



A Budget for

Middle New Zealand



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Contents

Introduction	4
Fiscal Changes	5
A Middle Income Tax Cut	5
39 percent tax rate	5
Interest deductibility	5
Summary of Fiscal Changes	6
Comparative Analysis	7
Regulatory Changes	9
COVID-19 response	9
Housing and infrastructure	9
Workplace relations	10
Fast-track mining consents	10
Reverse the oil and gas ban	11
Repeal the Zero Carbon Act	11
Freshwater rules	11
Regulatory Standards Bill	12
Overseas investment	12
Conclusion	12

Introduction

New Zealanders are being squeezed

New Zealanders are being squeezed from multiple directions – rents are growing while we try to buy homes, we're paying more for food, petrol and power, and we're getting hit with new taxes while wages fail to keep up. Hardworking Kiwis are striving to succeed, but we're increasingly being punished for our efforts. Some are asking whether it's worth trying to get ahead anymore. New Zealand should be a country where hard work is the standard and rewards come from it. But if you're an average Kiwi trying to get ahead, this Labour Government will find a way to tax or penalise you.

Businesses and farmers are under pressure

Small business owners are struggling with additional costs – new public holidays, annual leave and minimum wage increases are just the tip of the iceberg. Some have given up on growing and taking on new employees. Others are paying themselves less so they can keep their workers employed. Farmers – the backbone of our country – got us through Covid-19. They're being repaid with unworkable freshwater rules and proposals to cut the size of their herds. Businesses and farmers are over-regulated and many are over it.

Our tax system is unfair

Average New Zealand workers are being taxed as if they're rich. Our tax system is unfair and sends the wrong message to Kiwis who want to get ahead. We all need to do our bit to pay for high-quality infrastructure, health and education, but right now much of that money is being aimlessly thrown around. Why should workers pay more tax to support Labour's wasteful, ideological spending?

The debt is growing

At the same time, the Government is taking on more and more debt. We currently owe \$105 billion, or \$28,995 for every taxpayer. Our children and their children will be paying back the debt for years to come. One of the biggest problems we face is that Labour has borrowed so much money when interest rates are low, knowing they won't stay low forever.

There is a better way

Everything this Labour Government does is either about taxing and redistributing, or dividing us against each other. There is a better way. We can create the conditions for new opportunities. We can grow out of

the challenges our country faces. But we need to stop dividing New Zealanders against each other and have honest conversations about the way forward.

Helping workers get ahead

ACT believes we should encourage and reward productive New Zealanders because they're the ones who create jobs for others and keep our country growing. That's why ACT's *Budget for Middle New Zealand* cuts the 30 percent tax rate to 17.5 percent. The most effective and fairest way to boost productivity and economic growth is tax relief for average New Zealanders.

Creating new opportunities

We also need to create the conditions for productivity, growth and the opportunities that flow from them. ACT's *Budget for Middle New Zealand* proposes a number of law changes to lighten the burden on businesses so they can hire new workers and offer higher wages. We'll reverse the offshore oil and gas exploration ban and fast-track resource development to ensure high-quality employment opportunities stay in New Zealand. ACT will also encourage investment from other democratic countries so firms can expand, boost wages and grow jobs.

We need honest conversations

New Zealanders need to be treated like adults. We need honest conversations about the challenges this country is facing: the debt, welfare dependency, declining education standards, and our inability to build homes like previous generations did. It's time to reject the divisive spin over substance that is fast becoming the trademark of this Labour Government. If we have those honest conversations, we can begin to tackle the challenges facing New Zealand.



David Seymour

ACT Leader



Fiscal changes

A Middle Income Tax Cut

ACT will permanently cut the 30 percent marginal tax rate to 17.5 percent. We want opportunity for all New Zealanders and improving the tax system is part of achieving that goal. Right now, our tax system sends the wrong message to New Zealanders who want to get ahead. If you upskill, work, save, and increase your income, the government will take more money off you. But if you drag your feet, you'll pay less tax and be given money for free. Average New Zealand workers are being squeezed. They need a break and should be rewarded for their hard work. The best way to boost the economy is tax relief. Tax cuts not only give earners more to spend and invest, they make work pay.

