

WHAT WE TAX WHAT WE DON'T

Around 30% of New Zealand's GDP goes to the Government in taxes. That's a bit lower than the OECD average. But where does it come from?

NEW ZEALAND HAS THE  **5TH HIGHEST REVENUE FROM INCOME TAX** IN THE OECD (AS A PROPORTION OF GDP).

THAT'S DESPITE

OUR MAXIMUM INCOME TAX RATE, **33%** BEING ONE OF THE LOWEST.

That's because the maximum rate kicks in at a fairly low income, and every dollar of income is taxed, whereas many countries have a tax-free threshold.

NEW ZEALAND HAS THE  **5TH HIGHEST REVENUE FROM COMPANY TAX** IN FACT IT'S THE HIGHEST BEFORE CONSOLIDATED REPORTING.

OUR COMPANY TAX RATE OF **28%** WHILE ABOVE AVERAGE, IS ONLY THE 10TH HIGHEST IN THE OECD.

This is partly because there are relatively few exemptions allowed to companies in NZ.

NEW ZEALAND LEADS THE OECD IN **COLLECTING THE MOST REVENUE FROM GST** EVEN THOUGH

OUR GST RATE OF **15%** IS RELATIVELY LOW

This is because it is collected from nearly everything, whereas most countries have GST on some things and not on others.

So how is it that our overall tax revenue is relatively modest, while our collection from Income Tax, Company Tax and GST is so high?

PARTLY, THAT'S DUE TO WHAT WE DON'T TAX.



LONG-TERM PROPERTY INVESTMENT



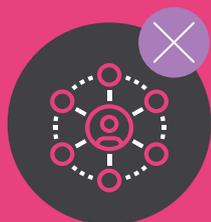
PAYROLL TAXES



SELL A BUSINESS



CHARITIES



OWNING STUFF



BUSINESSES WITH NO NEW ZEALAND BASE

We don't generally tax the money people make from holding onto assets that increase in value over the long-term. Property is a prime example, but the money someone makes from a company they've built up isn't taxed either. We also don't tax them if their art collection sells well. This is what's called a capital gains tax.

We don't have a separate payroll tax to pay for social security measures like unemployment benefit, pensions or universal healthcare.

We don't tax charities, even if they make a profit through owning businesses. We don't generally tax people just for owning stuff (apart from local rates). We don't generate revenue through a land tax, a wealth tax or when it is given to others through a gift tax or estate duty.

And we don't tax companies who don't really do anything in NZ but whose goods are sold here. That's completely normal, as almost no country does. But maybe it no longer suits the reality of the digital world.



SO, HAVE WE GOT THE MIX RIGHT?
OR SHOULD WE START TAXING SOME THINGS MORE AND OTHER THINGS LESS?