

"I want to be elected"

What tax proposals are on the table at the election?

Terry Baucher

Director, Baucher Consulting

—

“Boy, that
escalated
quickly”



Is the status quo maintainable?



Morgan Godfery @MorganGodfery · May 18



“The iron law of NZ politics is this: the National Party will make an impossible promise to cut taxes while maintaining services as is; and the Labour Party will make an equally impossible promise to maintain taxes as is while increasing services”

Today's presentation - overview

Part A – Background - Why tax policy matters, the challenges ahead

Part B – Current structure of income tax rates and welcome to 'fiscal drag'

Part C – What's on offer - the parties' proposals

Questions

A bright yellow sun is positioned at the top center of the image, casting a soft glow. The sky is a clear, vibrant blue, filled with numerous thin, white, wispy clouds that are scattered across the entire frame. The overall scene is bright and airy, suggesting a clear, sunny day.

Why tax policy matters

The challenges ahead

Why tax policy matters

*“Tax policy is central to everything we, as societies, do. Literally *everything*. Think about it. Hospitals, schools, investment, jobs, scientific research. So, if we want to fix anything, we need to think about tax policy. Global warming, inequality, global pandemics, populism. Complex problems requiring complex solutions, but all involving tax policy.”*



Professor Rita de la Feria

Law Professor and Chair of Tax Law,
University of Leeds

IR Fellow, Oxford University Centre
for Business Taxation

Advisory Panel, UK Office for Budget
Responsibility

Some tax terminology

BEFU – The Budget Economic and Fiscal Update, the Budget for the following fiscal year (to 30 June) usually presented each May

HYEFU – The Half-year Economic and Fiscal Update – given each December this updates how the current BEFU is tracking

PREFU – Pre-Election Economic and Fiscal Update, aka “the opening of the books” it sets out the latest state of the Government’s finances prior to each election

EMTR – Effective Marginal Tax Rate – a person’s effective tax rate on the last dollar of income earned taking into consideration abatement of benefits such as Working for Families

Statement on the long term fiscal position

He Tirohanga Mokopuna 2021

Issue date: Wednesday, 29 September 2021

Status: Current

Version note: The Treasury's combined Statement on the Long-term Fiscal Position and Long-term Insights Briefing

Corporate author: [The Treasury](#)

“Net debt is likely to be on an unsustainable trajectory if expenditure and revenue follow historical trends”

“Governments will need to decide how large an adjustment is necessary, and at what time.”

How the population of Aotearoa New Zealand is expected to age

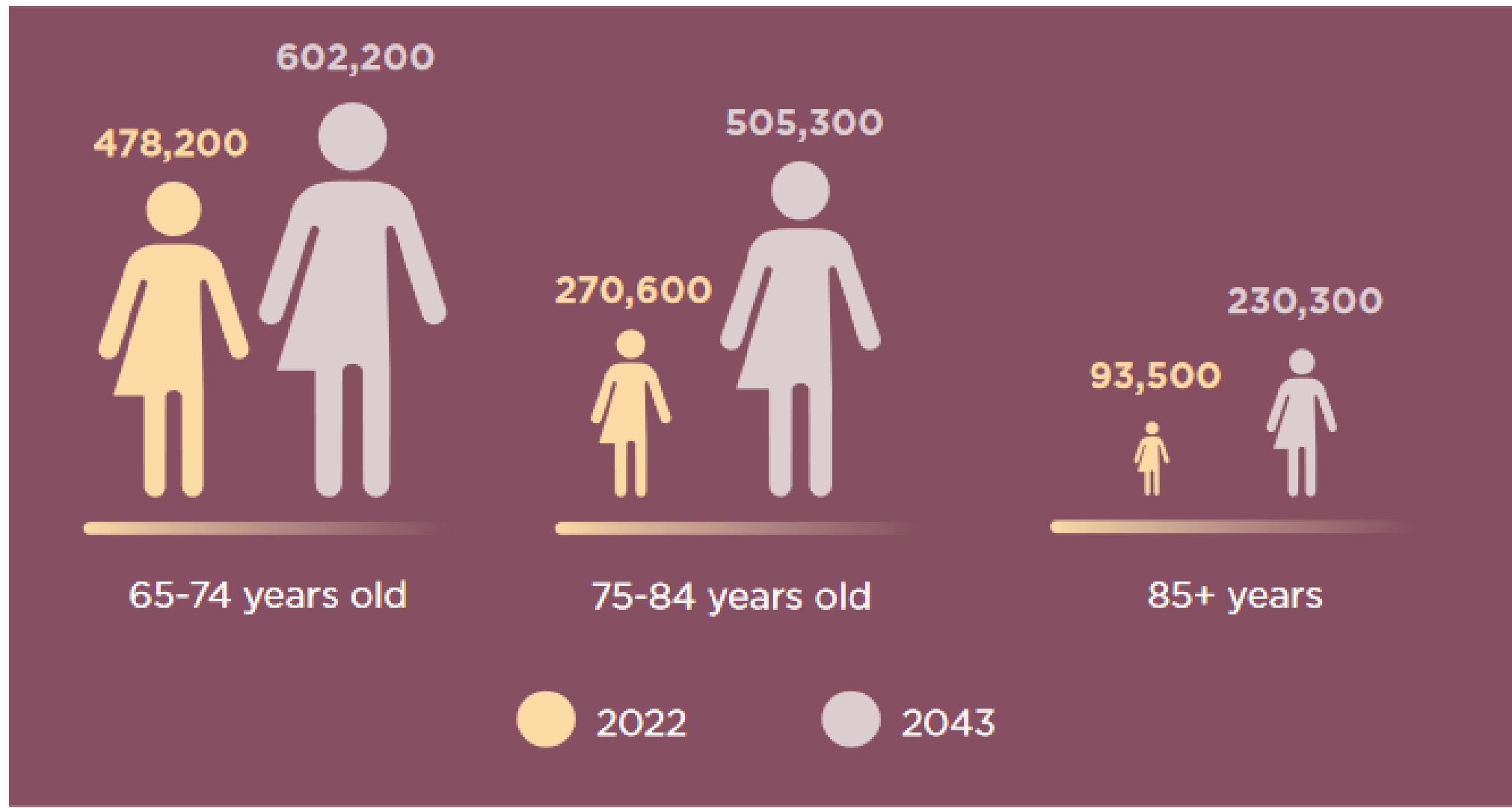
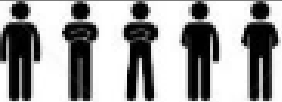

