

Submission to the Tax Working Group

Jan Rivers, as a Trustee of the [Scoop Foundation](https://foundation.scoop.co.nz),¹ along with John Pennington and Simon Wright, as Partners of [PEP](https://pep.org.nz),² have prepared this submission, which is based on the findings of [Scoop's HiveMind public engagement process](http://www.scoop.co.nz/stories/HL1804/S00054/fair-enough-how-should-new-zealanders-be-taxed.htm?5)³ called *Fair Enough? How should New Zealanders be taxed?*⁴

We believe that an issue as important as the fairness of the tax regime should be open for discussion, debate and dialogue by all New Zealanders. Unfortunately, a written submission process doesn't encourage the kind of public exchange we think is necessary in a well-functioning democracy. We decided on Friday 13 April, to provide an alternative way for New Zealanders to engage with the tax review. The Tax HiveMind was launched on Monday 16 April, 2 weeks before the Tax Working Group's submission process was due to close. By providing a space for citizens to collectively explore and help shape public policy, the HiveMind was both a contribution towards strengthening our democracy and a pilot for a new model of interactive public-interest media based on 2-way communication.



Judging by the levels of participation, we believe there is a lot of interest in both the issue of tax and in being actively involved in the review process. Scoop and PEP have been developing the 'HiveMind' public engagement process since 2016 and it has been used to host discussions on policy issues such as sugar and public health, housing affordability, water quality, medical cannabis and whether there should be a universal basic income. In the 2 weeks that the Tax HiveMind was open, 335 people agreed, disagreed or passed on statements about tax, casting over 17,000 votes. In addition to this, 55 people added 107 statements for other participants to consider and vote on. These levels of participation top previous efforts and we have no doubt that many more people would have participated if the HiveMind had been open for longer and if we had had the resources to promote it more widely.

Structure of this submission

This submission is structured as follows:

- HiveMind findings that correspond to the TWG's questions
- The Tax HiveMind process
- Findings of Tax HiveMind
- Recommendations

¹ <https://foundation.scoop.co.nz>

² Public Engagement Projects, <https://pep.org.nz>

³ <http://info.scoop.co.nz/HiveMind>

⁴ <http://www.scoop.co.nz/stories/HL1804/S00054/fair-enough-how-should-new-zealanders-be-taxed.htm?5>

HiveMind findings that correspond to the TWG's questions

What does the future of tax look like to you?

Does a broad-based, low-rate system remain fit-for-purpose and is there a case for broadening the base further with new taxes such as a comprehensive capital gains tax (excluding the family home)?

The majority of people who took part in the Tax HiveMind believe that the current broad-based, low-rate system is exacerbating inequality, not meeting current demands for public services or that it will meet significant future challenges such as those posed by the introduction of new technologies, climate change and an aging population. 92% of respondents believe that tax isn't a weapon politicians use against the economy, it's what we use to pool our resources and secure the things we need: schools, hospitals, homes and more.

In order to meet these challenges, the majority of respondents agree that the total tax take needs to increase to adequately fund public services such as health and education. The failure to tax wealth is seen by many as the most glaring hole in NZ's tax system and some form of capital gains tax is supported by over 45% of participants. Participants believe that New Zealand's current tax settings have encouraged property speculation, which has contributed to making housing unaffordable for many New Zealanders. There was also significant support for some form of pollution or environmental taxation, including taxes on tourists and taxes which change detrimental behaviours such as traffic congestion and sugar consumption.

77% of respondents believe that business innovation and new technologies mean that workers will be out of work more often and will need to retrain. This will reduce revenue from income tax. New ways of supporting these workers will need to be found (e.g. a universal basic income) and paid for.

53% of respondents think that a Tobin tax on financial transactions should be introduced to discourage international speculation.

What is the purpose of tax?

Inequality

- 76% thought that the most glaring hole in New Zealand's tax system from a fairness point-of-view is the failure to tax wealth, except for the very minimal tax on houses sold within 2 years of purchase
- 72% thought that, apart from Working for Families, changes to the tax system have tended to unfairly favour wealthy people at the expense of low and middle-income earners
- 80% thought that New Zealand's current tax settings have contributed to growing income, wealth and social inequalities
- 83% of participants believe that our tax system should ensure wealth does not become concentrated and warp our society.

