

Labour's COVID-19 Revenue Policy

Q: What other tax policies will Labour announce this election?

A: Today's announcement is the full extent of Labour's revenue policy for the 2020 election. We have already said we will not raise fuel taxes under the next 2021 GPS on land transport, and today we are committing to not implementing any further new taxes or any further increases to income tax next term. Other Government levies and duties, such as for ACC, alcohol and tobacco, will be adjusted as per normal government practice, and as set out in each year's Budget documents. We have also committed to investigating, along with Business NZ and the Council of Trade Unions, a social insurance scheme to protect New Zealanders' incomes and support their re-training if they lose their jobs.

Q. How will New Zealand's top tax rate compare to other countries?

A. New Zealand's top tax rate will still be in the bottom third within the OECD – a group of 36 advanced economies – and will be lower than many of the countries we compare ourselves to, including Australia. For example, Australia has a top income tax rate of 47% for income above A\$180,000. Australia also has a 39% tax rate for income above A\$90,000 (both rates include Australia's 2% Medicare levy).

Q: How much money will be raised?

A: A new top tax rate on income above \$180,000 is forecast to generate \$550 million of revenue a year.

The digital services tax proposals to level the playing field by making multi-nationals pay their fair share would raise between \$30 million and \$80 million a year. Their implementation is dependent on whether there is an agreement on a similar measure at the OECD.

Q: What will you do with the money that this new top rate raises?

A: New Zealand, along with the rest of the world, is facing a 1-in-100 year economic shock due to COVID-19. While we've borrowed to cushion the blow through emergency measures like the Wage Subsidy, we are committed to continuing to manage the Government's books carefully. The money raised will go towards keeping debt under control and making sure we can balance that with continued investments to create jobs, and support critical public services like health and education.

Q: How much extra tax will people pay?

A: The new top rate will affect only 2% of earners, and will apply only to any income earned above \$180,000. This means someone on \$180,000 won't pay any more tax. A person earning \$200,000 a year will pay an extra \$23 a week, or \$1,200 per year.

Q: Why did you choose \$180,000 as the threshold for the new top rate?

A: This covers the top 2% of income earners, and means that they will pay a little more to pitch in to support essential services like health and education as we respond to COVID-19. New Zealand previously had a top income tax rate of 39% during the 2000s. The \$180,000 threshold also matches the threshold for Australia's top income tax rate – although New Zealand's top rate will be lower (at 39% vs 47% in Australia, including the 2% Medicare levy).

Q: Will New Zealand put a digital services tax in place if the OECD can't reach an agreement?

A: It's only fair that multi-national corporations pay their fair share. If the negotiations at the OECD level don't reach an agreement, then New Zealand will follow other countries that have already announced that they will introduce digital services taxes. We're already doing the work on this so that we can move quickly if the OECD doesn't reach agreement.

Q: Will trust rates change as well?

A: We are not going to increase the trust rate because there are legitimate reasons for people to use trusts. But if we see exploitation of the trust system then we will move to crack down on those people

who are exploiting it. The Government has invested more than \$30 million into IRD's capacity to go after people dodging their tax obligations, and we will continue this work.