

# ACT Taxation Policy

## **Goal**

The tax system incentivises New Zealanders to get ahead

## **Background**

- Marginal tax rates are too high, particularly for families.
- Too much wasteful private sector effort is once again being devoted to devising ways around New Zealand tax laws.
- The system is increasingly seen as unfair.
- The tax scale has become too progressive, which is a disincentive to work harder and increase your income. It needs to be flattened.
- The interface between the tax and welfare systems is a mess as a result of recent changes
- Personal tax brackets have not changed over the last 10 year to reflect inflation, leading to large increases in taxes being paid by ordinary New Zealanders.
- Government expenditure is growing at an alarming rate and, as a result, so too is the tax burden. Households, on average by 2009 paid directly or indirectly an extra \$230 a week to the government over and above any increase for inflation they might have paid for.
- Current tax rates mean average income earning families in particular cannot save, after meeting their weekly outgoings.
- Average net ordinary weekly wages have not increased to any extent since Labour took office in 1999. In other words, people's incomes are standing still after allowing for inflation and taxation.

## **Principle**

The tax system should encourage energy, thrift and hard work.

## **Policy Detail**

- Progressively reduce New Zealand tax levels as follows:
  - Personal taxes by 2018/19 will be 12½% on up to \$20,000 income.
  - Personal taxes by 2018/19 will be 15% on income over \$20,000.
  - Company taxes by 2018/19 will be 15%, the same as the top personal tax rate
  - GST rates by 2018/19 will be 10%.
  - Petrol tax cuts of around \$500 million.
- This will be achieved by:
  - Use expenditure savings that flow from holding future government expenditure increases to 3.6% rather than the 6.0% increase of recent years to finance tax reductions (88.8% of money available for tax reductions).
  - Use increased revenue flowing from ACT's 20 Point Plan (11.2% money available for tax reductions).

The only exception to the 3.6% expenditure increase limit is the \$1,000 million to be put aside for law and order policies per year and the \$500 million to be put aside to fix health waiting list issues (one off).

- Create a tax free threshold of \$25,000, saving \$3,050 in tax for those people who want to opt out of government provision of accident, sickness and healthcare cover to provide for themselves. Provide an additional grant to those people for any dependants they might have, covering not only accident, sickness, and healthcare cover but also an educational scholarship for dependent children.
- Tax free threshold and grants to be adjusted each year for inflation.
- **Tax reductions proposed over the next 10 years**

2009/2010	No change							
2010/2011	No change							
2011/2012	0-20000	12½%	20,001-42,500	20%	42,501 - 80,000	31½%	80,001+	31½%
2012/2013	0-20000	12½%	20,001-42,500	19%	42,501+	28%		
2013/2014	0-20000	12½%	20,001-42,500	18½%	42,501+	25%		
2014/2015	0-20000	12½%	20,001-42,500	18%	42,501+	21½%		
2015/2016	0-20000	12½%	20,001-42,500	17½%	42,501+	17½%		
2016/2017	0-20000	12½%	20,001-42,500	15½%	42,501+	15½%		
2017/2018	0-20000	12½%	20,001+	15 %				
2018/2019	0-20000	12½%	20,001+	15 %				

#### **Low, flat tax rates will lead to**

- Vast improvements in economic efficiency.
- A simple tax system, with a high degree of certainty surrounding it.
- Equitable outcomes because individuals earning the same income and in the same position would pay the same tax.
- The higher your income, the more tax you pay.

If you believe that every New Zealander deserves to keep more of what they earn and should not be penalized for working harder, then **give ACT your Party vote, for a more prosperous New Zealand**