

Labour's COVID-19 Revenue Policy

- **No tax changes for 98% of Kiwis; new top tax rate of 39% on income earned above \$180,000**
- **Closing loopholes so multi-national corporations pay their fair share**

Labour is committed to managing the Government's books responsibly by keeping a lid on debt while supporting our people and the economy through the 1-in-100 year shock caused by COVID-19.

We have made considerable investments to cushion the blow of COVID-19 on households and businesses. This includes:

- Emergency measures like the Wage Subsidy and COVID-19 Leave Support schemes which have paid out more than \$13.9 billion, protected more than 1.7 million jobs and supported 413,000 businesses.
- Small business cashflow loans worth over \$1.54 billion.
- Setting aside \$3 billion for business tax refunds.

We are also making considerable investments in infrastructure to create jobs by building the roads, hospitals and schools New Zealand needs, to make up for the underinvestment by the previous Government. From 2018 to 2024, our infrastructure plan is investing more than \$61 billion to create jobs and future-proof the economy. That's 77% more than the amount invested during the last seven years of the previous Government.

Labour's revenue policy for the 2020 election reflects our commitment to keeping debt under control while making the investments needed to create jobs and support the economic recovery.

The change to the top income tax rate, and a possible digital services tax on multi-nationals, will be the only new taxes Labour will introduce during the next term of Parliament. We have already committed to not raising fuel excise taxes in the next 2021 GPS on land transport. Other Government levies and duties will be adjusted as per normal government practice, and will be set out in each year's Budget documents.

Labour has a strong track record of keeping debt under control. Under Michael Cullen, Labour reduced net debt of 23.9% of GDP inherited from the Bolger/Shingley National Government to 5.4%. The current Government reduced the debt inherited from the previous National Government to below 20% of GDP. Our current debt management plan means New Zealand's debt will remain considerably lower than other countries.

Top tax rate

Labour will introduce a new top tax rate of 39% for any income a person earns above \$180,000.

The existing thresholds will remain the same. This means the 98% of New Zealanders earning less than \$180,000 will not be affected by this change.

Having the 2% who earn above \$180,000 pay 39% on that income will mean New Zealand's top tax rate remains in the bottom third of the 36 OECD countries. The new rate means New Zealand's top rate will continue to be much lower than Australia's top rate of 47% (including 2% Medicare levy) for income earned above A\$180,000.

The new rate will mean New Zealand's progressive income tax thresholds will be:

- Any income up to \$14,000: 10.5%
- Extra income over \$14,000 and up to \$48,000: 17.5%
- Extra income over \$48,000 and up to \$70,000: 30%
- Extra income over \$70,000 and up to \$180,000: 33%
- Extra income over \$180,000: 39%

What it means:

Income	Percentage of income earners in each band *	Income tax change
\$1 to \$50,000	66.04%	No change
\$50,001 to \$100,000	25.98%	No change
\$100,001 to \$150,000	5.03%	No change
\$150,001 to \$180,000	1.02%	No change for anyone earning up to, and including, \$180,000 a year
\$180,001 to \$200,000	0.42%	An extra \$23 a week, or \$1,200 per year for a person earning \$200,000
\$200,001 to \$220,000	0.30%	An extra \$46 a week, or \$2,400 per year for a person earning \$220,000
\$220,001 to \$240,000	0.23%	An extra \$69 a week, or \$3,600 per year for a person earning \$240,000
\$240,001 to \$260,000	0.18%	An extra \$92 a week, or \$4,800 per year for a person earning \$260,000
\$260,001 +	0.78%	

* Data from IRD - Income distribution of individual customers. Accessed from: <https://www.ird.govt.nz/about-us/tax-statistics/revenue-refunds/income-distribution>

Closing loopholes so multi-nationals pay their fair share

Labour is also committed to closing loopholes so that multi-national corporations pay their fair share of tax, levelling the playing field for New Zealand companies.

We've already made significant changes targeting multi-nationals, including preventing these companies from using loopholes to shift profits offshore and avoid New Zealand tax.

We are committed to finishing this work to level the playing field for New Zealanders and local companies. Labour will continue to proactively work with the OECD in order to find a workable solution to the issue of multi-national corporations not paying their fair share of tax, and if that solution cannot be found, Labour will work towards implementation of a Digital Services Tax. The final rate for this will be set once the international position is clear.

Financials

- The new top income tax rate is estimated to generate about \$550 million of additional revenue per year.
- The proposal to introduce a digital services tax on multi-nationals has been estimated by IRD to generate between \$30 and \$80 million a year, dependent on the final design.

Examples

This change to the top income tax rate will affect the 2% of New Zealand income earners who earn extra income above \$180,000; 98% of people will not be affected.

Example one – person who is earning at the new top tax rate: A person who earns \$180,000 a year will pay no additional tax.

Example two – a person earning more than \$180,000: A person who earns \$200,000 a year will pay an additional \$23 a week in income tax, or \$1,200 a year. The new tax rate will only affect any income they earn above \$180,000 – all income below \$180,000 will continue to be taxed at the current lower rates under New Zealand's progressive tax rate system.

Example three – a household with income above \$180,000: A household with \$240,000 of income through two people who both earn \$120,000 will pay no extra tax – as both individuals are below the new top rate threshold of \$180,000.