Poverty Action Plan

Awhi mai, awhi atu
Summary

Everyone deserves a decent life. We know this is possible with a fairer approach to income support and tax.

The Green Party will establish a simpler, fairer approach to income support that ensures everyone has enough to live on, so they can look after their families and contribute to their communities. This will be funded by a more progressive approach to tax including a contribution from people with net wealth over $1 million, new income taxes on very high salaries, and closing tax loopholes. Our system will provide support whenever it’s needed, funded by those who can afford to contribute more.

1. Reset income support payments to ensure everyone not in fulltime paid work, including all tertiary students, receives a base payment of $325 after tax a week – with a fairer approach to abatement and treatment of relationships in the income support system. Sole parents will also receive a top-up of $110 per family.

2. Bring all health and disability-related income support into a single system based on ACC, with guaranteed payments of at least 80% of the fulltime minimum wage, regardless of what caused a work-impairing condition, or whether someone was employed at the time a work-impairing condition emerged.

3. Provide more support to families, through:
   - Increasing Best Start payments to $100 per week per child and making it universal for every child;
   - Replacing other Working for Families tax credits with a single Family Support Credit of $190 per week for the first child and $120 per week for subsequent children, with a higher abatement threshold and lower abatement rate.

4. Guarantee annual minimum wage increases, with one minimum wage rate instead of the starting out rate. As the economy recovers, ensure the minimum wage increases annually in line with the median wage and ensures people can cover the cost of living.

5. Introduce a new tax of 1% on an individual’s net wealth above $1 million and 2% on an individual’s net wealth over $2 million. This would affect the top 6% of wealthiest New Zealanders.

6. New top income tax bands, set at 37% on income over $100,000 and 42% on income over $150,000. This would affect the top 7% of income earners.
Situation

Through the Covid-19 crisis, Kiwis have been compassionate. We look out for one another. When we support each other we can achieve great things.

But even at the best of times, our economy is not set up to support everyone to meet their potential. It benefits a wealthy few at the expense of many people and communities. While the rules set down by previous governments have meant a small amount of people have been able to build up significant wealth to fall back on in hard times, many New Zealanders have little or no savings for a rainy day.

Covid-19 risks making this worse: those who already have significant assets such as property will continue to benefit from them, while many others face unemployment.

For the past thirty years, Aotearoa’s social support system has trapped people in poverty, by keeping benefit rates too low, and creating complex and punitive barriers to getting support. This means people who are out of work, students, single parents, and those with health conditions and disabilities, are under constant financial stress, with few options to improve their lives – especially as housing costs continue to increase.

Change has begun with recent Best Start payments to support children, increasing benefits, and increasing the minimum wage. But it is clearer than ever that our current welfare system is not fit for purpose to help people get through economic shocks or personal setbacks. As Aotearoa rebuilds after COVID-19, the next Government must go further and faster to deliver income support that enables all New Zealanders to have real opportunities in their lives.

The Welfare Expert Advisory Group (WEAG) showed how the welfare system “is no longer fit for purpose and needs fundamental change.”1 WEAG laid out ten principles to guide a fairer welfare system. This is the Green Party’s plan to put those principles into action.
The Welfare Expert Advisory Group’s principles:

- Income support is adequate for meaningful participation in the community, and this support is maintained over time.
- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.
- Main benefits cover a larger proportion of people’s living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.
- Changes to income support reduce disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes these entitlements to the broader population.
- The income support system is easy to access and provides timely support, including to people transitioning in and out of the system.
- The income support system is as simple as possible balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.
Better Social Support

The Green Party’s plan will protect people’s standard of living when out of work, meet the extra costs of supporting children and acknowledge the value of caregiving, and ensure people with health conditions and disabilities can be fully involved in their communities.

Everyone will benefit from peace of mind knowing that if they need it, support will be available.

1. Guaranteed Minimum Income

The Green Party will create a base payment of $325 for every adult not in full time paid work, in a simplified system that puts income support first for anyone who needs it. Under this policy there will be no stand-down periods, no deduction of child support, and no sanctions. This will go together with a fairer approach to abatement, so that people aren’t penalised if they earn a little from some part time work or have partners who work.

In the first year of our plan, payments will be set at $325 a week, after tax. These will rise in subsequent years at least in line with average wage increases, and be reviewed regularly to assess what is needed to ensure everyone has sufficient income.

