

# Tax Policy

*Ehara taku toa i te toa takitahi engari he toa takitini*

**māori**

## Executive Summary

We have a broken tax system in this country which has fuelled extreme wealth inequality that is only getting worse.

The richest 10% own 50% of the wealth in this country, while the poorest half of the country own just 2%.<sup>i</sup>

Ordinary people are subsidising the lavish lifestyles of the rich. While the average person in Aotearoa is paying 20.2% in tax, the wealthy are only paying 9.4%.<sup>ii</sup>

We must shift the tax burden from the poor to the wealthy. It is time to eliminate poverty and restore fairness and economic justice in Aotearoa.

<b>Te Pāti Māori will remove:</b>	<b>Te Pāti Māori will increase:</b>	<b>Te Pāti Māori will introduce:</b>
<ul style="list-style-type: none"><li>• GST from all kai</li><li>• Income tax for whānau on low incomes</li></ul>	<ul style="list-style-type: none"><li>• Take home pay for 98% of whānau</li><li>• Income tax on those earning more than \$200,000</li><li>• The Company Tax Rate from 28% to 33%</li></ul>	<ul style="list-style-type: none"><li>• Wealth Tax</li><li>• Foreign Companies Tax</li><li>• Land Banking Tax</li><li>• Vacant House Tax</li></ul>

## Context

In the last several years we have seen the biggest wealth transfer in generations. From hard working whānau to greedy property developers and landlords, we have created a generation of renters living pay check to pay check who pay up to half their income in rent.

The wealthy have untaxed wealth accumulating in housing, trusts, investment funds, and property.

Government inaction has led to a massive shift in wealth to the rich. Estimates have shown that a capital gains tax, if implemented in 2017, would have raised more than \$200 billion in tax revenue<sup>iii</sup>.

We need to put an end to the current situation which has poor and working-class people subsidising the rich through tax policy.

On top of our unfair tax settings, those with the most are also able to exploit loopholes and the lack of any meaningful enforcement.

Estimates show that \$7 billion per year is being stolen from Aotearoa taxpayers in tax evasion and tax avoidance, which must be enforced and those responsible criminalised<sup>iv</sup>.

It is well past time that we restore fairness and justice to our tax system in Aotearoa. Te Pāti Māori will continue to fight for tax justice.

## Solutions

### 1. Removing GST from kai

GST is a regressive tax that impacts lower income whānau who are forced to spend nearly every cent they earn.

Removing GST on food would make a real difference for whānau who are facing soaring supermarket prices that are only getting worse as the cost-of-living rises. It will help whānau who are living pay check to pay check.

This policy will be implemented alongside regulations that limit the ability of supermarkets to hike prices to ensure that savings flow through to the consumer.

#### *Under our plan;*

- **Whānau will be able to buy, on average, seven weeks of free food per year.**

## 2. Significant tax cuts for almost 90% of Aotearoa

Te Pāti Māori's plan to shift the burden of tax from income to wealth and provide tax cuts for whānau.

More than 2 million (47%) people earn below \$30,000 per year.

Only 78,000 (1.8% of earners) people earn over \$200,000 and will pay more in Income Tax under our plan.

We are proposing to create a **\$30,000 tax free band** which will help those on lower incomes.

The vast majority of whānau will receive a tax cut under our plan. More than three million people will be better off.

**New tax rates under our plan:** (from 1<sup>st</sup> July 2024)

<b>0%</b>	Income of \$30,000 or less
<b>15%</b>	Income of \$30,001 and up to \$60,000
<b>33%</b>	Income of \$60,001 and up to \$90,000
<b>39%</b>	Income of \$90,001 and up to \$180,000
<b>42%</b>	Income of \$180,001 and \$300,000
<b>48%</b>	Income of \$300,001 and above

### ***Under our plan:***

- **Almost 90% of Aotearoa will benefit from significant tax cuts; this equates to 3.8 million people.**
- **Whānau receiving the benefit or superannuation will not be taxed.**

