Stopping the Wealth Tax

The Green Party is campaigning on a Wealth Tax.

Green Party MP Julie Anne Genter has said it is a "bottom line" for the Green Party to achieve this Wealth Tax in any potential coalition negotiations with Labour. James Shaw has said that this was simply an "unguarded moment".

James Shaw also said that "By going with a Wealth Tax it's not a Capital Gains Tax therefore they're not breaking a promise".

James Shaw has said that the Green Party have six high priorities going into any potential coalition agreement. A Wealth Tax is one of these six high priorities. Mr Shaw said it's not "credible" to not include tax policy in post-election negotiations. If the Green's don't get a Wealth Tax, they will want other new taxes.

In reality, neither Jacinda Ardern, Marama Davidson or James Shaw have the final say on a Wealth Tax. For the Green Party to support a Labour-led Government, consensus needs to be reached amongst Green Party Delegates. If a Labour-Greens Government is elected, it will be up to these Green Party Delegates if New Zealand has a Wealth Tax, and it's hard to believe a Wealth Tax won't be a bottom line for these delegates.

Countless times in the last three years Labour has flip-flopped on policy stating Labour Party policy positions don't really matter as "This is an MMP Government". National believes people need to understand what tax policy could look like if a Labour-Greens Government is ever able to form.

How would the Wealth Tax work?

The Wealth Tax would tax all wealth over $1 million at 1 per cent per annum, and wealth over $2 million at 2 per cent per annum.

Wealth is split between couples and payments can be deferred until an asset is sold if a person does not have cash available to pay the tax.

The Green Party likes to imagine a Wealth Tax would only impact a super-rich few. In reality, most people have little wealth when they start out in the workforce and build their wealth over their lives. People will build wealth as they gradually pay off a mortgage and save for retirement. Someone reaching retirement with a mortgage free house, money in KiwiSaver and their own savings will often find themselves with more over $1 million in net wealth.[1]

James Shaw has said it will be about 6 per cent of people – that is 300,000 retirees and other Kiwis that will pay the Wealth Tax. And this is only at one moment in time, we believe a majority of New Zealanders will pay a Wealth Tax at some point in their lives.

Let's look at some examples of how a Wealth Tax would work in practice.

A recent widow

Edith and Jack are both in their mid-70s. They live on a lifestyle block near Hamilton worth $1.4 million. They also have a pension fund with $500,000 in savings. They avoid the Wealth Tax as they can split their $1.9 million in wealth across the two of them.

Sadly, Jack suffers a terminal disease and passes away. All assets are left to Edith who now has $1.9 million in net-wealth. Edith is charged a Wealth Tax of $9000 per year, or $170 a week.

As Edith has the ability to withdraw cash from the pension fund she is forced to pay the Wealth Tax each week. She faces a choice of selling the house she has or reducing her weekly spending in order to pay the $170 per week.

[1] *The Fin-Ed Centre (a joint initiative between Westpac and Massey University) recommends that in order to have choices in retirement a single person living in a metropolitan centre should have $774,000 in savings.*

A single person who has saved for retirement

Christine is a divorcee and has saved for retirement. While she has a new partner, both Christine and her new partner have children from a first marriage and don't want to link their assets.

Christine has a median house in Auckland and the recommended level of savings for a single person. She begins to face a Wealth Tax in her early 50s as her wealth passes $1 million. As the Green Party policy allows, she chooses to defer payment of the Wealth Tax until she sells assets.

National calculates that a person such as Christine, who saves up for retirement and then spends their retirement savings slowly, will accrue a Wealth Tax cost of over $100,000 by their mid-70s. In Christine's case, when she passes away, over $100,000 will be collected in a pseudo death tax before any inheritance is passed onto her children.

A couple who are farming

Aroha and Reid are farming sheep and beef in the King Country. They have been farming for 30 years gradually paying down debt. Today, they own farm and stock worth $4.7 million, with $1 million of debt (leaving a net wealth of $3.7 million, or $1.85 million each).
The farm has a cash surplus of $45,000 per annum. With the Wealth Tax, Aroha and Reid will pay a combined Wealth Tax of $17,000 per annum in Wealth Tax, leaving their cash surplus lower than the minimum wage.[2]

[2] Note the figures used in this example are from industry averages located here. Cash surplus is average of the last five years. ***https://beeflambnz.com/sites/default/files/data/files/wni%20class%204%20hill%20country.xlsx***