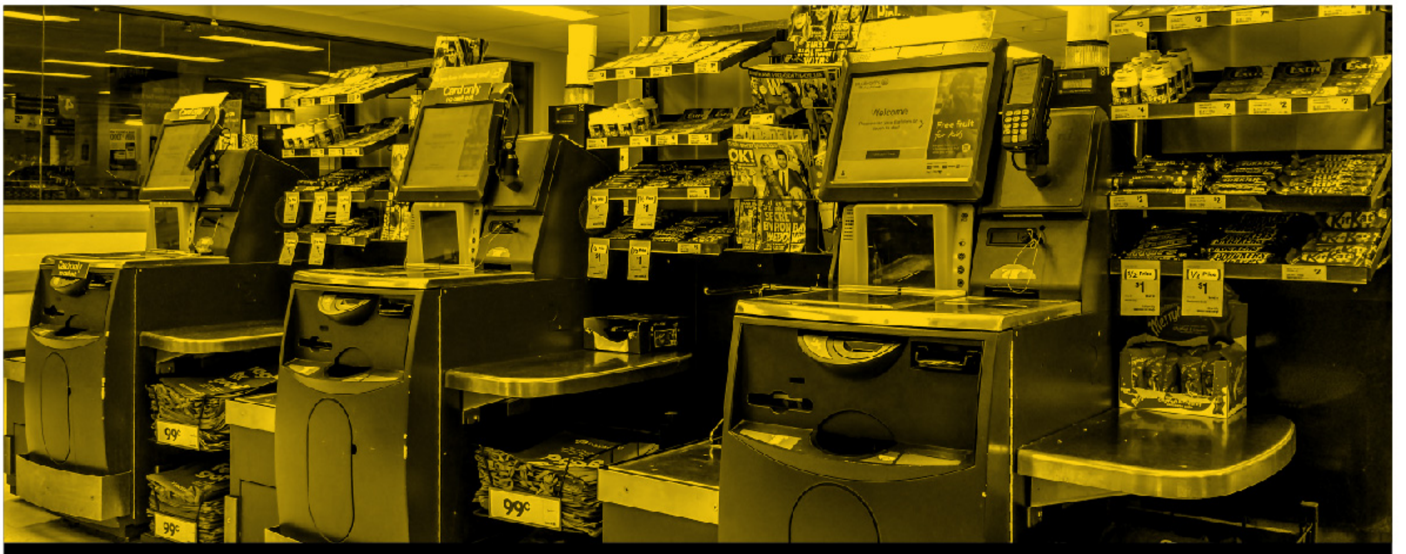

KIWI DIVIDEND (UNIVERSAL BASIC INCOME)

A Modern, Simple and Fair Welfare and Tax System

TOP.
Vote Different

June 2020

THE KIWI DIVIDEND POLICY

Introduction

Over the past three decades, due to the adoption of certain government policies, there has been an increasing spread in wealth across New Zealand's society. New Zealand has traditionally seen itself as an egalitarian society but is now one of the most unequal amongst developed countries. Not only has this put a strain on our national values and identity but it has caused a lot of negative impacts on our fellow countrymen and women, such as high levels of: homelessness, families in poverty, poor mental health, prison incarceration, and preventable disease incidence. What is occurring in our country is an abhorrence given our national values and New Zealanders want better.

If we wait for gradual change, the outlook is looking bleaker before it gets better (if it ever will). The Covid-19 pandemic has had a dramatic impact on job security and the unknown path it may take could still affect many more industries and jobs. In addition to this, two more long-heralded disruptors to jobs are starting to make their presence felt: climate change and automation.

Climate change is making its presence felt in changes to weather patterns which we have depended on in terms of where and how we live and what products we produce and export. More frequent occurrence of flooding and droughts and erosion of coastal land will impact our lifestyles and employment and force us to make changes to our lives.

Automation, in the forms of robotics and artificial intelligence, is growing exponentially and is eroding away traditional work roles, threatening many jobs and forcing change to others.

New Zealand's tax and welfare structure is not fit for purpose now and is poorly placed to deal with the outlook for the future. The benefit application process is highly bureaucratic and punitive, meaning some of the neediest, who the system was intended to help, miss out altogether. The system is both costly to administer for all taxpayers and dehumanising for those applying to use it.

The current 'Jobseeker' benefit is perversely named, as it achieves the opposite effect. For those on this benefit, the abatement levels of working and the bureaucracy encountered in changes to benefit entitlement, create a disincentive to seek work.

There is a need for bold change to the tax and welfare system for New Zealand to get back to being the country it wants to be, looking after the well being of all its people, and TOP has the policy to make this change – with the introduction of the Kiwi Dividend.

