

## **Implementation of a Universal Basic Income**

### **Aim**

The aims of this report are to set out a step by step guide on how to initiate and eventually implement a universal basic income in any country and describe how the UBI would look in various nations in the world. I have used this method in New Zealand and will detail what results were achieved.

The final purpose of this paper is to help bring in a carbon tax and citizens dividend augmenting the UBI, solving the global gridlock on finding environmental answers and providing for those in need throughout the world.

### **Method**

- Research – find the source documents and reports required (as detailed below) bring together into a spreadsheet solution.
- Decide on the funding methods to compare and rework the reports to offer a fiscally neutral result for each funding method.
- Make every assumption in the report into a variable. Send this to the political parties and other stake holders.
- After consultation fix every variable and create a website that enables the population to see how they are affected by each of the models under review.
- Download the saved data from the website and write a report to politicians, media and the public through the website.

### **Results**

- The website was completed two weeks before the writing of this report and with sponsorship over 4,000 New Zealanders now know how a UBI will affect them in their unique circumstances.
- 3,000 useable outcomes were tabulated.
- The results of which have been read by NZ's current minister of finance, the shadow minister of finance and the leader of the third biggest party in NZ.
- The word is that the Labour Party will have a UBI policy in the next general election.

### **What resources are needed to initiate a UBI.**

The following would be required to complete this project in any nation all of which were freely available on-line in New Zealand.

- 1) The most recent Inland revenue department / social welfare department actual trading results. Showing social welfare monies spent on each of the population needs from superannuation to unemployment benefits. Taxation earnings from income tax, corporate tax, sales tax, etc.

- 2) The Inland revenue departments breakdown of tax paid per income level and the number of people earning each of those levels of income. The total of this report will equal the results above for income tax.
- 3) The number of people on each benefit on average during a year.
- 4) Household spending reports or some such that indicates what proportion of people spend all of the money that they earn currently.
- 5) The size of the carbon dividend in your country given a percentage of carbon tax charged. (Calculated from reports of power source percentages, usage and overall fuel consumption)

### **Models chosen for comparison**

In February 2017, an interactive financial modelling spreadsheet was sent to every sitting politician in New Zealand. This enabled any variable to be changed and expressed income tax and GST rates required to fund the adjustable model.

The funding models explored were: -

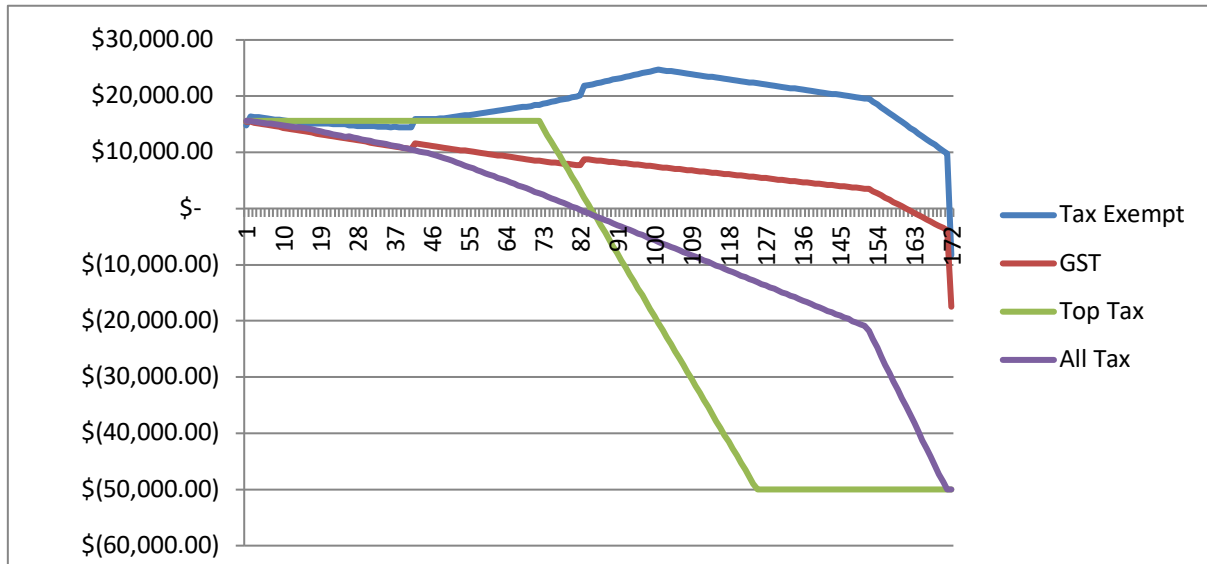
- 1) A rise in GST/VAT rates (goods and services tax) paying for an income tax exemption amount of \$100,000 and the UBI of \$397.
- 2) A rise in GST rate paying for a UBI of \$350.
- 3) Increase all tax rates by the same percentage to pay for the UBI of \$300.
- 4) Increase the top tax rate to pay for the UBI of \$300.

