

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.

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- [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.

From: Peter Davis [1]
Sent: Thursday, 25 October 2018 9:01 AM
To: TWG Submissions
Subject: Formula-based tax rates; fees for KiwiSaver; social security taxes

I did not see any mention in your report of a formula-based system of setting tax rates as outlined in the IPPR report below. This would smooth out marginal tax rates according to the precise income level of the tax payer. This would be particularly advantageous to people who are moving in and out of the benefit system with potentially very high rates of marginal taxation that can discourage entry to the workforce. Also, it overcomes the great steps in the current tax system. Finally, it would treat all income the same - that is, whether it is derived from labour or capital. This might take the edge off the debate about a capital gains tax since the formula would treat all income the same way, only taking into account the level not the composition of the income.

<https://www.ippr.org/research/publications/tapering-over-the-tax>

Secondly your discussion of KiwiSaver does not take into account the highly deleterious effect of high management fees on eventual returns. I take it that the sums cited in your tables are made before the deduction of fees? At the very least you should show what effect different rates of fees would have on the final sum a KiwiSaver might have by 65 and direct this to the government's attention. There can be differences of tens of thousands of dollars depending on fees charged. Yes, this is not a tax issue, but it does affect the calculations of what difference KiwiSaver can make.

Thirdly, despite noting that New Zealand is an outlier in its low use of social security taxes, you make no further mention of this despite the fact that we have such an incipient system in ACC. You also fail to note that ACC is an early example of internalising externalities to business cost structures. I only mention this because this is an early example of treatment of externalities.

Peter Davis
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