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OPPORTUNITY

Tax Reset

Considerations for Implementing the Tax Reset in Aotearoa New Zealand.

The changes contained in our Tax Reset will be significant - for the economy as a whole and New Zealanders themselves. Changes of this scale need to be implemented carefully and over an extended period.

Putting aside the realities of our MMP political environment and the impact of coalition negotiations on policy rollout, Opportunity will carefully implement the full package by:

- Introducing the first elements only after two years of planning and policy development.
- Extending the Citizens' Income and accompanying tax changes to successive age group tranches of approximately 25% of the population, starting with young people aged 18 - 29.
- Initially introducing the Land Value Tax at a rate of 0.5% and only on urban land
- Increasing compulsory employer and employee "Kiwisaver 2.0" contributions, and their accompanying tax exemptions by 1% a year over six years.

Careful implementation would take a full decade. The process would focus on providing clear signals to the market, then building the requisite mechanisms, before rolling out small cohorts and rates and finally increasing to the full policy platform.

Done well. the transition would avoid excessive inflationary impacts or other economic disruption. We expect land values to reduce across the implementation period, with the biggest "announcement" effects concentrated in the years before implementation begins as markets "price in" the expectation of Land Value Tax introduction.

Overview of a possible Tax Reset implementation pathway

	Income and LVT				Superannuation				
	CI/New tax	LVT			Contributions		Tax exemption		
Year	% of population	Urban land rate applied	Rural land rate applied	Simplified expected reduction in land values	Employee	Employer	Employer	Employee	Fund Income
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	0.00%	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	25.00%	0.50%	0.00%	3.00%	3.00%	3.00%	1.00%	1.00%	0.00%
4	50.00%	0.75%	0.00%	2.00%	3.50%	3.50%	2.00%	2.00%	0.00%
5	75.00%	1.50%	0.25%	3.50%	4.00%	4.00%	3.00%	3.00%	0.00%
6	100.00%	1.75%	0.50%	3.00%	4.50%	4.50%	4.00%	4.00%	0.00%
7	100.00%	1.75%	0.50%	1.50%	5.00%	5.00%	5.00%	5.00%	0.00%
8	100.00%	1.75%	0.50%	0.00%	5.50%	5.50%	6.00%	6.00%	0.00%
9	100.00%	1.75%	0.50%	0.00%	6.00%	6.00%	6.00%	6.00%	0.00%
10	100.00%	1.75%	0.50%	0.00%	6.00%	6.00%	6.00%	6.00%	0.00%
11	100.00%	1.75%	0.50%	0.00%	6.00%	6.00%	6.00%	6.00%	2.00%