



30 April 2018

S18.17

Submission to the Tax Working Group

0. Introduction

- 0.1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing 245 organisations affiliated at either national level or to one of our 19 branches. In addition, about 350 people are individual members. Collectively our reach is over 350,000 with many of our membership organisations representing all genders. NCWNZ's vision is a gender equal New Zealand and research shows we will be better off socially and economically if we are gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right. This submission has been prepared by the NCWNZ Consumer Affairs and Economics Standing Committee based on the terms of reference for the Tax Working Group. It builds on resolutions and comments from members recorded in previous submissions.
- 0.2. NCWNZ has previously made a number of submissions relating to taxation and passed a resolution in 1983 asking the government to ensure social policy and legislation does not disadvantage married couples in terms of housing and taxation¹.
- 0.3. NCWNZ is encouraged by the aims of improving the structure, fairness and balance of the tax system and is pleased to note the membership of the Working Group is to include individuals with expertise on Maori community and business environments. NCWNZ strongly urges the Working Group to reflect a gender balance, consult widely with a gender lens and perspective in mind, bearing in mind a future ageing population with increased percentages of women².

1. Working Group Objectives

- 1.1. NCWNZ wishes to make the following comments in regards to the objectives for the tax system.

¹ NCWNZ. 2012. 115 years of resolution. 1.10.4. <http://www.ncwnz.org.nz/wp-content/uploads/2013/06/115-years-Register-everything-2.pdf>

² Statistics NZ. 2013 Census Quick States about national highlights, pg 12. <http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-national-highlights/cultural-diversity.aspx>

A tax system that is efficient, fair, simple and collected.

- 1.2. Complexity of taxation, Inland Revenue and other documents has been noted as a concern from NCWNZ and the objective of ensuring simplicity is supported.
- 1.3. In previous submissions NCWNZ has stated that any move to simplify the taxation system is welcomed as long as fairness is preserved and enhanced³. NCWNZ has also called for clear guidelines that make it fairer and easier to use⁴.
- 1.4. A collected approach is encouraged by NCWNZ as was evidenced in submitting on the need for a clear and consistent threshold across policies for matters such as minimum balance confirmation where missed or overpayments occur⁵.

A system that promotes the long-term sustainability and productivity of the economy

- 1.5. NCWNZ has noted that domestic investment is healthy and continues to recommend that those investing domestically should be rewarded⁶.
- 1.6. Similarly investments and practices that follow sound ecological concepts should benefit over those that are likely to impact negatively on the environment⁷.
- 1.7. NCWNZ encourages thorough scenario-analysis be done on draft legislation to assess the long term environmental, social, and economic impacts⁸. In preparing budgets and taxation systems NZWNZ also urges Government to implement Gender Sensitive Budgeting (GSB) or Gender Responsive Budgeting (GRB).

A system that supports a sustainable revenue base to fund government operating expenditure around its historical level of 30 percent of GDP

- 1.8. Concerns on the over-reliance on volunteers and the community sector to carry out what ought to be government roles has been raised by NCWNZ previously⁹ hence it is now argued that a sustainable revenue base for government operating expenditure needs to account for the costs of such community work. Much charity work and many volunteer roles tend to be carried out by women, and NCWNZ members are particularly committed in these areas.

³ NCWNZ. 2006. Submission to the Finance and Expenditure Select Committee on the Taxation (Annual Rates, Savings Investment, and Miscellaneous) Bill. S06.26. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S06.26-Taxation-Annual-Rates-Savings-Investment-and-Miscellaneous-Bill.pdf>

⁴ NCWNZ. 2003. Child Support Issues paper. S03.12

⁵ NCWNZ. 2017. Submission to Inland Revenue on Making Tax Simpler: Better Administration of Social Policy. S17.13 <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S17.13-Making-Tax-Simpler.pdf>

⁶ NCWNZ. 2006. Submission to the Finance and Expenditure Select Committee on the Taxation (Annual Rates, Savings Investment, and Miscellaneous) Bill. S06.26. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S06.26-Taxation-Annual-Rates-Savings-Investment-and-Miscellaneous-Bill.pdf>

⁷ ibid

⁸ ibid

⁹ NCWNZ.2006. Submission to The Inland Revenue Department policy Advice Division on Tax Incentives for Giving to Charities and other Non-Profit Organisations. S06.53. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S06.53-Tax-Incentives-for-Giving-to-Charities-and-other-Non-profit-Organisations.pdf>