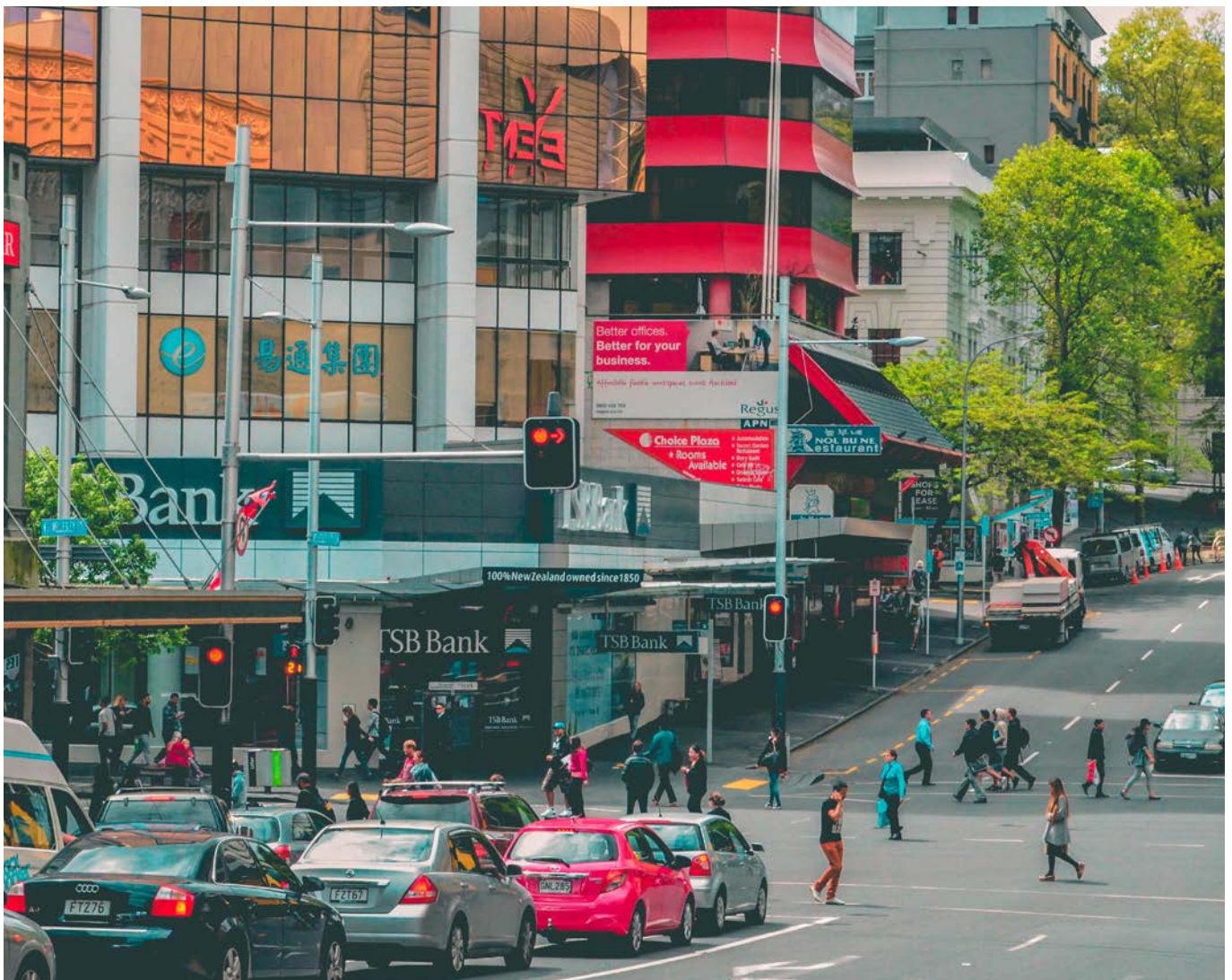
39 percent tax rate

The Government's 39 percent tax rate is divisive populism. The Prime Minister says we're all in this together, but the Government is picking on a small

group of New Zealanders. It is telling young New Zealanders 'if you study hard, get good grades, get a good job, save money, and invest wisely, we'll tax you harder'. That's the wrong message. ACT will reverse the 39 percent tax rate.

Interest deductibility

The removal of interest deductibility means the average landlord will pay \$4,125 more in tax. This divisive policy will put rents up, force landlords to sell, and hurt renters. A majority of economists, academics and property experts believe the impacts of the Government's housing changes will be borne by tenants. ACT will reverse the Government's interest deductibility change.