The tax system should do more to incentivise certain behaviours

- 68% agreed that taxes should be used to change behaviours
- 71% agreed that excise tax on cigarettes has helped reduce smoking. Similar taxes should be considered on other issues such as sugar consumption, pollution and traffic congestion
- 69% of people agreed that as tourism burdens NZ's environment and essential infrastructure (roads, sewerage, water, health etc.) an entry tax should be levied on non-New Zealand citizens
- 71% agreed that we need more eco taxes to encourage better ecologically beneficial behaviours
- 87% of participants believe that there should be a gradual pollution tax for business to provide funds for cleaning up and to discourage pollution.

Are we taxing the right things?

- 51% of participants thought that New Zealand should reintroduce wealth taxes (e.g. death and gift duties) to make the tax system fairer and more progressive
- 76% of participants thought that churches must pay tax so that companies such as Sanitarium cannot use church exemptions to undermine other businesses and create inequality.

Globalisation

- 95% of people believe that we should be following countries like Australia and the UK in ensuring multinationals pay their fair share of tax in New Zealand, where people are using their services.

Can tax make housing more affordable?

- 84% of respondents believe that New Zealand's current tax settings have encouraged property speculation which has contributed to housing unaffordability for many New Zealanders
- 44% thought that a capital gains tax, if implemented, should only be incurred at the point of sale of a property
- 46% thought that a capital gains tax should be treated differently for housing, investments and business assets.

What tax issues matter most to you?

Should GST be on everything?

- 60% of participants believe that the GST rate should be reduced, as GST is a regressive tax that impacts low income families most
- 59% of participants support the removal of GST from basic food, as it is seen as a regressive tax that hits the poor the hardest.

The Tax HiveMind process

The Tax HiveMind was entitled [*Fair Enough? How should New Zealanders be taxed?*](#) and was launched on Monday 16 April. The Tax HiveMind webpage invited New Zealanders to explore tax issues and proposals with other New Zealanders. It explained the rationale for the HiveMind and that the results would be submitted to the TWG as a submission. Instructions about how to participate were set out. Supporting information was also provided. This was based on the TWG's discussion document and its fact sheets.

Outreach

To attract participants, the Tax HiveMind webpage was displayed prominently on the Scoop website for 2 weeks. Advertisements encouraging participation were also placed across the Scoop website, including articles and press releases that were related to the TWG's review. People in Scoop's Facebook and Twitter communities were informed.

Individuals and organisations with a range of perspectives were identified and invited to take part via email, phone calls and social networks. These people were also asked to inform their networks about the Tax HiveMind.

The digital platform

Scoop's HiveMind is powered by [Pol.is](#), a new type of interactive survey technology that allows participants to consider statements about an issue, add their own statements for others to vote on, and to see how their opinions fit with other people's views.

Pol.is analyses voting patterns and groups participants based on 2 criteria:

1. Participants who tended to vote similarly on multiple statements are grouped together as an opinion group
2. Each group of participants who voted similarly will have also voted distinctly differently from people in other groups.

The resultant opinion groups are presented to participants as they participate. The visualisation highlights both areas of agreement and difference in real-time.

Unlike in standard surveys, participants are encouraged to return to Pol.is regularly over several weeks to review emerging patterns, vote on new statements and add their own ideas, perspectives and proposals for all other participants to consider. These features promote greater learning and ownership amongst participants.

Pol.is is one of the promising new digital platforms designed to enable mass public participation and has been used by a number of governments (e.g. Taiwan, Canada) and by major organisations (e.g. Columbia University). In Taiwan, Pol.is has been used as a major part of the policy development process for at least 6 laws.

Seed statements

41 'seed' statements, including 15 'metadata' statements designed to collect information about the participants, were prepared by the Tax HiveMind project team to give early participants some statements to vote on at the start of the HiveMind. The seed statements about tax reflected a range of well-known perspectives.

Findings of Tax HiveMind

Select findings of the Tax HiveMind are set out below. A full and interactive report is available by clicking [here](#).⁵ The Pol.is report provides a range of different views on the data and we recommend that TWG members use it to further explore participant opinions.

⁵ <https://preprod.pol.is/report/r45ru4zfmun54ttskne>

Who participated?

The vast majority of the 335 people who participated provided information about themselves by responding to the 15 demographic statements. Their responses show that a diverse group of New Zealanders took part in the Tax HiveMind.

- 17% were 30 years old or younger, 49% were between 30 and 55, and 35% were 55 or older
- 62% lived in major cities, 37% in towns or small cities, and 16% in rural areas
- 22% had household incomes of \$50,000 per year or less, 31% between \$50,000 and \$100,000, 28% between \$100,000 and \$150,000, and 21% above \$150,000
- 65% owned property
- 21% owned businesses
- 26% were self-employed
- 10% were unemployed
- For 12%, high school qualifications were their highest.

