LAW CHANGES BECAUSE OF ELECTIONS

In this article we comment on some law changes since National came into power in November 2008, and offer a brief overview of likely new laws after the election on 26 November.

Space prevents us from commenting on every law change since November 2008 and those proposed this election. However, there are some notable changes that are not without controversy.

The first significant change after the 2008 election was the reduction in company and personal income tax rates to bring them more into line with each other to prevent the rorting that had occurred under the previous administration. Unlike the wind which changes direction daily, tax law changes about November every third year.

National has not indicated yet what its tax policy will be should it retain the Treasury benches after 26 November, and neither has its coalition partner, Act. However, Act has indicated its preference for changes to laws relating to government spending, which it says will enable much lower taxes.

Act is keen to implement its Spending Cap (People's Veto) Bill which would cap government spending to the rate of inflation and population change, subject to natural emergencies such as the Christchurch earthquake, or where a majority under a referendum decides that greater spending is needed in a specific area. This is more a constitutional change to government framework, but in the long run should have a significant positive impact on businesses and households. The government cannot continue to keep spending money the way it has been and funding the difference between that and its revenue by borrowing from overseas. The current $18.4 billion deficit equates to approximately $67,000 for each family of four. This spending cap Bill targets that area.

In terms of law changes regarding savings, National has already moved to remove the tax-free status of employer contributions to Kiwisaver and its 2011 Budget made changes that worked towards reducing government subsidies in KiwiSaver, and replacing them with increased private contributions.

From 1 April 2012 the tax-free status of employer contributions is to end and beyond 30 June 2012, the Member Tax Credit Rate will be halved from $1 to 50c for every $1 contributed by members up to a maximum of $521 per annum, which is half the current maximum.

Going forward, National has announced that it would automatically enrol workers in KiwiSaver. There will be a one-off enrolment scheme but only once the Government's accounts were back in surplus, which is expected to be in 2015. Labour is expected to announce its KiwiSaver package very shortly.

Expectations if change of Government

If Phil Goff manages to end up as Prime Minister on 27 November it is expected the following initial changes to business structures will take place.

Labour has promised to introduce a broad 15% capital gains tax, with few exceptions.

Labour has also promised to change employment laws by increasing the minimum wage to $15 per hour and by repealing the government's 90-day trial period legislation. It will also amend the Holidays Act to ensure there are 11 public holidays each year regardless of them falling on a weekend.

In terms of accident compensation, as at the time of writing this article, Labour has not announced its ACC policy. However, it is expected to reverse the National/Act changes that opened up the ACC work account to competition. Labour has spoken strongly against this policy since it was first mooted.

The final area that may capture attention of law change is the Resource Management Act. The Act party wishes to undertake major reforms of the RMA to reduce regulation surrounding land usage. This doesn't appear yet to be a priority of the National Party, nor the Labour Party and much will depend on the make-up of Parliament after the election as to whether these changes happen. National passed amendments to the RMA in 2009 so it may feel its work in this area is done.