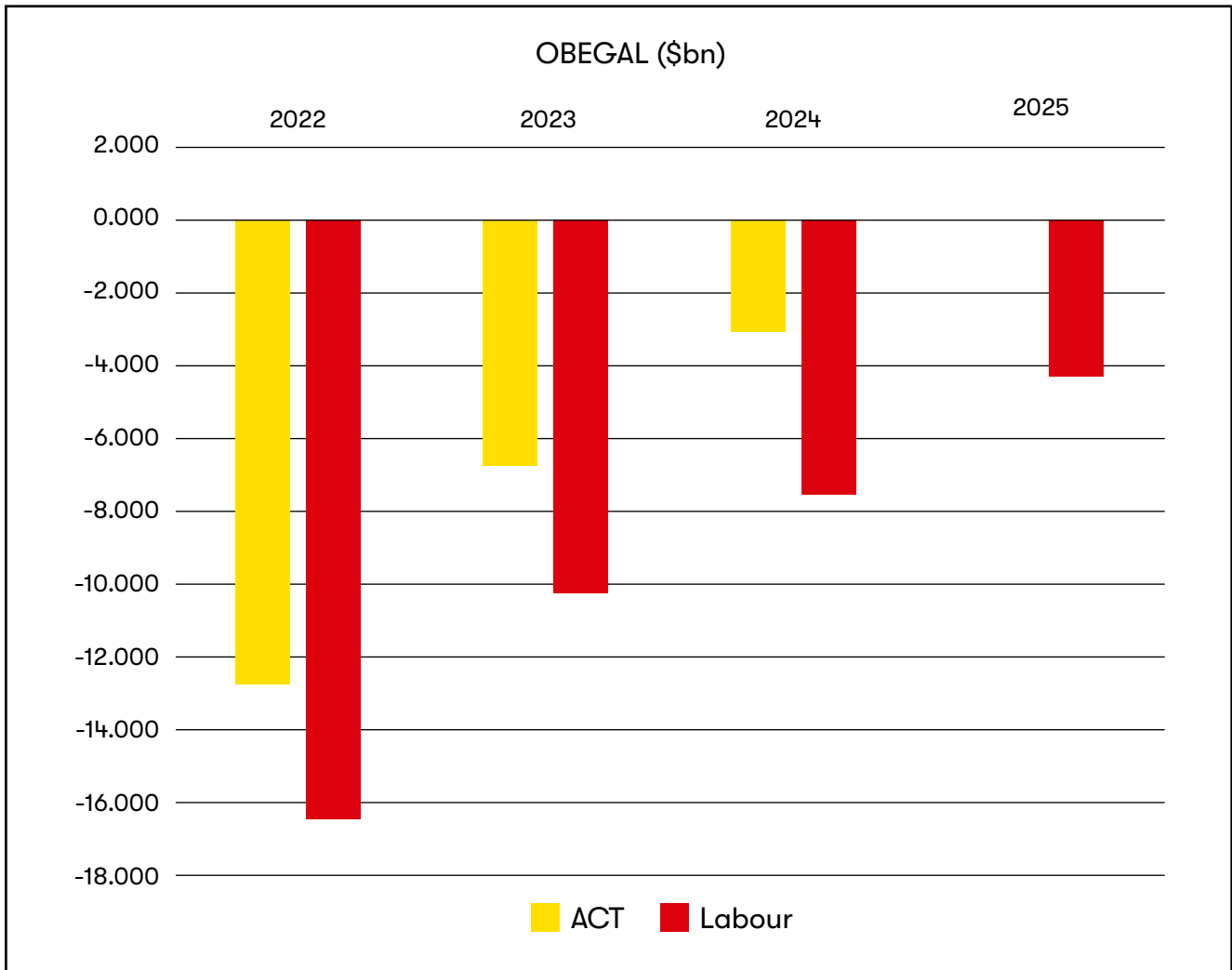
Summary of Fiscal Changes

Values are bottom-line impacts in NZ\$ billions.