- 1.9. NCWNZ has noted the vulnerability of over-reliance on PAYE as a means to support government revenue as was evidenced during the 2008 Global Market Crash¹⁰. In addition with the changing nature of work, increased mechanisation and vulnerable employment circumstances of many women, this income stream is very likely to change significantly in the future.
- 1.10. NCWNZ believes the Government needs to balance the money spent on items of public good versus the 'nice to have because it will bring in revenue'. Where a particular sector of the economy is to be the biggest beneficiary, then that sector should be the prime sponsor of the event

A system that treats all income and assets in a fair, balanced and efficient manner, having special regard to housing affordability

- 1.11. NCWNZ has advocated that asset testing of in-kind distributions and gifts should be treated at market value at the date of the distribution as the timing of these is a matter of choice, whereas timing of transfer of assets to an executor on the death of a taxpayer is not under individual control¹¹. NCWNZ continues to support this fairness of treatment.
- 1.12. NCWNZ notes the importance of access to housing for families and has passed a relevant resolution that requests couples not be disadvantaged by any legislation or taxation when it comes to housing¹². As such NCWNZ has noted it does not support a capital gains tax on owner-occupied houses which could act as a deterrent to home ownership¹³.

A progressive tax and transfer system for individuals and families

- 1.13. NCWNZ has consistently advocated that all legislation support the best interests of children, and requests existing legislation be updated where necessary to ensure this occurs^{14 15}.
- 1.14. NCWNZ also supports a Universal Benefit for Children, to replace the Child Tax Credit scheme^{16 17}.
- 1.15. NCWNZ has sought clarity on tax treatment for dependent children who are in full-time employment¹⁸ as Inland Revenue guidelines are currently silent around this.

¹⁰ NCWNZ. 2010. Submission to IRD on "Making tax easier: a government discussion document". S10.21.

<https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.21-Submission-to-IRD-on-Making-tax-easier-a-government-discussion-document.pdf>

¹¹ NCWNZ. 2003. Submission to the Inland Revenue Department on Tax Implications of Certain Asset Transfers. S03.46.

<https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S03.46-Tax-Implications-of-Certain-Asset-Transfers.pdf>

¹² NCWNZ. 2012. 115 years of resolution. 1.10.4. <http://www.ncwnz.org.nz/wp-content/uploads/2013/06/115-years-Register-everything-2.pdf>

[Register-everything-2.pdf](http://www.ncwnz.org.nz/wp-content/uploads/2013/06/115-years-Register-everything-2.pdf)

¹³ NCWNZ. 2001. Submission to the Tax Review 2001 Committee on the Tax Review 2001 Issues Paper June 2001. S01.53.

<https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S01.53-Tax-Review-2001-Issues-Paper-June-2001.pdf>

¹⁴ NCWNZ. 2016. Submission to the Inland Revenue Department on Exposure draft PUB00225: Income tax, Working for Families tax credits – principal caregiver – dependent child – primary responsibility for day-to-day care – meaning of "temporary basis". S16.02. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S16.02-Working-for-Families-tax-credits-temporary-day-to-day-care.pdf>

[tax-credits-temporary-day-to-day-care.pdf](https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S16.02-Working-for-Families-tax-credits-temporary-day-to-day-care.pdf)

¹⁵ NCWNZ. 2003. Child Support Issues paper. S03.12.

¹⁶ *ibid*

¹⁷ NCWNZ. 2017. Appendix "D": Resolutions of National Meetings 2011-2017. 16.3.5.14. <https://www.ncwnz.org.nz/wp-content/uploads/2018/02/Appendix-D-Resolutions-2011-2017.pdf>

- 1.16. Whilst a system that allows for progressive tax and transfer provides for fairness and equity across families and individuals in differing circumstances, NCWNZ continues to advocate on the importance of certainty, timeliness and consistency of payments to enable appropriate budgeting¹⁹.
- 1.17. NCWNZ notes family arrangements and circumstances vary considerably and continues to advocate that unpaid child care should be rewarded through the taxation system. Much of this volunteer work is carried out by women and increasingly so by grandparents when parents cannot do so²⁰.
- 1.18. In a similar manner NCWNZ advocates for taxation and rebate systems to reward and incentivise volunteer work, which is often carried out by women²¹.
- 1.19. NCWNZ acknowledges the right for couples to register their partnership with Inland Revenue so that income earned by either partner may be declared as partnership income²².

An overall tax system that operates in a simple and coherent manner

- 1.20. In previous submissions regarding making tax easier NCWNZ has urged government to ensure greater simplicity and efficiency of the tax system²³.

2. Reporting to Government

- 2.1. NCWNZ wishes to make the following comments regards the Working Group's reporting to Government.

