

Tax Working Group Public Submissions Information Release

Release Document

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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.

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Dear Tax Working Group Members

Tax Working Group – Future of Tax: Interim Report

Thank you for the opportunity to write in regarding the Interim Report released by the Tax Working Group (TWG) in September entitled “Future of Tax: Interim Report”.

Through our three membership brands, the Wellington Chamber of Commerce, Business Central and ExportNZ, our organisation represents around 3,000 businesses across the central and lower North Island. Our organisation is one of the four regional organisations that make up the Business New Zealand family and is also accredited through the New Zealand Chambers of Commerce network.

The Wellington Chamber of Commerce has been the voice of business in the Wellington region since 1856 and advocates policies that reflect the interest of Wellington’s business community, and the development of the Wellington economy as a whole.

Business Central represents employers and provides employment, health and safety, and human resources advice, and advocates policies that reflect the interest of the business community.

As a member of Business NZ, we support their work on the working group and the policy issues they have already highlighted in their letter. Below we have picked out some of the key aspects of Business NZ’s positions that are particularly important to our members.

Capital gains tax

The introduction of a capital gains tax as described in the report is not supported by the evidence provided and, like Business NZ, we do not support it. Particularly as the Tax Working Group states it will not move the dial significantly in the housing market – the very reason many proponents advance a CGT. We note no calculation of the net revenue to the

government has been made nor an assessment of alternative methods to provide better outcomes.

KiwiSaver

The policy proposals affecting KiwiSaver and retirement savings require greater consideration of the consequences. Any moves which increase the differential employees experience, and effectively increases their marginal tax rates, will lead people to make different choices. An overall strategic goal of the tax system should be to make clearer the link between effort and rewards; not introduce greater complexity which takes money away from people as they make marginal increases through pay rises or promotion. We agree with Business NZ's observation that Working for Families already has enough of these threshold triggers and the government should avoid introducing more.

International

OECD-led tax policy discussions to develop an international framework is the best way forward and we fully support New Zealand's involvement in this process. We support Business NZ's position that New Zealand should be consider an equalisation tax if a critical mass of other countries (including Australia) move in that direction. Double tax and free trade agreements should not restrict our tax policy options.

GST

We support all the policy recommendations regarding GST. Our simple, comprehensive system is the envy of the world and should not be lightly sacrificed to meet tangential policy goals that are best addressed directly through other policy areas. This position has been clearly and consistently held by the business community for many years. Furthermore, we consider financial transactions taxes to be poorly designed and distortionary; and urge the working group to definitely state this policy idea is not recommended at all.

Future of work

Support the recommendations in this section to improve technology uptake, reduce compliance costs, and increase integrity. We also support the comments of Business NZ regarding a reassessment of personal income tax rates and thresholds. Such an assessment taking into account inflation or bracket creep is important to maintain the support of the tax system and provide SMEs with effective relief.

Business tax

In addition to supporting tax relief for SMEs as stated above, we also support a reduction in the company tax rate. Continued inaction on the company rate means New Zealand is further falling behind other countries as they reduce their headline rate, particularly Australia.

Integrity

We support all the actions to improve the integrity of the tax system, while ensuring compliance costs – particularly for SMEs – does not increase. Business NZ specifically notes some actions are worthwhile pursuing as long as they do not result in burdensome processes which add costs to taxpayers or reduces the available pool of directors.

Administration

We support the recommendations aiming to improve administration of the tax system that also reduce compliance costs.

Yours sincerely,

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John Milford
Chief Executive
Wellington Chamber of Commerce, Business Central