National's Back Pocket Boost

Tax Relief for the Squeezed Middle

30 August 2023

PARTY VOTE National

Authorised by J de Joux, 41 Pipitea St, Wgtn.

Assurance of National Party Tax Plan

National contracted an external review of its tax plan to ensure the policy commitments outlined in this document have been costed correctly.

Castalia Advisors have found that National's tax plan is "based on reasonable assumptions about future government revenues and expenditures and generally its calculations represent reasonable estimates". They have identified National's estimates as "cautious and consistent".

Castalia has found that the total level of savings identified by National, in conjunction with the Government's savings programme announced on the 28th of August, is "possible and plausible".

National also obtained legal advice suggesting the proposal to replace the existing foreign buyer ban with a tax is consistent with New Zealand's existing free trade agreements.

National's Back Pocket Boost

Delivering Tax Relief for the Squeezed Middle

Labour's Cost of Living Crisis is Sending Kiwis Backwards

New Zealand should be a country where if you work hard, you can support your family and get ahead. But after years of economic mismanagement by Labour, topped off by two years of record inflation, huge increases in interest rates and a shrinking economy, most Kiwis are going backwards.

People from all walks of life have been hit by Labour's prolonged cost of living crisis. Kiwis are struggling to keep up with the price of food, petrol, childcare and rent or mortgage repayments.

Labour's big-spending, big-taxing, Band-Aid approach to economic management has failed New Zealanders.

It's time for a National Government that New Zealanders can trust to rebuild the economy to reduce the cost of living, lift incomes for all and fund the public services New Zealanders deserve.

We will do this by restoring discipline and accountability to government spending, reducing the tax burden, removing red tape that blocks business and investment, building the infrastructure needed to support growth including 13 Roads of National Significance and four major public transport projects, and delivering the basic education and high-level skills needed to support a growing economy.

Reducing the Tax Burden

Labour has massively increased government spending and will spend 80% more this year than in its first year of office. Too much of this spending has been wasted and has not delivered improvements to public services, with crime increasing, the health system in crisis and educational achievement declining.

Labour has funded its spending spree by collecting more tax than ever, raking in $100 million more a day in tax than just six years ago.

In particular, the squeezed middle is being left behind. These are New Zealanders who work hard for a living, sometimes juggling multiple jobs and family responsibilities, but who struggle to get ahead as inflation and high tax rates eat away their incomes.

This increasing tax burden is falling disproportionately on working New Zealanders, who are paying higher tax rates on their incomes and petrol (even while profitable polluters receive government subsidies), the back-office bureaucracy grows, and overseas-based firms avoid tax on domestic activities.

New Zealanders deserve to keep more of their own money. National's tax relief plan is focused on delivering for the squeezed middle.

Tax Relief Targeted at the Squeezed Middle

National's Back Pocket Boost tax relief plan will increase after-tax pay for the squeezed middle. A family with children, on the average household income of $120,000, will be up to $250 a fortnight better off, and an average-income child-free household will be up to $100 a fortnight better off.

Our plan ensures that full-time minimum-wage workers will be better off than under Labour, even if they don't have children, receiving up to a $20 boost to their fortnightly incomes, and paying lower rates of tax on extra hours worked.

Higher-income earners will also get some tax relief from our Back Pocket Boost but will continue to pay higher rates of tax, with independent earners on incomes of more than $78,100 receiving a maximum of $40 per fortnight in tax reduction from our plan.

National's plan will deliver higher levels of support for superannuitants, boosting their Super payments by $26 more per fortnight. This is because Super payments are based on the average after-tax wages which will be higher with National's Back Pocket Boost.

Tax relief is delivered through a combination of adjustments to tax brackets, increases in tax credits for those on modest incomes, tax rebates for childcare costs, and increases to Working for Families payments for working families.

National's prudent, fully-funded and balanced tax plan also reduces major cost pressures faced by working people by removing some current and planned petrol taxes and reducing the taxes on rental properties which have driven higher rents.

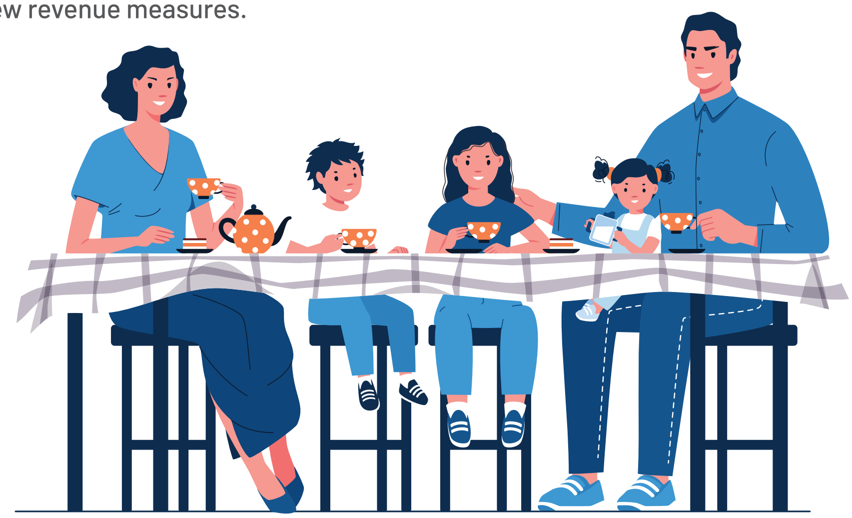
We will roll back Labour's extension of the brightline test from an unreasonable 10 years – which sees mum and dad investment property owners treated as speculators – to two years, restore interest deductibility for rental properties to reduce pressure on rents, and remove new taxes on commonly-used digital services such as food delivery apps.

Tax Relief Funded Responsibly

Our tax plan does not require borrowing and will reduce pressure on inflation.

It has been designed to be self-funding, so that National can guarantee tax reduction for working people, even if Labour leaves the government books in a mess as is predicted.

Income relief for the squeezed middle will be funded by sensible reprioritisations of government spending and carefully targeted new revenue measures.