This Guaranteed Minimum Income (GMI) will also replace the student allowance, providing financial independence and security for students. All domestic tertiary students will be eligible, with no parental means testing. In the first year, this will be achieved by universalising the current student allowance, i.e. ending parental means testing. Once the GMI is fully implemented, it will replace the current student allowance system. This reflects the Green Party's commitment to generational equity and investing in the wellbeing of our rangatahi as they develop the skills they need to navigate an uncertain future. We’ll keep superannuation universal at age 65, and at the same time, make sure everyone else is financially supported when they need it.

For those newly out of work, the GMI will give people the flexibility to plan for retraining, which supports higher lifelong earnings and a more adaptive
and productive economy. This will remove the barriers that prevent people from contributing fully to our communities, enabling them to meet their aspirations for meaningful skills development and seek out new opportunities. Together with policies that support sustainable jobs and contribute to a just climate transition, this will help Aotearoa meet our shared goals of creating a productive, inclusive, low-emissions economy.

In addition to GMI, single parents will also receive a top-up payment of $110 after tax per family, bringing their GMI up to $435 per week after tax. This will lift thousands of children out of poverty and recognise how important it is that caregivers are supported while doing the essential job of raising their children.

The WEAG recommended an additional top-up payment of $30 a week for people living alone. This recognises that people living alone cannot share normal household costs like utility bills. We will do what it takes to end poverty in Aotearoa. In the first year, we will determine what level of additional top-up payment is necessary to achieve that.\textsuperscript{2} Over time, this will mean the worst off get at least $100 more than the current Jobseeker benefit.

\textbf{Aroha is 19 and has been working fulltime at a café since she left school at 16. When she’s made redundant, she decides she wants to do something different, but doesn’t know what. Thanks to the GMI, Aroha has enough money to keeping paying rent. She has the financial security she needs to plan her next steps, instead of working in one insecure job after another for several more years. After thinking about her options for a few weeks, she becomes interested in the way solar panels generate electricity and decides to train to be an electrician. The GMI supports Aroha to meet her immediate needs and plan her future.}

Sometimes, extra costs arise. In the long term, we’d like to see a system where one-off hardship grants and loans from MSD aren’t needed. But for now, the Green Party will retain supplementary support options and ensure non-recoverable grants are used in preference to recoverable grants for beneficiaries facing unavoidable additional costs.
2. ACC: the Agency for Comprehensive Care

About 4.5% of Aotearoa's working-age population receive a benefit due to a health condition or disability, making up the biggest proportion of working-age benefit recipients. However, the current approach to main benefits does not recognise that people with health conditions will often need significant income support in the long-term. As well as the small number who cannot work at all, this includes people who are able to do some paid work on a casual or part-time basis while managing their health needs, and people who can only do certain types of work which may not always be available. In periods of economic downturn, people with health conditions who lose a job that can accommodate their needs may end up requiring income support for much longer than other unemployed people.

In contrast, ACC provides higher payments for people who were employed at the time of an accidental injury, in the form of compensation for lost earnings. This creates significant disparities within Aotearoa for people with the same impairment due to different causes, or who were doing different levels of paid work at the time an injury occurred.

The Green Party will reform ACC into an Agency for Comprehensive Care – so that it covers income support and work-accessibility support for everyone with a health condition or disability, regardless of cause. This will be done together with changes to the minimum payment approach under ACC, to ensure everyone with a work-impairing health condition gets paid at least 80% of the fulltime minimum wage regardless of their income when the condition emerged, and regardless of cause.

The current funding structure of ACC will change from fully future funded to pay as you go. This means part of the existing $46 billion investment fund will be redirected to pay for income support, as more people with health conditions are brought into the modified ACC scheme. Levies will be simplified, but no levies will change for at least five years. Once this policy is fully implemented, ACC will live up to the principles it was founded under, providing comprehensive and equitable social insurance to protect people’s livelihoods when they are unable to work.
Brian earns $25 an hour working full time in a warehouse, stacking shelves and packing deliveries. He is diagnosed with cancer shortly after his 60th birthday. Thanks to the Agency for Comprehensive Care, Brian can take as much time off as he needs and be paid at 80% of his salary while he goes through chemotherapy.

On his first day of leave, Brian feels a huge sense of relief that he can focus on his health and spend precious time with his grandchildren.

