

New Zealand

2004-2005 Income Tax Year

New Zealand		2004			
		The tax/benefit position of single persons			
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		27852	41778	69630	27852
2. Standard tax allowances:					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		27852	41778	69630	27852
5. Central government income tax liability (exclusive of tax credits)		5431	8657	18426	5431
6. Tax credits :					
Basic credit		152	0	0	152
Married or head of family					
Children					
Other					
	Total	152	0	0	152
7. Central government income tax finally paid (5-6)		5279	8657	18426	5279
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		0	0	0	0
Taxable income					
	Total	0	0	0	0
10. Total payments to general government (7 + 8 + 9)		5279	8657	18426	5279
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	4152
	Total	0	0	0	4152
12. Take-home pay (1-10+11)		22573	33121	51204	26725
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		19.0%	20.7%	26.5%	19.0%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		19.0%	20.7%	26.5%	4.0%
Total tax wedge including employer's social security contributions		19.0%	20.7%	26.5%	4.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		21.0%	33.0%	39.0%	51.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		21.0%	33.0%	39.0%	51.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand		2004				
		The tax/benefit position of married couples				
		Wage level (per cent of APW)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1. Gross wage earnings			41778	55704	69630	55704
2. Standard tax allowances:						
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3. Tax credits or cash transfers included in taxable income			0	0	0	0
4. Central government taxable income (1 - 2 + 3)			41778	55704	69630	55704
5. Central government income tax liability (exclusive of tax credits)			8657	11372	14088	11372
6. Tax credits :						
	Basic credit		0	361	152	361
	Married or head of family					
	Children					
	Other					
	Total		0	361	152	361
7. Central government income tax finally paid (5-6)			8657	11011	13936	11011
8. State and local taxes			0	0	0	0
9. Employees' compulsory social security contributions						
	Gross earnings					
	Taxable income					
	Total		0	0	0	0
10. Total payments to general government (7 + 8 + 9)			8657	11011	13936	11011
11. Cash transfers from general government						
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12. Take-home pay (1-10+11)			33121	44693	55694	44693
13. Employer's compulsory social security contributions			0	0	0	0
14. Average rates						
	Income tax		20.7%	19.8%	20.0%	19.8%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		20.7%	19.8%	20.0%	19.8%
	Total tax wedge including employer's social security contributions		20.7%	19.8%	20.0%	19.8%
15. Marginal rates						
	Total payments less cash transfers: Principal earner		33.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse		16.9%	21.0%	21.0%	21.0%
	Total tax wedge: Principal earner		33.0%	33.0%	33.0%	33.0%
	Total tax wedge: Spouse		16.9%	21.0%	21.0%	21.0%

The national currency is the New Zealand dollar (NZD). In 2004, NZD 1.52 was equal to USD 1 (average of eleven months daily exchange rates). In that year the Average Production Worker earned NZD 41 778 (Secretariat estimate).

1. Personal income tax system

1.1. Central/federal government income taxes

1.11. Tax unit

Members of the family are taxed separately.

1.12. Tax allowances and tax credits

1.121. Standard reliefs

- The Low Income Rebate applies where income is under NZD 38 000. It is calculated at 4.5 cents in every dollar of income where income is under NZD 9 500. Where the income is in the range NZD 9 500-38 000, the maximum rebate of NZD 427.50 is reduced by 1.5 cents for every dollar over NZD 9 500.
- The Transitional Tax Allowance is available to persons with income under NZD 9 880. This rebate is limited to those in full-time employment or who would have been in full-time employment but for sickness or accident. The rebate is NZD 728, reduced by 20 cents on each dollar earned over NZD 6 240 – thus the rebate runs out at NZD 9 880.
- Children: No credit to parents. A child under 15 years of age, or under 18 and attending an educational institution, may claim the child rebate against their own earnings. The rebate is calculated as 15 per cent of gross earnings from employment, up to a maximum allowance of NZD 156 on NZD 1 040 of income. Investment earnings are excluded from the calculation of this rebate.

1.122. Main non-standard tax reliefs applicable to an APW

None.

1.13. Schedule

- Rates of income tax for individuals: Year ended 31st March 2004.
- On so much of the income as does not exceed NZD 38 000: 19.5 per cent.
- On so much of the income as exceeds NZD 38 000 but does not exceed NZD 60 000: 33 per cent.
- On so much of the income as exceeds NZD 60 000: 39 per cent.

1.2. State and local income taxes

New Zealand has no state or local income tax.

2. Compulsory social security contributions to schemes operated within the government sector

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 1.2% of their gross earnings. For employers, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 0.9%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The *Parental Tax Credit* provides NZD 150 per week for the first eight weeks of each child's life. This tax credit abates under the same regime as the *Family Support Tax Credit (FSTC)*, although it is unaffected until both the FSTC and Child Tax Credit have been abated to zero.