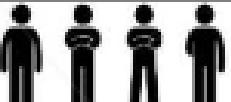

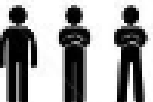

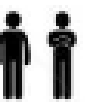

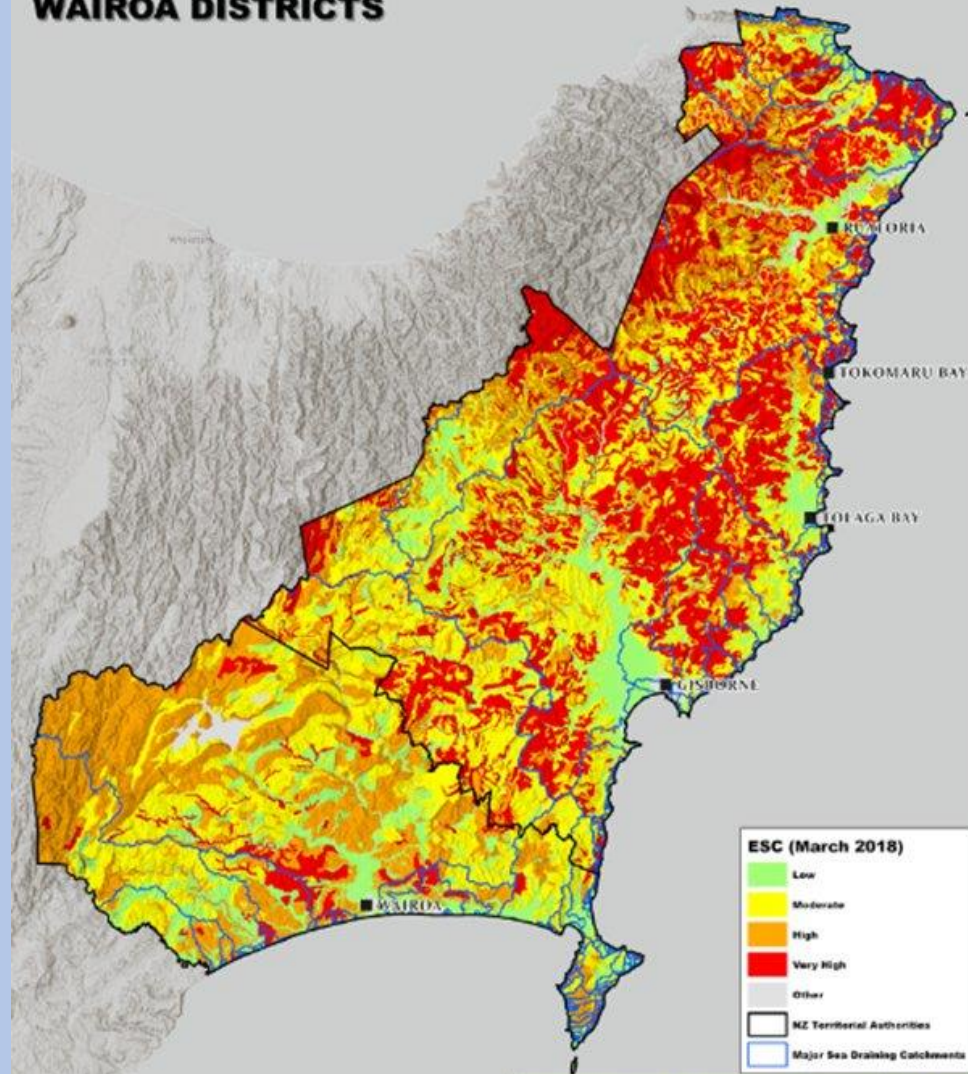


Figure 8. Structural Ageing in New Zealand 2010 to 2060

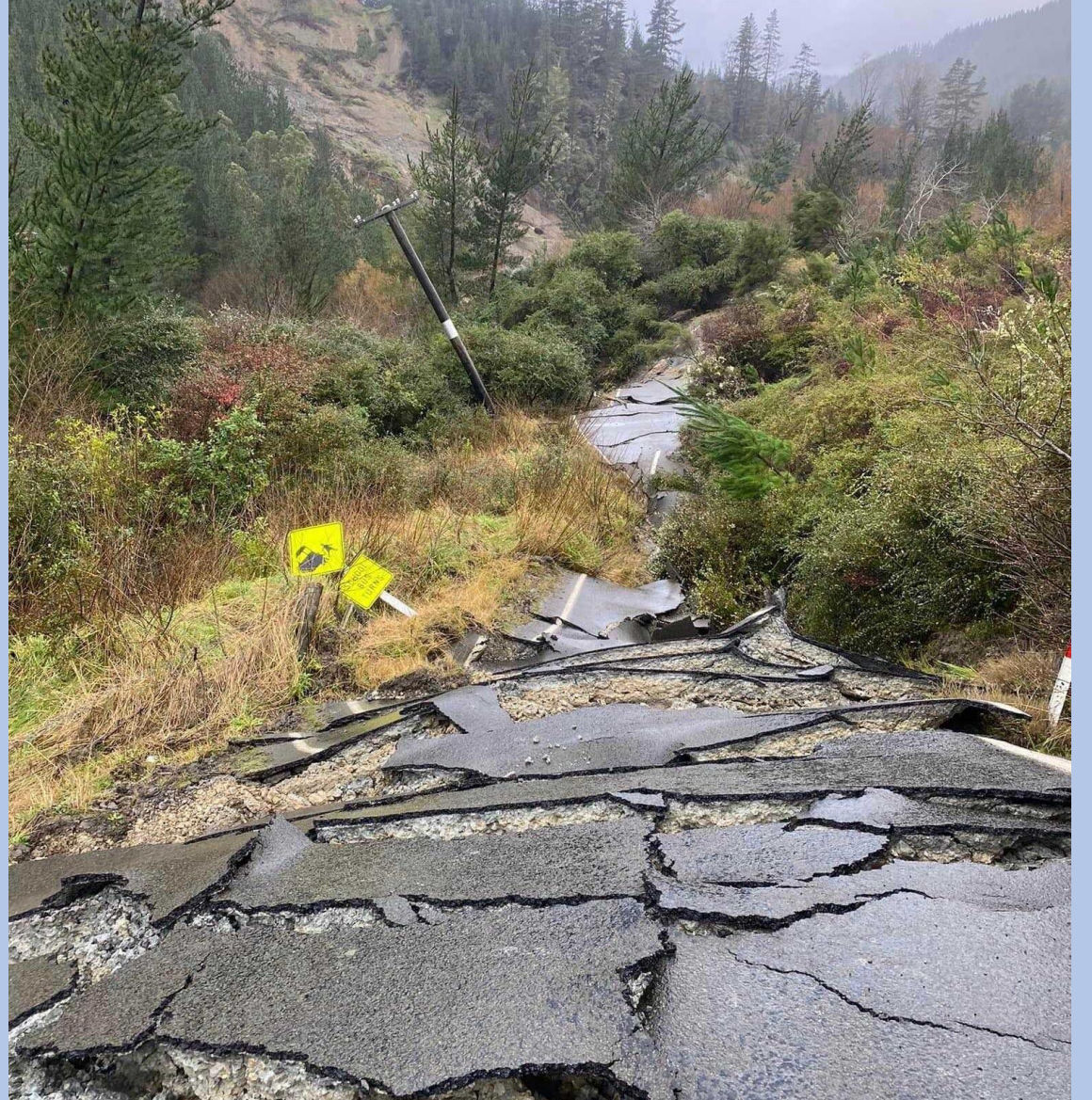
	Projected ratios of different age groups	
	15-64 years	65+ years
2010		
2020		
2030		
2060		