Brian is sick for the next three years, but recovers. However, he is no longer able to do physical work, and gets tired much more quickly than he used to. He talks to his caseworker at the ACC, and she agrees he will continue to be eligible for the higher rate of support until he turns 65 and starts getting NZ Superannuation. At every step, Brian's health is the priority.

The Green Party's plan would essentially create a paid sick leave entitlement through the ACC scheme at 80% of actual income, for any situation where someone needs a block of time off paid work for health reasons and has insufficient sick leave to cover it (for example recovering from surgery or undergoing chemotherapy).

3. More Support for Families

Working for Families makes a huge difference to ending family poverty and is a vital part of our existing system. However, it is not adequate to bridge the gap between what people need to support themselves, and what people need to support their children. The Green Party will fix Working for Families so that kids are better off. We will:

- Increase Best Start payments to $100 a week per child and make these universal so every child under three will benefit. This will give all families more money in the crucial early years of child development. Parents will be able to use this to help cover the costs of reduced paid work during the early years, or pay for childcare – deciding what works best for their circumstances.
• Simplify Working for Families, creating a single “Family Support Credit” to replace the current Minimum Family Tax Credit, the Family Tax Credit, and the In Work Family Tax Credit. The new Family Support Credit will be paid at $190 per week for the first child and $120 for a subsequent child. The abatement threshold will be shifted to $49,000, with an abatement rate of 20% – so parents can earn more from paid work before their Working for Families support starts being reduced. This will increase the incomes of all low and middle income families, and reduce effective marginal tax rates.

• Provide for Best Start and Family Support to be automatically increased each year based on the percentage increase in average wages, so it retains its value in real terms over time.

When Chandra’s first baby, Daya, was six months old, Chandra left a relationship in which her partner abused her. Thanks to the GMI, Best Start, and Family Support, she gets $725 a week and can rent a modest flat, with enough to provide Daya with everything a baby needs to thrive. Chandra plans to train as a social worker. Because she gets the GMI while she trains part-time, she can look after Daya too. The package of support for families means Chandra can meet all Daya’s needs in the crucial early years.

4. Minimum Wage Protections
The current Government has increased the minimum wage significantly, bringing it to 66% of the median hourly rate from April 2018, with increases from 1 April 2020 bringing this over 70% of the median.

As the economy recovers from COVID-19, the Green Party will pass legislation to ensure the minimum wage increases annually in line with the median wage and ensures people can cover the cost of living. Under this policy the benefits of wage growth will automatically be shared with lower-income earners, guaranteeing that all workers are paid fairly. This will promote a more inclusive and productive economy, and give employers certainty to plan ahead.
Progressive Tax Reform

In Aotearoa, there is enough to go around. But the tax system has allowed wealth to accumulate with a small number of us, while most of us have only modest assets. We tax work, but we don't tax wealth.

Persistent and structural inequalities are driven by unequal wealth. This is most obvious in the property market: families with good incomes struggle to buy homes. More and more people are renting, and 43% of adults do not own a home.⁴

Wealth inequality is an underlying structural problem. Wealth gives some people a buffer against hard times, and helps people generate more wealth. For most people, a home is the highest value asset they will ever own. For some others, a small business may be their greatest value asset. But a small number of us have significant amounts of wealth in property, shares, and business assets.

The distribution of wealth is highly concentrated in the wealthiest households, especially wealth and assets that generate income.⁵ Wealth and assets are not taxed in Aotearoa – the government relies mostly on income tax and GST. Those who have accumulated large amounts of wealth are not asked to give some back to help everyone else. Analysis for the IRD has shown that there is little or no link between wealth and what people pay in income tax.⁶ In other words, very wealthy people often don't pay much income tax.

The economic response to COVID-19 could make this inequality problem even worse. The Government's choices to stimulate the economy will put more money into ordinary people's pockets in the short term, but the unbalanced tax system may encourage this to quickly flow into existing untaxed assets. The gap between wealthy asset owners and everyone else could grow quickly.

The tax-free status of wealth and assets can encourage choices that don't benefit Aotearoa overall. For example, investment property is severely undertaxed and encourages people to funnel money into real estate
instead of into productive businesses that create jobs. This contributes to housing market inflation. A net wealth tax will help create a more balanced economy and a broader base for the tax system. The Green Party wants to see more investment in productive Kiwi businesses that create jobs, and less investment in property speculation.