3.3. Family support tax credit

For an eldest child aged 16-18, the rate of family support tax credit is NZD 3 120 per year, while the rate of NZD 2 444 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 3 120 per year for 16-18 year-olds, NZD 2 080 per year for 13-15 year-olds and NZD 1 664 per year for children under 13 years of age. The total credit is abated by 18 cents on each dollar earned in range NZD 20 000-27 000 and by 30 cents on each dollar earned over NZD 27 000. The abatement is based on the combined income of husband and wife.

3.4. Child tax credit

The Child tax credit is available to families not receiving an income-tested benefit, veteran's pension, New Zealand superannuation, student allowance or a weekly accident compensation for a period of more than 3 months. The level of assistance it provides is NZD 780 per child per year. It is affected by the abatement regime used with the family support tax credit, although it is unaffected until the latter has been abated to zero. In effect it is part of the family support tax credit.

3.5. Family tax credit

The Family tax credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The guaranteed minimum after-tax income is NZD 290 per week plus family support tax credit.

4. Main changes in tax/benefit systems since 2002 (year ended 31st March 2003)

None.

5. Memorandum items

5.1. Method used to identify APW and to calculate the APW's gross earnings

The Annual Earnings figure is derived from the *Quarterly Employment Survey*. The series are EESQ.SBAC9Z-EESQ.SBAK9Z for wages, and EESQ.SGAC9-EESQ.SGAK9 for numbers of employees. A weighted average of wages is calculated for each quarter, using employee numbers as the weights. This average is multiplied by 13 and the totals for the four quarters are added together.

5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

2004 Parameter values

	Ave_earn	41 778	
Income tax schedule	Tax_sch	0.195	38 000
		0.330	60 000
		0.390	
Income under NZ\$38000 rebate	reb_38000_rate	0.045	
	reb_38000_thrsh1	9 500	
	reb_38000_redn1	0.015	
Income under NZ\$9880 rebate	reb_9880	728	
	reb_9880_thrsh	6 240	
	reb_9880_redn	0.20	
Family support credit	Fam_sup_eld	3 224	
	Fam_sup_oth	2 444	
	Fam_sup_thrsh1	20 000	
	Fam_sup_rate1	0.18	
	Fam_sup_thrsh2	27 000	
Guaranteed minimum family income	Fam_sup_rate2	0.3	
	Min_inc	15 080	

2004 Tax equations

The equations for the New Zealand system in 2004 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	Earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6. Tax credits :			
Guaranteed minimum income	GMI	P	(Children>0)*Min_inc
Under 38000 rebate	rebate_34200	B	Taper(reb_38000_rate*min(tax_inc, reb_38000_thrsh1), tax_inc, reb_38000_thrsh1, reb_38000_redn1)
Under 9880 rebate	rebate_9880	B	Taper(MIN(reb_9880, CG_tax_excl-rebate_34200), earn reb_9880_thrsh, reb_9880_redn)
Total credit	tax_cr	B	rebate_38000+rebate_9880
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. Local tax	local_tax	B	0
9. Employees' soc security	SSC	B	0
11. Cash transfers:			
Family support credit	fam_sup_cr	P	Taper(Taper(Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1), earn_total, Fam_sup_thrsh1, Fam_sup_rate1), earn_total, Fam_sup_thrsh2, Fam_sup_rate2-Fam_sup_rate1)
Family tax credit	fam_tax_cr	P	Positive(GMI-(earn_total-CG_tax_excl_total+rebate_38000_total+rebate_9880_total))
Cash transfers	cash_trans	J	fam_sup_cr + fam_tax_cr
13. Employer's soc security	SSC_empr	B	0

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

Table of Contents

Part I

Basic Methodology and Main Results

1. Basic methodology	12
2. Review of results for 2004	12
3. Results for 2003	23
4. Historical trends	25
<i>Special Feature.</i> Broadening the Definition of the Average Worker	33

Part II

Comparative Tables and Charts

1. Tax Burdens, 2004 (Tables)	44
II.1. Income tax, by family-type and wage level (as % of gross wage), 2004.	44
II.2. Employee contributions, by family-type and wage level (as % of gross wage), 2004	45
II.3. Income tax plus employee contributions, by family-type and wage level (as % of gross wage), 2004	46
II.4. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2004.	47
II.5. Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004.	48
II.6. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2004	49
II.7. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004	50
II.8. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2004.	51
II.9. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2004.	52
II.10. Annual gross wage and net income, by family-type and wage level (in US dollars), 2004	53
II.11. Annual labour costs and net income, by family-type and wage level (in US dollars), 2004	55

