



Politics and the retail sector – what's on offer?

As everyone will be aware, now that the Rugby World Cup is behind us, the next major event is the general election. On Saturday 26 November, all New Zealanders will have the chance to have their say with regard to who holds the political power for the next three years.

The New Zealand Retailers Association believes that a well-informed electorate is critical. It is not its job to try and influence its members to vote in a particular way... it is its job to add to the knowledge you have to enable you to make an informed choice.

So, as we have done over recent years, we went to the major parties with a couple of questions and we have presented their views below. In some instances, we have summarised their responses (and also our questions), but we are confident that we have not changed the intent of the original reply.

We sent our questions to National, Labour, The Greens, The Maori Party and Act. By due date (or shortly after) we had a response from the first four. These responses are set out below. To remove any suggestion of bias the order of presentation has been varied for each question.

Question 1

"What specific policies are you offering that will stimulate the retail sector? What certainty of economic direction can you offer retailers so that they can plan for the future with confidence? Are you planning any significant changes to employment law, tax law, or any other legislation that will impact directly on the sector?"

Responses

National Party

Measures National has introduced to cut red tape are on track to cut compliance costs for businesses – including retailers – and consumers by around \$200 million a year.

Removing unnecessary regulation is an important part of the National's economic programme, so businesses have more time to focus on how to increase their productivity and expand.

National's plan for the economy will take New Zealand forward by reducing our debt, getting back to surplus in three years and building a faster-growing economy based on savings and exports.

Over the next few years, we have an opportunity to build on solid foundations for faster growth and more jobs. Since National became the Government, we've taken responsible decisions to restrict the build-up in government debt and get government spending and finances under control. In particular, we've turned back 2008 forecasts of never-ending deficits and soaring debt by setting a path back to surplus by 2014-15 and keeping net debt below 30 per cent of GDP.

It is important during these challenging economic times to take a stable, responsible approach to managing the

economy, while putting in action our plan to get us on a path to longer-term sustained growth.

Other policies will be released before the 2011 election.

Green Party

The Green Party proposes to extend the In Work Tax Credit portion of Working for Families to beneficiaries and low-income workers who currently fail to work the necessary hours to qualify. This will add \$60, and in some cases more, to the disposable incomes of 140,000 of New Zealand's poorest families. Given that low-income families spend most, if not all of their income, much of it on retail goods, this policy will provide a significant stimulus to the retail sector.

The Greens propose to increase the minimum wage, initially to \$15 an hour and eventually to 66 per cent of the average wage. This will similarly stimulate spending in the retail sector by people on low incomes. The impact of the minimum wage increase on employment capacity of small and medium sized retailers who of economic necessity pay low wages will be mitigated by a targeted wage subsidy to assist them in transitioning to a higher minimum wage.

The Greens also propose to make the first \$10,000 of personal income tax-free. This will similarly

stimulate retail spending by low income individuals and families.

Labour Party

We think that delivering a fairer tax system will help stimulate the retail sector. Labour will make the first \$5,000 of income tax-free. That's \$525 extra a year in the pocket of every New Zealander. This will help bolster domestic retail demand as every New Zealander will have more money in their pocket. We will also take all GST off fresh fruit and vegetables so families can afford healthy food options. Both these measures will increase consumer demand.

Labour will also introduce a capital gains tax to remove tax distortions that favour property speculations over investment in the productive sector. Removing the tax advantages currently available to investors in the property market will free up greater capital flows into productive enterprises.

We realise the enormous contribution small businesses make to the economy and so have made a specific exemption for small business assets from the capital gains tax. This means that those who have saved through investing in a small business will not be negatively disadvantaged.

We will be announcing more policy, including our labour policy, closer to the election.

The Maori Party

The specific policies that will

impact on the retail sector are those that encourage business start-ups. The Maori Party has long had a policy of incentivising small businesses to grow by reducing unnecessary compliance costs and will continue to advocate for a five per cent reduction in the business tax for all businesses with a net income of less than \$100,000.

These policies are designed to encourage whanau and individuals to take control of their own destiny by removing obstacles and providing incentives for business start-ups. These policies are an extension of the principle of rangatiratanga.

We will continue to push for at least increasing the minimum wage to \$15 to ensure that whanau are able to live without the fear of not being able to put food on the table or clothes for the kids'. This is a huge issue with the current financial situation which has meant that the most unskilled workers (and thus lowest paid) are the first to be fired and the last to be hired. Our proposal to remove GST off food is based on the premise that GST hits low income people disproportionately.