1. Taxing wealth fairly
The Green Party will introduce a new tax on individuals’ net wealth over $1 million. This means those who have their own wealth worth more than $1 million – excluding mortgages and other debt – would be asked to pay a small annual contribution to fund stronger social support for all New Zealanders.

The net wealth tax will be set at a level where only around 6% of wealthiest New Zealanders will pay the tax – and it will generate the revenue to cover the Guaranteed Minimum Income that ensures everyone in Aotearoa can thrive. This is a transformative structural change that will reduce inequality in Aotearoa.

In 2018, the OECD published a comprehensive report into net wealth taxes. They recommended that in countries where capital income taxes are low, like Aotearoa, then there are strong arguments for having a net wealth tax. Overall, the OECD emphasises the importance of addressing wealth inequality through the tax system:

Wealth inequality is far greater than income inequality, and there is some evidence suggesting that wealth inequality has increased in recent decades. In addition, wealth accumulation operates in a self-reinforcing way and is likely to increase in the absence of taxation.  

The net wealth tax will be set at 1% on net wealth over $1 million and 2% on net wealth over $2 million. This is likely to raise around $7.9 billion in its first year. No one whose individual net wealth is less than $1 million would pay this tax.

We have designed the tax to apply at an individual level, which means that couples who own their assets jointly will only start paying tax if they jointly have over $2 million in net wealth, such as a $2 million house.
Having a broad base and low rate is a generally accepted principle for designing a robust tax system. The net wealth tax would cover most forms of wealth and assets, like property, shares, bonds, business assets, very valuable artwork, etc. These assets have known values because they are either traded often or usually insured.

The net asset tax would require some work by the IRD to develop new tax filing and asset valuation tools. Recent upgrades to the IRD's systems have made this more practical. To minimise compliance costs for businesses, IRD would build an easy online tool that allows a business owner to estimate the value of their business. Individuals who have significant interests in a business could opt out of using this tool and provide their own independently audited business valuations if they prefer.

This tax, like any new tax, would go through a detailed policy development process with opportunities for public input. However, we propose that a Green Party net wealth tax would exclude some assets:

- Normal household assets and consumer goods like furniture, appliances, electronics, and vehicles with values less than $50,000 would be exempt. For most people, their only assets worth more than $50,000 are a home and perhaps some shares or Kiwisaver. Asking people to value normal household assets would be an unnecessary administrative hassle, especially because most household assets are not worth much and depreciate quickly.

- Organisations with assets that are not able to be controlled by individual members and/or are for charitable purposes would not be covered by the wealth tax. While shares in companies would be included, the assets of charities, NGOs, clubs, and other entities would not be part of anyone's individual taxable wealth.

- Māori land under the Te Ture Whenua Māori Act would be exempt and so would the assets of Post-Settlement Governance Entities, such as land returned under a Treaty Settlement or vested in a Treaty Settlement Entity. Māori land is usually owned by dozens or hundreds of people and may have modest monetary value to any individual person, making valuation very complicated. Also, Māori land often cannot be “cashed up” like most other assets can. For Post-Settlement Governance Entities, it would be inappropriate for
the Crown to financially compensate past wrongs and return land that was confiscated or unfairly alienated in the past, and then take some of its value back with a tax, especially because most settlements are a fraction of the actual value of confiscated and alienated land.

Some people, particularly retired people, may have a high value home but only modest income. These people will be able to defer payment of the net wealth tax until the home is sold, just as many councils already allow with rates payments.

Individual wealth held in trusts will be included, through a combination of ‘see through’ provisions, general anti-avoidance tax rules and a tax rate of 2% as a backstop for those unwilling to tie a trust’s assets to an individual. If a trust is clearly linked to a particular person as a beneficiary of that trust, the trust’s wealth will count towards that person’s wealth. If it is not clearly linked to anyone (for example, a discretionary trust with a large number of beneficiaries), the trust would get treated as its own person for tax purposes and taxed at 2% on all assets, with no million dollar threshold. This is similar to how trust income is already taxed at the top income tax rate by default– we are carrying this approach over for the wealth tax.

By extending taxes to assets including trusts, and not just income, we will reduce some of the current opportunities for wealthy people to rearrange their finances to avoid paying tax. Our proposed net wealth tax includes New Zealanders’ assets held offshore, which could be monitored through existing international tax information sharing and double tax agreements.