Please note the different UBI weekly payments for each model were calculated from the increase in the cost of living brought about by the rise in GST used to fund them.

### **The list of variables included: -**

- 1) How much tax exemption should we offer?
- 2) How much should the UBI amount weekly be?
- 3) How much do we increase the superannuation to offset the increase in cost resulted by funding a UBI?
- 4) What percentage of the UBI would be spent by the population of New Zealand?
- 5) What is the likely velocity of money in New Zealand given a UBI?

With the variables set on sending this working paper here is the graph of the results.



### The National Governments Guaranteed Minimum Income investigated

The ruling National Party – Minister of Finance, Steven Joyce, thanked me for my report and directed my attention to a treasury report in 2010 that looked at a guaranteed minimum income of \$300 financed by a flat rate of tax of 48%. Please note this removed the existing superannuation benefit for over 65's.

Here is the link to the report

<http://igps.victoria.ac.nz/WelfareWorkingGroup/Downloads/Working%20papers/Treasury-A-Guaranteed-Minimum-Income-for-New-Zealand%20.PDF>

Having suggested that we lower income tax rates within my models and raise GST rates to pay for the UBI - I responded to the Finance Minister in regard to this report with the following:

**Here are examples of how GST financing provides a positive result to every negative comment in the treasuries review.**

- 1) “Higher personal income tax rates lower post-tax New Zealand superannuation payments by 44%.” **There is no income tax being paid up to \$100,000 therefore superannuates are better off.**
- 2) “overall labour supply is likely to fall due to an increase in effective marginal tax rates for the vast majority of workers.” **The opposite is now true with a large decrease in the majority of worker’s tax rates labour supply is likely to increase. Skilled workers are more likely to come to NZ because of the low-income tax rates. There will be an increased incentive for labour market participation.**
- 3) “damaging effect on the integrity and coherence of the tax system” “increasing enforcement and compliance costs” **The simplicity of one tax of 33% for earnings over \$100,000 is already here so there is no tax payer restructuring for tax avoidance. More than 90% of the population would have no income tax to pay nor any requirement to file returns and there will be a vast reduction in compliance costs.**
- 4) “high income tax rates are highly distortionary to the labour market and to savings and investment decisions.” “Damaging the tax system and economic growth” **There are no high-income tax rates, jobs will be sought after and savings and investments may finally be**

possible for the majority of workers. Our people will have money to spend and this can only lead to economic growth.

- 5) Labour Market Incentives, “lower earners may reduce their hours or not work”  
“skilled/higher earners to reduce their hours or migrate to countries with lower tax rates”  
We will have the world’s lowest earner tax rates. New Zealand will be the best place to work in and save money. There will be an increased desire to earn good money in skilled jobs.
- 6) “Higher income tax rates are much more likely to discourage effort” The lowest income tax rate for earnings up to \$100,000 will have our youth seeking higher education and good paying jobs. With higher cost of goods and no income tax people will look for more work not less.
- 7) “could discourage people from taking entry level jobs” Youth would be incentivized to get work to pay for the increase in the cost of goods. With a \$100,000 tax-free earning they would look for promotion or further education to get good, well-paying & skilled work.

Further to this the positive aspects of a UBI are still retained. As noted in the report “employees would have additional bargaining power and with the safety net, greater risk-taking and entrepreneurial activity with people having more time to set up small businesses to create employment.” “we will remove the poverty traps within the current unemployment regime.”

