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28 April 2018

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Rural Women New Zealand

Submission on *The Future of Tax Submissions Background Paper* Introduction

1. Rural Women New Zealand (RWNZ) welcomes the opportunity to submit to the Tax Working Group (the Group) on its *The Future of Tax Submissions Background Paper*.
2. RWNZ would appreciate the opportunity to meet with the Group to discuss this submission.
3. RWNZ strongly supports the role of taxation in funding public services but only if contributions are fair and equitable.
4. RWNZ was disappointed to note the lack of direct representation of the rural sector in the composition of the Group. It is also of concern that page 54 of the Background paper refers to the use of an independent advisor to “analyze ... and help distill the information

to assist the Group". This appears to mean that not only does the rural sector not have direct representation on the Group but they cannot even be sure that the submissions they send in will be read in their entirety thus further distancing the decision makers from those affected.

5. Many small and medium sized enterprises (SME) businesses are also rural businesses. RWNZ was disappointed to note the lack of direct representation of the SME sector in the composition of the Group noting this doubly disadvantages SME rural based businesses. Small businesses make up 97 per cent of all businesses in New Zealand, account for 29 per cent of employment, and contribute over a quarter of New Zealand's gross domestic product (GDP)¹. SME employers employing less than 20 people make up 90% (134,532) of New Zealand's 149,100 employers². The concerns raised in 1.2 also apply to SMEs.
6. Should the Group consider adding an additional member or members to ensure adequate representation of the rural sector and the SME sector then RWNZ would be happy to assist in recommending potential people.
7. RWNZ supports a tax system that adheres to principles of good taxation as listed on page 5 of the Background Paper, that is:
 - 7.1. efficiency;
 - 7.2. equity and fairness;
 - 7.3. revenue integrity;
 - 7.4. fiscal adequacy;
 - 7.5. compliance and administration costs;
 - 7.6. coherence.
8. RWNZ asks that to ensure the principles of good taxation apply equally to rural New Zealand that the recommendations of the group are rural proofed before becoming final. Rural proofing means that the needs and special considerations of rural communities and

¹ MBIE Briefing paper to the incoming Minister October 2017

² MBIE May 2016

areas are routinely and objectively considered when developing policy or legislation, in other words that the government commits to ensuring rural areas are not disadvantaged

Compliance and Connectivity

9. RWNZ is concerned at what appears to be a growing requirement that taxpayers will transact their affairs on-line. The IRD had stated at a recent workshop which one of our members attended that everything would have to be done on-line by 2019. At a recent workshop the RWNZ National Finance Chair carried out a 'spot check' on attendees' internet access. Of those present approximately 40% were not comfortable paying a bill on-line, (paying a bill on-line was used as a proxy for being able to attend to tax matters on line), 27% did not have access to reliable robust digital infrastructure and 4% effectively had no access to digital infrastructure (defined as "connectivity at a lower level of access than unreliable"). The findings of this sample are supported by a poll carried out by NZ Farming in February 2018 which found that 63% of those asked still struggle with a poor internet connection in rural areas.³

Response to Background Paper Chapter Seven: Specific Challenges

10. Goods and Services Tax. RWNZ believes that on balance it is better to retain the current simple GST structure with very few exemptions than to follow the example of some other countries and introduce the complexity of multiple exemptions and differential rates. Concerns regarding the regressive nature of the GST system should be addressed via income tax or other income equalizing mechanisms.
11. Capital Gains Tax (CGT). RWNZ is opposed to CGT for New Zealand tax residents although if it could be demonstrated that CGT would improve affordability of housing and farm land then this opposition may reduce. CGT on non-New Zealand tax-residents is an option that

³ <http://www.radiolive.co.nz/home/articles/rex/2018/02/rural-nz-still-has-poor-internet.html>, accessed 25 April 2018

RWNZ considers should be explored although, as with all tax matters, with the caveat that the tax revenue gained needs to be significantly exceed the costs of collection.

12. Land tax. RWNZ is completely opposed to a land tax. There is no equitable or fair reason to tax one type of income generating asset such as land; but not buildings, plant and equipment or intellectual property. The application of a land tax fails the equity and fairness test. In addition the existence of land does not necessarily mean sufficient cash is generated in any one year or years to enable the payment of such a tax hence land tax could create significant cash flow problems and negatively impact the productivity and sustainability of a business.
13. Environmental taxation: RWNZ is concerned about increased compliance and associated costs and does not support environmental taxation although this view may soften if the expenditure of revenue raised was targeted towards environmental investment and initiatives on farming and other rural businesses. RWNZ supports tax deductibility of environmental improvement expenditure that would otherwise be capital in nature.

Additional Comment

14. The following additional matters are derived from a combination of a survey targeting women living rurally plus feedback from a workshop attended by RWNZ members.
 - 14.1. The current taxation system is inequitable for SMEs.
 - 14.2. PAYE payers contribute more than their fair share of taxation revenue.
 - 14.3. Large corporates contribute less than their fair share of taxation revenue.
 - 14.4. A closer look is needed at businesses that are not paying tax due to being assessed as being charities.
 - 14.5. The current focus on the digital economy is supported. Concerns relate to both the digital economy contributing its fair share of tax and favourable tax treatment for the digital economy placing New Zealand businesses at a competitive disadvantage.

- 14.6. The work already being done regarding multinational companies contributing their fair share of tax is supported.
- 14.7. Targeted taxes for health purposes such as alcohol, sugar and cigarettes are generally supported however there are some concerns regarding the amount of such taxes with some respondents considering the current taxes on cigarettes are already too high.
- 14.8. There is concern about lobbyists and lack of transparency.
- 14.9. Some feedback indicated support for higher taxes provided they were used to fund improved public services and benefits. Norway was cited as an example.

Conclusion

RWNZ thanks the Group for the opportunity to submit on The Future of Tax Submissions Background Paper. Please contact me to discuss our submission further.

Regards



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