However, we expect a small number of people would try to hide their wealth to avoid paying tax, so we have factored this into our revenue calculations. Deliberately avoiding tax obligations is illegal, and the IRD has recently put more resources into tracking down tax evasion and enforcing the law. With the Green Party in Government, this tax enforcement work will continue. Instead of chasing beneficiaries for small unpaid debts, we will focus on ensuring very wealthy people pay their fair share.
Who would pay an asset tax?

1. Andrew and Leilani have well-paying jobs and live in a jointly-owned, mortgage-free house worth $1.5 million with their kids. They each have around $80,000 in their Kiwisaver accounts and another $140,000 in a joint savings account. They each have a net wealth of $900,000 so are not affected by the new wealth tax.

2. Holly has an apartment worth $700,000 but her mortgage is $300,000. She also owns a food truck and employs three part-time staff serving gourmet hot dogs. The IRD’s new easy online business valuation tool calculates her food truck business is worth $110,000. Holly pays no asset tax because the combined value of her apartment (minus the mortgage) and her small business is less than $1 million.

3. Wiremu has retired and lives off his NZ Super. He lives in a home worth $1 million and has paid off his mortgage. He has also recently purchased a boat worth $200,000. He pays 1% asset tax on his assets over $1 million, so 1% of $200,000. His annual net wealth tax contribution is $2,000, but given his low income he can choose to defer all or some of this until the time comes to sell his assets.

4. Dan and Lesley own a farm worth $5 million, but only have equity of $2 million as they have $3 million in liabilities (debt). They also have a $600,000 home with no mortgage. They have $1.3 million net wealth each and will be liable for a $3,000 wealth tax each. If one year their income is low because the commodity price for the products their farm produces is low, they can defer their tax payment and pay it later when the commodity price is higher.

5. Grant and Adrian have recently paid off the mortgage on their $900,000 home and their $800,000 rental property. They decide to quit their jobs and start a business making garden furniture. They take out a $300,000 loan against their rental home to start the business. They will not pay any net wealth tax until they've paid off their loan and the value of their business grows to at least $600,000.

6. Bill and Melinda have a $2 million dollar apartment in Auckland, a $1.5 million home on Waiheke Island, and a half share in a $2 million ski lodge in Queenstown. They have a $500,000 mortgage on their properties. Melinda also has shares in a family company worth $1 million. Bill's net wealth is $2 million and he will pay a $10,000 annual contribution. Melinda’s net wealth is $3 million and she will pay $30,000.
2. Progressive income tax
Aotearoa has low income taxes for people who earn high salaries, compared to most other countries. Someone who earns a generous salary of $150,000 is in the same tax bracket as someone who earns half that much.

The Green Party will ask people on high incomes to contribute a little more, to help fund better social support for everyone. We will introduce new income tax brackets of 37% for income over $100,000 and 42% for income over $150,000. We expect this to generate approximately $1.3 billion a year, which will fund improvements for public health, education, income support, and environmental protection.

Who would pay more income tax and an asset tax?

- Cecilia and Jane have paid off their mortgage on their $1.5 million property. They both have the same net wealth. Jane has a $600,000 share portfolio. Cecilia owns a $900,000 rental property that has a $300,000 mortgage. Jane is retired though, whereas Cecilia has a $200,000 salary as a lawyer. Cecilia will be paying an extra $6,500 of income tax a year and also $3,500 of wealth tax so overall will pay an extra $10,000 in tax per year. Jane will be liable for just the wealth tax of $3,500.

3. Closing tax loopholes & minimising tax avoidance
While New Zealand purports to have a “broad base, low rate” tax model there are loopholes and areas of under-taxation, despite some progress over this term of Government. As well as broadening our tax base to net wealth, the Green Party will properly tax the money made by Facebook, Amazon, and other big digital giants in Aotearoa.

This will either be through a unilateral Digital Services Tax of 3% on gross revenues that are attributable to New Zealand users or through working multilaterally through the OECD if international progress can be achieved. The Government has estimated this would raise between $30 and $80 million annually. This will increase people’s trust that the tax system ensures organisations contribute their fair share to our public services.
Phasing and costing

These changes have significant operational implications, which will take time to work through fully. Our plan will be rolled out in two phases.

The first phase will be introduced to take effect as soon as operationally possible, and no later than 1 April 2021. The second phase will be fully implemented by the end of 2023.