The Kiwi Dividend

TOP's policy is to introduce the Kiwi Dividend. The Kiwi Dividend is an amount paid to all New Zealand residents under the age of 65, which recognises and rewards the contribution they make to our society. This dividend will have an immediate dramatic effect of addressing the issues of inequality and poverty, while giving everyone a greater sense of belonging and connection. There will be numerous flow-on benefits achieved, such as reduced physical and mental health incidences as well as more voluntary and entrepreneurial activity adding to the quality of society for the benefit of all New Zealanders.

How it works

The Kiwi Dividend would be paid to all New Zealand citizens and permanent residents over the
age of 18. It replaces all benefits of a lesser value (e.g. Supported Living Payments and the Jobseeker benefit). People on higher benefits would be no worse off.

There would also be a Kiwi Dividend for each child which would be paid to the parent(s) of all children under the age of 18. This would replace Working For Families of lesser value, those receiving higher rates would be no worse off.

The Kiwi Dividends that would be received would be:

- $13,000 for every New Zealand resident adult between the ages of 18 and 65
- $2,080 for every New Zealand resident child up to the age of 18

In conjunction with the Kiwi Dividend would be a change to the tax structure, with the advent of a single tax rate of 33%. This single tax rate would apply to all income and on all tax entities. Because it would be introduced ***in combination*** with the Kiwi Dividend, the tax system is progressive – with those on higher incomes paying a higher proportion of tax than those on lesser incomes.

Some Context …

New Zealand has undergone fundamental changes in tax policy before now, in response to changing circumstances. Early in the nation's history, customs duties and land taxes formed the bulk of income. Income taxes only gained significance in the 20th century due to the World Wars and the Great Depression. The Rogernomics reforms of the 1980s introduced a consumption tax in the form of Goods and Services Tax (GST). A comprehensive Capital Gains Tax was also going to be introduced, until the David Lange "stop for a cup of tea" pause in the reforms.

In the past three to four decades since the last major reforms, there have been significant changes to society, business, and the world as a whole, yet the taxation the system has remained the same. The lack of a comprehensive Capital Gains Tax has seen housing and property-based businesses (e.g. farms) become tax-favoured assets. TOP plans to address this distortion and treat all investments equally, leading to more affordable housing and more investment in the productive economy (refer to TOP's Property Tax policy).

TOP's Kiwi Dividend & tax policies are tax neutral, meaning that the total amount of tax collected is the same overall, but there is a redistribution of who pays the tax.
The fundamental principles and purposes of these reforms are to:

1. Integrate the tax and welfare systems;
2. Tax all investments and all income the same;
3. Make the tax and welfare system progressive, redistributive, and as simple to administer as possible; and
4. Give all people the right to a basic level of income, ensuring they are able to live with dignity as well as recognising unpaid contributions to society.

The Benefits of the Kiwi Dividend Policy

The benefits of the Kiwi Dividend and tax changes that would occur are:

- Reflect the value of unpaid work in the community. Our communities would simply not function without the enormous amount of unpaid work that goes on every day in the social, sports, cultural and charitable groups in the community and by family members within households.
- Reduce poverty and inequality. There are 50,000 families in New Zealand that are working but still in poverty. The UBI would help the working poor in particular, who are falling through the gaps under the current system.
- Remove the disincentive to work. Current benefits reduce as people earn, reducing the incentive to work. Sometimes people are actually worse off for working. No wonder they turn down temporary or seasonal work or the chance for extra hours when they come along. The UBI would remove that disincentive and make sure that all effort is rewarded equally.
- Future proof the benefit system. With artificial intelligence and automation, work is becoming increasingly sporadic. People will be moving in and out of the workforce, and the complex benefit system won't be able to cope. The Kiwi Dividend will provide some level of income security for people and ensure that working is encouraged.
- Encourage retraining and starting a business. To deal with a more dynamic workplace, we need to encourage people to retrain and start businesses. A UBI would provide some income security for people while they are doing that.
- Provide rapid response financial stimulus and emergency support. In situations such as the COVID 19 crisis or natural disasters such as the Christchurch earthquake there is a need for rapid financial assistance to large numbers of people from all walks of life who are unable to work, to afford food and the necessities of life. A temporary increase to the Kiwi Dividend ensures an almost instant response without needing to involve employers or applications to an overwhelmed welfare system. When a financial stimulus is desired following a global shock such as the GFC in 2008 again a temporary boost to the Kiwi Dividend pumps additional money into the economy faster and in a far more distributed manner than government projects.
- Rangatiratanga and dignity. Finally, a Kiwi Dividend recognises that people have value. We are a wealthy, advanced society, and people should get a share of those gains. This universal dividend gives people a greater say over their own lives, which is the essence of rangatiratanga. Maori in particular have given up the ability to hunt, gather and survive on these lands in order to establish property rights as a part of modern society. This sacrifice has led to society as a whole becoming vastly wealthier than before. The Kiwi Dividend acknowledges that sacrifice.