EROSION SUSCEPTIBILITY OF GISBORNE AND WAIROA DISTRICTS

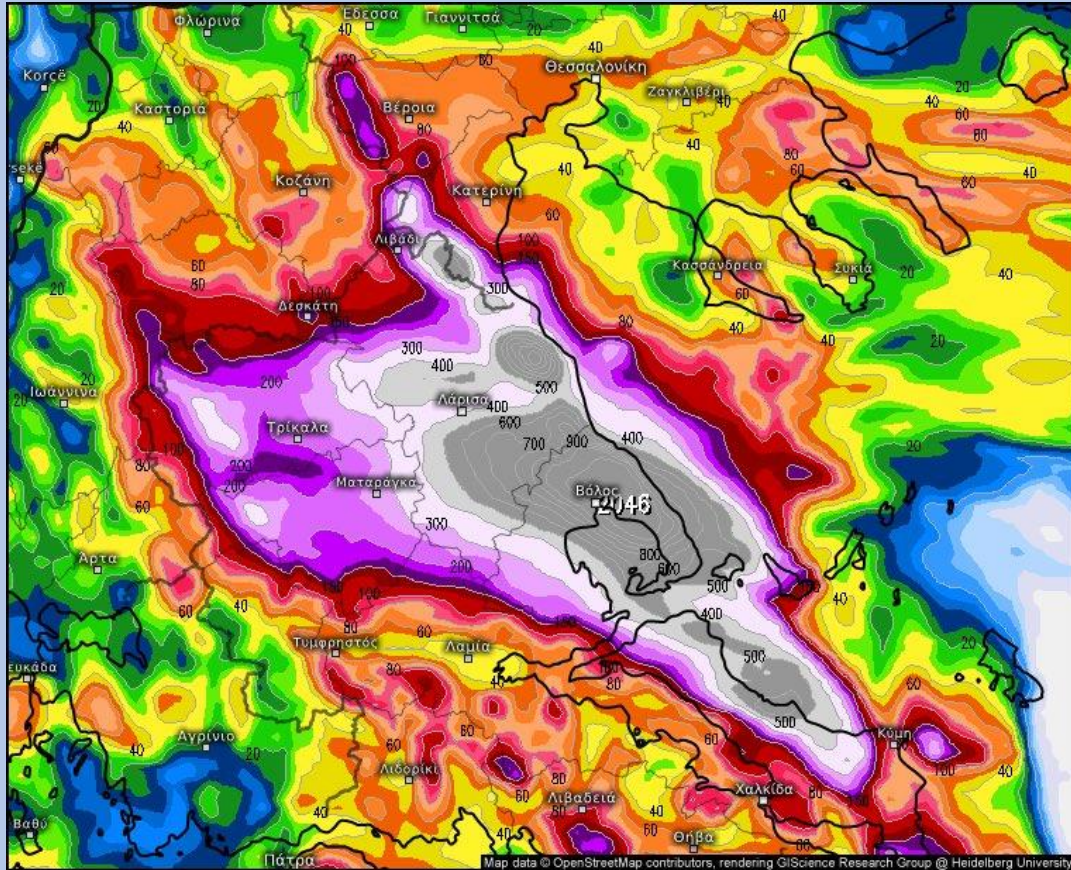


Cyclone Gabrielle: 700 homes unliveable, 10,000 need flood protection - Govt and councils to offer voluntary buyout

Auckland councillors agree in principle to \$2 billion flood buyout deal, which will require borrowing and future rate rises



And you thought Cyclone Gabrielle was bad?



Nahel Belgherze ✓

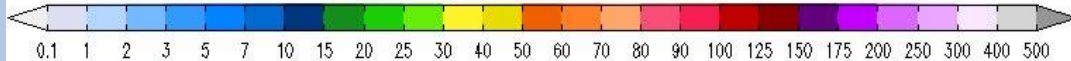
@WxNB_

