

Income Tax to Vote for

Keith Rankin, 7 October 2014

On Sunday I saw on TV3's [Three60](#) (episode 28) a speech by David Cameron announcing his party's policy on income tax. The highlights (with British pounds converted to \$NZ at £1=\$2):

- first \$25,000 tax free (up from first \$20,000)
- top rate of 40% to kick in at \$100,000 (up from \$83,800)

"With us, if you work 30 hours a week on minimum wage you will pay no income tax at all. Nothing. Zero. Zilch" ([David Cameron promises tax cuts...](#) *Independent*, 1 Oct 2014). While not a particularly radical tax cut, its main effect would be to increase aggregate demand (unemployment reducing stimulus). Its political aim is to be aiming tax cuts at low-income and middle-income earners.

In UK terms it is somewhat disingenuous, in that it also offers tax cuts to high income recipients. Persons earning \$500,000 would get a tax cut too, though their proposed reduction will be the same as that received by a person on \$100,000; therefore smaller in percentage terms.

What matters to us in New Zealand though is that *this UK Conservative Party tax scale is well to the left of anything offered in New Zealand by the Labour Party or the Green Party*. It also recognises that one of the two most important first steps to getting beneficiaries into part-time work is to not require them to pay tax on their meagre wages. (The second step is to ensure that it is easy for beneficiaries to get back on a benefit when their casual part-time job comes to an end.)

What the timid NZ left parties were offering

Labour's income tax policy was:

- first \$0 tax free (no change)
- top [rate of 36% to kick in at \\$150,000](#)

Green's income tax policy was:

- first [\\$10,000 tax free](#) (eventually)
- top [rate of 40% to kick in at \\$140,000](#)

What might have made them electable?

These were [my suggestions](#) in my September 5 posting:

Labour's income tax policy could have been:

- first \$9,370 tax free
- top rate of 36% to kick in at \$70,000

Green's income tax policy was:

- first \$9,370 tax free
- top rate of 40% to kick in at \$70,000

My suggestions would have delivered tax decreases to the poor; and increases to the rich (incomes over \$90,000 on the proposed Labour scale; incomes over \$79,425 on the proposed Green scale).

Significantly, by British standards, my suggestions, too radical for New Zealand's left, look conservative even for Conservatives. New Zealand's economic policy consensus is very right-wing.
