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.

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[1]

I am happy for the Tax Working Group and the Secretariat to contact me to discuss the points raised, if required.

My view of government is that it has largely come about from communities within countries pooling their resources, knowledge, and skills to best benefit everyone in the community. This includes taxes which should be as simple and fair as possible and be to pay for things the community needs. Legislation should be more of a "don't do X" rather than "you are allowed to do A, B, and C" if at all possible, legislating around situations as required rather than trying to anticipate them.

We have had opportunity to observe what other countries have done and adapt it which not only saves time and resources but means that policy can remain as untangled as possible, making it easier for everyone to understand and to make changes to as necessary.

Some complexity however may be required to ensure fairness and provide other benefits to society.

GST

- Removing GST from fruits and vegetables for instance, while increasing complexity of GST requirements and reducing the tax take somewhat, should mean that people are better able to make healthy food choices (those on lower incomes being more affected due to having a greater proportion of their incomes are spent on food). This in turn will affect their health with flow-on effects in terms of productivity, the health budget, and the like (education levels? crime?). This across-the-board change also reduces public perception that any group is being given a handout over other members of society. Further potential effects of an increase in demand for fruits and vegetables therefore positively impacting on the producers of such goods and the surrounding economy.
- Needs to be specified. Probably 'raw' state (as if just picked, other than cleaning and transporting). Potential case for chopped up and frozen (due to nutritional/storage) although this is basically an added service (i.e. what GST covers).

CGT:

- CGT on non-family home property potentially sees investors leave property market due to reduced anticipated gains, freeing up homes for homeowners. May affect rental accommodation impacting students, those in a rental situation 'temporarily' (e.g. secondment for work) or those never likely to buy their own home due to reduced rental stock and may cause higher rents by remaining investors anticipating lower sale gains and upping rental prices. ('Ring-fencing'/tax offset changes may also affect this.) Unlikely to greatly affect affordability of buying a house as investor sales unlikely to 'glut the market'.
- CGT on other assets at point of realisation rather than during the course of ownership. Ignores worth fluctuation during the ownership period and no tax payments/loss refunds required. Income tax, RWT, GST, et cetera all at the point in time that the income/sale is realised so it makes sense to treat CGT the same way.

An additional tax rather than income tax so nothing is 'lost' by not including it in income calculations. Taxing as a one-off event (you can only sell it once) as opposed to incorporating it into your income for the year also makes for greater ease when planning a sale/paying tax as it will be a constant X% (for that asset type) rather than depending on income and sale price. This also simplifies matters regarding multiple owners of the asset – simply pay the CGT of X% then distribute the remaining proceeds (e.g. trusts, Maori land). Additionally the received gain will later be subject to further tax when spent, saved, or further invested.

- Other CGT applicable assets such as collectibles, other property, investments (other than Kiwisaver and authorised retirement saving schemes) need defining – e.g. collectible cars vs. family car (definitions informed by other processes that means test such as bankruptcy or partners 'piggy-backing' on pension)
- Assets obtained as gifts/inheritance shouldn't pay a CGT until sold. Asset needs to be valued at time of transfer and gains from there on subject to CGT upon sale. Need provision for selling an inherited 'family home' e.g. you own a home and inherit parent's family home, then if sold in X period of time no CGT required (where X is defined but taking into account time for probate [with a 'stop-clock' provision imposable by the Courts if the will is contested, et cetera] and a period to prepare property for sale). This is a 'fairness' issue so those who don't already own get more benefit from their inheritance and where multiple inheritors receive a share and with some owning already and others not.
- Further thinking also required around property CGT with regard to situations like relationship dissolution where one partner remains in the 'family home' and the other moves into a jointly owned rental property (thereby making it their 'family home') but the decision made to sell one/both/buy-out other owner
- No retrospective application – CGT based on valuation of the asset at time of legislation
- CGT on gains realised less inflation during the period of ownership
- 'Fair market rate' requirements avoid CGT evasion
- I am open to the concept of 'roll-over relief' although needs to be specified circumstances and time periods (with 'stop-clock' provisions)

OTHER:

- Non-residents should be subject to tax on income/profit realised in NZ (subject to any government tax arrangements with the country of residence)

- Land taxes seem generally problematic in terms of fairness and implementation. Most if not all properties already subject to rates. Multiple ownership cases will cause issues, and merely owning land doesn't mean you have income to pay further taxes. Not all land is equally usable. Potential to incentivise housing development by charging a land tax on properties zoned residential that are not being used (i.e. a 'fallow' tax on 'land bankers'), unless they can prove planning, legal challenges, or similar are underway. Most likely administered by Councils.

- Income tax: New 0% tax bracket for the first $X earned annually (e.g. $5,000). This more proportionately benefits lower income earners and may encourage some people into the workforce - they could add 4 hours of employment (a half day) at the living wage to their week without penalty. Care needed so benefits that decrease upon increased income do not unduly impact this change. Ideally a higher top rate would be added to balance the tax take (e.g. 35% at $150,000 – this extra 2% would not 'cover' the earner's own 0% portion until earning over $175,000 so those just over the bracket are not unduly affected) but I am aware it is outside the scope of this Group to increase any income tax rates.

Nothing is mentioned about removing or raising the cap on the ACC levy (unless considered part of income tax?). I am unsure why it is set where it is, but it would seem that an increase in the ACC tax could fund more surgeries and/or rehabilitation and get injured workers back into the workforce sooner and decrease healthcare costs to the country.

- Progressive corporate rate of tax seems relatively doable as will be similar to personal income tax and minimal administration changes. Thresholds perhaps based on turnover and may be new businesses also in lower tax bracket automatically rather than/as well as the deferred payment currently existing. The upper rate could be tweaked to achieve a neutral overall tax change for at least those in the upper bracket. In theory lower costs early on will reduce barriers to starting and/or growing a business early on and help NZ's high proportion of small businesses.

- Changing demographics are going to have an impact. I would personally expect an eventual rise in the pension eligibility age (with the ability to receive it early but at a reduced rate as some demographics disadvantaged otherwise) and would hope to see a limited means-test applied (e.g. annual income over $200,000) so any continuing in high paying jobs or receiving levels of interest/dividends/et cetera are not eligible. I feel that Kiwisaver contributions by the Government should be able to continue past the eligible age of pension if the person is still working and not receiving the pension. Anyone receiving the pension should be ineligible for contributions (those receiving an early pension and potentially some spouses 'piggy-backing' if they continue to make contributions).

- Crackdown on charities – eligibility (within reason) and with regard to businesses making a profit for the charity. Organisations that are registered as charities who then claim the profits from their businesses should be proving that they are doing charitable works for their community/the country. Simply being a church for example shouldn't count as 'being charitable' without showing how they do that specifically.

- 'Tourism tax' gets argued about, but our infrastructure simply is not up to the needs of our tourism industry and environment. As incoming visitors to the country already pay tax to Customs for entering the border (mostly collected during air/cruise ticket purchase) then it should be fairly simple to increase this charge (say $10-20) and the increased portion earmarked for infrastructure. Councils, DoC, and other relevant agencies or groups should be able to apply for funds for projects with self-funding/maintaining projects having priority e.g. building payment-operated toilets. Many countries have additional charges for tourists (bed taxes) or user-pays amenities so tourists are unlikely to notice a small increase in costs.

Thank you for your time.