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Retirement Policy and Research Centre

Submission on the Second interim report on the Taxation (Annual Rates, Savings Investment, and Miscellaneous Provisions) Bill (48-1) (27 October 2006)

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The ***Retirement Policy and Research Centre*** notes with regret that the issues of principle identified in the RPRC's submission of July 2006 have not been addressed in the Second interim report on the Taxation (Annual Rates, Savings Investment, and Miscellaneous Provisions) Bill (48-1) (27 October 2006)

1. There is no evidence of the select committee yet addressing the question of the suitability of the 19.5% tax rate as set out in the Bill (see RPRC submission)

2. The 'fair dividend method' suffers from the problems that it has no connection with ordinary definitions of 'income'. It also increases the distinctions between individuals and collective investment vehicles, to the detriment of the latter. We must therefore expect gaming by both groups as they exploit the artificial boundaries so created.

3. We should return to first principles as in other tax reviews. All investment income that an individual earns in a year should be accumulated with other income and taxed at the appropriate marginal tax rate of the individual. In doing so New Zealand would move closer to a robust, fair system of tax that complies with the basic principles of comprehensive income tax.