

A country where everyone thrives: three tax proposals to rebuild a better New Zealand



We stopped coronavirus together. Now let's rebuild together.

New Zealand has done brilliantly against Covid-19. We've made sacrifices, stayed at home, and turned our lives upside down, in the ultimate team effort. We've understood that each of us is safe only if every one of us is.

But large numbers of us still need help, especially people who have lost income and whose businesses are in trouble. We've also seen how badly stretched some of our core public services are.

In coming years our people in government will need more revenue so that we can rebuild New Zealand as a more resilient country, with social services and physical infrastructure that support everyone. It is not for us to say exactly how much more revenue is needed: that is for all New Zealanders to decide. But current funding is clearly inadequate.

In addition, the tax system should ensure the pain of the recovery is evenly spread. We should ask for a greater contribution to the recovery from those who can most afford it.

We call for three major changes so that tax helps rebuild a more resilient and caring country:

1. **A higher rate for those with high incomes.** Currently people on \$700,000 pay the same top tax rate – 33% – as people on \$70,000. That makes little sense. In Australia, they'd pay 45%; in Denmark, 56%. We propose a new 50% tax rate on income over \$150,000. This would reduce inequality, fund public services better, and help share the load for the rebuild.
2. **A net wealth tax.** While most of us pay tax on every dollar we earn, the wealthiest often pay little in tax, IRD research shows. The majority of the wealthiest people even manage to avoid paying the highest tax rate. We could redress this with a simple, low-rate annual levy on the very wealthiest New Zealanders – a net wealth tax – to help the rescue of people whose jobs and businesses the coronavirus pandemic has destroyed. We propose an annual levy of 2% on net wealth held over \$2 million (once debts are subtracted). To curb attempts to get around the tax through asset-splitting, the annual levy would be supplemented by a tax on large-value gifts (those totalling more than \$100,000) received over a person's lifetime. Together these taxes would raise billions of dollars to rebuild a society where we all thrive.
3. **Openness in the tax system.** The New Zealand public has a right to know who is paying what, when and how. That is the only way we can ensure everyone is playing by the rules and minimise the chances of tax avoidance. We propose improved disclosure and public access to tax-related information, and independent standards to make sure this information is comprehensive and accurate.

Recovering from the coronavirus pandemic requires new thinking on tax policies for New Zealand, both for the upcoming election and beyond. It is a time to be clear-eyed about our challenges and responsible about creating a society in which we and our children can all thrive together. Let's not waste the success of our unity in stopping the coronavirus. Let's make sure our people in government have the tools they need to finish the job and rebuild New Zealand even better.

For more details on TJA proposals, see our tax policy briefs [here](#).