
How an earthquake levy could look

GREEN PARTY RESEARCH, MARCH 2, 2011

As a practical, principled response to the Christchurch earthquake, the Green Party is putting forward for discussion the idea of a small temporary earthquake levy on all income earners over \$48,000 and/or delaying the 2% reduction of corporate tax rates due to come into effect this year.

The Green Party asked the Parliamentary Library to model a number of different scenarios to understand the likely consequences for Government revenues and the additional tax people would face as a result.

Scenario 1: A levy of 0.5% applied to an individual's income between \$48,001-\$70,000 and a levy of 1.0% applied to an individual's taxable income greater than \$70,001.

Scenario 2: A levy of 1.0% applied to an individual's income between \$48,001-\$70,000 and a levy of 1.5% applied to an individual's taxable income greater than \$70,001.

Scenario 3: A levy of 1.0% applied to an individual's income between \$48,001-\$70,000 and a levy of 2.0% applied to an individual's taxable income greater than \$70,001.

Scenario 4: A levy of 1.0% applied to an individual's income between \$48,001-\$70,000 and a levy of 3.0% applied to an individual's taxable income greater than \$70,001.

Scenario 5: A levy of 1.5% applied to an individual's income between \$48,001-\$70,000 and a levy of 3.0% applied to an individual's taxable income greater than \$70,001.

Scenario 6: A levy of 1.5% applied to an individual's income between \$48,001-\$70,000, a levy of 3.0% applied to an individual's taxable income greater than \$70,001, and the corporate tax rate remaining unchanged at 30%.

Here's the new revenue raised by the different scenarios:

Levy scenario options	Revenue raised (millions/year)
Scenario 1	\$229
Scenario 2	\$375
Scenario 3	\$457
Scenario 4	\$622
Scenario 5	\$686
Scenario 6	\$1026

What impact will the different levy scenarios have on individual taxpayers? Here's the additional weekly income tax New Zealanders will have to pay to help rebuild Christchurch:

Yearly income	Weekly levy, Scenario 1	Weekly levy, Scenario 2	Weekly levy, Scenario 3	Weekly levy, Scenario 4	Weekly levy, Scenario 5
\$50,000	\$0.19	\$0.38	\$0.38	\$0.38	\$0.58
\$60,000	\$1.15	\$2.30	\$2.30	\$2.30	\$3.45
\$70,000	\$2.11	\$4.22	\$4.22	\$4.22	\$6.33
\$80,000	\$4.03	\$7.10	\$8.06	\$9.97	\$12.08
\$90,000	\$5.95	\$9.97	\$11.89	\$15.73	\$17.84
\$100,000	\$7.86	\$12.85	\$15.73	\$21.48	\$23.59
\$125,000	\$12.66	\$20.04	\$25.32	\$35.86	\$37.97
\$150,000	\$17.45	\$27.23	\$34.91	\$50.25	\$52.36

Note:

1. Scenario 6 has an identical impact on incomes as scenario 5.
2. According to Budget 2010 (See page 8, [Minister's Executive Summary](#)), the corporate rate reduction from 30% to 28% will decrease government revenue by \$340 million. By not proceeding with this cut as planned in April 1, 2011, the Government will hold onto an additional \$340 million in revenue.