Absolutely unreal. Latest ECMWF based Swiss 4x4 km HD model run remains off the charts with forecast rainfall across Thessaly, Greece over the next 48 hours. +2,000 mm in 48 hours is highly unlikely to occur but it shows the extreme rainfall potential of this event.

I can't recall seeing rainfall forecasts this extreme in Europe.

Accumulated total precipitation (mm)

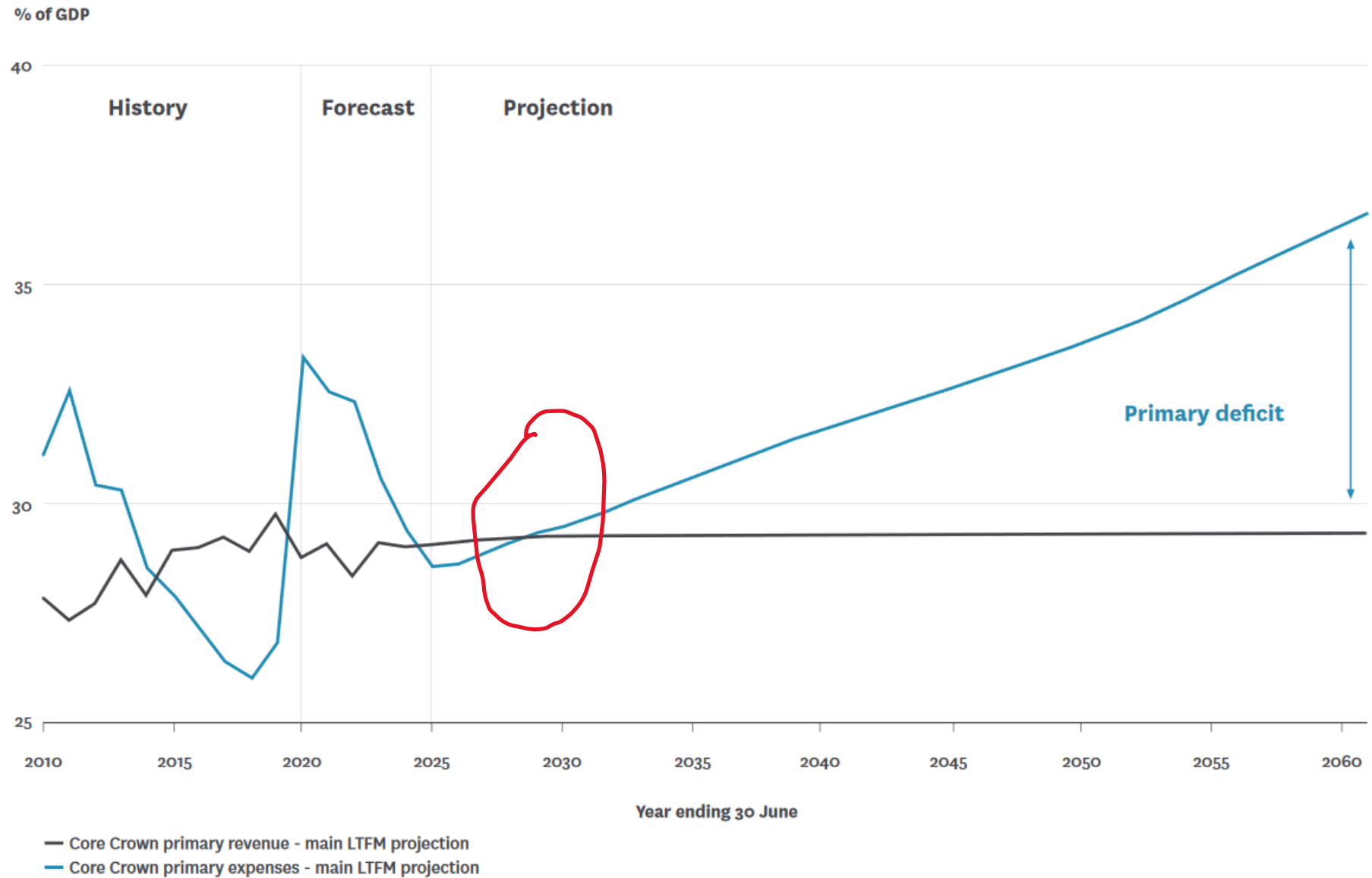
From Mon 09/04/2023, 06:00am UTC
to Wed 09/06/2023, 09:00pm UTC



