cheaper.
- An outright ban on plastic bags may be a more effective option than taxing them. In terms of the use of plastic packaging more widely (e.g., plastic bottles and containers), a tax could encourage producers to use alternative (less environmentally harmful) materials as packaging.
- Tikanga Māori has a place in designing tax policy and administrative solutions fit for Māori, and potentially other taxpayer groups. The group suggested that Māori frameworks such as the *Te Whare Tapa Whā* could be considered in assessing the merits of policy proposals that impact Māori. How does this model relate to the Living Standards Framework?

- There are difficulties for Māori in valuing taonga assets such as land. Strong objection to any tax on settlement redress was expressed.
- The definition of “koha” should be determined by tikanga Māori, rather than loose, equivalent Western concepts. In some circumstances, koha is subject to tax but these circumstances are not widely understood or known.
- Māori voluntary contribution or volunteerism should be encouraged, and tax barriers should be minimised. For example, how should we treat koha (money or in-kind gifts) that are provided to kaumatua who help groups to understand or carry out Māori customary practices such as pohiri? The group suggested a form of “charitable status” or “exemption” attached to those who undertake voluntary work of this nature.
- The casualisation of the labour market is a particularly vexing issue for Māori, as it can create instances of over-taxation at source especially if a person has a number of part-time jobs – these problems relate to secondary tax such as caregivers.
- Tax is complex for startup firms and education and mentoring should be offered to these groups so that they get it right from the start. In addition, it is not just about tax, financial literacy is an important issue for Māori startup firms.
- A small and medium enterprise (SME) tax regime with a lower tax rate was supported. It was also pointed out, however, that greater awareness of the existing range of business structures would help SMEs and startup companies – for example look-through companies.
- Charitable status of marae is an important issue for Māori in the regions. There are barriers for marae to deregister from the Charities Register because of tax rules that require their physical assets to be valued when they deregister. More clarity is required for marae in this area.
- Charities law is too restrictive in terms of the kinds of activities a charity can carry out. For example, rules prohibiting making grants to whanau businesses, which have a focus on improving whānau wellbeing, is an issue. Some transfers of this kind should be allowed without affecting the entity’s charitable status. Alternatively, iwi and hapū could be considered to be within one circle of membership.
- The requirement to file tax returns even if you only receive a small Māori authority distribution was raised as an issue. An exemption from filing a return was proposed if the total amount of Māori authority distributions received in a year falls below a certain threshold.
- Intangible cultural assets (for example, haka and compositions) should be protected. The use of intangible cultural assets by non-Māori should be taxed on the value created for the business and/or their brand as a result of the use of such assets. Currently cultural assets are used to derive profits, and no value is returned to the owner(s) of those cultural assets.

- Tax concessions should be offered to social enterprises to reflect the social good they provide.

### **Summary of main themes**

- Revenue generated from any environmental tax should be redistributed to/by Māori for Māori.
- There was some support for a capital gains tax (provided that appropriate exclusions were in place – for example exempting the whanau home); and taxes on the commercial use of water for large users of water.
- There was no support for a tax on plastic bags.
- Settlement redress should not be caught by any changes to income tax or by the introduction of a capital gains tax, wealth tax, land tax, or any other tax.
- Support for removing GST from certain items such as bottled water, fruit, and vegetables, in order to promote positive health outcomes.
- In general, there was support for using the tax system to encourage certain behaviours or outcomes (for example providing tax concessions to social enterprises; and making water, fruit and vegetables comparatively cheaper by removing GST).
- Tax laws should recognise different cultural concepts such as the difference between koha and equivalent Western concepts; valuation of taonga assets; recognising the value created by intangible cultural assets; and recognising the contribution made by volunteers promoting Māori cultural practices.