Whether the tax system operates fairly in relation to taxpayers, income, assets and wealth

- 2.2. Whilst fairness is to be upheld, NCWNZ notes there are always special circumstances for some individuals and as such treatment of their assets, wealth, income and tax should be able to be considered appropriately if serious hardship has been identified.
- 2.3. NCWNZ would support thresholds be established where individuals earning below a set level be exempt from taxation.

¹⁸ NCWNZ. 2016, Submission to the Inland Revenue Department on ED0183 Child Support and Domestic Maintenance – Amendments to Assessments. S16.07. <https://www.ncwnz.org.nz/wp-content/uploads/2015/08/S16.07-Child-Support-and-Domestic-Maintenance-Amendments-to-Assessments.pdf>

¹⁹ NCWNZ. 2017. Submission to Inland Revenue on Making Tax Simpler: Better Administration of Social Policy. S17.13 <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S17.13-Making-Tax-Simpler.pdf>

²⁰ NCWNZ. 2010. Submission to the Select Committee for Finance and Expenditure on the Taxation (Income-sharing Tax Credit) Bill (185-1). S10.32. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.32-Submission-to-the-Select-Committee-for-Finance-and-Expenditure-on-the-Taxation-Income-sharing-Tax-Credit-Bill-185-1.pdf>

²¹ NCWNZ. 2006. Submission to The Inland Revenue Department policy Advice Division on Tax Incentives for Giving to Charities and other Non-Profit Organisations. S06.53. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S06.53-Tax-Incentives-for-Giving-to-Charities-and-other-Non-profit-Organisations.pdf>

²² NCWNZ. 2010. Submission to the Select Committee for Finance and Expenditure on the Taxation (Income-sharing Tax Credit) Bill (185-1). S10.32. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.32-Submission-to-the-Select-Committee-for-Finance-and-Expenditure-on-the-Taxation-Income-sharing-Tax-Credit-Bill-185-1.pdf>

²³ NCWNZ. 2010. Submission to IRD on “Making tax easier: a government discussion document”. S10.21. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.21-Submission-to-IRD-on-Making-tax-easier-a-government-discussion-document.pdf>

Whether the tax system promotes the right balance between supporting the productive economy and the speculative economy

- 2.4. Specific incentives in productive economic sectors such as horticulture have been supported by NCWNZ²⁴ and these should be further considered to direct investments into sectors that benefit New Zealand longer term.
- 2.5. Concerns regarding returns to the wider community from taxation such as road and motor spirit tax revenues have been raised by NCWNZ, and it is recommended that a review of such systems be undertaken as a means to encourage consumers to consider alternative forms of transport²⁵.

Whether there are changes to the tax system which would support the integrity of the income tax system having regard to the interaction of the systems for taxing companies, trusts and individuals

- 2.6. As NCWNZ has previously advocated, the integrity of the tax system²⁶ must preserve individual privacy and assurance that correct information is being stored, and urges the Working Group to include this in their terms of reference
- 2.7. NCWNZ has noted increased reliance on businesses and companies to administer additional tax transfers such as PAYE, Child Support, Student Loan repayments etc. This outsourcing is of particular concern as many such businesses are small and struggle to meet these requirements²⁷.
- 2.8. To encourage integrity for wage earners when a business or company is sold, NCWNZ has supported changes allowing vendors to deduct wage-related provisions transferred to the purchase and continues to support this facility²⁸.
- 2.9. To increase transparency NCWNZ continues to advocate that banks be required to communicate Withholding Tax liability and information, regardless of the amounts involved²⁹.

²⁴ NCWNZ. 2004. Submission to the Finance and Expenditure Select Committee on the Taxation (Annual rates, Venture Capital and Miscellaneous Provisions) Bill. S04.23. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S04.23-Taxation-Annual-rates-Venture-Capital-and-Miscellaneous-Provisions-Bill.pdf>

²⁵ NCWNZ. 2004. Submission to the Finance and Expenditure Select Committee on the Customs & Excise (Motor Spirits) Amendment Bill. S04.55. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S04.55-Customs-Excise-Motor-Spirits-Amendment-Bill.pdf>

²⁶ NCWNZ. 2011. Submission to Finance and Expenditure Committee Taxation (Tax Administration and Remedial Matters) Bill (257-1). S11.04. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S11.04-Taxation-Tax-Administration-and-Remedial-Matters-Bill-Feb-4.pdf>

²⁷ NCWNZ. 2005. Submission to the Finance and Expenditure Select Committee on the Taxation (Depreciation, Payment Dates Alignment, FBT and Miscellaneous Provisions) Bill. S05.41. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S05.41-Taxation-Depreciation-Payment-Dates-Alignment-FBT-and-Miscellaneous-Provisions-Bill.pdf>