2. Tax Burdens, 2003 (Tables)	57
II.12. Income tax, by family-type and wage level (as % of gross wage), 2003	57
II.13. Employee contributions, by family-type and wage level (as % of gross wage), 2003	58
II.14. Income tax plus employee contributions, by family-type and wage level (as % of gross wage), 2003	59
II.15. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2003	60
II.16. Income tax plus employee and employer contributions, less cash benefits, by family-type and wage level (as % of labour costs), 2003	61
II.17. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2003	62
II.18. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2003	63
II.19. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2003	64
II.20. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2003	65
II.21. Annual gross wage and net income, by family-type and wage level (in US dollars), 2003	66
II.22. Annual labour costs and net income, by family-type and wage level (in US dollars), 2003	68
3. Tax Burdens, 2003 (Charts)	70
II.1. Income tax, by family-type (as % of gross wage), 2004	70
II.2. Employee contributions, by family-type (as % of gross wage), 2004	71
II.3. Income tax plus employee contributions less cash benefits, by family-type (as % of gross wage), 2004	72
II.4. Income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2004	73
II.5. Marginal rate of income tax plus employee contributions less cash benefits, by family-type (as % of gross wage), 2004	74
II.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2004	75

Part III

Historical Trends, 1979-2004

III.1a. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax as a % of gross earnings	78
III.1b. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings	79
III.1c. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	80

III.2a. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax as a % of gross earnings	81
III.2b. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	82
III.2c. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	83
III.3a. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax as a % of gross earnings	84
III.3b. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	85
III.3c. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	86
III.4a. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax as a % of gross earnings	87
III.4b. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	88
III.4c. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	89
III.5a. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax as a % of gross earnings	90
III.5b. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings	91
III.5c. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	92
III.6a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax as a % of gross earnings	93
III.6b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax plus employee contributions less cash benefits as a % of gross earnings	94
III.6c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	95
III.7a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax as a % of gross earnings	96

III.7b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax plus employee contributions less cash benefits as a % of gross earnings	97
III.7c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	98
III.8a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax as a % of gross earnings	99
III.8b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax plus employee contributions less cash benefits as a % of gross earnings.	100
III.8c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	101
III.9. Income tax (in % of gross wage), 1979-2004, single persons without children . . .	102
III.10. Income tax plus employee contributions (in % of gross wage), 1979-2004, single persons without children.	103
III.11. Income tax plus employee and employer contributions (as % of labour costs), 1979-2004, single persons without children	104
III.12. Income tax (as % of gross wage), 1979-2004, one-earner family with two children	105
III.13. Income tax plus employee contributions less cash benefits (as % of gross wage), 1979-2004, one-earner family with two children	106
III.14. Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 1979-2004, one-earner family with two children	107

Part IV

Country Details, 2004

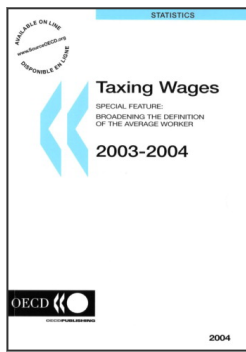
Australia (2004-2005 Income Tax Year)	111
Austria	125
Belgium (French only)	137
Canada	147
Czech Republic	163
Denmark	173
Finland	183
France (French only)	191
Germany	205
Greece	215
Hungary	225
Iceland	235
Ireland	245
Italy	255

Japan	267
Korea	279
Luxembourg (French only)	289
Mexico	299
Netherlands	309
New Zealand (2004-2005 Income Tax Year)	321
Norway	329
Poland	339
Portugal (French only)	349
Slovak Republic	361
Spain	371
Sweden	381
Switzerland (French only)	391
Turkey	405
United Kingdom (2004-2005 Income Tax Year)	413
United States	421

Part V

Methodology and Limitations

Methodology	433
1. Introduction	434
2. Calculation of gross wage earnings	434
3. Estimating gross wage earnings in 2004	439
4. Coverage of taxes and benefits	440
5. Taxpayer characteristics	441
6. Calculation of personal income taxes	442
7. State and local income taxes	443
8. Social security contributions	448
9. Payroll taxes	448
10. Church tax	449
11. Family cash benefits from general government	449
12. Non-wastable tax credits	450
Limitations	453
1. General limitations	454
2. Some specific limitations on the income tax calculation	454
3. Limitations to time-series comparisons	455
4. Limitations to marginal rates	456
A Note on the Tax Equations	459
Annex A. Overall Tax Levels and Tax Structures in OECD Member Countries, 1990-2002	463
Annex B. Source of Earnings Data	466
Annex C. Exchange Rates and Purchasing Power Parities of National Currencies, 2004	467



From:
Taxing Wages 2004

Access the complete publication at:
https://doi.org/10.1787/tax_wages-2004-en

Please cite this chapter as:

OECD (2006), "New Zealand (2004-2005 Income Tax Year)", in *Taxing Wages 2004*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/tax_wages-2004-25-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.