

New Zealand Labour government rules out capital gains tax

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New Zealand Prime Minister Jacinda Ardern announced last month that her Labour-led government would abandon plans to implement a proposed Capital Gains Tax (CGT), not just for the current term in office, but for as long as she was leader.

Labour had campaigned for the tax in three elections, saying it was necessary to tackle deepening social inequality. However, Ardern told Radio NZ on April 30 she still believed in such a tax, but it was time to look at “other options.” Ardern blamed her coalition partner, the NZ First Party, saying “I just couldn't get the numbers, and it wasn't for lack of trying.”

The Green Party, Labour's other coalition partner, had also previously campaigned for a CGT. Both parties, however, have promoted NZ First for years, and were eager to work together in government with the right-wing, anti-immigrant party.

NZ First leader Winston Peters vetoed the CGT, declaring there was no “compelling evidence” that it would improve equality. Without the support of NZ First's nine MPs, the legislation would not have got through parliament.

Ardern's capitulation over what was a major election promise underscores yet again the right-wing character of her government. At the 2017 election NZ First gained just 7 percent of the vote, yet Ardern gave NZ First four cabinet ministries, with Peters installed as deputy prime minister and foreign minister. The coalition has played a key role cementing NZ's foreign policy alignment with Washington and opposing Chinese influence in the Pacific.

The ditching of the CGT further exposes Ardern's fraudulent promise that 2019 would be the year of “delivery” on Labour's so-called “transformational” election pledges to slash child poverty, reduce inequality and improve the social position of ordinary

people.

Labour has already ruled out raising the top tax rate or business levies, and is committed to “budget responsibility rules” which keep a tight rein on government spending. In the face of an upsurge of industrial action by the working class, including teachers, nurses, doctors, public servants and transport workers, Labour flatly declares there is “no more money” to meet pay demands and properly fund health and education. Poverty rates and inequality continue to escalate.

New Zealand, Turkey and Switzerland remain the only OECD countries to not tax capital gains in some form. Income earned from share speculation or the inflation of property prices remains exempted from tax, while wages are not. Working people meanwhile carry the burden of a harsh consumption tax, which was imposed by Labour in 1986. Levied on all goods and services at 15 percent, it is responsible for 31.4 percent of total taxation.

Labour in fact never had any intention of increasing taxes on the wealthy. Its Tax Working Group, ostensibly set up to make recommendations on a “fairer” tax system, was instructed to ensure its recommendations were “revenue neutral,” i.e., there would be no increase in the total tax take. The group was headed by Michael Cullen, who as finance minister in the 1999–2008 Labour government was responsible for record budget surpluses, the protection of massive share market profits and spiralling social inequality.

The group's recommendations on CGT were very limited in scope. The family home was to be excluded. Economist Shamubeel Eaqub told Radio NZ that other exemptions would likely have been added, meaning the CGT would raise “little revenue.”

The winners are the asset rich, shareholders and

property speculators. By the working group's calculations, the top 10 percent of the population owns 70 percent of the assets that stood to be taxed by a CGT, while the bottom 70 percent have only 10 percent of such assets, and the 30 percent of lowest income earners have 1 percent.

The CGT proposal was subject to bitter opposition from lobby groups such as Business NZ, which claimed, without substantiation, that it would cost "the economy" over \$NZ5 billion, and vocal sections of the media. Canterbury Employers Chamber of Commerce chief executive Leeann Watson declared that the final decision highlighted the Ardern government's "commitment to the business community."

Labour and the Greens made no attempt to advocate for the CGT against big business. Writing in the *New Zealand Herald*, columnist Heather Du Plessis-Allan declared that if Labour had really wanted to introduce the tax "they would've fought for it." Instead, Ardern was "AWOL in the debate" and had never made any "passionate defence" of the CGT.

The abandonment of the CGT signifies that even the most limited social concessions are no longer viable under the onslaught of the capitalist crisis. Like social democratic parties around the world, the Labour Party long ago jettisoned any commitment to progressive social reforms and has allied itself with far-right forces to impose the austerity demands of finance capital.

What will inevitably follow are even sharper attacks on the social position of the working class. Labour's phony election pledges, including a promise to halve child poverty within a decade, will be ditched on the basis that they are "unaffordable."

Last week a government Welfare Expert Advisory Group released a major report which concluded that, with some 600,000 dependents often living in desperate situations, an urgent and fundamental change was needed to the welfare system. Social Development Minister Carmel Sepuloni promptly declared that the government had already rejected the key recommendation to lift welfare benefit levels by 47 percent.

The liberals and pseudo-lefts who supported Labour's election and glorified Ardern have reacted with acute anxiety about the government's blatant shift to the right. Academic Bryce Edwards noted in the *Herald* that the entire "progressive" milieu was in a

state of "shock" and "despair" over the CGT "betrayal."

Editor of the trade union funded *Daily Blog*, Martyn Bradbury, wrote on April 21 that the only reason Labour could "get away with what they have done" is because there is no alternative political vehicle to the left of them. What was needed, he declared was a new political party led by "our own Corbyn or Sanders," i.e., to replace Ardern with a phony "left" populist equally devoted to protecting the profit system.

Such comments reflect the fear in these middle-class layers that the illusions in Ardern and Labour are being demolished by events and that what will emerge is a movement of the working class fighting against capitalism and for socialism.



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