



# The Methodist Church of New Zealand

## Te Hāhi Weteriana o Aotearoa

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03 May 2023

Rt Hon Chris Hipkins  
Prime Minister of New Zealand  
NZ Parliament Buildings  
WELLINGTON

Tēnā koe Prime Minister

### **ECONOMIC JUSTICE**

Thank you for the work your government has done including the Welfare Expert Advisory Group Report, Tax Working Group Report and the recent IRD report on high wealth individuals. This has given both Government and the public robust information to inform decisions to make Aotearoa New Zealand a more equitable and just society where everyone can flourish.

The Welfare Expert Advisory Group Report highlighted the shortfalls in our social security system and recommended ways to improve this. We are grateful for the recommendations that your Government has implemented to date.

The recent IRD report highlighted the inequitable tax system in Aotearoa New Zealand. Most Kiwis believe we have a progressive tax system where those that earn more income pay more tax as their income grows, and those earning lower incomes pay less tax. The report states:

**“The tax system supports the well-being of New Zealanders by providing revenue to fund public goods and services, influencing behaviours, and as a means of redistribution. The progressive nature of New Zealand’s income tax means that the tax system plays a role in reducing inequality and encouraging social cohesion.”<sup>1</sup>**

The report, however, provided evidence that showed that for the very wealthy (the top 1%) the opposite was true, with our country’s wealthiest 311 households having paid an effective tax rate of 9.5%.<sup>2</sup> This compared to a person who has a personal taxable income of \$50,000 with an effective tax rate of 16% and those with an income of \$100,000 - an effective tax rate of 24%.<sup>3</sup>

Some of the participants in the survey responded to the release of this report by saying they were willing to pay more tax. The Methodist Church of New Zealand believes that the tax system needs to be broadened to include income and wealth gained from capital appreciation and business enterprise on a similar basis to income earned from wages and salaries. We support changes to the

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<sup>1</sup> IRD, High-wealth individuals research project, April 2023. P1

<sup>2</sup> <https://www.rnz.co.nz/news/on-the-inside/488815/proving-the-wealthiest-new-zealanders-pay-low-tax-rates-is-a-good-start-now-comes-the-hard-part#:~:text=The%20report%2C%20commissioned%20by%20Minister,percent%20if%20you%20include%20GST.>

<sup>3</sup> IRD, High-wealth individuals research project, April 2023. P1

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tax system that will reduce inequality, as this is an essential part of the social contract. To do this wealth and poverty must be looked at holistically as they are on opposite ends of the income spectrum.

The disparity between how welfare fraud is treated, compared with tax evasion, stems from the differing powers that IRD and MSD have to write off debt. This creates further inequities and the criminalisation of poverty. It is hard to reconcile that we are treating our most vulnerable whānau who are in receipt of a benefit much more harshly than those who are convicted of tax evasion.

People who get their income from welfare support are our most vulnerable people in society. Further work needs to be done to restore the capacity of the welfare system to support people to live with dignity and to move into sustainable long-term employment and self-sufficiency. In particular, we note that the abatement rates were equivalent to 15 hours of the minimum adult wage when they were first introduced in 1986, however today, the abatement rates fall well below this at just seven hours. If abatement rates were restored to the equivalent of 15 hours of the minimum adult wage, people reliant on the benefit for income, could earn up to \$340.50 before their benefit is abated, which would provide a more liveable income for whānau to thrive. Abatement rates at this level, would also have a significant effect on lifting children/tamariki out of poverty. We **request** that abatement rates are indexed to the minimum adult wage and restored to the equivalent of 15 hours.

The recommendations from both the Welfare Expert Advisory Group (WEAG) report and Tax Working Group have provided the government with a range of possibilities to reduce income inequality and improve wealth distribution in Aotearoa New Zealand. With the further research provided by the IRD report on high wealth individuals, there is abundant evidence to support change to ensure we have a fair tax system to help provide revenue for a just social support system that provides whānau with a liveable income.

Everyone in Aotearoa New Zealand benefits from a society that is just and inclusive, where everyone can thrive. Societies that are more equal have higher functionality and productivity, more cohesion, and are healthier than their unequal counterparts. Many recent polls in Aotearoa show that most people are concerned with our widening inequality and the associated negative effects, and the majority of New Zealanders support a more even distribution of wealth than we currently have. We would support a holistic, long-term, cross-party approach to the tax and welfare systems to address these inequities.

The Methodist Church of New Zealand would appreciate hearing your Government's plans to find new more equitable ways to redistribute wealth via the tax and welfare systems to ensure our most vulnerable children/tamariki and their whānau are better supported.

We look forward to hearing from you.

Nāku noa nā

A handwritten signature in black ink, appearing to read "M. Peter". The signature is written in a cursive style with a large, stylized initial "M".

President Methodist Church of New Zealand