



Short Term Personal Tax Cuts

With the right economic policy, we can grow and rebuild our economy from the biggest economic downturn in living memory.

Our economy needs stimulus to ensure it rebounds quickly from the recession, jobs are saved and households and businesses have confidence.

New Zealand has suffered a second lockdown, worsening fiscal and economic projections and the largest economic contraction in New Zealand's history.

More than 70,000 New Zealanders have gone on to unemployment benefits since March and the Treasury forecast an additional 100,000 will lose their job in the next two years.

It has become clear immediate fiscal stimulus is needed to boost the New Zealand economy, inject cash and confidence into households and businesses and restore our economic prospects.

The best short term stimulus is to allow New Zealanders to keep more of their money so they can spend it on what they need. The alternative is to tax New Zealanders more and only let the Government spend the money on its pet projects.

The Policy

National will deliver massive tax stimulus for hard working New Zealanders, putting more than \$3000 extra in the back pockets of the average New Zealander.

National will increase tax thresholds by lifting the bottom threshold from \$14,000 to \$20,000, the middle threshold from \$48,000 to \$64,000 and the top threshold from \$70,000 to \$90,000.

These changes will be in place from 1 December 2020 to 31 March 2022. More than 2.6 million New Zealanders will benefit from these tax cuts, including more than 1 million New Zealanders who will benefit by more than \$2500.

Current thresholds

Lower Threshold	Upper Threshold	Tax Rate
\$0	\$14,000	10.5%
\$14,000	\$48,000	17.5%
\$48,000	\$70,000	30%
\$70,000	+	33%

Proposed thresholds

Lower Threshold	Upper Threshold	Tax Rate
\$0	\$20,000	10.5%
\$20,000	\$64,000	17.5%
\$64,000	\$90,000	30%
\$90,000	+	33%

Savings

Income	Weekly Savings	Total Savings (16 Months)
\$30,000	\$8.1	\$560
\$40,000	\$8.1	\$560
\$50,000	\$12.9	\$893
\$60,000	\$36.9	\$2,559
\$64,000	\$46.5	\$3,226
\$70,000	\$46.5	\$3,226
\$80,000	\$52.3	\$3,626
\$90,000	\$58.1	\$4,026



Our policy will generate significant savings for middle-income earners. Average earners will benefit by \$46.50 per week, or \$3226 over the 16 month period. This will give New Zealanders the confidence to consume, which will benefit the economy.

Middle income earners receive the largest benefit as a proportion of their income (see figure 1 below). As a proportion of income, the largest benefit is for someone on the average income of \$64,000. There are no further tax savings for incomes over \$90,000.

A single superannuitant will be \$560 better off under these changes and a superannuitant couple will be \$1000 better off, not including

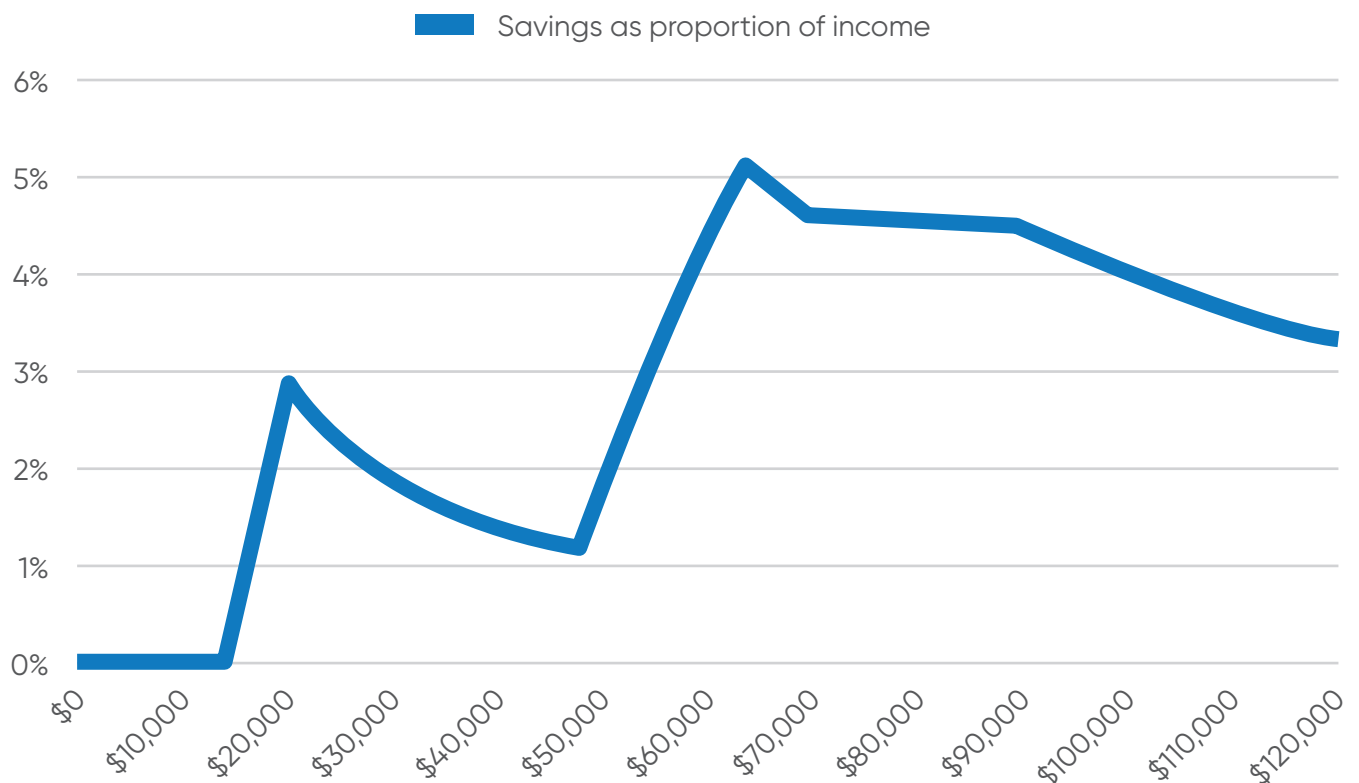
the increase as a result of the increase in the after-tax average income. These savings are in addition to the Winter Energy Payment, which will not change under National.

Changes to income tax brackets have no direct effect on working for families or other benefits (like the accommodation supplement) because those benefits are linked to pre-tax income.

Fiscal Impact

The total cost of the package is estimated to be \$4.7 billion over the 16 month period. This includes \$2.0 billion in the 2020/21 fiscal year and \$2.6 billion in the 2021/22 fiscal year.

Tax Savings to Income Ratio





Average Tax Rate by Income Level

Average Tax Rate Current Average Tax Rate New

