

# Alliance Tax Justice and Cost of Living Policy

## A Fair Tax System and Real Relief for Working People

The Alliance believes that **the essentials of living a good life should be readily accessible to all.**

Our country taxes income from the very first dollar earned. Not from the first dollar a person can spare, and not from the point at which they are getting ahead, but from the money that pays for food, power, and rent.

At the same time, wealth that grows without work is taxed lightly, occasionally, or not at all.

The Alliance rejects the idea that a fair tax system is one which asks the most of those with the least.

We will shift the burden of taxation away from wages and salaries and onto wealth, and we will use the proceeds to deliver **permanent, universal cost of living relief to every person in Aotearoa New Zealand.**

### 1. A Tax-Free Threshold of \$20,000

The Alliance will make **the first \$20,000 of every person's income completely tax free.**

The threshold will be:

- **universal**, applying to every income earner regardless of occupation, employment status, or level of income;
- **automatic**, delivered through the pay system rather than by application, means test, or annual claim;
- **equal in value**, returning the same amount to every person who earns above it;
- **permanent**, forming a standing feature of the tax system rather than a temporary package; and
- **reviewed over time**, so that its value is not eroded by inflation.

Because the relief is drawn from the bottom of the income scale, every person's income passes through it. The cleaner and the surgeon receive exactly the same benefit.

This is deliberate. A universal threshold creates a shared entitlement, rather than a targeted concession, and it cannot be withdrawn as a person's circumstances change.

## 2. Why the Burden Has Fallen on Wages

The current imbalance in taxation is not an accident, and it is not a loophole; it is designed this way.

Income earned through work is taxed at source, every pay, automatically. A wage earner has no opportunity to arrange matters otherwise, and no realistic ability to defer, restructure, or relocate their income.

Income and wealth accumulated through property ownership and investments are treated differently. Much of it is not taxed as it accrues, and some of it is not taxed at all.

Inland Revenue's own research into the wealthiest families found that they pay a substantially lower effective rate on their economic income than an ordinary wage and salary earner does. This is not a claim advanced by the Alliance. It is the finding of the tax department itself.

**A tax system which leans this heavily on wages is a political choice. A different choice can be made.**

## 3. A Capital Gains Tax

Aotearoa New Zealand is one of very few developed countries without a broad tax on capital gains.

The Alliance will introduce a **broad-based capital gains tax**, covering investment property, shares, and business assets.

**The family home will be excluded.** This is not a tax on the house people live in.

The principle is straightforward. When a person earns money by working, they pay tax on it. When a person makes a gain from an asset, in most cases, they do not. There is no principled reason for treating the two differently.

The Alliance will also be clear about how this tax behaves. A capital gains tax applies only to gains that accrue after it begins and only when an asset is sold. It builds gradually towards its full value over a number of years. It is a durable, long-term revenue base, not an immediate windfall, and we will not present it as one.

## 4. A Tax on Very Large Accumulations of Wealth

The Alliance will introduce **an annual tax on net wealth above a high threshold of \$2 million**, together with **a companion tax on assets held in trusts**.

The trust provision is essential rather than incidental. This country has hundreds of thousands of trusts. A wealth tax without a trust tax could be arranged around by anyone with an accountant and would raise a fraction of what is claimed for it.

This measure will affect a very small number of people.

It is not directed at families who have paid off a mortgage over a working lifetime. Instead, it focuses on wealth held by those at the very top, which has grown steadily over four decades while wages have not kept pace.

The Alliance will properly resource Inland Revenue to administer and enforce these measures. A tax which is legislated but not collected achieves nothing.

## 5. A Financial Transactions Tax

The Alliance will introduce **a very small levy on financial market transactions**, including share trading, currency dealing, and derivatives.

The levy will not apply to the ordinary financial life of households. It will not apply to:

- wages and salaries being paid;
- mortgage or rent payments;
- household bills and everyday purchases; or
- KiwiSaver and other retirement savings contributions.

This is a levy on the churn of the financial sector, not on the ordinary business of having a bank account.

The Alliance will design this measure conservatively. Other countries have introduced transactions taxes and seen trading activity relocate offshore. A low rate applied to a clearly defined domestic base is more likely to raise a reliable sum than an ambitious rate applied to activity that can simply move.

## 6. Rebalancing the Income Tax Scale

The remaining revenue comes from the shape of the income tax scale itself.

Our tax scale currently flattens out well below the level of genuinely high incomes. A person on a middling professional salary and a person earning several hundred thousand dollars contribute at rates far closer together than most people assume.

The Alliance will:

- extend the upper rates further down the range of genuinely high incomes;
- introduce a new top rate above them; and
- leave the rates applying to low and middle incomes unchanged or reduced.

**Under this policy the overwhelming majority will pay less income tax than they do today.** Those who pay more are concentrated among the highest earners in the country.

## 7. What This Policy Does Not Claim

The Alliance believes political parties should be plain about the limits of their own proposals.

**This is a tax policy, not a complete fiscal plan.** Our commitments on health, housing, and infrastructure are developed and cost determined separately, and this policy does not purport to fund them in full.

**This is not an attack on people who have done well.** A person who has built a business, worked long hours, and become comfortable has done nothing wrong. What the Alliance challenges is a structure which asks less of income derived from ownership than it asks of income derived from work.

**This is not a promise that no one will pay more.** Some people will, and they are concentrated at the top of the income and wealth distribution. A rebalancing means moving weight from one place to another.

## 8. Our Commitment

The Alliance will make **the first \$20,000 of every person's income tax free**, funded through a broad capital gains tax, a tax on very large wealth, a levy on financial market transactions, and a rebalancing of the income tax scale.

We believe that:

- **the money people need to live on should not be taxed;**
- **wealth that accumulates through ownership rather than effort should be taxed;**
- **relief should be universal, not rationed;**
- **a tax system should ask most of those best able to contribute.**

This policy is a practical expression of a simple principle: **an economy should serve the people who do the work to make it possible.**