Thessalia
Europe Swiss HD 4x4 (3 days) from 09/04/2023/06z

swiss HD + meteologix.com

Figure 22: Core Crown primary revenue and primary expenses, % of GDP (historical trends scenario)

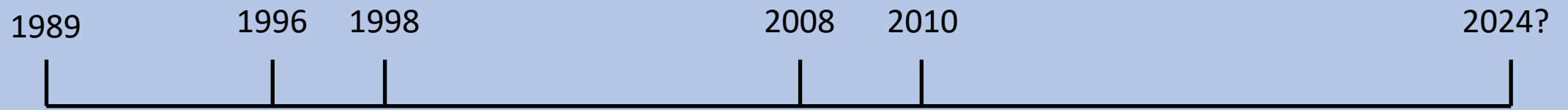


The background of the slide is a light blue gradient with a dense field of 3D-rendered numbers and symbols. The numbers are in various sizes and orientations, creating a sense of depth and movement. Some numbers are more prominent than others, while some are partially obscured. The overall effect is a complex, abstract pattern of mathematical and numerical elements.

The current tax rate structure

Welcome to 'fiscal drag'

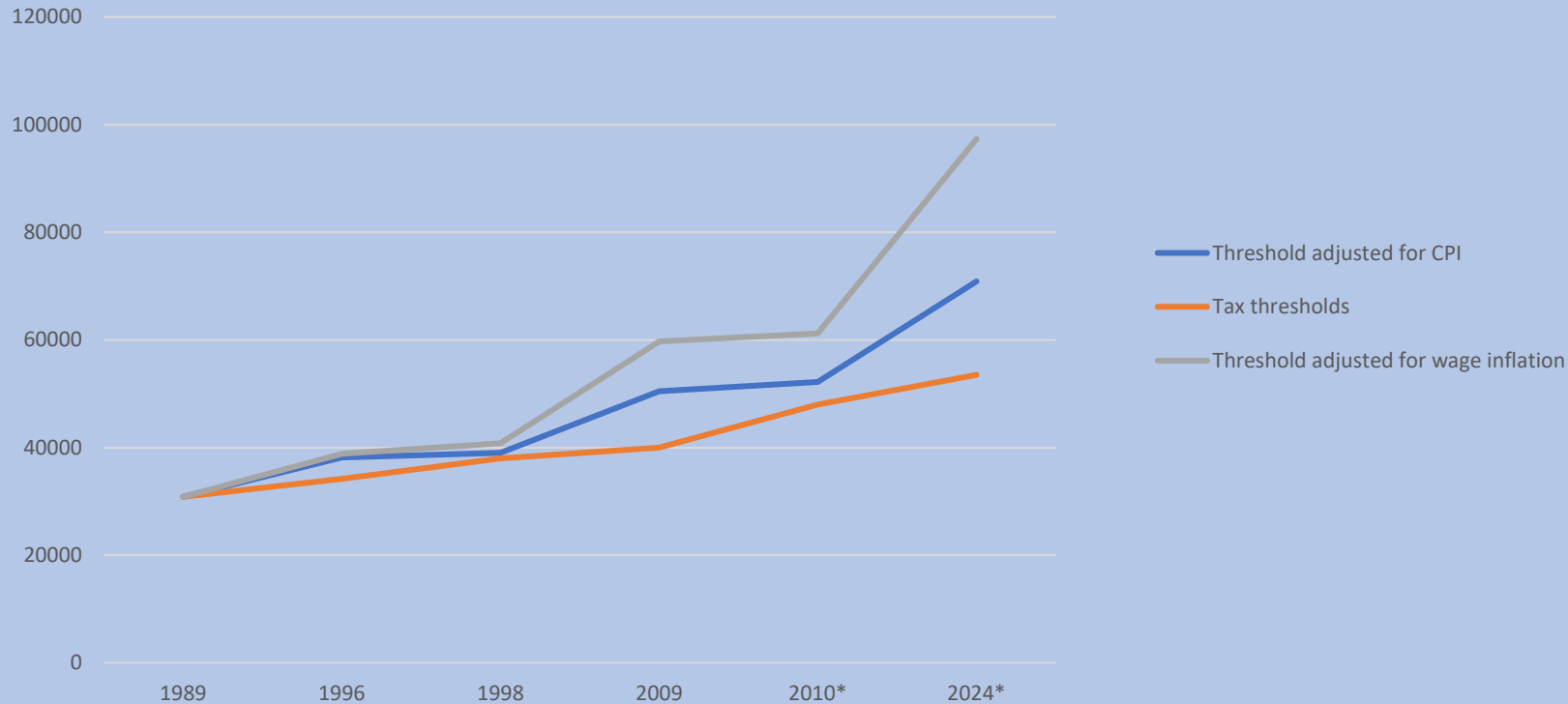
33/30% tax threshold over time



1 April 1989	\$30,875
1 July 1996	\$34,200
1 April 1998	\$38,000
1 April 2008	\$40,000
1 October 2010*	\$48,000

*30% rate introduced

Tax thresholds - the effect of inflation



For the 1989-90 tax year the threshold at which the 33% tax rate applied was \$30,875