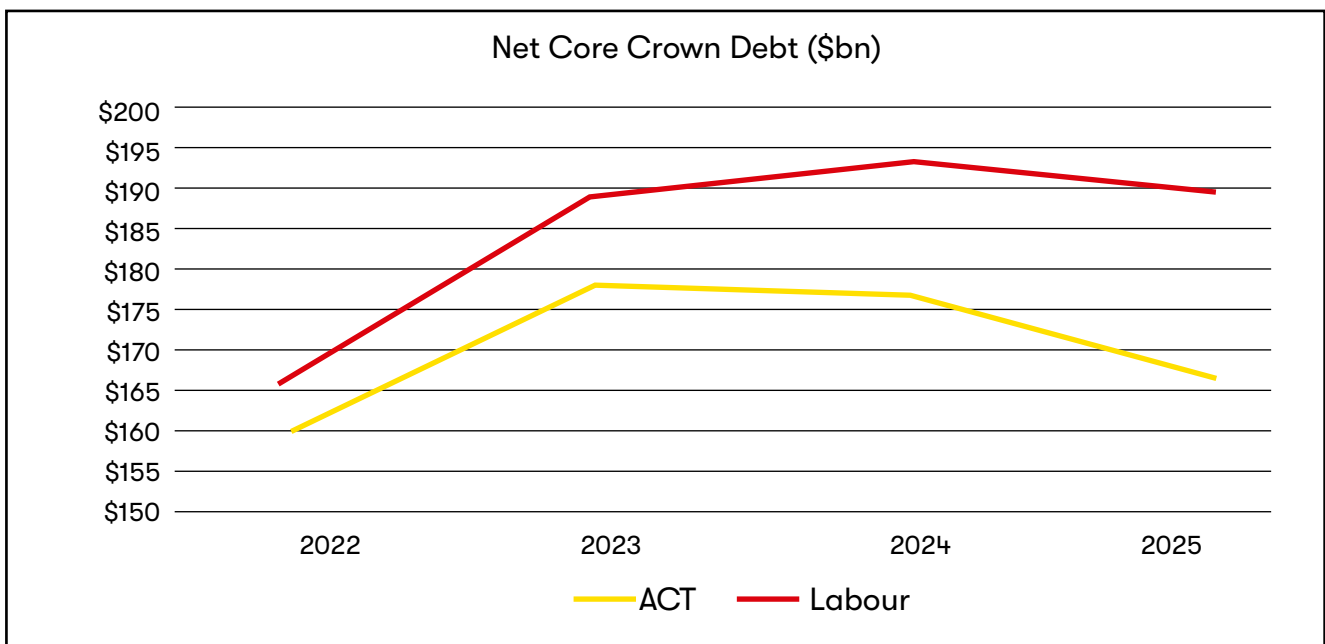
Forecast value for year ended 30 June	2022	2023	2024	2025
STARTING POSITION				
Opening Total Crown OBEGAL	-16.4	-10.3	-7.5	-4.2
Opening Core Crown Residual Cash	-36.3	-23.7	-5.5	3.9
Opening Core Crown Net Debt Position	166	189	194	190
TAX CHANGES				
Reverse the creation of a 39% top rate	-0.20	-0.80	-0.50	-0.60
Cut the 30% tax rate to 17.5%	-2.76	-2.86	-3.02	-3.21
Share 50% of GST from construction of new homes	-0.97	-1.00	-1.04	-1.11
EXPENDITURE CHANGES				
Restrain forecasted new operating spending by 20% per year	0.49	1.02	1.54	2.06
Cancel unallocated CRRF spending	1.80	2.20	2.20	2.20
End Fees Free	0.47	0.45	0.44	0.44
End various new education subsidies	0.16	0.15	0.12	0.12
End KiwiSaver subsidies	0.94	0.92	0.97	1.00
Reduce public sector senior leader salaries by 20%	0.20	0.19	0.19	0.19
Reduce core Crown personnel spending by 10%	0.88	0.87	0.87	0.88
End expensive job creation policies	0.36	0.35	0.42	0.11
End ineffective environmental policies	0.04	0.04	0.04	0.04
End corporate welfare schemes	0.97	0.97	0.90	0.68
End ineffective housing policies	0.17	0.17	0.17	0.17
End film subsidies	0.19	0.19	0.19	0.19
Reverse benefit indexation, abatement threshold, and deduction changes in Budget 2019	0.11	0.17	0.22	0.22
End Winter Energy Payments	0.54	0.55	0.55	0.56
End Best Start payments	0.45	0.45	0.47	0.47
Allowance for unannounced policies	-0.25	-0.25	-0.25	-0.25
CONSEQUENTIAL CHANGES				
Change in financing costs	0.00	0.04	0.08	0.17
Change in tax revenue due to NZSF changes	-0.02	-0.06	-0.08	-0.10
NON-OBEGAL CHANGES				
Halt contributions to the NZ Super Fund	2.42	1.06	1.46	1.76
Corporate welfare capex reduction	0.03	0.03	0.03	0.03
OVERALL DIFFERENCES				
Change in Total Crown OBEGAL	3.6	3.8	4.5	4.2
Change in Core Crown Residual Cash	6.0	4.9	6.0	6.0
Change in Core Crown Net Debt	6.0	10.9	16.8	22.9
CLOSING POSITION				
Resulting Total Crown OBEGAL	-12.9	-6.5	-3.0	0.02
Resulting Core Crown Residual Cash	-30.3	-18.8	0.5	9.9
Resulting Core Crown Net Debt Position	160	178	177	167

