Cost of Labour’s tax package

		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
A	Capital gains tax	20	78	234	462	648	846	1,062	1,284	1,512	1,746	1,980	2,208	2,442	**14,552**
B	New top tax rate	176	246	259	277	295	310	326	344	362	381	401	423	445	**4,245**
C	Loss ring-fencing	34	135	135	135	135	135	135	135	135	135	135	135	135	**1,648**
D	Anti-avoidance measures	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
E	Agriculture - ETS	22	34	-18	-81	-101	-121	-64	-7	50	107	164	221	278	**483**
F	**Subtotal revenue increases**	**250**	**493**	**610**	**793**	**976**	**1,170**	**1,459**	**1,755**	**2,058**	**2,368**	**2,680**	**2,986**	**3,300**	**20,898**
G	Tax-free zone	177	840	1,239	1,326	1,411	1,485	1,561	1,644	1,731	1,823	1,920	2,022	2,128	**19,308**
H	GST off fresh fruit and veges	75	315	331	351	369	385	401	417	434	452	470	489	509	**4,998**
I	R&D tax credit	60	257	273	289	305	318	331	344	358	373	388	403	420	**4,117**
J	**Subtotal revenue reductions**	**312**	**1,412**	**1,843**	**1,967**	**2,085**	**2,188**	**2,292**	**2,405**	**2,523**	**2,648**	**2,778**	**2,914**	**3,057**	**28,424**
K	**Net additional revenue**	**-62**	**-919**	**-1,233**	**-1,174**	**-1,108**	**-1,017**	**-834**	**-650**	**-465**	**-279**	**-98**	**72**	**243**	**-7,526**
L	+ additional finance costs	-14	-75	-186	-258	-395	-514	-621	-715	-797	-872	-941	-1,004	-1,060	**-7,451**
M	= **Operating balance impact**	**-76**	**-994**	**-1,419**	**-1,432**	**-1,503**	**-1,532**	**-1,455**	**-1,365**	**-1,262**	**-1,152**	**-1,040**	**-932**	**-817**	**-14,977**
N	**Extra capital required**	**450**	**650**	**800**	**800**	**450**	**250**	**100**							
O	**Annual increase in net debt**	**526**	**1,644**	**2,219**	**2,232**	**1,953**	**1,782**	**1,555**	**1,365**	**1,262**	**1,152**	**1,040**	**932**	**817**	
P	**Total increase in net debt**	**526**	**2,170**	**4,389**	**6,621**	**8,574**	**10,356**	**11,911**	**13,275**	**14,537**	**15,689**	**16,728**	**17,660**	**18,477**	

This table assumes no other changes to expenditure settings or any earlier resumption of Super Fund contributions. It can be directly compared to Labour’s own costing table which was distributed at the policy launch and is on the internet at http://www.kiwiblog.co.nz/2011/07/labours_numbers.html .

Notes

These costings use Treasury models or previous Treasury costings wherever possible. In particular they have been fed into the Treasury's Fiscal Strategy Model which produces the economic and fiscal projections for every Budget. This is publicly available at http://www.treasury.govt.nz/government/fiscalstrategy/model.

A	• this assumes a widespread CGT could be introduced on 1 April 2013 even though in reality that date would be almost impossible to meet (given the need to establish an "experts group", consult widely through the normal tax policy process, go through select committee and give people enough time to prepare for the new tax) • revenue numbers are from the Treasury's CGT model (which was updated in 2011) and adjusted for a 15% tax rate
B	• costed using the Treasury's personal tax costing model - http://www.treasury.govt.nz/government/revenue/estimatesrevenueeffects/personal • costs for 2015/16 onwards are generated through the Fiscal Strategy Model
C	• as part of the TWG process, officials gave a static revenue estimate of $269m but advised that "behavioural changes will, however, result in lower revenue gains" – this is because loss ring-fencing is relatively easy to plan around, particularly for more sophisticated investors • we have conservatively assumed that half the static revenue estimate can be realised over time – it is possible that very little revenue at all will be raised
D	• Labour's numbers have simply been plucked from thin air and have no credibility. The government is already putting significant resources into this area.
E	• costed by Nick Smith's office based on a constant carbon price of $25/tonne (Labour appears to be using $50/tonne) • Government policy is allocation based on 90% of emissions in 2015 with a phase out of 1.3% p.a.; Labour policy is allocation to farmers based on 90% of 2005 emissions with phase out of 8.3% p.a. starting in 2019
G	• costed using the Treasury's personal tax costing model - http://www.treasury.govt.nz/government/revenue/estimatesrevenueeffects/personal plus a corresponding increase in net benefits of $10 a week as per Labour's policy • costs for 2015/16 onwards are generated through the Fiscal Strategy Model
H	• have used Labour's numbers as they look reasonable given total GST revenue
I	• based on the expected costs of a 15% R&D tax credit in the 2008 PREFU, adjusted to reflect a rate of 12.5% rather than 15%, and less $70m savings each year from cancelling the 2010 Budget R&D initiatives • costs are inflated each year by the rate of growth of nominal GDP
L	• generated by the Fiscal Strategy Model
M	• a negative operating balance impact means deficits are increased, or surpluses are reduced, in that year
N	• this reverses the Budget 2011 policy of net zero capital allowances over 5 Budgets, to reflect Labour's rejection of the mixed-ownership model • in the Crown accounts this policy appears as a $3.6b reduction in forecast new capital spending (with $100m in 2011/12 which hasn't been counted) • effectively it means the government would have to borrow more over the next 7 years to maintain the same programme of capital investment • note this is a balance sheet impact, not an operating impact
O	• the operating balance impact plus the balance sheet impact equals the increase in debt in that particular year
P	• debt accumulates over time, so this line adds each year's increase in debt to the previous stock • the table shows, for example, that by 2018/19 net debt will be $12 billion higher as a result of Labour's tax package