Phase 1 – to take effect as soon as operationally possible and no later than 1 April 2021

Total cost: $6,570 million a year in addition to current forecast income support, to be paid for from the COVID Response and Recovery Fund for the first year.

Changes to benefits

Immediately increase support for people with health conditions and disabilities:

- Roll together the “Jobseeker – Health Condition and Disability” benefit category with the “Supported Living Payment” benefit category.
- Increase net payments to 60% of the fulltime net minimum wage (approximately $390 per week).
- Fully individualise these entitlements so people with work-impairing health conditions and disabilities retain their financial independence regardless of relationship status.

Immediately increase all other benefits:

- Ensure all core benefits are at least $325 per week after tax.
- Increase the “Sole Parent Support” payment to $410 per week after tax and extend this rate to sole parents who receive “JobSeeker – Work Ready”.
- Determine the appropriate “living alone” top-up payment needed to ensure people living alone are not in poverty.
Remove unfair restrictions so more people get support as soon as they need it:

- Permanently remove stand-downs for all benefit categories.
- Provide that MSD cannot consider a couple to be in a de facto relationship for benefit eligibility unless that couple would be considered to be in a de facto relationship under the Property (Relationships) Act.
- Provide that relationship income will not be taken into account for Jobseeker eligibility for the first three months of receiving this payment.

Improve the support provided by WINZ by:
- Ensuring all WINZ staff are trained to provide tailored support for people seeking work or training, and specialist staff are available at every WINZ office to assist in meeting more complex needs such as drug and alcohol addiction.

*Cost in the first year after implementation, additional to current benefit settings: $2,680 million.*

**Universal student allowance:**

Support for students:

- Provide that the student allowance will be paid at current rates regardless of age, parental income, relationship status, or partner’s income.
- Provide for annual adjustments to the amount of the student allowance in line with average wage increases.

*Cost in the first year after implementation, additional to current student support settings: $1,290 million.*

**More support for families**

Reform Working for Families by:

- Increasing Best Start to $100 and making this a universal payment for every child under three.
- Simplifying all other Working for Families credits as a single Family Support Credit of $190 for the first child and $120 for subsequent
children, with annual percentage increases in line with the average wage.

- Increasing the abatement threshold for Working for Families to $49,000 and reducing the abatement rate to 20%. The abatement threshold will also be adjusted annually in line with average wage increases.

Cost in the first year after implementation, additional to current Working for Families settings: $2,600 million

**Phase 2 – to be fully implemented by the end of 2023**

Total cost: $12,610 million a year. To be paid from new revenue ($6,710 million) and reallocating $5,900 million from the ACC investment fund.

**Integrate all health condition and disability income support into ACC**

Pass legislation to expand ACC income support eligibility to anyone with a work-impairing health condition:

- Rename ACC the Agency for Comprehensive Care and ensure it is set up for a new operating approach of providing integrated income support and work-accessibility support for all health conditions and disabilities (while also retaining current functions of funding medical care for injuries caused by accidents).

- Bring people with existing health conditions currently supported by the main benefit system into the ACC system, with a payment rate of 80% of the fulltime minimum wage for anyone with a health condition or disability that impairs their ability to do paid work as the minimum payment regardless of cause of impairment or work status at the time the impairment emerged. Freeze the maximum payment rate until this is equivalent to 80% of 1.5 times the average fulltime wage, and provide that it will not exceed this level long term.

- From 2024, provide for a payment of 80% of actual salary up to the maximum payment rate for people who develop work-impairing health conditions while in paid work, regardless of cause.

- Provide for the ACC investment fund to be redirected towards income support, with a pay as you go approach rather than a fully future funded approach to financial management.
Introduce a more sustainable approach to ACC levies to ensure these can cover the costs of the expanded coverage without higher rates on low and middle income earners, by working towards flat rate levies for all employers, and providing that employee levies will be paid on all earnings over the minimum liable threshold. Legislate for this change to take effect from 2025, with costs borne from the investment fund in the interim. Levies will not change for at least five years. This will add $5,900 million in costs to the ACC scheme the first year of implementation, of which $3,250 million are costs that would otherwise have been by MSD by 2023. This will be paid for from the ACC investment fund (currently valued at $46 billion). The $3,250 million no longer borne by MSD will be redirected at other income support initiatives.

