

What does tax indexation mean for me?

What is tax indexation?

Indexing tax thresholds would mean that every three years the tax thresholds would increase automatically to keep them in line with inflation.

That means you wouldn't move into higher tax brackets when your income isn't keeping up with the rising cost of living.

National believes New Zealanders deserve to keep more of what they earn, especially when costs are rising faster than incomes.

How much will tax indexation save me?¹

Hamish is a primary school teacher and earns \$52,000 a year. He will save:

- Year 1 - 3: \$430 per year
- Year 4 - 6: \$630 per year
- Year 7 - 9: \$690 per year
- Year 10: \$770 per year
- **Total savings over 10 Years: \$5,990**



Petra is a nurse who earns \$62,000 a year. She will save:

- Year 1 - 3: \$430 per year
- Year 4 - 6: \$890 per year
- Year 7 - 9: \$1,360 per year
- Year 10: \$1,880 per year
- **Total savings over 10 Years: \$9,910**



Katie is an accountant and Patrick works part-time in IT while also looking after their three kids. They earn incomes of \$80,000 and \$40,000 a year, respectively. They will save:

- Year 1 - 3: \$620 per year
- Year 4 - 6: \$1,280 per year
- Year 7 - 9: \$1,850 per year
- Year 10: \$2,450 per year
- **Total savings over 10 Years: \$13,690**



¹ Assuming 2 per cent inflation every year (ie, the midpoint of the Reserve Bank target)

What will the new tax thresholds be?

Current tax thresholds are:

\$	-	\$	14,000	10.50%
\$	14,000	\$	48,000	17.50%
\$	48,000	\$	70,000	30%
\$	70,000		+	33%

The first adjustment, assuming 2 per cent inflation, would result in tax thresholds of:

\$	-	\$	14,900	10.50%
\$	14,900	\$	50,900	17.50%
\$	50,900	\$	74,300	30%
\$	74,300		+	33%

The second adjustment, assuming 2 per cent inflation, would result in tax thresholds of:

\$	-	\$	15,800	10.50%
\$	15,800	\$	54,100	17.50%
\$	54,100	\$	78,800	30%
\$	78,800		+	33%

The third adjustment, assuming 2 per cent inflation, would result in tax thresholds of:

\$	-	\$	16,700	10.50%
\$	16,700	\$	57,400	17.50%
\$	57,400	\$	83,700	30%
\$	83,700		+	33%

What is the effect on tax revenue?

The first adjustment would cost approximately \$650 million a year in less tax revenue collected by the Crown based on the Treasury's most recent 'Aggregate Personal Income Tax Revenue Estimate Tool' for 2018/19.