Key Points

National's Back Pocket Boost increases after-tax pay for the squeezed middle from 1 July 2024 by:

- Shifting income tax brackets to compensate for inflation
- Expanding tax credits to reach more modest income earners
- Introducing the FamilyBoost childcare tax credit
- Increasing Working for Families tax credits for working families (from 1 July 2024)

Back Pocket Boost will increase New Zealanders' after-tax incomes, making people better off by:

- Up to $250 more per fortnight for an average-income family with kids
- Up to $100 more per fortnight for an average-income household with no kids
- Up to $20 more per fortnight for a full-time minimum-wage earner and lowering the tax they pay for additional hours worked
- Up to $26 more per fortnight for a superannuitant couple

National will remove Labour's taxes that are increasing the cost of living, including cancelling landlord taxes that have put pressure on rents. We will:

- Fully restore interest deductibility for rental properties
- Bring the brightline test back to two years
- Cancel Labour's planned fuel tax hikes which would add 12 cents per litre of petrol, or $8 for a full tank
- Remove the Auckland Regional Fuel Tax which adds 11.5 cents per litre of petrol
- Cancel Labour's new App Tax on services like Uber and Airbnb and ensure the same GST rules apply to all services

National's tax plan will be fully funded through reprioritisations and new revenue initiatives so that it won't add to inflation:

Reprioritisations:

- $594 million on average per year reduction in spending on back-office functions in government departments, excluding non-core and frontline agencies
- $400 million on average per year reduction in government spending on consultants
- $590 million on average per year Climate Dividend, returning taxes raised on climate polluters to Kiwi families rather than giving subsidies to large corporates

Targeted revenue measures:

- $740 million on average per year from introducing a 15% foreign buyer tax on the purchase of houses worth over $2 million
- $525 million on average per year from ending the commercial building depreciation tax break
- $179 million on average per year from closing a tax loophole and ensuring offshore operators delivering online gambling to New Zealanders, pay tax
- $123 million on average per year from moving to user-pays immigration levies, excluding tourist visas

How National's Back Pocket Boost Supports Kiwis

Wiremu and Mia – family of four
Better off by around $100 a fortnight

Wiremu and Mia both work full-time, earning $60,000 each, for an average household income of $120,000. They have two primary school-aged children. Under National's tax plan, they will receive tax relief of $1600 a year and Independent Earner Tax Credits of $1040.

Overall, Wiremu and Mia will be better off by a combined **$2640 per year.**

Matthew and Sarah – young family
Better off by around $170 a fortnight

Matthew and Sarah each earn an average full-time income of $75,000 and spend $200 per week on childcare for their 3-year-old child. Under National's tax plan they will receive tax relief of $1900 and FamilyBoost childcare tax credits worth $2600.

Overall, Matthew and Sarah will be better off by a combined **$4500 per year.**

Alice – building apprentice
Better off by around $50 a fortnight

Alice is a building apprentice in Christchurch earning $55,000 per year. Under National's tax plan, Alice will pay $800 less in income tax and will now also be eligible for the $520 Independent Earner Income Tax Credit.

In total, Alice will be better off by **$1320 per year**.

Bob and Jacqui – retired couple
Better off by around $26 a fortnight

Bob and Jacqui are a retired couple living in Whakatāne receiving NZ Superannuation. Since NZ Superannuation payments are linked to average after-tax wages, they will receive a benefit from National's plan to deliver tax relief for the squeezed middle.

Under National, Bob and Jacqui will be better off by a combined **$680 per year**.

How National's Back Pocket Boost Supports Kiwis

Nathan – café worker
Better off by around $20 a fortnight

Nathan is an 18-year-old school leaver in Whangārei, taking a year off study to work full-time. Nathan works 40 hours per week on minimum wage in a local café.

Under National's tax plan, Nathan will be better off by **$530 per year.**

Ben and Tabitha – professional couple
Better off by around $80 a fortnight

Ben and Tabitha are a professional couple in their early 30s without children, each earning $150,000 and saving hard for a house.

Under National's tax plan, Ben and Tabitha will receive combined tax relief of **$2085 per year.**

Simon – sole parent
Better off by around $90 a fortnight

Simon earns $80,000 and has full custody of his two kids, aged 13 and 16. Simon will receive tax relief of $1043 and additional Working for Families payments worth $1300.

Overall, Simon will receive tax relief of **$2343 per year**. From 2026, Simon will receive an additional $76 per fortnight when the Working for Families threshold is adjusted.

National's Tax Plan

Tax Bracket Adjustments

Inflation has pushed Kiwis into higher tax brackets resulting in people paying more tax, even as their real incomes decline in inflation-adjusted terms.

According to the Government's own advisors, this 'fiscal drag' is *"leading to higher average rates of personal tax" and "results in more taxpayers and taxable income being taxed in higher brackets".* This is damaging to the economy and to taxpayers because it *"reduces the real value of wage increases that people receive".* [1]

National will adjust tax brackets to compensate for inflation, reward work and let New Zealanders keep more of what they earn.

These changes to tax thresholds will better reward people who choose to take a promotion or work an extra hour, by reducing effective marginal tax rates for many wage earners.

The Government has been advised that since 2010 *"the highest increases in average tax rates (ATRs) are for individuals whose incomes cross the $48,000 threshold, as the step-up in the marginal tax rate (from 17.5% to 30%) is steeper at this income level than at any other threshold."*

National's changes will mean a full-time worker on the minimum wage will only pay 17.5% tax on extra hours worked, rather than 30% as is currently the case.

The $180,000 income tax threshold will remain in place. National has ruled out removing the 39% top tax rate in our first term due to fiscal and economic pressures. However, higher-income earners will benefit from our plan as they, like other taxpayers, will pay less tax on their earnings under $78,100.

National will make the following adjustments to tax thresholds:

Tax Threshold Adjustments		
Existing Threshold	**Proposed Threshold**	**Threshold Rate**
$14,000	$15,600	17.50%
$48,000	$53,500	30%
$70,000	$78,100	33%

At least once every three years, including in 2026, we will assess the impact inflation has had on the average tax rates faced by income earners, with a view to making adjustments to tax thresholds that are affordable and responsible in light of the economic and fiscal conditions at the time.