If it had been adjusted annually with CPI it would now be \$70,862

If adjusted annually for wage inflation it would now be \$97,300

Tax thresholds - the effect of inflation (2)

Current tax thresholds below the 39% rate came into effect on 1st October 2010

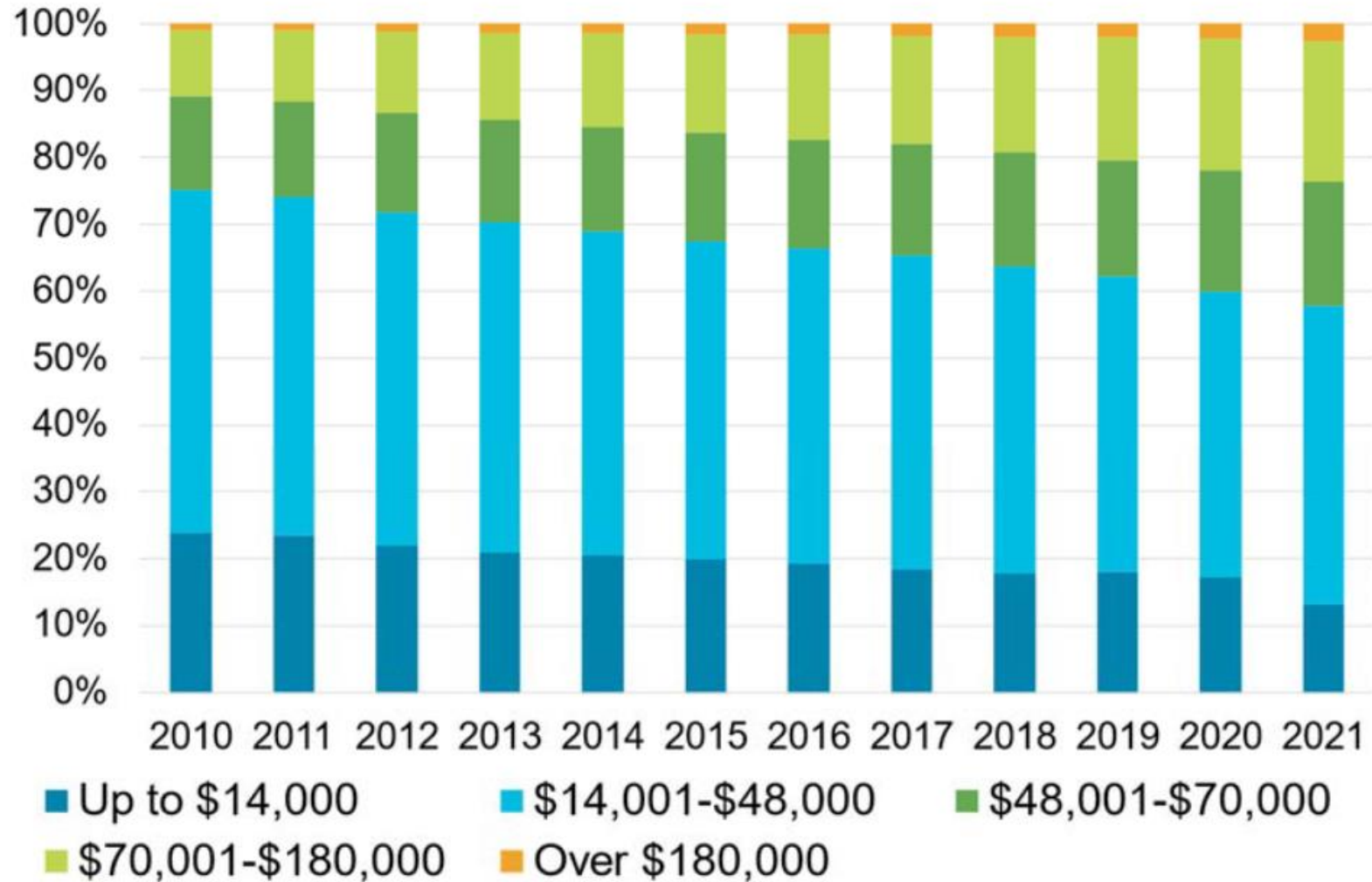
In 2010 the average wage was just above \$48,000, in the December 2022 quarter it was \$76,275

What would the thresholds be adjusted for inflation to June 2023 quarter?

Rate	Current threshold	Adjusted for CPI	Adjusted for wage inflation
10.5%	0 - \$14,000	0 - \$19,000	0 - \$22,200
17.5%	\$14,001 - \$48,000	\$19,000 - \$65,200	\$22,200 - \$76,300
30%	\$48,001 - \$70,000	\$65,200 - \$95,100	\$79,300 - \$111,200
33%	\$70,001 - \$180,000	\$95,100 - \$180,000	\$111,200 - \$180,000

The effect of 'fiscal drag'

Figure 1: Proportion of taxpayers in each bracket²



A man in a white shirt is sitting at a desk in a high-rise office, talking on a mobile phone. He has a serious expression. The background shows a city skyline with several skyscrapers under a clear sky. The office is dimly lit, with light coming from the window. There are papers and a computer monitor on the desk.

“Show me the money!”
What is each party offering?