Comparative Analysis

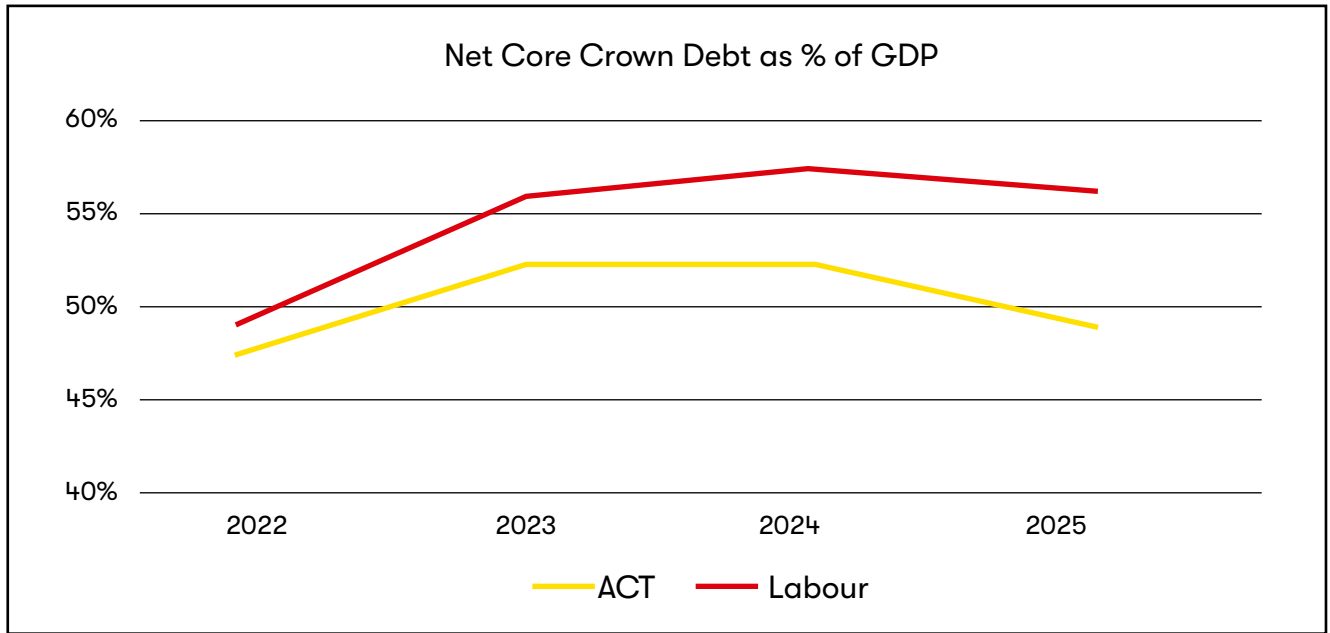
Total Crown Operating Balance Before Gains and Losses