Experiences from Other Countries

There have been several trials or quasi-experiments conducted on Universal Basic Income style programs. Below is an outline of some of these cases:

- A trial was conducted in Manitoba, Canada from 1974 to 1979. While a relatively small amount was paid to residents of the town of Dauphin over this time, the impact when studied later was of better health outcomes relative to other townships in the region. Specifically, mental health incidences and hospitalisations from accidents diminished. It also showed improved education outcomes with an increase in students completing the final year of secondary schooling.[1]

- In the Great Smoky Mountains Study of Youth, a longitudinal study was undertaken on a Native American tribe where distributions from casinos were made unconditionally to its members. The study found that the payments had a significant effect on the emotional wellbeing of the children, and they had longer time in school and better employment prospects. The study also recorded an improvement in relationships between the children and their parents and a reduction in alcohol consumption by the parents.[2]

- A Basic Income experiment was undertaken recently (2017) in Finland. Preliminary findings show the wellbeing of the basic income recipients was clearly better than that of the control group. Those in the test group experienced significantly fewer problems related to health, stress, and ability to concentrate than those in the control group. According to the results, those in the test group were also considerably more confident in their own future and their ability to influence societal issues than the control group.[3]

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[1]**References**

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[2]

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[3]http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161361/Report_The%20Basic%20Income%20Experiment%2020172018%20in%20Finland.pdf?sequence=1&isAllowed=y

CONCLUSION

The introduction of the Kiwi Dividend and tax change proposals:

- Addresses the high incidence of poverty and inequality in New Zealand society
- widens the NZ tax base
- makes the tax system more progressive and fairer, by pushing the tax burden towards those who can most afford it
- encourages investment in productive assets
- is tax neutral, collecting no additional tax overall

The impact of the Kiwi Dividend is to push the minimum wage above the living wage without any further changes to pay rates paid by employers.

All members of New Zealand society benefit from the low-on benefits that these changes will occur – lower crime rates, lower government expenditure on benefit administration and better access to health services from the preventative health effects of reducing poverty.

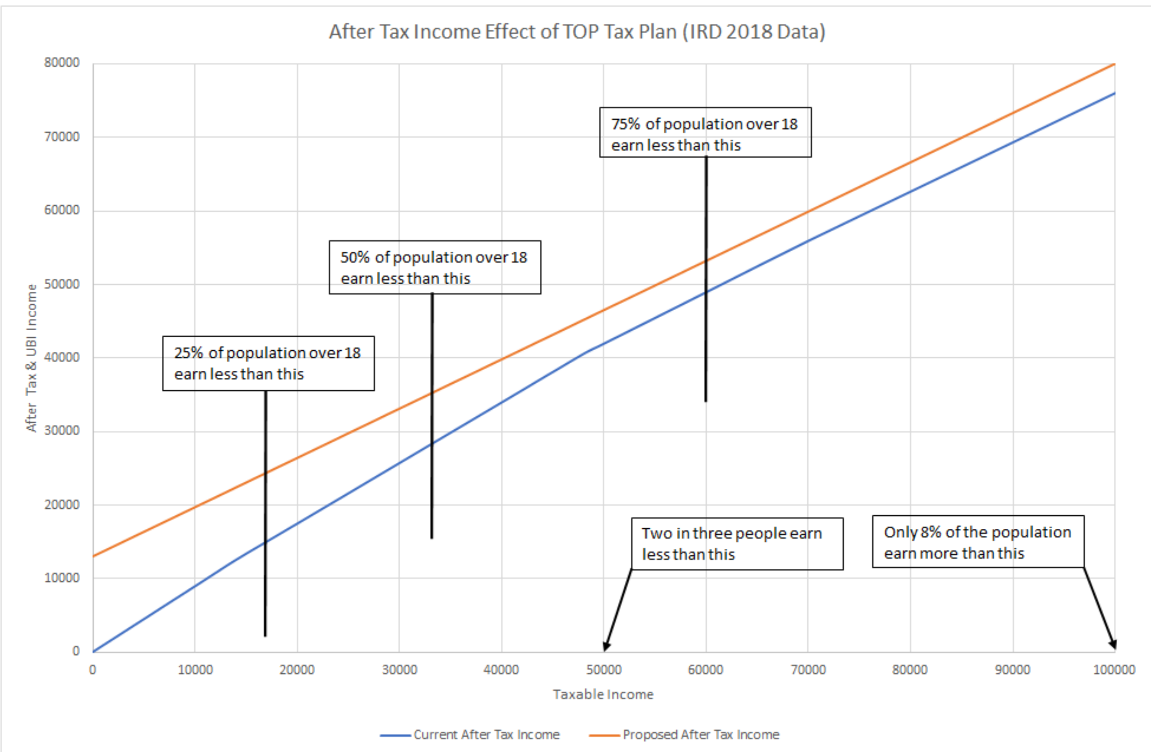
The time for incremental change is over. The time for this bold policy has arrived and its need is now and into the foreseeable future.