# Tax Policy

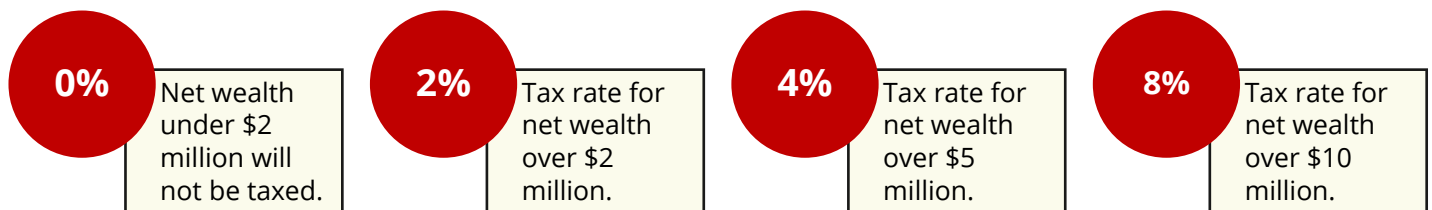
*Ehara taku toa i te toa takitahi engari he toa takitini*

A person who earns <b>\$30,000 will</b> pay no tax and get an extra:	<b>\$82/week</b> <b>\$4,270/year</b>
A person who earns <b>\$60,000 will</b> get an extra:	<b>\$125/week</b> <b>\$6,520/year</b>
A person who earns <b>\$90,000 will</b> get an extra:	<b>\$119/week</b> <b>\$6,220/year</b>

### 3. Wealth Tax

Te Pāti Māori will not accept that assets are untaxed in Aotearoa so we will legislate for a Net Wealth Tax. We will introduce a Net Wealth Tax to fund our policies that restore fairness and end poverty.

**The new tax rates will be:**



These rates will be less mortgages and other debts owing and will be for individuals and the combined net wealth of couples. Set at these rates, the Net Wealth Tax will not affect most family homes or retirement savings. The tax will be payable annually and will capture capital gains accrued.

**This new tax setting is estimated to generate \$23 billion per annum.**

### 4. Increase Company Tax Rate

In 2008, when National came to power, they cut the company tax rate from 33% to 28%. This has contributed to the worsening wealth inequality that is locking younger generations out of home ownership and prosperity.

Te Pāti Māori will reverse this change and bring the company tax rate back to 33%.

**This new tax setting is estimated to generate \$3.5 billion per annum**

## 5. Foreign Companies Tax

Te Pāti Māori will introduce an Overseas Financial Transfer Tax, with the rate set at 2%.

Many overseas companies have generated significant profits from providing services in Aotearoa and transferring these profits overseas. For example, banks made approximately \$7 billion last year and transferred this profit to their Australian shareholders. This will also capture multinational corporations like Facebook, Google and Amazon.

Our Overseas Financial Transfer Tax will apply to all overseas-owned companies operating in Aotearoa. This will be additional to the Company Tax Rate.

We will establish an international framework that captures and measures all overseas transactions to ensure they are appropriately taxed.

## 6. Land Banking Tax

To stop developers from “land-banking”, Te Pāti Māori will implement an Undeveloped Land Tax, which will be payable on all land that has not begun to be developed within four years of purchase.

The value to be taxed will be calculated as the current market value of the land less the original purchase price of the land, the difference being the increase in the value of the land. The tax rate will be 33% of the increased land value.

There will be an exemption for Māori freehold and customary land, recognising the ongoing barriers to the development of Māori land, and that this policy is targeted at land-banking.

We will establish a financial reporting framework that captures and measures all land transactions and valuations to ensure they are appropriately taxed.

## **7. Vacant House Tax (Ghost House Tax)**

Te Pāti Māori will implement an unoccupied dwelling tax. There were 191,649 unoccupied private dwellings as at Census 2018. However, "unoccupied dwellings" contains a significant number of properties where residents were temporarily away on Census night. The actual number of private empty dwellings in Aotearoa on Census night 2018 was recorded at 94,197<sup>v</sup>.