Opinion Groups

Of the 335 people who voted on statements, 295 voted enough times for their voting patterns to be analysed and two opinion groups emerged.

Of the 245 participants who formed Opinion Group A:

- 84% agreed that apart from Working For Families, changes to the tax system have tended to unfairly favour wealthy people at the expense of low and middle income earners
- 80% believed that taxes should be used to change behaviours
- 93% did not agree that Government is inefficient
- 92% did not agree that New Zealanders are over-taxed
- 86% did not agree that lowering taxes would help improve the economy.

Of the 50 participants who formed Opinion Group B:

- 82% agreed that New Zealanders are over-taxed
- 77% did not believe that taxes should be used to change behaviours
- 77% agreed that lowering taxes helps to create the right incentives for people to invest and work hard
- 65% believed that Government is inefficient
- 69% did not believe that changes to the tax system have tended to unfairly favour wealthy people at the expense of low and middle income earners.

See the 'Graph' section in the [Pol.is report](#) to review the association of all statements with opinion groups and with individual participants. To do this, make sure the 'Participants (bucketized)' button and the 'Group outline' button are selected.

Compared with people in Opinion Group A, more people in Opinion Group B tended to:

- Be aged between 30 and 55 years old
- Have a high school qualification as their highest qualification
- Live in rural areas
- Own property or a business or be self-employed
- Have a household income of over \$150,000 per year.

Compared with people in Opinion Group B, more people in Opinion Group A tended to:

- Live in a major city
- Be unemployed
- Have a household income of between \$100,000 and \$150,000 per year.

See the 'Metadata' section presented in the [Pol.is report](#) to review the demographic breakdown of all participants across all categories.

Areas of Strong Agreement Across Opinion Groups

To see all statements listed from greatest-to-least levels of agreement across the opinion groups, see the 'All statements' section in the [Pol.is report](#) with 'Group-informed Consensus' selected for sorting.

The following selection includes only statements that were voted on by at least 100 participants with 60+% agreement or disagreement in each of the opinion group.

Public Services

Over 92% of all participants support good quality, accessible public services and for people who fall on hard times to be able to access basic services in a timely manner funded by national taxes.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
39	Good quality, accessible public services are the necessary foundations for any well-functioning nation	98%0%1%(201)	82%12%4%(47)
46	People who fall on hard times should have access to basic services in a timely manner. These should be funded by national taxes.	98%0%1%(188)	77%9%13%(44)

40	Tax isn't a weapon politicians use against the economy. It's what we use to pool our resources and secure the things we need: schools, hospitals, homes and more.	96%1%1%(204)	71%19%8%(46)
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Multinationals to pay their fair share of tax

95% of all participants want multinationals to pay their fair share of tax in New Zealand.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
39	We should be following countries like Australia and the UK and ensuring multinationals pay their fair share of tax in New Zealand where people are using their services.	98%0%1%(150)	84%12%2%(39)

Taxes need to be simple to understand and transparent

88% of all participants believe taxes need to be simple to understand and transparent.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
105	Taxes need to be simple to understand and transparent	89%3%7%(83)	85%9%4%(21)

A pollution tax for businesses

87% of all participants support a pollution tax for business to provide funds for cleaning up and to discourage pollution.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
102	A gradual pollution tax for business to provide funds for cleaning up and to discourage pollution. The more pollution the higher the tax.	94%2%3%(90)	60%30%8%(23)

Churches to pay tax

76% of all participants want churches and companies exploiting the current church exemption to pay tax.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
76	Churches must pay tax. Companies like Sanitarium have utilised church exemptions undermining other businesses and creating inequity	78%10%11%(153)	69%20%10%(39)

Action on effective marginal tax rates

70% of all participants support action to reduce effective marginal tax rates to help people move off benefits.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
86	Effective marginal tax rates (EMTR) matter. The highest EMTRs are for those moving off a benefit. A tax free threshold would help them.	69%2%28%(99)	71%14%14%(28)

A broader tax base will be needed

77% of all participants believe a broader tax base will be needed to address issues such as climate change and an aging population.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
34	A broader tax base is needed to secure sufficient revenue for public services in the face of challenges such as climate change, an aging population, changing employment patterns and new technologies.	81%5%13%(205)	60%28%11%(45)

Local government funding needs to be sorted

72% of all participants believe that the local government is already under financial stress and that the current rates system is inadequate.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
30	Local government is already under pressure to deliver many essential services, including local roading, water supplies and flood protection. These pressures are likely to increase with climate change. We're rated enough. Funding for local government needs to be sorted urgently.	74%7%17%(201)	65%23%10%(46)

