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OUR PHILOSOPHY

We believe that the Earth is the birthright of ALL MANKIND.
We recognise that for most purposes it is essential for individuals to have exclusive possession and security of tenure of land.
We believe that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.
We believe that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

GRAB AND STING TAX

Selwyn Parker looks at the pitfalls New Zealand has discovered through its GST.

After five years of the goods and services tax, the New Zealand experience has overwhelmingly proved one thing: Consumption taxes are good for governments. So far, what can be said definitively about the GST is that:

- It has dramatically increased the indirect tax take without slowing much the government's haul from direct taxes. In its first year of operation, in 1986-87 the GST pulled in $NZ1.22 billion (about $A870 million). In 1990-91, as more and more taxpayers were drawn into Inland Revenue's net, the take soared to $NZ6 billion after reimbursements. Driven by the GST, the total indirect tax take has nearly tripled.

  Although the quid pro quo of lower income taxes was supposed to compensate for the introduction of the GST, the tax you can't duck, the government's direct tax take has continued to increase. Income taxes amounted to $NZ9.1 billion in 1986; in 1990, they were around $14 billion. Put another way, every New Zealander was paying $4800 in total taxes in 1986. By 1991, they were paying more than $8000.

  Wherever you look, the government picked a winner with GST.
- The GST is a book-keeping nightmare for small businessmen. To claim refunds it is necessary to log every "deemed output" – every item or service sold or bought. "It's a pain," says an Auckland motorcycle dealer. "We have to do all this extra work for the government." Like other traders, he bought extra software and hardware to be able to process his GST returns.
- In a buoyant economy, when consumers are chasing goods, crafty Australian retailers may use the advent of the GST to boost some of the difference between the higher sales tax and the lower GST rate. No firm evidence exists that this happened in New Zealand, despite a wide-spread suspicion that it did.
- Six months after the GST was introduced, a poll undertaken by the Heylen Research Centre asked people if businesses had "used the introduction of this tax to hide or disguise price increases which had nothing to do with the new tax". Seventy per cent thought they had.
- What is certain is that Australian retailers will benefit from a shopping spree before the introduction of the GST. New Zealand had a nine-month, billion-dollar buy-up – especially of more expensive consumer durables such as whiteware, power tools, furniture and cars. Then, after October 1986, it stopped abruptly.

  It is important to remember with the GST that it is imposed on the wholesale price *after* mark-up and not, as with sales tax, on the wholesale price before mark-up. Thus, a new suit's retail price at a 12.5% GST arrives: wholesale price $200 plus $100 (50% mark-up) plus $37.50 (12.5% GST). Total retail price: $337.50.
- It is easy to increase a GST. It was not three years old when the Labor government hiked it from 10% to 12.5%.

"The Bulletin",
December 10, 1991.