



Submission to: Tax Working Group

Subject: Future of Tax

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Background

Citizens Advice Bureau New Zealand (CABNZ) Ngā Pou Whakawhirinaki o Aotearoa welcomes the opportunity to comment on the Future of Tax Submissions Background Paper.

We work to empower individuals to resolve their problems and to strengthen communities. The person-to-person service provided by over 2,300 Citizens Advice Bureau (CAB) volunteers is unique in New Zealand. From 84 locations around New Zealand, the CAB provides individuals with a free, impartial and confidential service of information, advice, advocacy and referral.

In the 2016/2017 financial year we had over 520,000 interactions with clients, including over 200,000 in-depth enquiries where we offered information, advice and support across the gamut of issues that affect people in their daily lives.

We use our experience with clients to seek socially just policies and services in Aotearoa New Zealand.

Our submission

Each year many people approach the CAB because they are struggling to make ends meet. Some of these people are in employment, sometimes working several jobs, some of them are clients of Work and Income (Ministry of Social Development), some are students, some are single people, some have families they are also supporting. The common factor for all of these people is insufficient income to meet their costs of living. ***These people need either more income, or reduced costs.***

In 1978, the NZ Government ratified the International Covenant on Economic, Social and Cultural Rights. Article 11 of this Covenant states:

The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right...

Ensuring that these basic needs are met for every person living in Aotearoa New Zealand should not be aspirational for our country. Yet it is apparent we do have poverty, homelessness and deprivation in New Zealand today.

In 2016/2017, the CAB received over 7,000 enquiries from people who are either in receipt of income support or needing this. In addition to these enquiries, we have received over 5,500 enquiries each year for the past 7 years from people seeking food parcels, information and advice to help them in a situation of financial difficulty (apart from seeking income support) or assistance in situations of debt recovery or repossession.

In 2015 we identified that people coming to us in situations of homeless had doubled in 5 years and often we couldn't find them somewhere to stay for the night. We also identified that very vulnerable people were in this situation including children and pregnant women. Often there was nothing we could offer as there was no emergency housing available. This situation has changed little in the intervening years.

We think the Tax Working Group should have as one of its priorities, consideration of how the tax system can be used to support people who are either not able to have their basic needs met or who struggle to do so on a day to day basis. For example - Is there a role for a Universal Basic Income or a threshold of income under which income tax is not paid? As the Working group notes on the Future Environment information sheet; "Taxation plays a major role in redressing inequality. How could it be done better?"

One area of great concern is the hardship created by high effective marginal tax rates at the interface between the tax system and the welfare/social assistance system. These high effective marginal tax rates not only reduce the income of those who are already on very low incomes, they are also a cause of anxiety and confusion because of the complexity involved. This can lead to over-payments and debt, fueling further hardship. We strongly recommend that the Tax Working Group looks into this area, with the goal of reducing high effective marginal tax rates. It creates inequity in the tax system and contributes to poverty and deprivation, including for children. It must be addressed.

Another area of inequity is GST. The Working Group notes that "lower-income households tend to pay a larger proportion of their income in GST" (Submissions Background Paper, p. 29). We know from our client enquiries that food is often treated as discretionary spending for low income individuals and families, with set costs that come with account obligations such as power and rent covered first. Unexpected or infrequent costs (doctor's visits, school costs) often mean there is little money left for food. We are not experts on the tax system and the implications of removing GST on food but consider that as a possible mechanism for reducing costs for those experiencing hardship, it is certainly something to be explored.

Conclusion

At a time when New Zealand is having to face up to the fact that we have families and children experiencing poverty and homelessness, the Tax Working Group has an important role to play in ensuring that the tax system is not unfairly weighted in ways that risk exacerbating poverty and hardship.

We encourage the Tax Working Group to test each and every option it is considering against this goal.

Thank you for this opportunity to comment. Please contact me if you have any questions, want any clarification about our submission.

Yours sincerely



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