

New Zealand PM rules out raising tax on super-rich after report shows massive concentration of wealth

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Last week, New Zealand's Inland Revenue Department (IRD) released its findings from an investigation into the wealth of the country's 311 richest individuals.

The High Wealth Individuals Research Project, which looked at income and assets from 2015 to 2021, revealed the extreme concentration of wealth in the hands of a tiny handful of billionaires and multi-millionaires. This group collectively holds \$85 billion in assets—more than three times New Zealand's annual public health budget.

The group's annual income varied from \$1 billion in 2017 to a staggering \$14.6 billion in 2021 (equal to 4 percent of New Zealand's gross domestic product). Their median wealth nearly doubled from \$60 million in 2015 to \$106 million in 2021.

The Labour Party-Greens government, like others throughout the world, exploited the COVID-19 pandemic to engineer an historic transfer of wealth to the ultra-rich. Property values and corporate and bank profits have surged due to the government's subsidies, bailouts and tax concessions, and the Reserve Bank's quantitative easing and ultra-low interest rates.

Previous surveys have shown that New Zealand is an extremely unequal society. According to Statistics NZ's regular Household Economic Survey (HES) in 2021, the richest 5 percent of individuals owned 43.1 percent of the country's wealth, while the bottom 50 percent held just 2.1 percent.

The IRD's new findings, however, show that wealth is much more concentrated, because super-rich individuals hardly ever participate in the HES. Factoring in the wealth of the group of 311, the share owned by the richest 5 percent increases to 45.5

percent.

Significantly, the new study found that the 311 wealthiest people paid tax on their economic income at a rate of just 8.9 percent—less than half the 20 percent rate paid by someone on the average wage. This is similar to the effective tax rate paid by the 400 richest families in the United States, which has been estimated at 8.2 percent.

Only 7 percent of the income gained by the richest New Zealanders is in the form of personal income subject to tax. The remaining 93 percent comes from returns on investment, including financial assets and capital gains from businesses and other property—all of which is either not taxed, or taxed at a lower rate than incomes.

What this shows is a system designed for the wealthy to avoid tax on a colossal scale.

Working people are also disproportionately taxed through the Goods and Services Tax (GST) on food and other products. The GST was introduced by the Labour Party government in the 1980s, which slashed top income and corporate tax rates. GST now makes up 32 percent of total tax in NZ—higher than the OECD average of 20 percent.

In response to the IRD report, Labour Party Prime Minister Chris Hipkins told the media that “the research out today suggests there is some unfairness in our tax system.” But he reassured the business and financial elite that the government would not increase their taxes in the May 18 budget.

Despite campaigning in the 2017 election on introducing a modest capital gains tax, in 2019 former Labour Prime Minister Jacinda Ardern ruled out any such tax while she was in office. The government was

rewarded for its pro-corporate policies in the 2020 election, when many of the country's wealthiest electorates switched their support to Labour from the conservative National Party.

With the global economy now in an escalating crisis, triggered by the pandemic and made worse by the war in Ukraine, the ruling elite and its political parties are determined that working people must pay the price.

The surge in wealth for the rich coincides with falling real incomes for most people. According to Statistics NZ, the median household disposable income increased by 6.2 percent in the year ended June 2022, while the cost of living increased by 7.3 percent.

Inflation remains at 6.7 percent, with food prices up 12.1 percent over the past year. Rents have increased by 15 percent in the past two years. According to Kiwibank, someone making the average income of \$71,000 in 2021 is now nearly \$5,000 worse off in real terms than at the beginning of 2021.

Numerous reports highlight deepening poverty. The longitudinal study "Growing Up in New Zealand," which surveys more than 4,500 children, recently reported that 7 percent of children had experienced homelessness by the age of 12. About one in five children lives in poverty.

Increasing numbers of families are resorting to charity to survive. Last month the Family Works food bank in South Canterbury reported a 41 percent increase in demand in the past year, following similar increases reported by charities across the country.

In response to the inflationary crisis, the Reserve Bank admitted last year that it is pushing up interest rates in order to produce a recession, drive down consumption and push up unemployment.

Meanwhile, the vast sums of money handed over to the super-rich in recent years are to be paid for through cuts to government spending on healthcare, education and other basic services. Hipkins told the media, "we can't sustain the high levels of spending we had during the COVID-19 period" and the May budget would be a "no frills" affair.

Asked whether this means austerity, Hipkins replied: "Absolutely not... our health system, our education system, the public services that New Zealanders rely on are funded to keep up with increasing costs."

This is a lie. Healthcare is undergoing a major restructure, which the government says could include

1,600 job cuts. The COVID-19 response has been dismantled, even as the coronavirus continues to spread out of control and hospitals are overwhelmed and understaffed.

In the education sector, universities and polytechnics are slashing hundreds of jobs and imposing real wage cuts with the crucial assistance of the trade union bureaucracy. School teachers have recently held nationwide strikes after rejecting below-inflation pay offers.

Local councils are also looking to slash costs. In Auckland, home to one third of NZ's population, mayor Wayne Brown has suggested cuts to libraries, the Citizens' Advice Bureau and numerous arts and cultural programs, as well as the sale of shares in the airport. "Taxing the rich is not an option," the right-wing mayor told Radio NZ on Friday, echoing the Labour government.

While cutting wages, jobs and social services, the government has indicated that billions must be found to expand the military. Despite widespread anti-war sentiment, New Zealand is being integrated into US-led plans for war against China, which are at an advanced stage. US imperialism is seeking to resolve its economic decline through the violent redivision of the world, including war against both Russia and China.

These developments vindicate the warnings made by the Socialist Equality Group (SEG) over the past six years—in opposition to the Greens, the unions and pseudo-left groups—that a Labour government would deepen the assault on the working class. To mobilise against austerity and war, we call on working people to break from Labour and all its allies and join the SEG, which fights for the international unity of the working class and the socialist reorganisation of society.



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