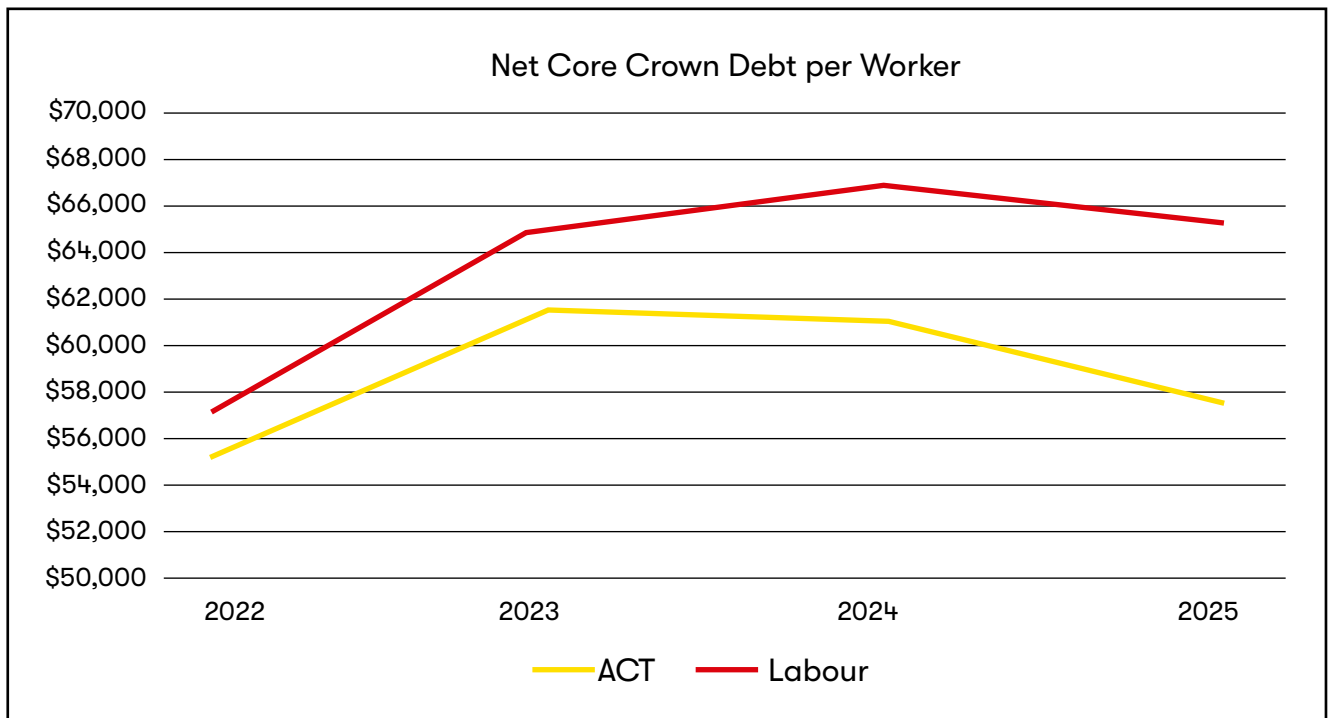
Net Core Crown Debt in \$bn



Net Core Crown Debt as a Percentage of GDP



Net Core Crown Debt per Worker



Regulatory Changes

COVID-19 response

Epidemic Response Unit

ACT would begin the process of establishing an Epidemic Response Unit based on Taiwan's Central Epidemic Command Centre to replace the leadership of the Ministry of Health. The Ministry is a policy agency. COVID-19 requires a tailored, long-term government approach.

Traffic light system for managed isolation

We will adopt a risk-based plan for reconnecting with the world, introducing a traffic light system where MIQ requirements are more stringent for high-risk countries and less stringent for COVID-free countries.

Business Travel Network

ACT would establish a workstream to help encourage business travel from low-risk countries, taking a small step towards allowing more access to New Zealand for business and investment.

Fast technology uptake

Technology gives us an enormous advantage over viruses, but our response has often not used it. ACT would make better use of saliva testing, e-larm, and COVID-Card like technologies.

Housing and infrastructure

Resource Management Act

ACT would repeal and replace the Resource Management Act. Land use restrictions created by the RMA have exacerbated the housing crisis. We need a complete, first principles overhaul of the Act.

Building consents

Councils, because of the joint and several liability imposed on them, are risk-averse in approving development and, because of their monopoly position as building inspectors, face no countervailing incentives encouraging them to allow construction. ACT would replace the current system with compulsory 30-year building insurance for all new dwellings.

Building materials regulation

ACT would also reform New Zealand's building materials regulation. We would automatically approve building products which had been approved by high-quality regulators in jurisdictions with similar conditions to our own (e.g., California and Japan). This would reduce New Zealand's inherent price disadvantage as a small, distant market and encourage competition in the materials market.



Infrastructure Partnerships

ACT will take the politics out of infrastructure and allow central and regional governments to establish 30-year infrastructure partnerships, devolving revenue and responsibility to regional governments and the private sector, while strengthening accountability and oversight from central government. In exchange for receiving infrastructure funding, regional governments will be required to meet high standards. Central government would monitor outcomes and future funding would be tied to performance. Rather than using infrastructure as a vote-buying exercise, decisions will be made based on economic need, getting the biggest bang for our infrastructure buck.

Workplace relations

ACT will reverse the Government’s recent workplace relations changes, including the Matariki public holiday, new sick leave entitlements, and 90-day trial changes. These changes, while well-intentioned, reduce new employment opportunities and hurt the very people the Government is trying to help.