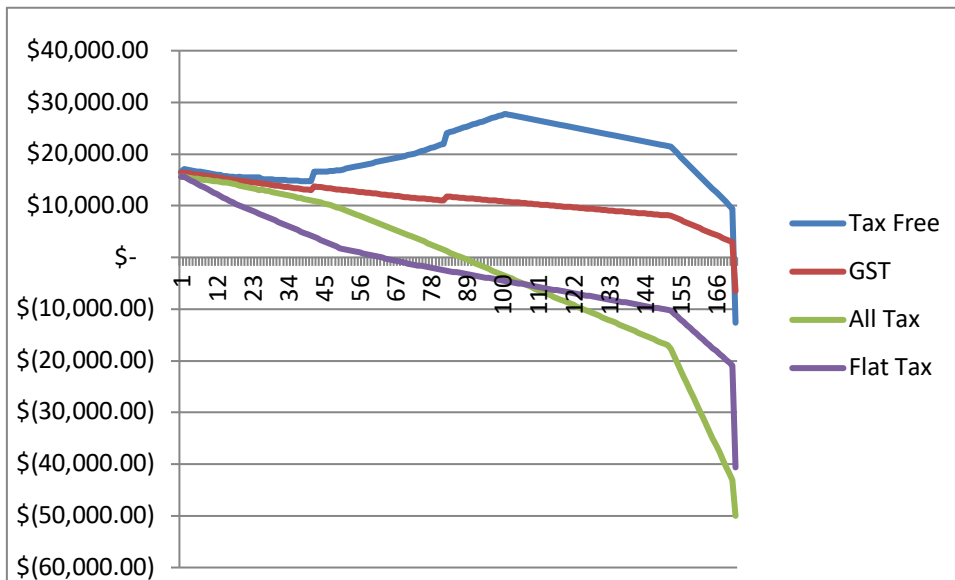
**After consultation with various parties a website was created, you can find it here [myubi.co.nz](http://myubi.co.nz).**

This compares the governments minimum income guarantee with the three possible models from my work paper, and gives viewers the answer to how a UBI will affect them in their unique circumstances in all four models. Highlighting which method is best for them personally. It is this that is key. The people need to know how they will be effected, they will wish to make an informed choice and it is their voice that the government must hear to initiate change.

Given the then upcoming NZ election, some policies that were costed by The Opportunities Party, had sufficient detail to be incorporated into the website and the options of a wealth tax or capital gains tax and superannuation claw back earning revenue of \$11.5 Billion were included. The TOP party have indicated that they will use some of these funds to initiate a partial UBI for families with young children under 3 and youth from 18 to 23 years old.

The following decisions have been made in this initial offering and we hope to gather useful data to further refine the UBI amounts and tax rates required to fund the UBI.

- 1) The velocity of money was set at 1.8
- 2) The top tax increased model was dropped from review as, even with a capital gains tax, a 114% tax rate was required to fund the UBI. We now know that this is not viable.
- 3) 90% UBI spent was retained as was the basic UBI amount of \$300.
- 4) The National governments flat tax of 48% was added as an option and included in the graph. (shown below)
- 5) To bring in a capital gain /wealth tax and superannuation option supplements the funding of the UBI by \$11.5 Billion in all the funding models. This is optional. The results are offered with these policies included or excluded.
- 6) To add the planned Carbon Tax/Citizen’s Dividend as an option supplementing the weekly UBI.
- 7) A global environment fund supported from a percentage of the carbon dividend.



**The preliminary results from the site after two weeks and over four thousand people answering the financial questions - are as follows.**

- **72%** are best off with a GST funded UBI of \$397 per week and a tax-exempt earning of \$100,000 per year. A total of 94% were better off with this model.
- **22%** are best off with a rise in the GST rate paying for a UBI of \$350.
- **5%** are best off with an increase in all individual income tax rates by the same percentage rate paying for a UBI of \$300 per week.
- **1%** are best off with a flat income tax rate as reported by the NZ treasury paying for a UBI of \$300 per week.
- Only **6%** of the population are worse off with a GST funded UBI with an average loss of \$12,918. Those few who are the biggest earners in the country or high earning superannuates are likely to be gaining from higher share investments and business profits in a country where people have money to spend.

