



**National Council of
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Submission to the Finance and Expenditure Select Committee on the Taxation (Annual Rates, Savings Investment, and Miscellaneous) Bill

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 38 nationally organised societies. It has 31 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's function is to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

This submission is based upon existing NCWNZ policy and research applied to earlier submissions.

Overview

As NCWNZ has stated in previous submissions, any move to simplify the taxation system is welcomed, provided that fairness is preserved and enhanced. Information received during our research revealed that some financial intermediaries intend making submissions to the Select Committee on the grounds that the proposed legislation is unfair. They claim that investors diversifying their portfolios into global shares will be penalised with reduced capital gains. NCWNZ believes this may have implications for both the Government Superannuation Fund and the New Zealand (Cullen) Superannuation Fund, with the Guardians of the latter saying however, that a larger portion is to be invested in New Zealand.

Because relatively few New Zealand women are in the position to afford substantial investments overseas, or even domestically, NCWNZ views any reward to domestic investment as healthy, especially if the eventual outcome could be lower rates and electricity costs through more local ownership of local infrastructures. Complaints that there could be too much local savings tied up in our assets conflicts with government claims that too few savings are preventing domestic investment in industry. There is tremendous potential for productive industry in New Zealand, particularly in the agricultural sector. If the proposed legislation results in offshore holdings returning home, dependence on overseas investments should be reduced with benefits to our balance of payments. However the concept of 'too many local eggs in too few local investment baskets' should a disaster occur, e.g. foot and mouth disease or a major earthquake, raises some concerns.

This Bill contains a large number of remedial amendments, made necessary by the realisation of unforeseen impacts of previous legislation. NCWNZ is very concerned about this situation, an apparent trend about which earlier comment has been made. Members ask again that the drafters of Bills take the time to do diverse scenarios of impact assessments so that such remediation becomes unnecessary. The promotion of the maxim 'do it once, do it right' seems a worthy attitude to encourage.





Specific Comments

As this is a large and complex Bill, comments will be limited to the following six issues.

Page 26 of the Explanatory Notes: Regulatory and compliance cost statements.

The objective of minimising costs associated with the functioning of the tax system is applauded, as is the intention 'to decrease compliance costs or keep them the same'.

There is concern however about the costs both of finance and time, of the IT adjustments that will be required to facilitate these imposed changes. It is believed that these seemingly unquantifiable costs will impact disproportionately on smaller businesses where women are more likely to be principal owner/operators.

The intention to put out a written explanation of the changes required, of course has merit, but NCWNZ suggests that seminars which will encourage question/answer opportunities would be an appropriate follow-up activity.

Part 2 Clause 10. Income for Military Service in Operational Area.

While this exemption may not apply to a significant proportion of the income of the men and women of the New Zealand Defence Force on designated operational duties, the intent is seen as worthy.

Part 2, Clause 48. Environmental Restoration.

Members support any legislation which aims to improve the environment. With its forward looking environment policies NCWNZ would like to see encouragement that enables individuals, firms and farms who practice sound ecological concepts to benefit from their own efforts. Clause 48 seems to propose steps in that direction.

Part 2 Clause 92 – 96. In-work Payments.

Adjustments made in this section are noted: the re-defined definitions are helpful. However NCWNZ takes this opportunity to remind Government of our policy of a Universal Child Benefit as a more appropriate instrument to assist all families; that targeted programmes inevitably create divisions with cracks through which some worthy families will fall.

Part 4 Clause 158. Expenditure to prevent or combat pollution of environment.

This clause allows for deduction for expenditure on environmental protection for other than farming or agricultural businesses. This appears to be an extension of clause 48 which NCWNZ hopes will be generous.

Part 4, Clause 164,165. Goods and Services Act 1985.

This amendment was noted with particular interest. The intention of zero-rating of certain financial services proves that the GST legislation is not set in stone. NCWNZ looks forward therefore to the re-introduction of the Gordon Copeland Bill of 2004 which sought to abolish GST on rates: this is also NCWNZ policy. Members would encourage extending such a Bill to include incentives for the resulting additions to disposable income to be invested wisely.

Closing Comments

In its submission on 16 February 2005 to the Taskforce on 'Regulation of Financial Intermediaries: measuring up financial advisors and marketers,' NCWNZ expressed concern on 'changes to legislation proposing to allow ... Crown bank accounts to be lodged in overseas banks.' NCWNZ is curious as to how the proposed legislation will affect any investments from those accounts.



NCWNZ acknowledges that the intent of the remediation clauses and amendments is to close unintended impacts of earlier legislation and reiterates that more intense modelling in the first instance should remove the necessity for such catch up activity; a more cost effective practice all round, it is strongly suggested.

NCWNZ appreciates the opportunity to examine and comment on this Bill.

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National President

Heather M Smith
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