Costing

The cost of adjusting tax thresholds is based on IRD's latest taxable income distribution, adjusted to reflect recent inflation, and forward-adjusted to reflect forecast wage growth.

[1] Joint Report IRD/Treasury "Initial Advice on Personal Tax Relief" 20 February 2023.

Independent Earner Tax Credit

The Independent Earner Tax Credit (IETC) was introduced by National to target tax relief at modest-income Kiwis who were ineligible for other support, such as benefit payments or Working for Families tax credits. It has a value of $520 a year, or $10 a week.

Rampant inflation has made fewer and fewer working people eligible for this payment. This has resulted in modest-income earners paying higher rates of tax under Labour.

For example, when National introduced the IETC, a full-time worker earning the minimum wage qualified for an extra $10 a week. Today, under Labour, a full-time worker earning the minimum wage only qualifies for an extra $2 a week from the IETC.

National will increase eligibility for the Independent Earner Tax Credit to compensate for the impact of inflation:

- We will extend the upper limit of eligibility from $48,000 to $70,000, with abatement of the payment starting from $66,000
- The lower limit of eligibility will remain the same at $24,000

These changes will benefit an estimated 380,000 working New Zealanders.

Taken together with our threshold adjustments, these changes will mean that under National a full-time worker earning the minimum wage will be up to $20 better off a fortnight than they are under Labour.

Costing
The cost of increasing the IETC threshold is based on recently released Treasury advice on the cost of the IETC and IRD's latest taxable income distribution, adjusted to reflect recent inflation.

FamilyBoost

Under Labour, families with young children have faced huge increases in the cost of living and are struggling to keep up with rapidly rising housing, food and childcare costs.

Many parents have told us that despite working more hours, by the time they've paid tax and forked out for extra childcare costs, they don't feel better off financially.

National's FamilyBoost childcare tax credit is about supporting working parents to get ahead financially by assisting them with their childcare costs.

National will introduce the FamilyBoost childcare tax credit, worth up to $150 per fortnight, for families with young children.

- The rebate will be calculated on childcare costs paid, paying a 25% rebate for childcare costs up to $300 a week.
- The rebate will be paid directly to parents' bank accounts as part of their take-home pay, with payments calculated on the basis of attendance data already collected by early childhood services.
- All families earning up to $180,000 with childcare costs are eligible. However, to ensure support goes to families who need it most, the maximum weekly rebate will gradually reduce for families earning more than $140,000.

Household Income	Maximum fortnightly rebate
Up to $140,000	$150
$150,000	$112.50
$160,000	$75
$170,000	$37.50

For example:

- Two parents earning $125,000 between them who are spending $300 a week on childcare would receive a fortnightly rebate of $150.
- Two parents earning $160,000 combined who are spending $330 per week on childcare would receive a fortnightly rebate of $75.
- A single parent earning $90,000 and spending $350 per week on childcare would receive a fortnightly rebate of $150.

We estimate this payment will assist an additional 130,000 households with young children.

Costing
The cost of FamilyBoost is based on Ministry of Education ECE attendance data, average childcare costs, and interactions with existing childcare subsidies, like 20 Hours and MSD childcare subsidy payments.

Working for Families Increases

The impact of the cost-of-living crisis has been especially significant for families raising children.

National will increase support available through Working for Families by:

- Increasing the value of the in-work tax credit by $25 a week (from $72.50 to $97.50), from 1 April 2024.
- Adjusting the abatement threshold for Working for Families payments, up to $50,000 from 1 April 2026.
- Keeping the automatic increases to Working for Families payments that currently exist in law.

Supporting Seniors

National will support senior New Zealanders to make the most of their later years. We value seniors and recognise their contribution to New Zealand.

We will strengthen the economy and bring inflation under control to reduce the rapidly rising cost of living seniors have experienced under Labour. This will stop the relentless price increases that have made it so hard for people on fixed incomes.

We will remove the additional taxes that have helped drive rents higher, particularly impacting seniors whose housing costs have, in many cases, increased faster than their Super payments.

National will support seniors by:

- Keeping the Winter Energy Payment for all superannuitants
- Increasing NZ Super payments every year we are in office
- National's Back Pocket Boost will also deliver a couple receiving NZ Super an additional $680 a year, or $26 more per fortnight. This is because Super is indexed to the after-tax average wage. National's tax reductions will increase the value of the after-tax wage, meaning Super payments will increase too.

Costing
The cost of this commitment is based on IRD's latest taxable income distribution, adjusted to reflect recent inflation, forward-adjusted to reflect forecast wage growth, and is reflected in the total cost of tax bracket adjustment.

Rental Property Tax Changes

Thousands of private rental properties are provided by ordinary Kiwis – mums and dads who bought a second property as an investment to help provide for their family or secure a more comfortable retirement.

Advice from officials and tax experts suggested that changing the tax treatment of rental properties would put pressure on rents. Labour ignored this advice and removed interest deductibility and introduced a capital gains tax by stealth by extending the brightline test to 10 years. Since that change, rents have increased by $75 per week on average, putting more pressure on the cost of living for tenants.

Many people pushed out of the private rental market end up going onto the social housing waitlist. Since Labour came into government, the social housing waitlist has more than quadrupled and is now around 25,000 people.

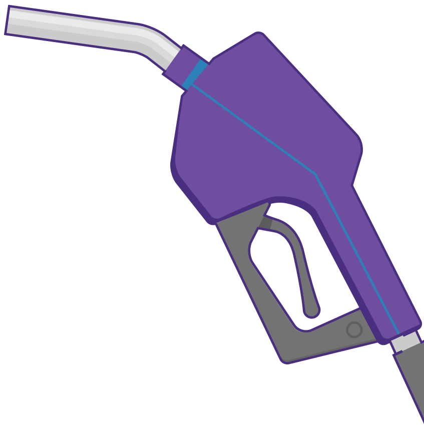
National will:

- Fully restore interest deductibility for rental properties. This change will be phased in the following stages:
    - Interest deductibility will to be kept at 50% in April 2024 (rather than reduced to 25% as planned by Labour)
    - Interest deductibility will be increased to 75% in April 2025 (rather than fully removed as planned by Labour)
    - 100% interest deductibility will be fully restored from April 2026.
- Remove Labour's capital gains tax by stealth, by taking the brightline test for rental properties back to two years, from Labour's existing 10 years by July 2024

  This means properties acquired before July 2022 will not be subject to the brightline test at sale.