These are houses that are left empty for long periods of time. When there is a housing crisis in Aotearoa, it is unacceptable for dwellings to be left empty for so long.

To stop Investors from leaving dwellings empty for a long time, Te Pāti Māori will implement a Vacant House Tax, which will be payable on all properties that do not have a tenant after a six-month period.

The value will be calculated as the current market value of the property including land and buildings less the purchase price. The tax rate will be 33% of the market value.

## **8. Putting an end to Tax Evasion**

Approximately \$7 billion is lost to tax evasion every year.<sup>vi</sup>

Te Pāti Māori will invest \$500 million into adequately resourcing the Serious Fraud Office and Inland Revenue to investigate and address tax evasion.

This fund will also be used to ensure no additional tax avoidance occurs.

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POLICY SUMMARY		
<i>Kaupapa</i>	<i>Details</i>	<i>Tax Revenue Change</i>
Remove GST from Kai	Remove 15% GST from kai	\$3.4 billion less
Reduce Income Tax	Change our Income Tax system to the below: \$0 - \$30k      0% \$30 - \$60k    15% \$60 - \$90k    33% \$90 - \$180k   39% \$180 - \$300k  42% +\$300k        48%	\$13.7 billion less
Introduce Wealth Tax	Introduce a (Net) Wealth Tax as below: \$0 - \$2m    0% \$2 - \$5m    2% \$5 - \$10m   4% +\$10m       8%	\$23.0 billion more
Increase Company Tax Rate	Return company tax from 28% back to 33%	\$3.5 billion more
End Tax Evasion		\$ 7 billion more
		<b>\$16.4 billion more</b>

**Table 1: Policy Summary:** The calculations for the GST, Income Tax, Company Tax and net Wealth Tax revenues were analysed and completed by Te Pāti Māori economic advisers and supported by models created by the Parliamentary Library. Data was sourced from a range of sources including Inland Revenue’s systems of personal income tax returns, Stats NZ Household net worth statistics, Tax Working Group 2018, The Treasury’s Fiscal Strategy Model - Budget Economic & Fiscal Update 2023

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<sup>i</sup> <https://www.inequality.org.nz/understand/>

<sup>ii</sup> [https://www.1news.co.nz/2023/04/26/richest-kiwis-effectively-pay-lower-tax-rate-than-ordinary-nzers-report/?fbclid=IwAR3e46zX7L0-GFphXwJ61WYsK7AJbdxwIz77cbxo8YfYPWKxCvl8kxKDS\\_Q#:~:text=The%20IRD%20found%20high%20wealth,The%20figures%20include%20paying%20GST.&text=The%20IRD's%20report%20said%20the,rather%20than%20salaries%20or%20wages](https://www.1news.co.nz/2023/04/26/richest-kiwis-effectively-pay-lower-tax-rate-than-ordinary-nzers-report/?fbclid=IwAR3e46zX7L0-GFphXwJ61WYsK7AJbdxwIz77cbxo8YfYPWKxCvl8kxKDS_Q#:~:text=The%20IRD%20found%20high%20wealth,The%20figures%20include%20paying%20GST.&text=The%20IRD's%20report%20said%20the,rather%20than%20salaries%20or%20wages)

<sup>iii</sup> <https://www.1news.co.nz/2023/04/26/labour-will-outline-tax-commitments-before-election-hipkins/>

<sup>iv</sup> <https://www.stuff.co.nz/national/crime/300878382/newsable-billions-likely-lost-to-tax-evasion-as-white-collar-crime-investigators-go-underfunded>

<sup>v</sup> <https://emptyhomes.co.nz/Numbers>

<sup>vi</sup> <https://www.stuff.co.nz/national/crime/300878382/newsable-billions-likely-lost-to-tax-evasion-as-white-collar-crime-investigators-go-underfunded>