**Other findings have also identified that:**

- **92%** of people agreed with the carbon tax and citizens dividend. The average rate of the carbon dividend donation was 10%. With European, the USA or China's support for this measure we may end up with a global environment fund of \$324 billion a year to combat climate change, claim back our deserts, plant forests and protect the Amazon.
- The capital gains / wealth tax and superannuation claw back was retained by **93%** of people. This tax directly applied to a UBI greatly advantages most of the population. Though as noted on the site no calculation was made for individual's cost from this.
- Not a single person has indicated that they would leave paid employment on receipt of a UBI.
- 65% was the indicated average spend of the UBI received however the calculation of actual savings divided by total income and UBI would give an average spend of 91%.
- The best average better off result from the tax-exempt GST model is **\$14,483** each.
- This average result applied to the whole country would see a financial gain of **\$35 Billion** or an average of \$11,524 per person. The income tax models being fiscally neutral have no net financial gain.

	All Tax Increased	Flat income tax increased	GST raised	Tax exempt GST raised
Better off %	75%	52%	93%	93%
Better off \$	\$20,452,381	\$7,575,132	\$33,401,492	\$40,456,357
Average better off	\$8,865	\$4,752	\$11,638	\$14,155
Total \$ everyone	\$6,971,716	(\$3,136,609)	\$30,458,942	\$35,448,358
Average everyone	\$2,266	(\$1,020)	\$9,902	\$11,524
Whole Country	\$6.9 Billion	(\$3 Billion)	\$30 Billion	\$35 Billion

### **A UBI and income tax exempt earnings – why was this model chosen? why does it work out the best?**

- Firstly, the GST funding is a spending tax, this coupled to the velocity of money is always going to be a better funding alternative as funds are gained every time that the same money is spent.
- The UBI amount of \$397 is higher when the GST rise pays for the income tax lost from the tax exemption therefore, with the velocity of money, further advantage is gained.
- We must encourage and be seen to encourage people to work and reward effort. With people keeping everything they earn there is no impediment to working.
- The higher GST rate will require people to work to buy the luxuries that they want.
- Workers must fully realise that no money is being taken from them to finance the UBI. It is only their discretionary spending that costs them. The countries worker's votes are crucial to support this change to a UBI.
- A large initial increase in the cost of goods brought about by the rise in GST rates would help subdue inflation.
- The results show that a 60% higher average UBI is received with the tax-exempt GST model then the best income tax model.

### **The income tax models**

- While 75% of people were better off with the same percentage of income tax increased being fiscally neutral in this model means the other 25% are much worse off by the same total amount.
- The negative effects as set down by the NZ treasury are brought into effect. Reduction in effort, skill shortages, immigration to countries with lower tax rates, entry level job positions not being filled etc.
- A much smaller benefit to business and therefore lesser job growth - though increases would be achieved.
- Some will perceive the tax funding to be unfair – even among those who are better off. These added to the 25% who are substantially worse off may bring support levels reduced nearer to 50%. Choosing a funding model beneficial to the most people is surely a better approach - these voters are crucial to getting a UBI introduced.

## **Administration**

- 1) Your universal basic income account is accessible from the internet. You can check your balance, set up automatic payments, pay accounts and transfer money.
- 2) The UBI account gives you access to the global environment fund, where you can view your current choices, developments, new environmental initiatives and change your vote towards the next environmental goal.
- 3) The UBI bank card is useable nationally and internationally at GST registered businesses. They of course can give you cash out in a transaction. (This will help bring more businesses into the GST regime worldwide.)
- 4) In New Zealand, I would anticipate the UBI continued to be paid into your account for four weeks while you are on holiday abroad. Given the country you travel in also has a UBI your card is the only form of currency you would require travelling there.

## **Effects**

- \$5.5 Billion in additional savings a year.
- Foreign tourists in New Zealand would have their costs raised by 24%, this would fund \$2.5 Billion towards the UBI.
- With \$86 Billion additional money being spent in New Zealand some government concern could be raised on the outflow of money due to imports. This would be entirely mitigated by increased exports if the rest of the world also instigated a UBI.
- This spending will include purchase of electric cars, solar panels, power save lightbulbs, insulation and other items that save people and the country money - it's not all TV's & iPads.
- Research has shown money brings good health outcomes.
- More jobs.
- Higher business incomes, lower costs for exporters and a level playing field for businesses competing with imports.