Costing
The cost of this commitment is based on Treasury's forecast revenue change from Budget 2021's Summary of Initiatives.

Keeping Fuel Prices Down



National knows that the rising price of fuel is one of the major cost of living pressures faced by New Zealanders.

Labour introduced the Auckland Regional Fuel Tax, with a promise it would help fund Auckland Light Rail. This tax has increased the price of fuel paid by Auckland motorists by 11.5 cents a litre yet no light rail has been delivered. National will remove this tax.

Labour has also planned a 12 cent increase in petrol tax starting in 2024, to top up the Land Transport Fund for building and maintaining roads. Once the additional GST that will be added to this increase is taken into account, a family filling up a 60 litre vehicle will be paying an additional $8 a week for petrol.

National will keep fuel prices down by:

- Removing the Auckland Regional Fuel Tax
- Not increasing fuel taxes in our first term

Costing
National's "Transport for the Future" plan is funded through careful reprioritisation of existing funds, together with private sector funding, meaning it does not require an increase in fuel excise.

National will investigate the use of new funding tools, like tolls, value capture and congestion charging to fund major new infrastructure investments alongside private investment.

Since Auckland Council receives the revenue from the Auckland Regional Fuel Tax, there is no fiscal impact to the Crown from National's commitment to remove it.

Ute Tax

National will remove the Ute Tax. Details on this removal, including costings, will form the basis of a future announcement.

App Tax Reversal

National has committed to reversing Labour's App Tax – an unprincipled extension of GST to the digital economy that removes the long-standing GST exemption for enterprises earning $60,000 or less, with Kiwis on the hook for more expensive food deliveries and ride-shares as a result.

National thinks the long-standing GST exemption should be reinstated for enterprises taking in $60,000 or less, regardless of whether a service is provided via a digital or traditional selling platform. This principled change will also have the effect of reducing the costs faced by digital service providers and users.

Costing
The cost of this commitment is based on IRD's published revenue forecast, adjusted for inflation.

Climate Dividend to Protect the Emissions Trading Scheme

The Emissions Trading Scheme (ETS) is New Zealand's main tool for reducing climate change emissions and ensuring we can meet our goal of Net Zero 2050.

National will ensure the ETS is credible, sustainable and supported to deliver New Zealand's zero net carbon by 2050 goal.

Under Labour, New Zealand's emissions reduction goals are at risk because the Government keeps undermining the ETS to protect polluters from the costs of decarbonising their businesses, including by giving them generous government subsidies for emission reduction projects they should be doing anyway and by intervening to reduce the ETS price.

Labour's fiddling with the ETS has become so bad that at various points it has collapsed the pollution price and landed the Government in court.

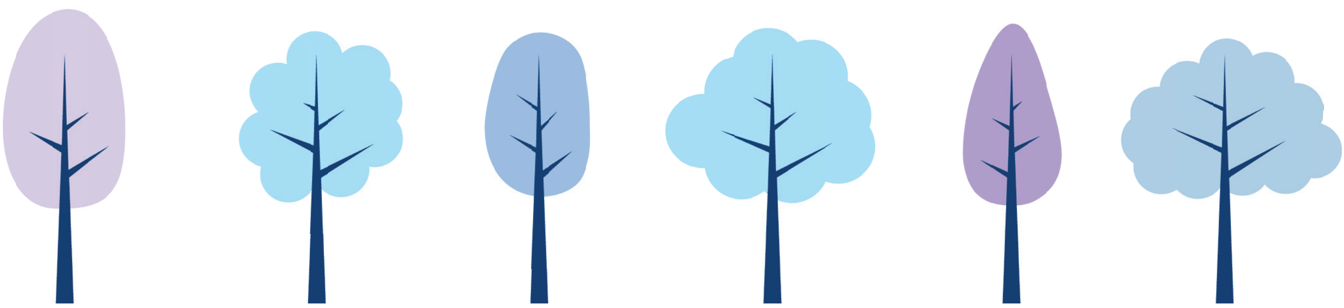
National is conscious of the impact an effective ETS will have on the cost of living for everyday New Zealanders. This is because while the ETS is levied on polluting businesses, over time polluters are likely to pass on their increasing costs by charging higher prices for petrol, electricity and other goods.

National believes that the best way to reduce that impact is to return ETS revenue back to New Zealanders by delivering a Climate Dividend. This will allow people to make their own choices about reducing emissions in their daily lives in ways that best suit them.

A Climate Dividend provides a social licence to the ETS that ensures it will be sustainable and can do the job it was set up to do – reduce New Zealand's emissions and help us achieve Net Zero 2050.

National will ensure the ETS is credible, sustainable and supported to deliver New Zealand's zero carbon 2050 goal by:

- Stopping Labour's approach of using the money raised by the ETS to subsidise profitable polluters. Businesses should expect to invest in emission-reduction action without automatically going cap-in-hand to the taxpayer for help.
- Allowing the ETS price paid by polluters to rise over time, and returning to workers the revenue it raises, using ETS revenue to help fund income tax reductions
- Continuing to fund cost-effective climate action through operating and capital allowances, including maintaining appropriations already committed to a range of specific climate initiatives, and maintaining capital funding for the Green Investment Fund
- Committing future funding for new initiatives to both reduce emissions and to invest in infrastructure that will support New Zealand to adapt to the effects of climate change



How the ETS works

The ETS sets a cap on the total amount of emissions and forces polluters to pay a price for the emissions they create.

This 'polluters-pay' system will only work to reduce climate change emissions if the ETS 'cap' drops over time, driving up the cost of emissions and thereby encouraging polluters to reduce their reliance on fossil fuels.

