

Tax Justice and Cost of Living Policy

Supplementary Document

The Numbers

This document sets out the arithmetic behind the Alliance's tax policy. What each measure raises, what the relief costs, and what the figures rest on.

1. The Package

All figures are annual changes to Crown revenue. A negative number is a cost.

Measure	First-term average	At year 10
Income tax scale below \$250,000	-\$8.38b	-\$8.38b
Top rate of 47 per cent	+\$0.04b	+\$0.04b
Net income tax	-\$8.33b	-\$8.33b
Wealth tax	\$6.59b	\$6.59b
Trust tax	\$0.11b	\$0.11b
Capital gains tax	\$0.54b	\$2.22b
Corporate rate change	\$0.85b	\$0.85b
Financial transactions tax	\$0.64b	\$0.64b
Interest deductibility reversal	\$0.75b	\$0.75b
Bright-line (transitional)	\$0.30b	superseded
Multinational enforcement	\$0.22b	\$0.22b
Net position	\$1.66b	\$3.05b

The first row is the net effect of three changes taken together: the \$20,000 tax-free threshold, the 34 percent rate from \$78,100, and the 39 percent rate from \$150,000. The threshold on its own costs more than \$8.38b. The two rate changes claw part of that back. The 47 percent rate is shown separately because it is treated separately in Section 6.

The package runs a surplus in both periods.

2. The Income Tax Scale

Income	Rate
\$0 to \$20,000	0.0%
\$20,000 to \$53,500	17.5%
\$53,500 to \$78,100	30.0%
\$78,100 to \$150,000	34.0%
\$150,000 to \$250,000	39.0%
\$250,000 and above	47.0%

3. What People Pay

Income	Now	Proposed	Change
\$25,000	\$3,283	\$875	+\$2,408
\$40,000	\$5,908	\$3,500	+\$2,408
\$55,000	\$8,721	\$6,313	+\$2,408
\$65,000	\$11,721	\$9,313	+\$2,408
\$80,000	\$16,278	\$13,889	+\$2,389
\$120,000	\$29,478	\$27,489	+\$1,989
\$180,000	\$49,278	\$49,389	-\$111
\$250,000	\$76,578	\$76,689	-\$111
\$400,000	\$135,078	\$147,189	-\$12,111
\$600,000	\$213,078	\$241,189	-\$28,111

A positive change means the taxpayer keeps more, a negative saving means the taxpayer pays more.

The break-even point is \$178,150. Every person earning below that pays less income tax than they do now. Of the 3,596,690 people earning above \$20,000, some 75,600 are affected by a rate above 39 percent. That is 2.1 percent of earners.

A worker on \$65,000 keeps an additional \$2,408 a year.

4. Wealth Tax

An annual tax of 2.5 percent on individual net wealth above \$2 million. A couple pays nothing below \$4 million of combined net worth.

Asset class	Gross base	Retained base	Revenue
Owner-occupied housing	\$104.70b	\$99.47b	\$2.49b
Investment property	\$37.10b	\$34.13b	\$0.85b
Consumer durables	\$27.70b	\$17.45b	\$0.44b
Currency and deposits	\$23.50b	\$17.58b	\$0.44b
Business, shares, and trusts	\$185.90b	\$94.81b	\$2.37b
Total	\$378.90b	\$263.44b	\$6.59b

The gross base is the portion of net worth sitting above the \$2 million threshold, not the total net worth of everyone above it. It is allocated across asset classes in proportion to the holdings of individuals above the threshold. The gap between gross and retained base allows for valuation, avoidance, and migration.

Above a \$2 million individual threshold, much of the wealth held in New Zealand sits in housing equity. A couple owning a \$3 million house outright with no other substantial assets holds \$1.5 million each and pays nothing.

The base is drawn from Stats NZ individual net worth data for the year ended June 2024.

5. The Other Measures

Trust tax: \$0.11b. Trust assets are attributed to their settlors for the wealth tax, so most trust wealth is already counted in Section 4. Of a \$100b trust base, 10 percent is treated as distinct from that attributed wealth and taxed at 1.5 percent, with 75 percent compliance. The measure closes an avoidance route. The yield reflects that..

