

Tax Working Group Public Submissions Information Release

Release Document

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REPRESENTATION TO THE TAX WORKING GROUP 2018

General comments

I endorse this attempt to have a full public discussion around broad questions impacting taxation into the future and welcome the background paper provided by this working group. It raises some important questions.

In my view two of the biggest issues facing our tax system, as highlighted in the background paper, are demographic changes and concentration of wealth. The two partly go hand in hand.

The social tensions that may arise from an ageing, predominantly Pākeha population bubble being supported by a declining young and much browner population should not be underestimated. The neo-liberal reforms of the 1980's, and the increasing levels of inequality that came with them, along with the housing bubble of the past couple of decades has meant that young people have largely been denied the benefits that the baby boomer generation enjoyed. Student debt, unaffordable housing and increasingly casualised labour is the reality for many young people, while those who got their start with free education, affordable home ownership and relatively secure employment conditions have pulled the ladder out behind them. The willingness of young people to pay for the care of their asset rich elders may be tested.

Coupled with this is the changing nature of work, which we have barely begun to grapple with. Again this goes hand in hand with wealth inequality, which seems to be exacerbated by the digital economy despite its promise of a more democratic future. Instead it has increased the divide between the mega wealthy (those who own the platform) and casualised labour (those who have to scratch around to make a living from it). If more and more work can be done by robotics and AI, that casualised work becomes even more tenuous.

All of this suggests that a fundamental rethink is needed to shift taxation off income and on to assets. This is both to secure a reliable taxation source and to begin to reduce inequality. Having said that I also support the introduction of a new tax bracket for those earning over, say, \$150,000.00 with a tax rate of 38%.

In light of the ecological crisis we face in the 21st century, it also makes sense to introduce some form of Pigouvian tax in the form of a resource rental on the commercial use of the common wealth. By this I mean non-renewables, and renewable resources that are provided by nature as a whole rather than through human activity – eg water as opposed to plantation timber.

In addition, the hyper-globalised nature of capital now means that trying to achieve some kind of

international cooperation around taxation has become critical. The background paper references the idea of a transaction tax, which I support, but it should be a priority to work at an international level to seek an international agreement around a Tobin tax.

Finally, I support in principle the work done by Keith Rankin around the concept of Public Equity and a Public Equity Dividend as a way of addressing public revenue.

(https://thepolicyobservatory.aut.ac.nz/_data/assets/pdf_file/0018/127710/Keith-Rankin-Report-Dec-2017-FINAL.pdf)

Specific Comments to Questions

Capital Gains Tax / Housing / Land sales

I support the current Government proposal for loss ring-fencing on rental properties but it needs to be combined with a capital gains tax that covers all capital gains (excluding the family home) in a consistent way. This should also be applied to land sales.

The gains should be taxed at sale. Any losses should only be off-set against future gains. Applying the tax at sale makes it affordable and recognises that some land (eg whenua Māori) is held in trust in perpetuity rather than sold for profit.

Environmental taxation

As stated above, I strongly support a resource rental on the commercial use of the common wealth – non-renewables and renewable resources that derive from nature rather than human activity

Progressive company tax

Even though IRD has introduced excellent on-line processes, tax liabilities are hard on small businesses, especially when they are starting out. I wonder whether the revenue from terminal tax, for example, is worth the impact on small business at a vulnerable time in their development.

I strongly support a progressive tax regime for small businesses.

GST exemptions for particular goods

I oppose any increased exemptions from GST. The only good thing about GST is that it is straightforward to comply. The regressive nature of GST is better addressed through other means in my opinion, such as raising incomes at the bottom end and in addressing the cost of housing.

Thank you for the opportunity to have a say. I look forward to reading your final report.