Fully transition to a Guaranteed Minimum Income:

- Rationalising benefits for people without health conditions into a single system of support with a base payment of at least $325 or 33% of the previous year's average wage and a top-up payment of $110 for sole parents.

- Bringing the student allowance scheme into the GMI model so that all students are eligible for the full $325/week base payment with the same approach to income abatement as anyone else.

- Removing benefit sanctions.

- Legislate for review every five years of the level at which the GMI is set, to ensure this is sufficient to live without poverty.

- Implementing a “living alone” GMI top-up payment to ensure people living alone have adequate support.

- Create fair abatement settings for the GMI by:
  - Establishing an abatement threshold of $165 per week and a 65% abatement rate for income earned by an individual.
  - Establishing a higher abatement threshold and progressive abatement rate based on partner/spouse income. Income will not abate until a partner earns at least the fulltime minimum wage, then will abate at 30% until the fulltime average wage, and at 55% thereafter.
Index the abatement thresholds to average wages (or shift in the minimum wage, as relevant).

In the first year of full implementation this will cost $3,950 million beyond projected social welfare costs, noting costs of income support for people with health conditions will be met through the revised ACC operating model.

Cost summary ($ millions), in addition to status quo forecasts

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<th>Phase 2 (by 2023) Costs in first year of implementation</th>
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Revenue summary ($ millions)

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<td>Income tax increases</td>
<td>323</td>
<td>1,290</td>
<td>1,290</td>
<td>1,290</td>
</tr>
<tr>
<td>Digital Services Tax(^\text{11})</td>
<td>0</td>
<td>55</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>323</td>
<td>9,275</td>
<td>9,795</td>
<td>10,340</td>
</tr>
</tbody>
</table>

The income tax changes will come into force on 1 April 2021. The Net Wealth tax will have a longer policy development process but will come into force by 31 March 2022 to collect tax on the financial year 21/22. The Digital Services Tax will come into force in time for the 21/22 year.

New revenue that isn't needed to fund the Guaranteed Minimum Income can be used to fund other Green Party policy priorities.
Modelling assumptions
The calculations for the income tax and net wealth tax revenues were done with models created by the Parliamentary Library. The model for the income tax increases in based on BEFU2019 data. This is likely to be high for 2020/21 and 2021/22, but low for 2022/23. We have kept the revenue static over the three years as there is no better data available currently and any decrease in revenue in 2020/21 and 2021/22 would likely be made up in 2022/23. The model also decreases forecast revenue by 10% to allow for the effect on indirect taxes through changes in consumption and on direct tax through changes to GST, excise duties, and company profits.

The model for the net wealth tax is based on a combination of data from Stats NZ’s Household Economic Survey and the Reserve Bank’s Household balance sheet. Stats NZ’s data allows for a breakdown of assets, liabilities, and net wealth by various demographic indicators, however it tends to under-report the total value of net wealth in Aotearoa. The Reserve Bank’s data is an aggregate, so does not allow a breakdown but gives a more accurate overall figure of net wealth.

The model increases the wealth in each net wealth band as sourced from Stats NZ’s Household Economic Survey, so that the aggregated net wealth figure matches the latest net household wealth figure published by the Reserve Bank. The model increases the wealth in the higher net wealth bands by a larger percentage (given research showing that these bands tend to hold greater levels of financial assets, which tend to be under-reported). The model also enables a forecast of revenue by increasing net wealth by 1.2% per quarter, which is the average growth rate recorded from the December 2007 quarter (the peak prior to the Global Financial Crisis) through to the December 2019 quarter.

An adjustment also needs to be made for likely avoidance and evasion when collecting a net wealth tax. The model assumes that 35 percent of any such revenues will be foregone, as this was the assumption made by the Canadian Office of the Parliamentary Budget Officer in 2019 when considering a wealth tax.
Sources and notes

2 MSD and Stats NZ do not publish data about the number of people this would cover, in a form that would make estimating the cost of such a payment possible. We expect the overall fiscal effect to be modest, compared to most other proposals in this policy document.
4 Stats NZ, 2018 Census data.
8 Parliamentary Library model of a net wealth tax in New Zealand, as described on page 21
9 The average Kiwisaver balance in 2019 was $19,426, but across other retirement funds the average fund balance at age of retirement is much higher. https://www.fma.govt.nz/news-and-resources/media-releases/kiwisaver-report-2019/

www.greens.org.nz/
poverty-action-plan