Increased tax exemptions for low income households

71% of all participants support increased tax exemptions for low income households.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
27	Tax exemptions for low income households should be increased to help overcome inequalities	72%10%16%(207)	65%25%8%(47)

Tax on tourists who are not New Zealanders

70% of all participants support an entry tax on tourists who are not New Zealand citizens.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
43	Tourism burdens NZ's environment & essential infrastructure (roads, sewerage, water, health etc.) Impose an entry tax for all non-citizens.	71%12%16%(190)	66%26%6%(45)

Secondary tax rates to be adjusted for total income

65% of all participants support adjusting secondary tax rates to reflect total income.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
95	Secondary tax rates should be adjusted to reflect total income	65%1%33%(86)	65%20%15%(20)

No income tax, increase GST not supported

81% of all participants do not support a proposal to increase GST and stop taxing income.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
55	I propose Increasing GST to 25-30% and ban all Income Tax and dissolve the IRD as it would become a redundant department	1%85%13%(136)	14%65%20%(35)

Areas of Uncertainty

To further explore areas of uncertainty, including statements that were not considered by many participants, see the 'All statements' section presented in the [Pol.is report](#) with '% passed' selected for sorting.

Statements that were passed on by 30+% of participants

Greater than 30% of all participants who saw the following statements 'passed'. This indicates high levels of uncertainty. All of these statements were voted on by at least 100 participations.

It should be noted that a significant number of participants across both opinion groups were not sure that New Zealand's current approach to taxation - a broad-based, low-rate system with few exemptions - is the best approach.

ID#	Statement	%Agree %Disagree %Pass (No. Voters)	
		Group A	Group B
42	A land or property tax based on the average increase in property value billed with rates is a far better idea than a capital gains tax.	22%36%40%(180)	24%60%14%(41)
33	A Tobin tax on financial transactions should be introduced to discourage international speculation, which can wreak havoc with NZ's exchange rate and economy.	56%9%33%(202)	39%36%23%(46)
16	A broad-based, low-rate system with few exemptions is the best overall approach to tax in New Zealand	23%44%32%(195)	63%14%21%(47)
88	Consideration of the "fairness" of tax needs to include the full tax and transfer system - that is why we have benefits and WFF.	62%2%36%(100)	45%16%37%(24)
89	NZ Statistics show that after tax and transfers, NZ inequality has not been growing in the last 20 years, unlike other places in the world.	4%55%40%(95)	54%29%16%(24)
87	Australia has a capital gains tax, and very high property prices. A capital gains tax is unlikely to materially impact property prices.	22%43%35%(100)	77%11%11%(27)
79	Whereas workers pay income tax, the robots / machines that replace them do not. Maybe there should be a production tax, a VAT on value created	52%15%31%(145)	43%37%18%(37)

Statements that were not considered by many participants

The following statements were considered by fewer than 100 participants:

- NZ should reduce tax on income and increase it on wealth and pollution
- A wealth tax on savings from already-taxed income is unfair and unreasonably punishes / discourages positive economic behaviour
- Working for Families creates middle class beneficiaries and perverse incentives to turn down promotions that would lead to long-term gain
- Tax rate thresholds should be adjusted by inflation each year (as per the UK) to ensure the proportion of tax paid remains the same
- No tax exemption for charities. Services now done by charities (eg Refuge) would be funded by tax, & Sanitarium etc would pay fair tax
- Company income tax is only 16% of the total tax take. Changes should be made to increase this, particularly from multi-national companies
- There should be a tax-free threshold of \$20K. It's an incentive to work, and cuts the bureaucracy of taxing then giving back in benefits

- all taxes should be structured to reduce inequality gradually over a decade or two by including wealth in their assessment
- I am prepared to pay a higher tax rate to improve our public services
- GST on rates should be set at zero. Either that or the Government should pass on to the Councils the GST portion on rates instalments collected
- Successful countries past and present have Government spending at 50 to 60% of GDP. New Zealand is around 30%
- Wealthy individuals and companies have removed money from tax cuts, from our community, rather than re-investing, as Rogernomics promised
- Top tax rates in Australia are over 45%. New Zealand has plenty of room for a tax-free bracket on low incomes and higher taxes on high incomes.

Recommendations

While we do not claim that the participants in the Tax HiveMind were representative of all New Zealanders, the findings suggest support for the current broad-base, low-rate tax system may not be as strong as supposed.

On a topic as vital to the wellbeing of New Zealanders as tax, further research and dialogue with citizens is necessary to determine what changes New Zealanders would consider fair and just. The TWG should therefore seek a wider mandate from the government to do this work.