²⁸ NCWNZ. 2002. Submission to the Finance and Expenditure Committee on the Taxation (Relief, Refunds and Miscellaneous Provisions) Bill. S02.06. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S02.06-Taxation-Relief-Refunds-and-Miscellaneous-Provisions-Bill.pdf>

²⁹ *ibid*

- 2.10. The concept of a company or business taking into account the growing number of home-based and women-run businesses was highlighted by NCWNZ in 2003³⁰. Therefore appropriate and specified compliance considerations that allow for lower and less predictable revenue should be considered.
- 2.11. Lack of clarity and poor documentation concerns around Trusts have been raised by NCWNZ³¹. Greater guidance around Trusts, reasonable thresholds for auditing purposes and other matters should be considered to enable these entities to carry out their purposes effectively. One such suggestion NCWNZ has previously proposed³² relates to charitable trusts earning income from trading not to be disadvantaged by tax implications.

3. Working Group's Particular Considerations

- 3.1. NCWNZ wishes to comment on particular Working Group considerations as outlined below.

The economic environment that will apply over the next 5-10 years, taking into account demographic change, and the impact of changes in technology and employment practices, and how these changes are driving different business models

- 3.2. NCWNZ has noted that technology has brought changes in how tax can be administered and encourages government to consider longer usage time frames when investing in new developments to ensure they remain fit for purpose in the long term³³.
- 3.3. Furthermore NCWNZ reminds government to be mindful that not all consumers can access, use, or understand new IT systems.
- 3.4. As noted the nature of business entities (home-based, women-run, etc) and varying types of employment will increasingly need to be accounted for. As more people work part time, hold a number of roles, contract and engage in seasonal work, appropriate tax thresholds and administration needs to be established that enables flexible compliance arrangements and does not disadvantage those with more than one or changes of jobs and earnings.

³⁰ NCWNZ. 2003. Submission to the Finance and Expenditure Select Committee on the Taxation (Annual Rates, GST, Trans-Tasman Imputation and Miscellaneous Provisions) Bill. S03.67. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S03.67-Taxation-Annual-RatesGSTTrans-Tasman-Imputation-Miscellaneous-Provisions-Bill.pdf>

³¹ NCWNZ. 2011. Submission to Finance and Expenditure Committee Taxation (Tax Administration and Remedial Matters) Bill (257-1). S11.04. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S11.04-Taxation-Tax-Administration-and-Remedial-Matters-Bill-Feb-4.pdf>

³² NCWNZ. 2001. Submission to the Inland Revenue Department on the Government Discussion Document – Tax and Charities. S01.58. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S01.58-Tax-and-Charities-Government-Discussion-Document.pdf>

³³ NCWNZ. 2010. Submission to IRD on “Making tax easier: a government discussion document”. S10.21. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.21-Submission-to-IRD-on-Making-tax-easier-a-government-discussion-document.pdf>.

Whether a progressive company tax (with a lower rate for small companies) would improve the tax system and the business environment

- 3.5. NCWNZ has noted increasing complexity for businesses and employers regarding taxation administration such as Fringe Benefit Taxes (FBT). It has been noted that FBT should only apply where benefits are easily substituted for cash³⁴.

What role the taxation system can play in delivering positive environmental and ecological outcomes, especially over the longer term

- 3.6. As noted above NCWNZ supports a review of the FBT system and encourages consideration of vehicle, car park and other transport related FBT criteria to be implemented in ways that encourage consumers to consider transport forms that have less environmental harm³⁵.

4. Summary

- 4.1. NCWNZ is supportive of the establishment of the Tax Working Group and the proposed objectives as outlined in the Terms of Reference. NCWNZ looks forward to commenting on draft findings and recommendations which the Working Group will develop.
- 4.2. A number of recommendations and suggestions are outlined in this submission, particularly in regards to implementing Gender Sensitive Budgeting (GSB) or Gender Responsive Budgeting (GRP).
- 4.3. NCWNZ urges the Working Group to consult widely, especially with the community and women's groups to ensure a balanced, diverse and forward thinking tax system is established that will provide a sustainable revenue base for government, whilst enabling women, men, industry, and the community to participate in and benefit from their enterprises.



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³⁴ NCWNZ. 2004. Submission to the Inland Revenue Department on the Streamlining the Taxation of Fringe Benefits. S04.07. <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S04.07-Streamlining-the-Taxation-of-Fringe-Benefits.pdf>

³⁵ *ibid*