For each dollar of income	Tax rate
Up to \$15,000	0% (tax free)
Over \$15,000 and up to \$80,000	20%
Over \$80,000 and up to \$180,000	35%
Over \$180,000 and up to \$250,000	42%
Remaining income over \$250,000	45%

A land value tax at 0.75% of the value of urban residential land, paid annually.

- Commercial, rural, conservation and Māori land would be excluded.
- Superannuants could opt to defer payment until there is a change in ownership of the property.
- The tax switch is estimated to raise approximately \$7 billion p.a. - making our three-part plan fiscally neutral.

“We’ll get back to you later with the details”

We will **take GST off basic foods** including fresh food, vegetables, meat, dairy, and fish.

We will **ensure tax income brackets are adjusted to inflation**

We will **provide tax incentives to promote added value.**



A 2.5% Wealth Tax

on net assets over \$2 million for individuals or \$4 million for couples. Net assets means that mortgages and other debt are deducted from the asset total.



A Trust Tax

of 1.5% so people cannot just move their money into a trust to avoid the Wealth Tax.



A new Top Rate of Income Tax

of 45% on income over \$180,000, so the top earners contribute more, while people earning under \$125,000 will pay less tax.



A new Corporate Tax Rate

of 33%, returning corporate tax to what it was before National came into Government in 2008.

Current tax rates

Income tax bracket (\$)	Tax rate
0 - 14,000	10.5%
14,000 - 48,000	17.5%
48,000 - 70,000	30%
70,000 - 180,000	33%
180,000+	39%

New tax rates

Income tax bracket (\$)	Tax rate
0 - 10,000	0%
10,000 - 50,000	17%
50,000 - 75,000	30%
75,000 - 120,000	35%
120,000 - 180,000	39%
180,000+	45%

Revenue (millions)

Setting	Revenue - 2024/5	Revenue - 2025/6
2.5% tax on individual wealth over \$2 million together with an anti-avoidance measure of a 1.5% tax on all assets held in private trusts	\$12,020	\$12,880
33% Companies Tax Rate	\$2,400	\$2,600
Total	\$14,420	\$15,480

Te Pāti Māori don't want no ghost chips

1. Removing GST from Kai
2. “Significant tax cuts” including a tax free \$30,000 threshold
3. Wealth Tax – starting at 2% and rising to 8% on net wealth over \$10 million
4. Company tax rate increased to 33%
5. 2% Foreign Companies Tax
6. Land Banking Tax on land undeveloped within 4 years of purchase
7. Vacant House Tax (Ghost House Tax)
8. \$500 million extra for Inland Revenue and Serious Fraud Office

Te Pāti Māori don't want no ghost chips

The new Wealth Tax rates will be:

0% Net wealth under \$2million will not be taxed.

2% Tax rate for net wealth over \$2million.

4% Tax rate for net wealth over \$5million.

8% Tax rate for net wealth over \$10million.

Estimated to raise \$23 billion per annum

Increased company tax rate to 33%

Estimated to raise \$3.5 billion per annum

Ghost House Tax

Will apply to properties untenanted after 6 months at 33%! of market value

Labour Party – watch this space?

Does Labour's GST proposal take the biscuit?

Y BAUCHER
consultant



BE WHAT YOU W



“A time for truth” – ACT’s proposals

Threshold	2022/23	2023/24	2024/25	2025/26	2026/27
0-14,000	10.5%	17.5%			
14,000-48,000	17.5%				
48,001-70,000	30%				
70,000-180,000	33%	33%	33%	28%	
180,000+	39%	39%			



“A time for truth” – ACT’s proposals

ACT'S SOLUTION FOR REAL CHANGE

ACT's fully costed alternative budget reduces spending by \$38 billion over four years, without touching frontline services.

ACT will:

- Reduce the size of the public service to 2017 levels
- Scrap wasteful and ineffective schemes like the Clean Car Discount and Climate Emergency Response Fund spending
- Abolish demographic ministries
- End corporate welfare policies

National

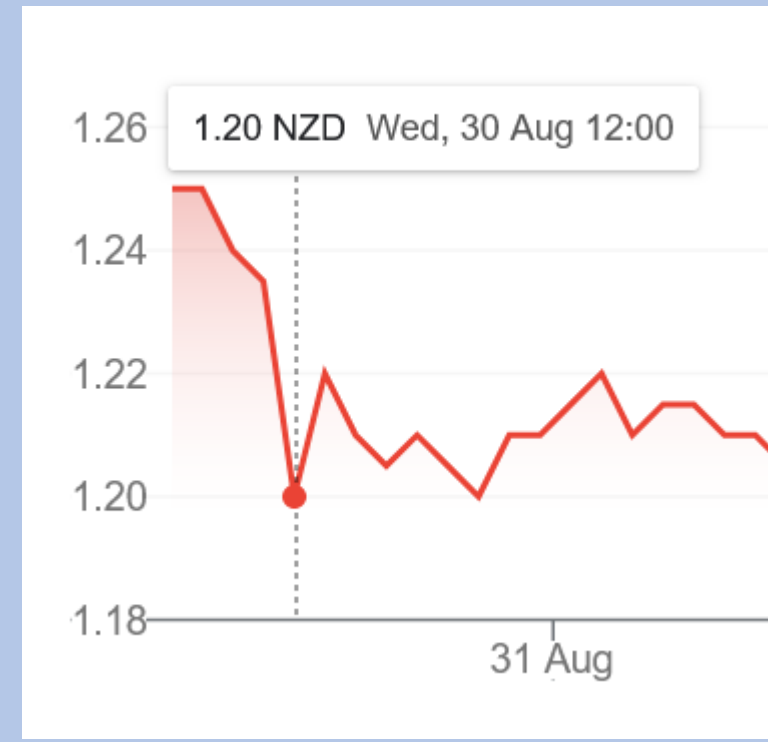
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Commercial property taking one for the team?

