

ACT's new Tax rates

From: Annette Gratkowski (annette.gratkowski@parliament.govt.nz)

To: alan88nz@yahoo.com

Date: Thursday, 5 October 2023 at 09:48 am NZDT

Hello Alan

Thank you for taking the time to write to us, and sharing your thoughts on the tax system.

The important part of ACT's tax plan which is missed is **the income tax credit for low- and middle-income earners**, as well as the ETS dividend. Taking a retired couple as an example receiving \$22,869.08 in superannuation each with no other income, they currently each pay \$3022.09 in income tax every year.

Under ACT's plan they would each pay \$2,959.09 and actually pay \$126 less tax as a couple. It is important that we do not tax our low earners more, while also needing to collect sufficient income to pay for public services. A tax-free threshold does sound nice but ACT would like to have lower marginal tax rates to encourage those who are able to take on more hours, upskill, and move into higher paying jobs to do so without this being eroded by higher tax brackets -having the right incentives for younger people to be more productive. The tax calculations for a retired couple are here:

Gross Income	PAYE Tax	Tax credit	ETS Dividend	Income Tax under ACT	Income Tax under Labour	Savings for a couple under ACT
\$22,869.08	\$4,002.09	\$800	\$243	\$2,959.09	\$3,022.09	\$126.00

ACT is fully committed to opposing any form of wealth tax or a capital gains tax on residences. Both wealth and capital gains taxes have the issues you described of not allowing people to sell and move to a similar home and indefinitely deferring the tax is not a viable solution either. They also cause capital flight which hurts our country in the long run from lack of capital investment.

We don't have a manifesto sorry though all our policies can be found on the website here: <https://www.act.org.nz/policies>

We look forward to a new government very soon where ACT will introduce a better tax system where no earner pays more and public funds go to core services.

Best regards, Annette

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From: Alan Grace <alan88nz@yahoo.com>
Sent: Tuesday, 19 September 2023 7:52 PM
To: David Seymour <David.Seymour@parliament.govt.nz>
Subject: ACT's new Tax rates

Hi David

There is a big problem with ACT proposed income tax proposal. See below.

I would also like to know how committed ACT is to not having a wealth tax or CGT on a person's main residence (and on a second residence; not a rental; e.g. a bach)?

The problem with CGT, if applied when a house is sold, is that a person could not afford to buy a similar priced house without putting in more money.

If applied yearly it becomes a really crippling tax on top of existing rates and GST on those rates.

It is not a viable solution to get in debt by postponing paying these should they be imposed yearly.

Does ACT have a manifesto you can email me?

Acts proposed new income tax rates have one problem:

Single people and couples without children (especially a retired couple like us) would end up paying more tax on the first \$14,000 of their income (current 10.5% tax rate).

See the table below.

Zero tax up to the first \$5,600 of income is needed to remedy this.
 i.e. To ensure no one pays more tax under your proposal and
 with the tax payable ending up the same as present on the first \$14,000 earned.

To make sure even the first \$14,000 earned has less tax to pay, I would recommend increasing the first \$5,600 to say \$6,000 (with zero tax payable).
 On the first \$14,000 earned even this may only mean a tax reduction of \$42 (10.5% of the additional \$400); politically better than no tax saving.

Has ACT considered this?

What is your opinion?

	17.5%	10.5%	Diff	17.5%	10.5%	
14,000.00	2,450.00	1,470.00	980.00	5,600.00	588.00	Yearly savings
						11.31 Weekly savings
			First	5,600.00	zero tax	

ACT would take New Zealand from five tax rates on income down to two: 17.5% and 28%.

<https://www.realchange.nz/tax-relief>

<https://www.ird.govt.nz/income-tax/income-tax-for-individuals/tax-codes-and-tax-rates-for-individuals/tax-rates-for-individuals>

Income tax rates

New Zealand has progressive or gradual tax rates. The rates increase as your income increases.

From 1 April 2021

For each dollar of income	Tax rate
Up to \$14,000	10.5%
Over \$14,000 and up to \$48,000	17.5%
Over \$48,000 and up to \$70,000	30%
Over \$70,000 and up to \$180,000	33%
Remaining income over \$180,000	39%

	17.5%	10.5%	Diff	17.5%	10.5%	
14,000.00	2,450.00	1,470.00	980.00	6,000.00	630.00	Yearly savings
						12.12 Weekly savings
			First	6,000.00	zero tax	

Regards

Alan Grace
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Please no txts