Capital gains tax: \$0.54b rising to \$2.22b. A 33 per cent rate on realised gains, modelled on a \$420b asset base accruing at 4 percent nominal. No inflation indexing. Gains at death are carried over. A realisation-based capital gains tax reaches only gains accruing after it begins, which is why the revenue ramps to year 10 rather than arriving at once.

Corporate rate change: \$0.85b. A 30 percent rate on a \$60.4b base, with 1 percent of the base assumed to shift offshore per percentage point of increase.

Financial transactions tax: \$0.64b. A 0.1 percent levy on a retained base of \$644.25b, covering equity and onshore foreign exchange turnover. The retained base is what remains after relocation offshore.

Interest deductibility reversal: \$0.75b. Treasury costed this when the change was made in the other direction.

Bright-line (transitional): \$0.30b. The bright-line test continues to apply to property bought before the capital gains tax begins and falls away as those properties are sold. The two measures do not tax the same gain.

Multinational enforcement: \$0.22b. Scaled from Australian recoveries.

6. The Top Rate

Pareto parameter, from IRD data	2.31
Elasticity of taxable income	0.55
Revenue-maximising top rate	44.0%
Alliance top rate	47.0%
Mechanical yield, before behaviour	\$1.15b
After behavioural response	\$0.04b

The revenue-maximising rate is 44 per cent. The Alliance rate is 47 per cent, and raises \$0.04b.

The top rate corrects the shape of the scale, which currently flattens well below the level of genuinely high incomes. It is a distributional measure. The package does not depend on it for revenue.

The framework is Treasury's, applied to Inland Revenue's published distribution. It produces the same finding about the existing 39 percent rate.

7. Data and Method

Income tax is a grouped-data estimate. Each schedule is applied to the average income in every band of Inland Revenue's published taxable income distribution, covering 4,693,920 individuals, and summed. Running the actual 2024 schedule through the same code reproduces Inland Revenue's reported take to within 0.29 percent. It is not a person-level microsimulation.

All figures are static estimates in 2024 dollars. Fiscal drag, population growth, and growth in the asset bases over the ten years are excluded, except where the capital gains tax accrual is stated.

The income tax mechanics, the corporate tax base, and interest deductibility are settled figures. The capital gains and wealth tax bases are estimates built from published data. The financial transactions tax carries the widest margin, because much of the base is already offshore and the behavioural response is unmeasured.

8. Sensitivity

Moving one assumption at a time by 20 percent in each direction, against a year-10 baseline of \$3.05b:

Assumption	20% lower	20% higher
Wealth class bases	\$1.73b	\$4.37b
FTT relocation	\$3.78b	\$2.62b
CGT asset base	\$2.61b	\$3.50b
CGT accrual rate	\$2.61b	\$3.50b
CGT realisation	\$2.68b	\$3.38b
Wealth class avoidance	\$3.27b	\$2.83b
Elasticity of taxable income	\$3.26b	\$2.85b
Corporate tax base	\$2.88b	\$3.22b
Market turnover	\$2.92b	\$3.18b
Wealth class migration	\$3.15b	\$2.95b
Profit shifting	\$3.12b	\$2.98b
Multinational enforcement	\$3.01b	\$3.09b
Trust base	\$3.03b	\$3.07b
Trust avoidance	\$3.06b	\$3.04b

The wealth tax base is the largest single driver. The package stays in surplus under every assumption tested one at a time. Taking the three largest adverse moves together, with the wealth tax bases, the capital gains asset base, and financial transactions tax relocation each 20 percent worse at once, the year-10 position is \$0.86b. It remains in surplus.

9. Sources

Inland Revenue, *Taxable income distribution of individuals*, 2024 tax year.

Claus, Creedy, and Teng, *The Elasticity of Taxable Income in New Zealand*, Treasury Working Paper 12/03.

Inland Revenue, *Tax, foreign investment and productivity*, long-term insights briefing, August 2022.

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