

Tax Working Group Public Submissions Information Release

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Response to Interim Report from the Tax Working Group

The Equality Network* welcomes the Tax Working Group's interim report.

Reducing income and wealth inequality in New Zealand is critical. The research is unequivocal - addressing inequality is fundamental to a healthy society. High inequality contributes to issues such as child poverty, reduces societal cohesiveness and harms the economy.

Tax plays a critical role in reducing inequality, and the Equality Network is pleased the report acknowledges this. However, while there are worthy measures in the report, more needs to be done to create a coherent system to reduce inequality.

"We would like to see the TWG set out more clearly how the changes proposed to the tax system will help reduce inequality. There is not enough in the draft report about this.

"A key part of reducing inequality is the adequate provision of Government services like health and education. So, a tax system must provide sufficient funds to properly fund Government services at a significantly higher level than the 30% of GDP that the TWG is working from.

"Tax tends to invite a lot of debate. But at the end of the day, it's about ensuring we have a fair system in which everyone benefits. The reality is this just isn't happening, wealth distribution in New Zealand is hugely distorted, with the system benefiting some over others. But it's not an intractable problem with no answer" says Peter Malcolm, spokesperson for the Equality Network.

The Equality Network is pleased that the TWG is considering reducing income tax rates for lower and middle income earners. This will help reduce income inequality. But further measures should include a steeper progressive tax scale, with much more tax on very high incomes.

The Inequality Network would also like to see all income, regardless of source, taxed. This would be the ultimate step in a truly fair tax system

"We're pleased the interim report is considering a more comprehensive tax on capital income. However, it's not clear if this includes all the largely untaxed capital gains that would continue to benefit a relatively small group of the wealthiest in our country" says Peter.

The Equality Network would like to see a deeper consideration of the links between the tax system and welfare, including secondary employment taxes and the abatement of benefits once a certain income level is reached.

"While there is a role for abatement and secondary employment taxes we need to make sure we have the levels right. The current system penalises those who are trying to earn extra income while also needing welfare support" says Peter.

*The Equality Network is a non-partisan network of some 40 organisations dedicated to reducing poverty and inequality, so as to improve the well-being of all New Zealanders.

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