“We propose to remove the last remaining large COVID-19 economic stimulus measure...reintroduced...after it was removed by the previous National Government.”

“Labour introduced a new tax break for commercial property investors as a response to Covid-19, and then made the change permanent. National will remove this tax break.”



Precinct Properties share price after National's tax policy announcement

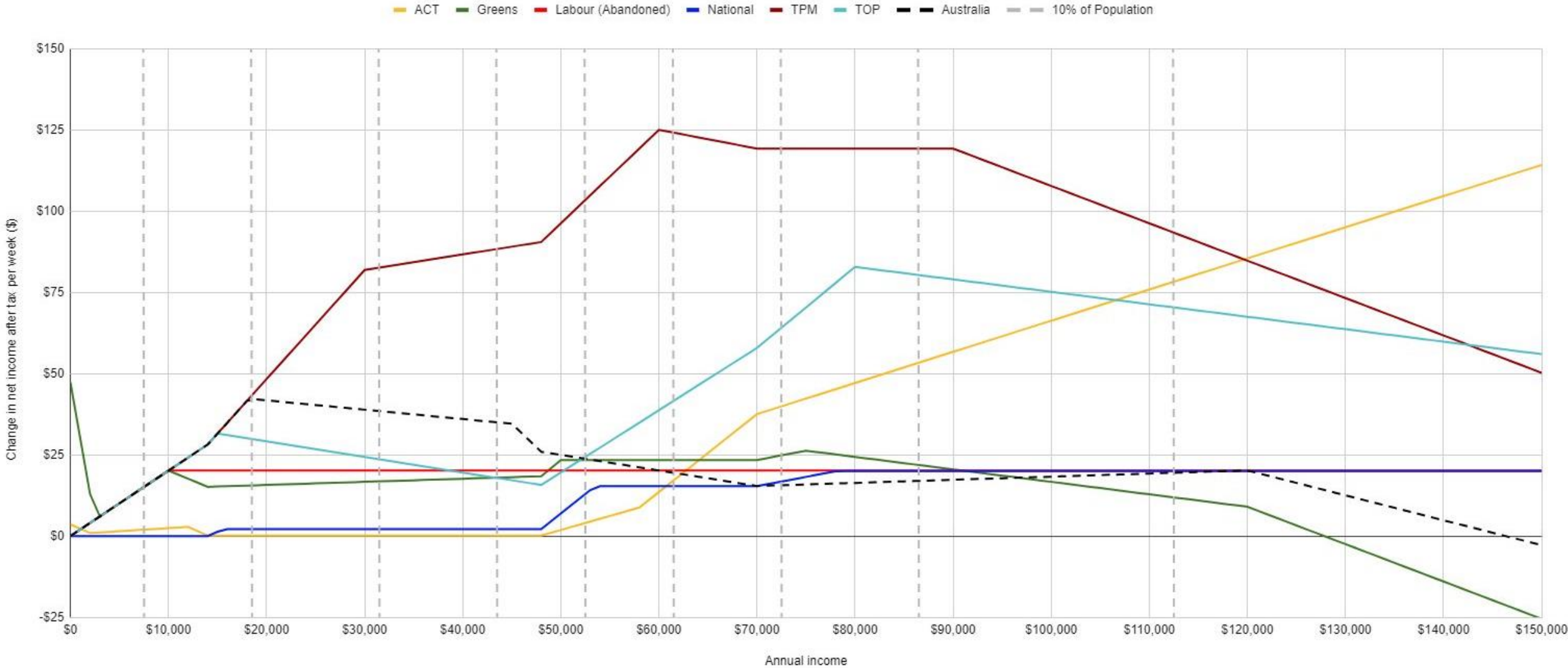
Tax Threshold Adjustments

Existing Threshold	Proposed Threshold	Threshold Rate
\$14,000	\$15,600	17.50%
\$48,000	\$53,500	30%
\$70,000	\$78,100	33%

Policy	2023/24	2024/25	2025/26	2026/27	2027/28	Total
New Revenue Initiatives						
Foreign Buyer Tax		-715	-732	-747	-764	-2,958
Commercial Building Depreciation		-525	-525	-525	-525	-2,100
Close Gambling Tax Loophole		-176	-178	-180	-182	-716
Immigration Savings		-119	-122	-124	-127	-492
Total		-1,535	-1,557	-1,576	-1,598	-6,266

Policy	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Tax Relief initiatives						
Tax Threshold Indexation		2,142	2,212	2,282	2,348	8,985
FamilyBoost		249	249	249	249	996
IETC Adjustment		188	180	174	165	707
Interest Deductibility Changes	41	244	528	650	650	2,113
WFF Changes	50	195	255	445	455	1,400
App Tax Reversal		50	51	52	53	206
Brightline Adjustment		50	50	50	50	200
Total	91	3,118	3,525	3,902	3,970	14,606

“Yeah, yeah, yeah but what’s in it for me?”



What would Logan Roy say?



A 3D rendering of a field of dark grey question marks. In the center, one question mark is highlighted in a bright orange color. The word "Questions?" is written in white text across the orange question mark.

Questions?