1891

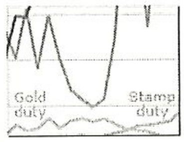
V2 (Goldsmith, 2010b)

Story: Taxes

Page 2 – Liberal Party taxes – 1890 to 1912

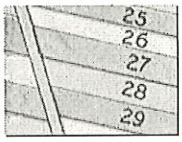
Income tax and progressive rates

The Liberal Party was in power from 1891 to 1912. It promised tax cuts on customs duties and property tax for most middle-income earners – although at that time few of these people actually paid much direct tax – and new progressive taxes to extract more money from a small, wealthy minority. The promised tax changes would abolish the property tax which quite a few people paid, and replace it with a land and income tax that fewer people would pay.



Government revenue, 1840–1890

The Liberals' ordinary land tax and their graduated land tax for large estates were aimed at breaking up the great land estates, and capturing at least part of the increase in land value.

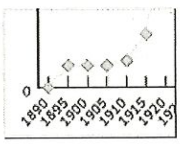


Breaking up the estates

Single taxers

The Liberal party never went as far as some wanted. 'Single-taxers' were followers of Californian Henry George, whose widely-read 1879 book, *Progress and poverty*, advocated doing away with all other taxes, including customs duties, and replacing them with a single tax on all land, without exemption. This, he argued, would win for the community the unearned increment.

The Liberal Party legacy of income tax and progressive rates (the more you earn the higher rate you pay) introduced in 1891 became central aspects of the New Zealand tax system.



Top income tax rates

Income tax, 1891

For income tax, individuals were exempt if they earned less than £300 per annum ($50,000 in 2008). This was most of the population. The top tax rate was 5%. Companies paid 5% on profits. Dividends (payments by public companies to their shareholders) were not taxed.


Dog tax rebellion

During Parliamentary debates, Opposition MP John Bryce fell back on the long-standing moral objection to income tax. He argued that as soon as there is income tax people must declare their income. As income is easier to hide than land and other forms of wealth like assets, many would yield to the temptation to make false tax returns.

By 1900 tax revenues had increased from 6.4% to 8% of GDP. The tax system and the size of the state were very different from modern times. Before the First World War the top rate of income tax was 6.65%.

Māori

Māori were free from the property tax and successions duties, and also entirely free from local body rates until the Rating Act 1882, and the Crown and Native Lands Rating Act 1882, were brought in as a means to capture some rates in Māori land near the towns. Māori did not have to pay the unemployment poll tax introduced in 1930, but only got unemployment relief if they did.

In 1952 a commission of inquiry found that the different treatment of income from Māori land was fair and reasonable due to the unique characteristics of Māori land, such as multiple owners with very small shares. The rules for taxing Māori land were still in effect in the 2000s. But in all other respects Māori are taxed the same way as everyone else.

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