## **Likely results in other countries and regions if this method is applied.**

### **The European Union**

Having completed a paper on this last year I have established that the VAT rate required to finance a 150 to 200 Euro basic income throughout the union would need to be 38.5% a rise of 18.5%. Given the mix of tax earnings between member nations it would require negotiation to establish further aligned rises to GST to initiate tax free earnings throughout Europe. However, given the above result is within the range calculated for New Zealand the same estimate of a further 15% GST would give a tax-exempt earning amount of 61,000 Euros.

### **China**

The existing minimum income guarantee or Dibao in China has a reported 17% (World Bank) success rate of reaching the people it was designed for. These losses are chiefly administration, and

fraudulent claims both of which are removed with a Universal Basic Income. The existing social welfare budget would cover a large proportion of the UBI funding, GST could easily fund the remainder with a tax-free earning level.

### **India**

The existing social welfare programs in India number over a thousand and the cost of these is equal to more than 60% of the required funding for a UBI. They have also a very low percentage rate of success delivering these benefits to those who were to receive them. The new federal GST tax while planned to replace existing indirect tax measures could be repurposed to finance the shortfall in funding a UBI. These GST rates would be at lower than required in Europe and in New Zealand.

### **Africa**

Some of the twenty resource rich African nations are looking at a tax on extractives as a means of funding a UBI. Some of these African nations are however still reliant on donations to alleviate poverty. If both sources of money could be repurposed these countries would have sufficient to fund a UBI. Care is needed though as much of these extractives are not sustainable. Long term a GST rise is still my advice. The poorer African nations even with a GST rise and the existing donations would not be able to fund a UBI. The case for additional global support for this needed change is quite simple though - the African economies will grow when there is money being spent. New businesses and the people they employ will ensure a growing tax take and a reduction over time of the donations required to fund a UBI. I have hope that a donation scheme will be initiated through other nations UBI accounts.

### **USA**

The USA has many taxation advantages to be explored for funding a UBI as discussed by Scott Santens "How to Reform Welfare Paper". It is effort like this that gives us the data we need to work out the models above. We need to agree some guidelines backed up by economists on aspects like the velocity of money and what impacts the UBI spending have on likely GST earnings. Scotts paper has detailed a required VAT tax of 10% along with many other tax reforms.

### **Russia**

Vladimir Putin in a 2016 report spoke of the 30 Million people who were working for cash with no tax being paid. This underworld is reported to be 25% of GDP, and amounts to 40% of the active workforce. The Russian plan in 2016 was to reduce or remove income taxes, leaving only contributions for social security and increase VAT to legitimise the cash system. This is what I am suggesting but with the addition of a universal basic income.

### **New Zealand**

A GST rate of 43% and a capital gains tax would pay for a UBI and an income tax exemption of \$100,000. A GST rate of 27% and a capital gains tax is sufficient to pay for a UBI. Income tax would need to double to pay for a UBI. The political left is looking to have a UBI policy in the next general election.



## **The Carbon Tax and Dividend scheme and the Global Environment Fund.**

With the move away from fossil fuels, every nation on earth will have a hole in their budget from the loss of taxes derived from petroleum, add to this the desirability of not paying the carbon taxes levied and the gradual movement of households to alternative energy systems. We have a diminishing opportunity to use the easy revenue gained from taxing carbon to fix the problems that we share on this planet.

I am discussing the protection of the Amazon, cleaning and repopulating our oceans, even irrigating the vast deserts we have created and the planting of forests. An agreed 10% donation from our joint carbon dividend with the European Union, the USA or China would create a yearly fund of \$324 Billion.

This has been put before the people of New Zealand - I have asked for 10% of their carbon dividend 92% have responded with an average donation of 10% as suggested. Offer your people a UBI, show them what that means to them financially in their unique circumstances. Suggest a carbon tax and dividend, remind them we live in an abundant universe and we have everything that we need. Ask the people to give up some of their carbon dividend for the common good and the health of the planet and let the people lead the way.