The Maori Party is also interested in fundamentally different sources of revenue, such as tax on financial transactions. This could generate enough revenue to replace income tax completely.

We will also simplify employment legislation to ensure that there is a long-needed focus on family friendly practices as well as holding employers accountable for preventable workplace related deaths and injury.

Question 2

"Within the next parliamentary term do you intend making any changes to the GST regime?"

The Maori Party

GST as a tax burden hits the poor disproportionately. A whanau on the minimum wage will feel the effects of a 2.5 per cent increase in GST in a way that a family on a higher income will not. Taxing

income and business transactions are a fairer way to collect tax which is why we would implement a financial transaction tax which curbs the ability of speculators to make tax-free profits from short-term investments in our financial markets. The tax would raise significant government revenue without punishing those who cannot withstand the financial hit.

Furthermore, we would remove GST on food. Food is a necessity for life and it is unacceptable that many tamariki grow up hungry because the cost of food is too high.

Green Party

The Green Party opposed the increase in GST from 12.5 per cent to 15 per cent because GST is a regressive tax which impacts most severely on people on low incomes. Green MPs speeches opposing the rise in GST specifically remarked in Parliament on the one-off costs for retailers of the changeover, and the longer term pressure on their margins that a rise would cause. The Greens will therefore not support any further increases in GST. However, the Green Party considers that initiatives such as extending the Working for Families In Work Tax Credit to all people who meet the income qualification and making the first \$10,000 of income tax free are higher priorities for increasing the spending capacity of low-income New Zealanders than reducing GST.

The Greens are also conscious that introducing further exemptions to GST may increase compliance costs on retail businesses, and for that reason we do not have any proposals to introduce exemptions.

Labour Party

We will remove (by zero rating) all GST off fresh fruit and vegetables so families can afford to make healthy food choices.

We have no plans to increase GST above 15 per cent.

National Party

Under National we introduced the biggest reform of the tax system in 25 years, which rewards work and savings, discourages borrowing

and consumption, and significantly tightens tax rules on property speculation.

We have no plans to change the current GST regime.

Question 3

"Private imports under the value of \$400 come into New Zealand free of GST and duty (where applicable). If we are going to have a system of taxation that taxes consumption (GST) then it is our belief that this tax should be levied on all consumption including that bought from off-shore. What are your views on this anomaly and would you be prepared to introduce a measure to rectify it?"

Labour Party

We are very concerned about the impact on the retailing sector of consumer's importing items from overseas. There is a hollowing out of the local retail sector, and the government's revenue base is being undermined by consumers exploiting this tax loophole. We will be looking closely at this issue in office to examine what can be done.

National Party

We understand that this is an issue that has been raised by the New Zealand Retailers Association. These concerns were considered in a review of the de minimis. It was decided that the level of the de minimis should remain in the meantime but this will be reviewed in the future.

The Maori Party

The Maori Party is less worried about taxing private imports and more interested in ensuring equality in our society. There are some very credible studies that conclude that closing the income gap between the rich and the poor is the key to a healthy, functioning society. That is where the focus of our policies lie.

Green Party

The Green Party supports in principle the introduction of pre-market methods that will help address unfair competition. The Greens also acknowledge that if exports are GST-exempt, this

should in principal apply to all exports, including personal exports for consumption overseas. The Greens would therefore not support an evidence-based assessment of the extent to which GST-exempt private imports undermine fair competition and the extent of the impact of the exemption for personal exports for consumption overseas.

Question 4

"What is your party's view on introducing a GST refund scheme for tourists? This is the reverse argument of the previous question. Providing goods are being taken out of the country by tourists they are essentially being exported. Exports are not subject to GST."

Green Party

– See response to previous question.

Labour Party

Labour has not developed a specific policy on this topic. Our view would tend to be that it would a significant loss of revenue without necessarily advantaging retailers. Tourists are likely to simply keep the savings for themselves rather than spending any extra money on New Zealand goods.

The Maori Party

Generally speaking, while they play a very important part in the economy, tourists should have no less obligation to pay GST tax when they are here than those who live in Aotearoa.

National Party

We have no plans to implement such a scheme.

Concluding comment

The NZRA trusts you have found these responses helpful. It did highlight to each of the parties the significance of the retail sector in terms of its contribution to the economy, its significance as an employer and its relationship with consumers. These responses were prepared against this background. ■

□ This Q&A was organised by the New Zealand Retailers Association. For more information, call: 0800 472 472 or go to: www.retail.org.nz.