Tax Working Group Public Submissions Information Release

Release Document

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[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

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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.

From: Roger Hawkins <action@campaignnow.co>
Sent: Wednesday, 31 October 2018 12:23 PM
To: TWG Submissions
Subject: Reply submission to Tax Working Group's interim report and proposals

Dear Sir Michael and members of the Tax Working Group,

This is a submission in reply to the proposals and questions set out in the Working Group’s Interim Report.

Indexing of Local Body rates.

A critical part of taxation is fairness.

I submit that by allowing local councils to increase their rates (an indirect tax, but still a tax!), every year by whatever level they can possibly squeeze, crush out of the ratepayer, central government is actively avoiding dealing with this critical tax related cost to householders and ratepayers.

This is undeniably unfair!

This is currently being done by quietly shifting central government burdens (housing, roading, transport, essential infrastructure etc) onto local bodies - and then allowing local bodies to charge what they can (Not what they NEED, but what they can), year after year after year. As I ma sure you are aware, rates increase over the CPI every single year - but pay rates do not! This needs to be addressed by central government NOW!

Central government should legistlate to ensure that local bodies can ONLY increase rates by the CPI / Rate of inflation as an essential business discipline.

To do otherwise, is to allow local bodies to continue to waste enormous sums of money, deliver ill defined and poorly planned services and products, increase their head counts without regard to costs, and as a result of poor business practices bleed their ratepayers dry at the same time.

NO real business would operate in this manner. Councils have a totally capative audience who cannot "move to another supllier) and this monopoly position is abused by EVERY Council.

Councils know that they can get away with charging whatever they want and NO ONE is empowered to stop them (And please dont argue that it is a democracy and we can vote them out - everyone KNOWS that the mandarins run the councils - NOT the councillors). As much as we want to "chuck the bums out", there is seemingly NO WAY to oust the council staff (from their excessively paid positions).

By allowing local bodies to continue to mindlessly grind on with annually increasing rates over the CPI, without delivering ANY effeciencies, or new benefits to the ratepayers - all the while increasing what is an "indirect tax" is simply wrong, wrong , worng!

Rates increases (again a "tax" on everybody) should be held to the rate of inflation and NO MORE!

Legistation that requires Local bodies to only increase rates by the CPI must be considered as part of your tax working group deliberations and recommendations.

Indexation of income tax brackets

Many government benefits and entitlements are indexed — income tax thresholds should be no different.

Inflation pushes taxpayers into higher tax brackets every year, meaning a higher tax burden despite not being financially better off. If the Government wants to increase taxes it should pass a law and consult with the public, not just watch as inflation punishes taxpayers years after year.

While the Working Group says that inflation is best handled by “periodic reviews of the thresholds” but New Zealanders haven’t had a tax cut since Budget 2010. In that time average income earners have been made worse off by $500 per year from failing to adjust tax thresholds.

I submit that the Working Group recommend legislating annual income tax threshold adjustments indexed to changes in average earnings, or, at minimum, inflation.

Capital taxation

New Zealand has one of the highest company tax rates in the OECD. The result is a low-investment, low-productivity economy. The Government must be committed to increasing New Zealand’s productivity and allowing for greater growth in incomes.

Instead, the Working Group has put forward two proposals for an even higher tax burden on capital and investment. New Zealand will never become prosperous if we use an opportunity to review our tax system to simply punish entrepreneurship and investment.

If the Working Group does choose to recommend a form a capital taxation, it should recommend that any additional revenue is used to fund tax cuts in other areas. Full capital expensing would be a good use of any revenue. This would encourage businesses to accelerate plans for investment and expansion – putting a rocket under economic growth.

I submit that the Working Group recommend against implementing new capital taxation, but if they do, that any revenue is used exclusively to cut taxes in other areas in order to ensure a growing economy and rising incomes.

Taxes on savings

With interest rates so low, inflation eats away at savings by making the tax rate on interest income artificially high. If the Working Group wants to encourage households to save more for their retirement they should exempt the inflation component of interest income from tax.

Savers were paying an effective tax-rate of 77.8% on income in a six-month term deposit in September this year, which is far too high to encourage anyone to save.

I submit that the Working Group recommend that the inflation component of interest income be exempted from income tax, in order to ensure savers pay their actual income tax, not a rate often more than twice what they should be paying.

Environmental taxes

There needs to be more evidence on the costs and benefits of increasing the waste disposal levy before the Working Group recommends an increase. The main report used by the Working Group to justify the tax fails to take into account the cost of an increase in the levy to households.

Any change in the emissions trading scheme needs to be tightly focussed on the costs to households – especially low income households who are estimated to be more than twice as affected as households with an average income. Until there is an objective framework developed to assess the trade-off between economic growth and any environmental benefits from strengthening the ETS, the Working Group should not recommend a change.

I submit that the Working Group should not recommend changes to the waste disposal levy or the emissions trading scheme until there is more concrete evidence on the economic costs from increasing these taxes and an objective framework developed that weighs up the economic costs against the environmental benefits.

Behavioural taxes

With alternative nicotine products becoming more available on the market, reduced-harm products will be an important part of reaching the Smokefree 2025 target. Instead of hiking tobacco excise even higher, the Working Group should recommend that the Government adjust excise on reduced harm products according to their risk.

Alcohol excise should be simplified, but the Working Group should not treat simplification as an opportunity to increase alcohol excise across the board. While the Working Group suggests excise is progressive, excise is actually higher as a proportion of low-price alcohol, making alcohol excise regressive.

Sugar taxes should be avoided. Taxes on sugar hurt low-income households the most and the evidence shows they are not effective in reducing consumption or combatting obesity.

I submit that the Working Group should not recommend increases in tobacco excise or alcohol excise and should recommend that the Government avoid implementing a sugar tax unless it can be objectively shown as being effective in combatting obesity.

Beyond the points made above, I endorse the broader submission made by the New Zealand Taxpayers' Union in reply to the Working Group's Interim Report.

Yours sincerely,