Polluters are charged for their climate change emissions by being required to purchase New Zealand Units, which are issued by the Government. Treasury forecast in Budget Economic and Fiscal Update 23 that this revenue would be worth $894 million this year, although this reflected an NZ ETS price of $54.50. Recent appreciation in the carbon price ($67.00 on 28 August) is likely to materially improve revenue forecasts in the Pre-Election Economic and Fiscal Update.

Recently, the Government has put the credibility and sustainability of the ETS at risk by intervening to stop the emission price rising. In doing so the Government ignored advice from the Climate Change Commission. The Government was taken to court over this and has subsequently admitted it was wrong to undermine the credibility of the emissions pricing system.

Costing

The Climate Dividend initiative ringfences for tax relief Treasury's forecast revenue from the Emissions Trading Scheme, currently tagged in the "Climate Emergency Response Fund" (CERF).

$1.5 billion remains unallocated in the CERF and Treasury forecasts that an additional $554 million in operating expenditure will become available in the CERF in 2027/28. These amounts are ringfenced for the Climate Dividend.

The funding identified to help fund National's Back Pocket Boost does not include funds that have already been contracted for specific projects under the auspices of the "GIDI fund", which has been used to subsidise emissions-reduction efforts by large corporates. Remaining unallocated funding from the GIDI fund will be allocated to support the Climate Dividend, which National has conservatively estimated at $306 million.

Available funding is drawn from CERF operating commitment forecasts in Budget Economic and Fiscal Update 2023 and 2023/24 Vote Business, Science and Innovation appropriation documents.

Savings from the Back-Office Bureaucracy

Over the last six years, the economy has deteriorated, crime has escalated, educational achievement and school attendance has fallen, and hospital wait times have blown out.

Yet even while these public services have gone backwards, the bureaucracy in Wellington has grown significantly – measured by the number of public servants, spending on consultants and contractors, and the amount of taxpayer dollars being spent on the back-office functions of government departments.

While workers and businesses are carefully adjusting their budgets as the cost of living crisis rages on, budgets for back-office government functions have continued to swell.

It's time government agencies took action to reduce their cost to the taxpayer.

National will reduce the cost of back-office government bureaucracies with an immediate savings drive across a series of identified government agencies, while protecting frontline services.[2]

The goal of this savings drive will be to reduce back-office expenditure by an average of 6.5%, in order to deliver an 'efficiency dividend' that will help fund National's Back Pocket Boost.[3] National expects 6.5% will be an average level of savings across identified agencies in the core public service, with agencies that have experienced very high rates of expenditure growth in recent years (for example, the Ministry for Business, Innovation and Employment) expected to identify larger savings.

The savings drive will start immediately on National taking office. The Minister of Finance will oversee the overall savings programme with Treasury as part of the Budget work programme. Incoming Ministers will instruct departmental Chief Executives to go line-by-line through existing expenditure to identify spending areas that are not critical to core frontline delivery, including for example:

- Reducing advertising and public relations spending
- Stopping work programmes not supported by the incoming Government (for example, income insurance scheme, Fair Pay Agreements, Industry Transformation Plans, Labour's RMA replacement)
- Leaving some job vacancies empty and stopping some new hires with a view to reducing headcount in non-essential back-office roles such as communications and policy
- Retiring working groups, taskforces and other functions made obsolete by the change of government
- Stopping programmes to refurbish offices or upgrade property leases

Savings from this exercise will be booked in Budget 2024, generating an efficiency dividend to support National's commitment to tax relief. The following agencies will be explicitly excluded from delivering an efficiency dividend. They will instead be expected to redirect savings found in the back-office into frontline services:

- The Ministry of Health, Te Whatu Ora, the Ministry of Education, the Education Review Office, the Department of Corrections, and Oranga Tamariki
- Non-core agencies including the New Zealand Police and the New Zealand Defence Force
- Crown entities, including the New Zealand Transport Agency and Housing New Zealand / Kāinga Ora

[2]List of entities required to deliver an efficiency dividend, along with their increased spending between 2018 and 2024, is listed at Appendix B.
[3]Savings will be set at an average of 6.5% of 2023/24 forecast departmental output expenditure – equivalent to 2.2% of identified baseline expenditure in the Government's savings documents released on August 28, 2023.

Contractor and Consultant Savings

Since Labour entered Government, spending on contractors and consultants has increased by $717 million, despite a 2018 commitment by the then-State Services Minister Chris Hipkins that expenditure in this area would be reduced over time.

National will reduce contractor and consultant spending by at least $400 million in our first budget by:

- Instructing public sector Chief Executives to report on their existing contractor and consultant expenditure by Christmas 2023, with departmental-specific caps introduced in 2024 and quarterly reporting of this expenditure. These limits will vary across agencies according to work programmes and existing contracts.
- Initiating restrictions on the use of contractors in the public service to perform the work of full-time employees at much higher hourly rates, a practice which has become entrenched in Wellington at great expense to the taxpayer.

Where National had previously allocated a portion of contractor and consultant savings for its policy to deliver more nurses, this policy will now be funded as part of National's health funding commitment in its fiscal plan.

Closing other programmes

- National will end Labour's extension of 20 Hours ECE to two-year-olds because this policy will be replaced by National's FamilyBoost childcare tax credit.
- National will end funding for Labour's "Community Connect" programme of additional public transport subsidies in Budget 2023, which was badly designed and difficult to implement nationwide. Some regional councils have struggled to screen passengers for age, meaning the rollout of the policy has not proceeded as planned.
- National will end funding for Labour's Workforce Development Councils and Regional Skills Leadership Groups, which have been expensive failures.

Foreign Buyer Tax

New Zealand needs investment in order to grow our economy, lift productivity and support business and innovation. This investment is needed both from New Zealanders and overseas residents.

National believes overseas investment should be welcomed where it will support better jobs, incomes and opportunities for New Zealanders. We support restrictions on that investment where required to protect New Zealand's strategic interests.

Right now, New Zealand's overseas investment rules can stop some people choosing to invest in New Zealand, even though it would be of significant benefit to New Zealanders. In particular, for many investors and potential migrants, the ability to own a home is a major factor in deciding whether to bring their companies, expertise and talent to New Zealand.

