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Tax Working Group Secretariat

KAPITI COAST ASSN.

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Kapiti Coast Grey Power Assn Inc (KCGP) is an autonomous member of the Grey Power NZ Federation.

Its 4,300 members reside within the boundaries of the Kapiti Coast District Council.

The Association submits:

Statistics for the Kapiti Coast District Council (KCDC) in 2017 show a population of 52,700 of which 13,786 are 65 years of age and overⁱ. This is the second highest percentage of over 65's in the country (following TCDC).

Infometrics report to the KCDC indicates that the median income of the district is 20% below the national median.

We understand that the average savings of New Zealanders is pretty low and is depreciating year on year. Some in this group will be the over 65,s who have lost their wealth through a variety of reasons including the General Financial Crisis in 2008 or divorce or some other costly event. A significant number of these are single and predominantly women. A study by NZIRA (sponsored by ANZ) showed that women over the age of 73 had low financial literacy. Grey Power advocates on behalf of these people and in doing so advocates for lower income groups.

As people age the quality of life assumes more importance. The main aspects of this "quality" are;

- To be financially secure.
- To have ready access to medical facilities.
- To be physically and mentally active as is possible
- To be able to participate in general society.
- To feel they remain valued members of society.

KCGP believes that changes in the taxation system are necessary to help older persons achieve these "quality" aspirations.

This is of increasing importance as longevity increases and the number of over 65,s grows putting increasing strain on the public purse through health and other age related issues.

As it is better to put a fence at the top of the hill rather than an ambulance at the bottom KCGP puts forward the following for consideration.

For the past thirty years increasing inequity has been a feature of the New Zealand economy and thus the quality of life for many. Previous government's policy response to public concerns of rapidly worsening inequality have failed to tackle this issue of inequity and high income disparity maintaining that inequity has not increased. Thus, attention has been diverted away from the failure to actually reverse the income inequality, with the predictable consequence that by the sustained maintenance of high income disparity.

We acknowledge the review is not intended to address the sufficiency of New Zealand Superannuation (NZS) but we must observe that NZS is the primary and often sole source of income for the majority of our members. Targeted tax credits or GST exemptions are possible avenues of assistance to people on NZS.

A Financial Security:

The Government introduced Kiwisaver as a way to bridge the gap between government superannuation and the annual sum needed to ensure the qualities referred to above.

While some believe they have their retirement through a company scheme, these are rarely adjusted for movements in the CPI and in the end, the payments provided, fall well short of those required to meet the objectives above. Term deposits generally favoured by the elderly lose value in real terms, and the recently enacted fuel tax (a regressive tax) will further reduce the spending power of beneficiaries and superannuitants in those areas where the tax is applied.

When Kiwisaver was introduced on 1 July 2007 all those aged 65 and over were excluded from the scheme. This group missed out on the government jumps start contribution, tax credits, and earnings potential. The money forgone would we believe would have provided the fence at the top of the cliff and saved the Government significant health costs for this group of people.

While the clock cannot be turned back, it is possible to take some compensatory actions.

For these people caught in the "gap", KCGP suggests that for a couple whose household income is less than \$34,069.44, the first \$10,000 of superannuation be exempt tax and for a single person whose household income is less than \$20,845.24 tax exempt the first \$6,000. The rebate would be claimed on a tax return and conditions relating to the possibility of entry to Kiwisaver introduced.

A tax break for over 65s solely reliant on superannuation could be an incentive that would encourage older persons to remain in the workforce longer.

Access to medical facilities.

As Health cost rise because of increasing longevity, drug and treatment prices one of the great savings for Government is private medical insurance. As the premiums increase with age older persons drop their policies. KCGP recommends that the premiums for those reliant solely on the Government superannuation be tax deductible and where an additional payment is required for a procedure, that this be tax deductible

Participation in society:

KCGP believes that the introduction of the above suggestions will improve this issue.

Retirement villages

As a separate issue KCGP believes that the practices of some villages leads to untaxed gains by the operators. The resident purchases a Licence to Occupy which provides that the operator has the sole right to sell at the completion of the occupancy. The occupant or his/her/their heirs are paid the original purchase price less depreciation and the cost of refurbishment. The rate of depreciation over the first two or three years may be as high as 20% which results in an untaxed profit for the operator.

GST on Rates

We are disappointed on exclusion of local government rates from this review. Rates on owner-occupied property have now reached such proportion that they are generally unaffordable for fixed income and other low income households.

Apart from the weekly grocery bill council rates are the highest expenditure for superannuants. GST on rates is a tax upon a tax. To tax a tax is clearly unfair. It should either be abolished or the GST component be given back to councils in order that they can use it. If it is abolished the rates will be less of a burden on superannuants. If it is returned to councils it could be used for infrastructure or other similar things, helping to keep the massive increase in rates we are presently seeing under control.

Kevin Burrows



President

Kapiti Coast Grey Power

ⁱ <https://profile.idnz.co.nz/kapiti/fiveyear-age-groups?WebID>