### **Getting a UBI voted in**

- In New Zealand about 1/3 of people vote for the same party every election without fail.
- About 1/3 of people will vote for policies that directly advantage them or their families.
- 6% of people will vote for policies and ideas of worth, something that benefits New Zealand or the world.
- The final 1/3 do not vote.
- The process above if sponsored strongly enough will gain you 94% of the third looking after themselves or 31 of the 67-people voting. Even a small party supporting this could get a UBI passed.
- It is the left in New Zealand that is looking closely at the UBI indicating it will be in their policies in three years' time.
- The best modelled income tax funded UBI on average benefited 75% of the people by \$8,865. As this is fiscally neutral 25% of the population were negatively affected on average by \$26,595. These people have the money to stop this change, some of the 75% may also form the opinion that this is unfair.

### **The responses from New Zealand's political parties were as follows.**

- The leader of the Maori Party, Te Ururoa Flavell is interested in the evaluations of the existing UBI trials and states the online tool will also help shape our thinking and is a useful addition to the debate.
- The leader of the Mana Party, Hone Harawira has discussed the report with me.
- The revenue spokesperson for NZ First, Fletcher Tabuteau advises that he might be in a position to discuss this further with us after the election.

- The Labour Party finance spokesperson Grant Robinson has read the report while the Social Development spokesperson Carmel Sepuloni finds my work really interesting and is appreciative for me having shared the results.
- National's Minister of Finance, Steven Joyce has read the report and will keep my work in mind if he feels it is an appropriate time to review their analysis of a UBI.
- The previous Green Parties Co-Leader, Metiria Turei asked for the work to be sent on to their economics researcher.

### **Government Perspective – New Zealand as an example.**

- With an estimated 90% of people no longer required to file tax returns there would be large savings at the Inland Revenue Department.
- There would be a portion of the yearly Basic Income fund of \$33 Billion that would not be drawn upon that could be expected to reach \$10 Billion probably within a year. This in effect would become a sovereign fund earning more than \$1 Billion a year when invested.
- The additional money being spent in the country in the GST model was \$88 Billion dollars. These funds would be expected to generate a 10% profit for New Zealand business and nearly \$3 Billion a year in additional income tax.
- With the carbon tax and dividend scheme voted in the move towards electric cars would happen very quickly as would the increase in demand for electricity. The state-owned power companies will do well from these changes however an urgent spend would be required securing additional supply.
- I expect the political right will support the efficiencies in welfare and in the tax system itself as well as the GST financing and lower income taxes.
- The left will have succeeded in delivering social welfare to everyone and will be supportive of a system that best meets the needs of the people.
- Please remember we need agreement from all sides of the political spectrum to keep a UBI going forward.

### **A UBI is an answer to the current systems growing problems.**

On any day in New Zealand, 1 Million working aged people are not working, that is 40% of all workers. In England, the non-workers are about 50%, in the USA the non-workers are 51%, in Spain with a much higher unemployment rate there would be more than 60% not working. Can we now say that the system is broken? Will a UBI bring more people back into meaningful employment? Briefly here is why I think the answer is yes.

- 1) People will have money to spend – and they will be spending it.
- 2) Businesses will be busy, and needing to employ more staff.
- 3) New GST/VAT registered businesses will be starting up as people offer services to each other. Worldwide, people will be catering to the overseas visitor's market.
- 4) Smaller communities will be self-supporting retaining their youth in meaningful employment.
- 5) Cities will be greatly enriched and new jobs will arrive to cover the increased demand placed on these production centers.

## In Summary

- The carbon tax and dividend scheme will add momentum to the move countries are making to renewable energy. The taxes from fuel will diminish quickly.
- We have limited time that we can redirect the vast money earned from oil towards fixing the problems we face on this planet.
- Governments will need to replace this revenue lost from oil.
- A rise in GST paying for a UBI will end austerity, earn companies' greater income and governments the taxation that they will need.
- The donations from a carbon tax and dividends scheme will put the power and the environmental funds in the hands of the people.
- Collectively we can change the world restoring a clean, abundant environment for us all to share.
- With a mechanism for voluntary donations installed in our basic income on-line sites we could ensure that all nations can afford a basic income that is truly universal.

Show the people what a basic income means to them and let the world decide.

Links <http://myubi.co.nz/> Facebook page - Universal Entitlement.

Peter Brake

New Zealand