National wants to allow people with something to offer New Zealand to purchase a home, while preventing foreigners buying homes for speculative purposes and ensuring New Zealanders derive a direct benefit from any house purchases that take place.

National will:

- Keep the foreign buyer ban for all homes worth less than $2 million (the average house price in New Zealand is $888,999 as at July 2023)
- Introduce a 15% foreign buyer tax for purchases of homes of $2 million or more by people who do not hold a resident class visa in New Zealand
- Ensure sensitive land tests would still apply

The foreign buyer tax will be charged at 15% at the point of purchase. This means that a foreign buyer who purchases a $3 million apartment in Auckland will pay $450,000 in tax.

This is the approach that other countries apply to house purchases by foreign buyers. British Columbia (Canada) applies a 20% tax on residential property purchases in Vancouver. New South Wales (Australia) applies an 8% tax on residential property purchases.

There is evidence that suggests foreign buyer taxes are more effective at controlling property price growth than New Zealand's foreign buyer ban. In New Zealand, we expect this tax will deter speculators, on the basis that the foreign buyer tax will make speculation highly unprofitable.

National has sought legal advice on whether the replacement of the foreign buyer ban with a foreign buyer tax is consistent with New Zealand's existing free trade agreements - that advice confirms such a replacement would be consistent with those agreements. However, this policy assumes Australian and Singaporean citizens will not be affected by the tax as they are not currently affected by the foreign buyer ban.

National's foreign buyer tax will raise revenue to support tax relief on the squeezed middle and ensure New Zealand can attract the investment it needs to grow the economy.

Example: Rachel
Tech entrepreneur

Rachel is a tech entrepreneur from San Francisco who has successfully applied for an entrepreneur work visa, so she can start a business in New Zealand. She wants to buy a $3 million apartment in Auckland to live in, but as she holds a non-resident class visa, she is prevented from buying a home.

National will replace the ban with a 15% foreign buyer tax. Under National, Rachel will pay $450,000 in tax when she purchases her apartment.

Costing

Revenue is modelled using QV property price data, weighted to represent the likely regional pattern of foreign purchases. This weighting is based on the pre-ban distribution of non-resident property transfers from Stats NZ.

Sales numbers are simulated by applying the average pre-ban share of property sales to current property transfer statistics, corrected for behavioural impacts of the tax and the proposed $2 million sales threshold. Affected properties are estimated at less than 3% of property transfers.

Close Online Casino Gambling Tax Loophole

Offshore online casino gambling services currently benefit from a loophole where they are not required to register their earnings in New Zealand for tax purposes. Where domestic casino operators are required to pay GST, company tax and other levies, offshore operators serving New Zealand customers are able to dodge these obligations.

National will close the online casino gambling tax loophole by:

- Establishing a regulatory regime for online casino gambling to ensure offshore operators pay their fair share.
- Requiring online casino gambling operators to register and report their earnings for tax purposes, with IP 'geo-blocking' of services that do not comply with the New Zealand licensing regime.

Costing

Estimates have been generated by Castalia using external forecasts of online casino gambling revenue and relevant tax treatment of casino gambling services.

Cost Recovery for Immigration Services

National believes immigration services should move to a largely 'user pays' model, where the cost of processing visa applications is recovered through fees charged to applicants. To reflect this, National will increase visa processing fees and shift immigration services to a cost-recovery model – although there will be no increase to visa fees for the Pacific Islands.

As part of this change, National will introduce priority processing fees, where visa applicants can pay an additional fee to fast-track their visa application – a policy which already applies in the United Kingdom. Evidence shows that the most important factors in attracting skilled migrants are visa processing times, giving migrants certainty over their futures, and competitive immigration settings.

National will:

- Initiate a review of visa fee settings in government, with new higher fees to be applied from 1 July 2024.
- Not allow any fees to cost more than 90% of Australia's equivalent fees – which means visitor visa fees (already higher than Australia's equivalent visa) will not be affected.
- Ensure immigration settings remain welcoming to the migrants we need by providing clear and competitive visa requirements, delivering efficient processing of visa applications and ensuring visa conditions allow New Zealand to compete effectively for in-demand migrants.

Visa fees comparisons NZ vs Australia (sample only)

Visa	NZ	Australia
Fee paying Student Visa	$375	$733
Accredited Employer Work Visa (Migrant Check)	$750	$1,583
Post Study Work Visa	$700	$2,062
Partner Residence Visa	$2,750	$9,631

(Prices in NZD)

Costing
Revenue forecasts are based on inflation-adjusted Crown funding for immigration processing from recent budget documents. These revenue forecasts were subject to a reasonableness test, where National modelled visa fee increases for visa categories with fees below 90% of the equivalent rate in Australia.

Ending Depreciation for Commercial Buildings

Labour introduced a new tax break for commercial property investors as a response to Covid-19, and then made the change permanent. National will remove this tax break.

Costing
Revenue forecasts were taken from documents released in March 2020 at the time of the change.

Appendix A: Costings

Policy	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Tax Relief initiatives						
Tax Threshold Indexation		2,142	2,212	2,282	2,348	8,985
FamilyBoost		249	249	249	249	996
IETC Adjustment		188	180	174	165	707
Interest Deductibility Changes	41	244	528	650	650	2,113
WFF Changes	50	195	255	445	455	1,400
App Tax Reversal		50	51	52	53	206
Brightline Adjustment		50	50	50	50	200
Total	**91**	**3,118**	**3,525**	**3,902**	**3,970**	**14,606**
Savings and Reprioritisations						
Bureaucracy Savings		-594	-594	-594	-594	-2,376
Climate Dividend		-602	-602	-602	-554	-2,361
Close Labour Programmes		-524	-529	-533	-533	-2,119
Contractor Savings		-400	-400	-400	-400	-1,600
Total		**-2,120**	**-2,125**	**-2,129**	**-2,081**	**-8,456**
New Revenue Initiatives						
Foreign Buyer Tax		-715	-732	-747	-764	-2,958
Commercial Building Depreciation		-525	-525	-525	-525	-2,100
Close Gambling Tax Loophole		-176	-178	-180	-182	-716
Immigration Savings		-119	-122	-124	-127	-492
Total		**-1,535**	**-1,557**	**-1,576**	**-1,598**	**-6,266**
Total savings		**-3,655**	**-3,682**	**-3,705**	**-3,679**	**-14,722**