Reinstate 90-day trials for all businesses

ACT will reinstate 90-day trials for all businesses. These trials reduce the risks associated with hiring workers, giving firms the opportunity to take a chance on people they wouldn’t otherwise employ. Young or low-skilled workers, or people who have been out of

work for some time, have the most to gain from being employed on a trial basis.

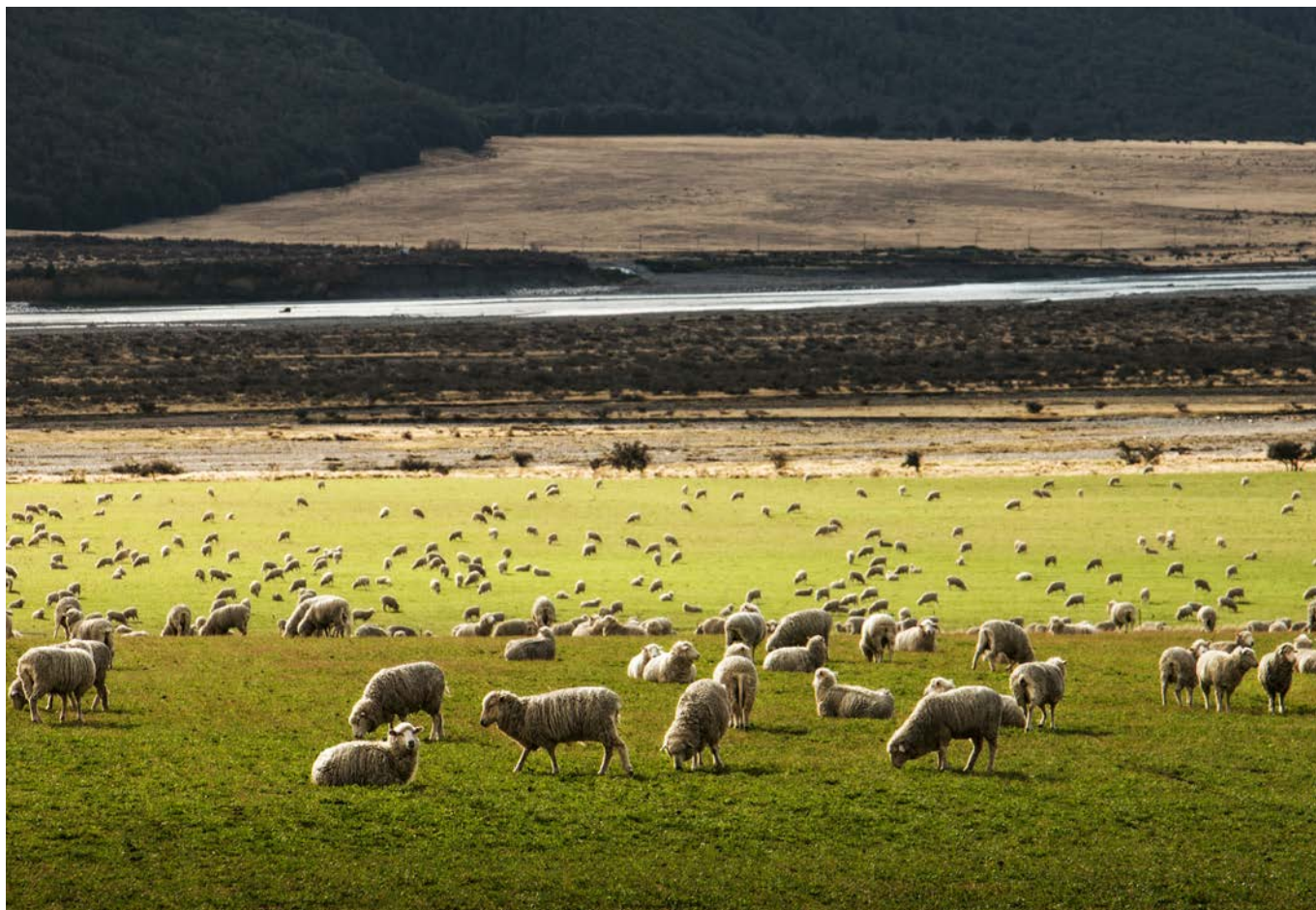
Minimum wage

ACT will pause minimum wage increases for three years. The Labour Government increased the minimum wage as the economy was going into recession and businesses were in lockdown, costing thousands of jobs. Increasing the minimum wage further while the economy is recovering will put a handbrake on business growth and the creation of new employment opportunities.

