Opportunity Party tax policy implications for NZ Superannuaitants who own a house

Introduction

1. This paper analyses the Opportunity Party tax proposals and how these might impact a household receiving NZ Superannuation and living in Wellington City. It considers both a household of a married couple and a single household.

Opportunity Party Tax policy

2. The proposal is for a universal basic income (Citizens Income) for everyone over age 18. This is tax free. For superannuitants, this replaces NZ Superannuation, though with a top-up of $5,250 in total for a couple or $10,000 for a single person, The top-up abates once household income exceeds $50,000. It is unclear whether the winter energy allowance will continue – probably not as it isn't mentioned and the aim is to simplify administration.

3. Income tax rates would become:
   - 28% for income up to $50,000 pa
   - 34% for income between $50,001 and $200,000 pa
   - 39% for income at $200,001+ pa

4. Funding for this is largely from a Land Value Tax of 1.75% on urban land and 0.5% on rural land. The policy document states "Some 'asset rich, cash poor' Kiwis (like older New Zealanders and farmers) will be incentivised to make different choices under the Tax Reset. For example, a retired couple will reduce their tax bill by downsizing their home or shifting into renting (freeing up that home for the next generation)."

5. Also "Retirees will be able to defer their Land Value Tax - making it payable by their estate." There doesn't seem to be mention of charging interest on deferred Land Value Tax, but this would be necessary as otherwise all retirees would defer the tax. Deferred tax plus interest would effectively be a reverse mortgage which would become payable once the house is sold or the owner(s) die.

6. The policy also has compulsory KiwiSaver and allowances for children, though these aren't relevant for superannuitants.

Scenarios for Wellington city superannuaitants

7. Two scenarios are considered – one for a married couple and another for a single superannuitant. The following sources of data have been used:
   a. NZ Superannuation rates for the 2025/26 tax year (April 2026 – March 2027) using the M tax code. These are $22,206 each for a married couple and $28,868 for a single person.
   b. Wellington City Council Average Rateable Values which are a capital value of $1,086,000 and Land Value of $621,000.
   c. Wellington City Council, Wellington Regional Council and Tiaki Wai websites for estimated rates charges for 2026/27 (July 2026 to June 2027).

8. It is assumed that each owns a house which is free of any mortgage and that each household has investments which earn taxable income of $25,000.

9. Under current tax rates, NZ Superannuation is taxable and any investment income is effectively taxed at a higher marginal tax rate. So, typically, modest taxable investment income is taxed at 17.5%. If investment income plus gross NZ super (which is $25,591 for

each member of a married couple but $33,663 for a single superannuitant) exceeded $53,500, the marginal tax rate would become 30%.

10. Under the Opportunity Party proposal, the Citizen's income is tax free, but the marginal tax rate is 28% on any investment income.

Scenarios

11. Below are scenarios for a couple and a single person with an average value house in Wellington city with Land Value of $621,000 and taxable investment income of $25,000.

A. Married Couple	**Current**	**Opportunity**	**Difference**	**%**
NZ superannuation (after tax)	44,412			
Winter energy payment	695			
Citizen's income		38,800		
NZ Super top-up		5,250		
Subtotal	**45,107**	**44,050**	(1,057)	-2%
Investment income	25,000	25,000		
Less income tax	(4,375)	(7,000)		
Net investment income	**20,625**	**18,000**	(2,625)	-13%
Land Tax		(10,868)		
Net income	**65,732**	**51,183**	(14,550)	-22%

B. Single superannuitant	**Current**	**Opportunity**	**Difference**	**%**
NZ superannuation (after tax)	28,868			
Winter energy payment	348			
Citizen's income		19,400		
NZ Super top-up		10,000		
Subtotal	**29,215**	**29,400**	185	1%
Investment income	25,000	25,000		
Less income tax	(5,020)	(7,000)		
Net investment income	**19,980**	**18,000**	(1,980)	-10%
Land Tax		(10,868)		
Net income	**49,195**	**36,533**	(12,662)	-26%

Note that the single superannuitant pays more tax on investment income under current tax rates, as they have some taxed at 30%.

12. The reductions in disposable income are significant. They suggest that deferral of payment of the Land Tax would be essential to maintain living standards. Even at current income and tax settings, both households would struggle and may need additional taxpayer assistance.

13. In addition, I have estimated the rates that will be payable on a Wellington property at the average value. For 2026/26 the combined rates would be around $7,800. They may be able to claim a rates rebate. Insurance would also be a significant cost, perhaps $5,000.

14. The Opportunity Party suggests selling the house to avoid Land Tax, and renting. Average residential rents in Wellington are $550 per week ($28,600 pa) or $630 per week for the cheapest house (32,760 pa). While this would save Land Tax and rates, the quality of accommodation may well be lower.

Conclusion

15. Many differing assumptions could be used to calculate the impact of the proposed Opportunity Party policy on elderly households that own a house. The two scenarios and assumptions illustrate the impact on asset-rich but income poor supperannuitants in Wellington. This is a significant and growing portion of society.

16. The results would be:

- The combination of Land Tax and high tax rates on any investment income (minimum 28%) would lead to declines in disposable income of over 20%.
- The high tax rates on investment income could be a disincentive to save.
- The “sell and rent” option would reduce quality of life and create uncertainty.
- The value of land and housing is anticipated to fall which would significantly reduce asset values for the elderly. This would lead to increased entitlement to Government subsidies for rest home care since assets available to fund this would be lower.