Appendix B: Agencies Identified for Savings

Departmental Output Expenditure			
Identified Agencies	**FY 2018 ($000s)**	**FY 2024 ($000s)**	**Growth**
Crown Law Office	$68,229	$131,502	93%
Department of Conservation	$383,828	$710,230	85%
Department of Internal Affairs	$422,453	$558,790	32%
Department of the Prime Minister and Cabinet	$63,336	$112,233	77%
Inland Revenue Department	$604,641	$723,042	20%
Land Information New Zealand	$161,566	$331,258	105%
Minister for the Prevention of Family and Sexual Violence		$21,919	N/A
Ministry for Culture and Heritage	$19,104	$30,694	61%
Ministry for Pacific Peoples	$7,521	$43,428	477%
Ministry for Primary Industries	$582,950	$894,866	54%
Ministry for Women	$5,160	$15,119	193%
Ministry of Business, Innovation and Employment	$750,038	$1,248,940	67%
Ministry of Foreign Affairs and Trade	$323,215	$556,578	72%
Ministry of Housing and Urban Development		$73,163	N/A
Ministry of Justice	$605,052	$922,222	52%
Ministry of Māori Development – Te Puni Kōkiri	$68,006	$91,904	35%
Ministry of Social Development	$943,411	$1,629,894	73%
Ministry for the Environment	$68,132	$248,145	264%
Mnistry of Transport	$35,621	$75,867	113%
New Zealand Customs Service	$195,962	$272,613	39%
Public Service Commission	$45,167	$47,158	4%
Serious Fraud Office	$10,099	$16,964	68%
Statistics New Zealand	$196,976	$248,856	26%
The Treasury	$96,985	$137,929	42%
Total – Identified Agencies	**$5,657,452**	**$9,143,314**	**62%**
Total savings		**$594,315**	

Appendix C: Income Relief Tables

Individual Independent Earner				
Annual Income	**Income Tax Relief**	**Additional IETC**	**Annual Income Relief**	**Fortnightly Income Relief**
$30,000	$112	$-	$112	$4
$32,000	$112	$-	$112	$4
$34,000	$112	$-	$112	$4
$36,000	$112	$-	$112	$4
$38,000	$112	$-	$112	$4
$40,000	$112	$-	$112	$4
$42,000	$112	$-	$112	$4
$44,000	$112	$-	$112	$4
$46,000	$112	$260	$372	$14
$48,000	$112	$520	$632	$24
$50,000	$362	$520	$882	$34
$52,000	$612	$520	$1,132	$44
$54,000	$800	$520	$1,320	$51
$56,000	$800	$520	$1,320	$51
$58,000	$800	$520	$1,320	$51
$60,000	$800	$520	$1,320	$51
$62,000	$800	$520	$1,320	$51
$64,000	$800	$520	$1,320	$51
$66,000	$800	$520	$1,320	$51
$68,000	$800	$260	$1,060	$41
$70,000	$800	$-	$800	$31
$72,000	$860	$-	$860	$33
$74,000	$920	$-	$920	$35
$76,000	$980	$-	$980	$38
$78,000	$1,040	$-	$1,040	$40
$80,000	$1,043	$-	$1,043	$40
$82,000	$1,043	$-	$1,043	$40
$84,000	$1,043	$-	$1,043	$40
$86,000	$1,043	$-	$1,043	$40
$88,000	$1,043	$-	$1,043	$40
$90,000	$1,043	$-	$1,043	$40
$92,000	$1,043	$-	$1,043	$40
$94,000	$1,043	$-	$1,043	$40
$96,000	$1,043	$-	$1,043	$40
$98,000	$1,043	$-	$1,043	$40
$100,000	$1,043	$-	$1,043	$40

Part time minimum wage worker

Full time minimum wage worker

Median wage worker

Average wage worker

Two Income Household – no children				
Annual Household Income	**Income Tax Relief**	**Additional IETC**	**Annual Income Relief**	**Fortnightly Income Relief**
$60,000	$224	$-	$224	$9
$65,000	$224	$-	$224	$9
$70,000	$224	$-	$224	$9
$75,000	$224	$-	$224	$9
$80,000	$224	$-	$224	$9
$85,000	$224	$-	$224	$9
$90,000	$224	$260	$484	$19
$95,000	$224	$910	$1,134	$44
$100,000	$724	$1,040	$1,764	$68
$105,000	$1,350	$1,040	$2,390	$92
$110,000	$1,600	$1,040	$2,640	$102
$115,000	$1,600	$1,040	$2,640	$102
$120,000	$1,600	$1,040	$2,640	$102
$125,000	$1,600	$1,040	$2,640	$102
$130,000	$1,600	$1,040	$2,640	$102
$135,000	$1,600	$650	$2,250	$87
$140,000	$1,600	$-	$1,600	$62
$145,000	$1,750	$-	$1,750	$67
$150,000	$1,900	$-	$1,900	$73
$155,000	$2,049	$-	$2,049	$79
$160,000	$2,085	$-	$2,085	$80
$165,000	$2,085	$-	$2,085	$80
$170,000	$2,085	$-	$2,085	$80
$175,000	$2,085	$-	$2,085	$80
$180,000	$2,085	$-	$2,085	$80
$185,000	$2,085	$-	$2,085	$80
$190,000	$2,085	$-	$2,085	$80
$195,000	$2,085	$-	$2,085	$80
$200,000	$2,085	$-	$2,085	$80

