

# New Zealand

## (2011-12 income tax year)

*This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.*

*Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.*

**New Zealand 2011**
**The tax/benefit position of single persons**

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		32930	49395	82325	32930
<b>2. Standard tax allowances:</b>					
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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		32930	49395	82325	32930
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4783	7839	18087	4783
<b>6. Tax credits :</b>					
Basic credit		520	0	0	0
Married or head of family					
Children					
Other					
	Total	520	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		4263	7839	18087	4783
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		0	0	0	0
Taxable income					
	Total	0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		4263	7839	18087	4783
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	10942
	Total	0	0	0	10942
<b>12. Take-home pay (1-10+11)</b>		28667	41557	64238	39089
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
Income tax		12.9%	15.9%	22.0%	14.5%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		12.9%	15.9%	22.0%	-18.7%
Total tax wedge including employer's social security contributions		12.9%	15.9%	22.0%	-18.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		17.5%	30.0%	33.0%	17.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		17.5%	30.0%	33.0%	17.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

**New Zealand 2011**
**The tax/benefit position of married couples**

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		49395	65860	82325	65860
<b>2. Standard tax allowances:</b>					
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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		49395	65860	82325	65860
<b>5. Central government income tax liability (exclusive of tax credits)</b>		7839	9740	12621	9740
<b>6. Tax credits :</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		7839	9740	12621	9740
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings					
Taxable income					
	Total	0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		7839	9740	12621	9740
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		8428	5135	1842	0
	Total	8428	5135	1842	0
<b>12. Take-home pay (1-10+11)</b>		49985	61256	71546	56120
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
Income tax		15.9%	14.8%	15.3%	14.8%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		-1.2%	7.0%	13.1%	14.8%
Total tax wedge including employer's social security contributions		-1.2%	7.0%	13.1%	14.8%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		50.0%	50.0%	50.0%	30.0%
Total payments less cash transfers: Spouse		31.5%	37.5%	37.5%	17.5%
Total tax wedge: Principal earner		50.0%	50.0%	50.0%	30.0%
Total tax wedge: Spouse		31.5%	37.5%	37.5%	17.5%

The national currency is the New Zealand dollar (NZD). In 2011, NZD 1.27 was equal to USD 1. In that year, the average worker earned NZD 49 395 (Country estimate).

## 1. Personal income tax system

### 1.1. Central/federal government income taxes

#### 1.1.1. Tax unit

Members of the family are taxed separately.

#### 1.1.2. Tax allowances and tax credits

##### 1.1.2.1. Standard reliefs

- 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. The Transitional Tax Allowance is not available if the taxpayer receives an income tested benefit or if any of the universal cash transfers apply. In addition, the amount of the rebate depends on the proportion of weeks in the year where more than 20 hours have been worked.
- 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 13.75 per cent of gross earnings from employment, up to a maximum allowance of NZD 321.75 on NZD 2 340 of income. Investment earnings are excluded from the calculation of this rebate.

##### 1.1.2.2. Main non-standard tax reliefs applicable to an AW

None.

#### 1.1.3. Schedule

- Rates of income tax for individuals:
  - ❖ On so much of the income as does not exceed NZD 14 000: 10.5 per cent.
  - ❖ On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5 per cent.
  - ❖ On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30 per cent.
  - ❖ On so much of the income as exceeds NZD 70 000: 33 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 2.0% of their gross earnings. For employers and the self-employed, 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 1.47%). 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 Tax Credit, although it is unaffected until both the Family Tax Credit and In Work Tax Credit have been abated to zero.

### 3.3. Family tax credit

For an eldest child aged 16-18, the rate of the Family Tax Credit is NZD 5 303 per year, while the rate of NZD 4 578 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 4 745 per year for 16-18 year-olds, NZD 3 629 per year for 13-15 year-olds and NZD 3 182 per year for children under 13 years of age. The total credit is abated by 20 cents on each dollar earned over NZD 36 827. The abatement is based on the combined income of the parents.

### 3.4. In work tax credit

The In Work Tax Credit is available to families with dependent children who are not receiving an income-tested benefit, veteran's pension, New Zealand Superannuation or student allowance. The level of assistance it provides is NZD 3 120 per family per year, plus an additional NZD 780 per year for fourth and subsequent children. It is only available to couple families working a total of 30 hours or more per week, or to sole parents working 20 hours or more per week. It is also affected by the abatement regime used with the Family Tax Credit, although it is unaffected until the latter has been abated to zero.

### 3.5. Minimum family tax credit

The Minimum 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 408 per week plus the Family Tax Credit and In Work Tax Credit.

### 3.6. Independent earner tax credit

The Independent Earner Tax Credit of NZD 520 is available to individuals with annual net income between NZD 24 000 and NZD 48 000 that do not receive other forms of tax credits or benefits. It is abated by 13 cents on each dollar earned over NZD 44 000.

## 4. Main changes in tax/benefit systems over 2011/12

Changes to personal tax rates took effect on 1 October 2010; halfway through the 2010/11 tax year. Therefore an average of the old and new rates applied for the 2010/11 income tax year, and the 2011/12 year is the first year in which the new rates will apply for the whole year. The same is true for the Family Tax Credit and the Minimum Family Tax Credit, which also increased on 1 October 2010.

## 5. Memorandum items

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

The Annual Earnings figure is derived from the *Quarterly Employment Survey* for those employees in the B-N industry groups. The annual earnings figure for the average worker is the sum of the four quarterly earnings figures, with each quarterly figure calculated by taking the average total weekly earnings and multiplying it by 13 weeks per quarter.

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

No information available.

#### 2011 Parameter values

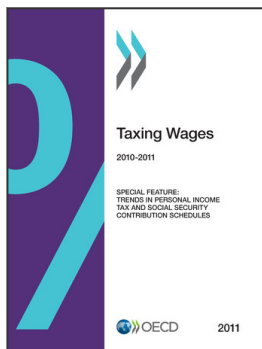
	Ave_earn	49 395	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Income under NZD 9 880 rebate	reb_9880	728	
	reb_9880_thrsh	6 240	
	reb_9880_redn	0.20	
Working for Families Tax Credits	Fam_sup_eld	7 760	
	Fam_sup_oth	3 182	
	Fam_sup_thrsh	36 827	
	Fam_sup_rate	0.20	
Minimum Family Tax Credit	Min_inc	21 216	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	23 999	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

### 2011 Tax equations

The equations for the New Zealand system in 2011 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	J	(Children>0)*Min_inc
Under 9880 rebate	rebate_9880	B	MIN(Taper(reb_9880, earn, reb_9880_thrsh, reb_9880_redn), CG_tax_excl-rebate_38000)*(fam_sup_cr=0)
Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC_thrsh2,IETC_rate)
Total credit	tax_cr	B	rebate_38000+rebate_9880+IETC_rebate
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:			
Working for Families tax credits	fam_sup_cr	J	Taper(Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1), earn_total, Fam_sup_thrsh, Fam_sup_rate)
Minimum Family tax credit	fam_tax_cr	J	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.



**From:**  
**Taxing Wages 2011**

**Access the complete publication at:**  
[https://doi.org/10.1787/tax\\_wages-2011-en](https://doi.org/10.1787/tax_wages-2011-en)

**Please cite this chapter as:**

OECD (2012), "New Zealand (2011-12 Income tax year)", in *Taxing Wages 2011*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/tax\\_wages-2011-30-en](https://doi.org/10.1787/tax_wages-2011-30-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](mailto: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](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).