Appendix One: Changes to Tax Levels by Income Level

TOP proposes paying every taxpayer over the age of 18 $13,000 per year tax free as a universal entitlement, a flat tax of 33% would then be applied to all income earned. This results in an income tax cut for all wage and salary earners. The following table shows the change in income tax depending on current income.

Income	Current Tax	Current Take Home Pay	Proposed Tax	UBI	Proposed Take Home Pay	Increase After Tax Income
$ -	$ -	$ -	$ -	$ 13,000	$ 13,000	$ 13,000
$ 10,000	$ 1,050	$ 8,950	$ 3,300	$ 13,000	$ 19,700	$ 10,750
$ 14,000	$ 1,470	$ 12,530	$ 4,620	$ 13,000	$ 21,380	$ 9,850
$ 20,000	$ 2,520	$ 17,480	$ 6,600	$ 13,000	$ 26,400	$ 8,920
$ 30,000	$ 4,270	$ 25,730	$ 9,900	$ 13,000	$ 33,100	$ 7,370
$ 40,000	$ 6,020	$ 33,980	$ 13,200	$ 13,000	$ 39,800	$ 5,820
$ 48,000	$ 7,420	$ 40,580	$ 15,840	$ 13,000	$ 45,160	$ 4,580
$ 50,000	$ 8,020	$ 41,980	$ 16,500	$ 13,000	$ 46,500	$ 4,520
$ 60,000	$ 11,020	$ 48,980	$ 19,800	$ 13,000	$ 53,200	$ 4,220
$ 70,000	$ 14,020	$ 55,980	$ 23,100	$ 13,000	$ 59,900	$ 3,920
$ 80,000	$ 17,320	$ 62,680	$ 26,400	$ 13,000	$ 66,600	$ 3,920
$ 90,000	$ 20,620	$ 69,380	$ 29,700	$ 13,000	$ 73,300	$ 3,920
$ 100,000	$ 23,920	$ 76,080	$ 33,000	$ 13,000	$ 80,000	$ 3,920

Note: the table does not include ACC levy of 1.39%



Graph showing the effect on take home pay of the flat tax and UBI proposal.

Appendix Two: Government Income and Expenditure Impacts

The table below shows the cost of the UBI, the RFRM tax and other changes to the tax system. All dollar values are shown in millions.

Population Info	
All people over 18 years of age	3,750,000
Current Transfer Recipients	1,100,000
New UBI Recipients	2,650,000
Cost of UBI Implementation @ $13,000 each (A)	**-$34,450**
Tax Information	
Current Total Taxable Income (B)	$179,247
Current Tax Received (C)	$36,850
Current Transfers Cost* (D)	$20,228
Current Transfer Tax Received (E)	$2,832
Current Non Transfer Tax Received (F)=(C-E)	$34,018
Non Transfer Taxable Income (liable for 33% tax) (G)=(B-D)	$159,019
Income Tax Received at 33% (H)	$52,476
Additional Income Tax Received (I)=(H-F)	**$18,458**
RFRM Tax	
Current Housing Stock Value ($ Millions)	$1,157,000
Current Housing Loans Value	$275,000
Current Housing Equity	$882,000
Current Tax Collected	$650
Deemed Income By RFRM @ 3%	$26,460
Tax on RFRM Income @ 33%	$8,732
Less Tax Already Collected (J)	**$8,082**
Overall Effect on Revenue	
Overall Effect On Government Revenue (I+J-A)	**-$7,910**
Additional Government Savings	
Additional GST Collected	$2,000

Removal of Interest Free Student Loans (UBI Better)	$600
First Year Free Tertiary Study (UBI Better)	$400
Best Start	$231
Working For Families	$2,700
Paid Parental Leave	$400
KiwiSaver	$900
Student Allowances (Save 2/3rds of cost, UBI Better)	$300
Ministry of Social Development Savings	$500
Inland Revenue Savings	$300
Overall Effect on Government Fiscal Position	**$421**

*transfer costs included in the table are NZ Super, Jobseeker, Supported Living and Sole Parent Support. This covers almost all the direct taxable payments.