Fast-track mining consents

It takes too long – between five and 10 years – to get permits and resource consents to open a new mine, and only investors with the deepest pockets would ever risk investing under the current Government. ACT will introduce a streamlined consenting process requiring applications to be considered in fewer than 12 months. Mining companies will be required to put up large bonds to cover the risk of unforeseen events and final closure. Restoration will be undertaken not at the end of the mine’s life, but progressively. We will also require companies to deliver positive biodiversity outcomes which exceed what is currently mandated. High-quality, best-practice resource projects will deliver thousands of high-paying jobs and pay for the clean green environment we aspire to.





Reverse the oil and gas ban

ACT will repeal the ban on new offshore oil and gas exploration permits. New Zealand desperately needs a cheap and plentiful supply of clean energy to sustain the industries that generate wealth to pay for health, education and infrastructure. It is estimated that we will run out natural gas reserves in 7 years. Repealing the ban would give industry the confidence to reinvest to support manufacturing for the next 15 to 20 years. It would sustain the high-value jobs we are at serious risk of losing, while we transition away from coal.

Repeal the Zero Carbon Act

We support the goal of reducing New Zealand's emissions. However, we believe that the ETS is the most efficient, cost effective, and fairest way to achieve that goal. ACT will therefore repeal the Zero Carbon Act and reject the Climate Change Commission's recommendations.

New Zealand must play its part on climate change, but any response must be simple, politically durable, and effective. If we are forced to make significantly deeper emissions cuts than our trading partners, we will impoverish ourselves and push economic activity and emissions to other countries.

The Commission's proposed interventions in the agriculture, transport and energy sectors will not reduce emissions any more than the ETS is already designed to achieve, but will impose greater levels of bureaucracy and cost.

The ETS is New Zealand's best tool for reducing emissions. It provides a market-based mechanism to incentivise efficient emission reductions across every sector, has wide political buy-in, and renders most of the Commission's recommendations redundant.

Freshwater rules

New Zealand's diverse landscape means farming practices vary across regions as farmers adapt best practices to local conditions. One-size-fits-all regulations set in Wellington are impractical. ACT will remove the ability for certain freshwater rules to be set from Wellington and instead devolve them to regional councils who are best positioned to understand the local conditions and have direct relationships with stakeholders. This reflects the need to work collaboratively to ensure better outcomes for farmers, the local community and the environment.

Regulatory Standards Bill

One of the most important things we can do to lift productivity, incomes and our quality of life is to improve the quality of our regulation and law-making.

ACT constantly hears from hardworking Kiwis who are affected by badly made laws that take up their time and energy. There's no penalty for poor law-making, and New Zealanders pay an enormous price as a result. Governments of all stripes can and do make rushed and poorly thought out laws that are divisive and chilling. Poor law-making impoverishes New Zealanders in the long term.

David Seymour's Regulatory Standards Bill will require that any law or regulation be accompanied by a certificate declaring that it is compatible with the principles of good law-making. Good law-making means that a law or regulation is consistent with the rule of law, does not unduly impair property rights, has benefits that outweigh its costs, does not duplicate existing laws, and solves a clearly defined problem.

If a law or regulation is inconsistent with the principles of good law-making, any citizen can go to court and have it declared to be so. This does not invalidate the law, but it will embarrass the makers of bad laws into fixing their mistakes. The Regulatory Standards Bill would not stop Parliament or the government making laws and regulations, but it will shine sunlight on their activities.

Overseas investment

Overseas investment is crucial for our continued growth. It injects capital, knowledge and technology

into New Zealand companies, making them more productive and allowing them to increase wages and grow jobs.

ACT will exempt investors from OECD countries from the need to receive Overseas Investment Office approval to invest here, except in respect of investments in residential land, streamlining the process to bring capital into New Zealand. These investments would still be subject to the call-in regime where national security interests are at stake.

Membership of the OECD is restricted to countries committed to preserving and advancing democracy and free markets. Many OECD nations are already our allies on national security issues and are, therefore, low-risk sources of investment.

Conclusion

New Zealanders are being squeezed from multiple directions. Hardworking Kiwis are striving to succeed, but we're increasingly being punished for our efforts. Small business owners and farmers – so critical to our economy – are struggling with new costs and regulations. Average New Zealand workers are being taxed as if they're rich and much of that money is being aimlessly thrown around.

At the same time, the Government is taking on more and more debt. Everything this Labour Government does is either about taxing, redistributing, or dividing us against each other. ACT says we should instead be rewarding productive New Zealanders and creating the conditions for productivity, growth and the opportunities that flow from them.







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