Average household income

2024: Two Income Household – two children					
Annual Household Income	**Income Tax Relief**	**Additional IETC**	**WFF Benefit**	**Annual Income Relief**	**Fortnightly Income Relief**
$40,000	$224	$-	$1,300	$1,524	$59
$45,000	$224	$-	$1,300	$1,524	$59
$50,000	$224	$-	$1,300	$1,524	$59
$55,000	$224	$-	$1,300	$1,524	$59
$60,000	$224	$-	$1,300	$1,524	$59
$65,000	$224	$-	$1,300	$1,524	$59
$70,000	$224	$-	$1,300	$1,524	$59
$75,000	$224	$-	$1,300	$1,524	$59
$80,000	$224	$-	$1,300	$1,524	$59
$85,000	$224	$-	$1,300	$1,524	$59
$90,000	$224	$-	$1,300	$1,524	$59
$95,000	$224	$-	$1,300	$1,524	$59
$100,000	$724	$-	$1,300	$2,024	$78
$105,000	$1,350	$-	$392	$1,742	$67
$110,000	$1,600	$1,040	$-	$2,640	$102
$115,000	$1,600	$1,040	$-	$2,640	$102
$120,000	$1,600	$1,040	$-	$2,640	$102
$125,000	$1,600	$910	$-	$2,510	$97
$130,000	$1,600	$260	$-	$1,860	$72
$135,000	$1,600	$-	$-	$1,600	$62
$140,000	$1,750	$-	$-	$1,750	$67
$145,000	$1,900	$-	$-	$1,900	$73
$150,000	$2,049	$-	$-	$2,049	$79
$155,000	$2,085	$-	$-	$2,085	$80
$160,000	$2,085	$-	$-	$2,085	$80
$165,000	$2,085	$-	$-	$2,085	$80
$170,000	$2,085	$-	$-	$2,085	$80
$175,000	$2,085	$-	$-	$2,085	$80
$180,000	$2,085	$-	$-	$2,085	$80
$185,000	$2,085	$-	$-	$2,085	$80
$190,000	$2,085	$-	$-	$2,085	$80
$195,000	$2,085	$-	$-	$2,085	$80
$200,000	$2,085	$-	$-	$2,085	$80

Average household income

2026: Two Income Household – two children					
Annual Household Income	**Income Tax Relief**	**Additional IETC**	**WFF Benefit**	**Annual Income Relief**	**Fortnightly Income Relief**
$60,000	$224	$-	$3,271	$3,495	$134
$65,000	$224	$-	$3,271	$3,495	$134
$70,000	$224	$-	$3,271	$3,495	$134
$75,000	$224	$-	$3,271	$3,495	$134
$80,000	$224	$-	$3,271	$3,495	$134
$85,000	$224	$-	$3,271	$3,495	$134
$90,000	$224	$-	$3,271	$3,495	$134
$95,000	$224	$-	$3,271	$3,495	$134
$100,000	$724	$-	$3,271	$3,995	$154
$105,000	$1,349	$-	$2,363	$3,712	$143
$110,000	$1,599	$-	$1,013	$2,612	$100
$115,000	$1,599	$1,040	$-	$2,639	$102
$120,000	$1,599	$1,040	$-	$2,639	$102
$125,000	$1,599	$1,040	$-	$2,639	$102
$130,000	$1,599	$1,040	$-	$2,639	$102
$135,000	$1,599	$650	$-	$2,249	$87
$140,000	$1,599	$-	$-	$1,599	$62
$145,000	$1,749	$-	$-	$1,749	$67
$150,000	$1,899	$-	$-	$1,899	$73
$155,000	$2,049	$-	$-	$2,049	$79
$160,000	$2,085	$-	$-	$2,085	$80
$165,000	$2,085	$-	$-	$2,085	$80
$170,000	$2,085	$-	$-	$2,085	$80
$175,000	$2,085	$-	$-	$2,085	$80
$180,000	$2,085	$-	$-	$2,085	$80
$185,000	$2,085	$-	$-	$2,085	$80
$190,000	$2,085	$-	$-	$2,085	$80
$195,000	$2,085	$-	$-	$2,085	$80
$200,000	$2,085	$-	$-	$2,085	$80

Average household income

2024: Two Income Household – one child, $300 weekly childcare costs						
Annual Household Income	**Income Tax Relief**	**Additional IETC**	**WFF Benefit**	**FamilyBoost**	**Annual Income Relief**	**Fortnightly Income Relief**
$60,000	$224	$-	$1,300	$3,900	$5,424	$209
$65,000	$224	$-	$1,300	$3,900	$5,424	$209
$70,000	$224	$-	$1,300	$3,900	$5,424	$209
$75,000	$224	$-	$1,300	$3,900	$5,424	$209
$80,000	$224	$-	$560	$3,900	$4,684	$180
$85,000	$224	$-	$-	$3,900	$4,124	$159
$90,000	$224	$-	$-	$3,900	$4,124	$159
$95,000	$224	$-	$-	$3,900	$4,124	$159
$100,000	$724	$-	$-	$3,900	$4,624	$178
$105,000	$1,350	$-	$-	$3,900	$5,250	$202
$110,000	$1,600	$-	$-	$3,900	$5,500	$212
$115,000	$1,600	$1,040	$-	$3,900	$6,540	$252
$120,000	$1,600	$1,040	$-	$3,900	$6,540	$252
$125,000	$1,600	$1,040	$-	$3,900	$6,540	$252
$130,000	$1,600	$1,040	$-	$3,900	$6,540	$252
$135,000	$1,600	$650	$-	$3,900	$6,150	$237
$140,000	$1,750	$-	$-	$3,900	$5,650	$217
$145,000	$1,900	$-	$-	$3,413	$5,313	$204
$150,000	$2,049	$-	$-	$2,925	$4,974	$191
$155,000	$2,085	$-	$-	$2,438	$4,523	$174
$160,000	$2,085	$-	$-	$1,950	$4,035	$155
$165,000	$2,085	$-	$-	$1,463	$3,548	$136
$170,000	$2,085	$-	$-	$975	$3,060	$118
$175,000	$2,085	$-	$-	$488	$2,573	$99
$180,000	$2,085	$-	$-	$-	$2,085	$80
$185,000	$2,085	$-	$-	$-	$2,085	$80
$190,000	$2,085	$-	$-	$-	$2,085	$80
$195,000	$2,085	$-	$-	$-	$2,085	$80
$200,000	$2,085	$-	$-	$-	$2,085	$80

Average household income

GET OUR COUNTRY BACK ON TRACK

PARTY VOTE National