

# Tax talk in a Nutshell

## 2 core ideas

**Aotearoa New Zealand needs more money** - To achieve a society in which everyone thrives, public income (mainly tax) needs to be larger. There are stories every day of how our public services (health, roads, education, climate mitigation etc) are underfunded; we are all worse off as a result.

**Our tax system is upside-down** – Tax is one of the biggest tools governments can use to reduce poverty and inequality – but New Zealand’s tax system doesn’t do this well, especially in comparison with similar countries overseas.

## 7 facts about tax

**Income tax** – Tax is one tool governments can use to reduce poverty and inequality. But the New Zealand tax system doesn’t do a very good job of this. For a start, it requires poorer New Zealanders to pay an unusually large amount of tax. Many other countries have a tax-free band at the bottom - we don’t. At the top, New Zealand’s top marginal tax rate of 39% is low by developed-world standards: in Australia and Japan it is 45%, in the Netherlands 49.5%, and in France 55.4%.

**Other forms of tax** – Unlike virtually every other OECD country we don’t have a capital gains tax; and we also don’t have the inheritance, property or wealth taxes at a national level that many other countries use.

**Inequality** – New Zealand tax and welfare systems combined do much less to reduce inequality than equivalent systems in developed countries. Among the core 33 OECD countries, New Zealand has the 11th highest level of income inequality. In our country, it is estimated that the wealthiest 1% of adults hold 25% of all assets, while the poorest 50% hold just 2%.

**Who pays** – While it is true that wealthy people pay a significant percentage of all income tax paid (which is the basis of any progressive tax system), they/we pay a smaller percentage of our/their income than low earners. Nearly half of our country’s wealthiest people pay a lower rate of tax than minimum wage workers, and *less than half* the rate paid by the average Kiwi, once things like capital gains are included.

**An insufficient tax take** – New Zealand’s total tax take is around 32% of GDP, below the OECD average. The equivalent figure in Germany is 38%, in the Netherlands 40%, and in Austria 42%. Such countries get greater tax contributions from those who earn very high incomes, receive capital gains, or enjoy substantial property and other forms of wealth. Those revenues are then used to fund high-quality public services.

**“The wealthy will flee”** – It is possible that some wealthy people might leave New Zealand in protest against higher taxes on wealth. However, research shows that even the highest earners are less sensitive to tax rates than is often thought. Those moving to Australia would have to pay capital gains tax and a top rate of income tax of 45%. Swedish multimillionaires generally remain in Sweden, despite its high tax rates.

**“Government wastes lots of money”** – Most government spending goes to core services, such as superannuation and other benefits, health and education. Spending around the country is generally in line with population. Although there is always room to improve how government works, it’s not true that a large percentage of our taxes are wasted.

## 6 tips on how to talk about tax

**Be respectful** – Listen, don't lecture. People are more likely to be open-minded if they are treated with respect. Making change may take more than one conversation.

**Ask open questions** – Good questions can help elicit views and build trust: “what do you think?”; “how would that work?”.

**Vision comes first** – Connect with people about a positive vision, before jumping to solutions. Start with talking about the type of society we want, that a just tax system can enable – “a community that cares for one another - unlocking people from poverty, ensuring everyone has a home, a high-quality education system, protecting our environment”. And keep it at this level of principles rather than policy detail.

**Talk about tax as a positive contribution** – “Taxes are how we resource what we value the most”; “it's a collective investment in our shared success”; “it's the contribution that each of us makes to build our community and our society”; “it's good for all of us”. Focus on “public good” rather than benefits to, and costs to, individuals. Government exists not to do what people could do for themselves, but to do things they could not do, or do so well, on their own.

**Talk about taxes as part of preparing for the future** — “We need to plan for the big things and prevent problems in the future”. “Pay now, or pay more later”. For example, to mitigate climate change, prepare for the ageing population, ensure the wellbeing of our grandchildren.

**It's systemic** – Point out that it is the tax system that doesn't produce the results we care about, and we can change this. Avoid villainising some people, for example the wealthy. Also avoid focusing on “fairness” — for some people this reinforces a view which justifies regressive taxation.

## Links to more resources

[Facts on tax](#) - Bettertaxes.nz

[Talking tax](#) - Bettertaxes.nz

[Max Rashbrooke: NZ's tax system – facts, figures and global comparisons](#)

[The Workshop: how to talk about budgets and taxes for public good](#)

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