

New Zealand

(2019-20 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 2019

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
1. Gross wage earnings		41 661	62 181	103 842	41 661
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)		41 661	62 181	103 842	41 661
5. Central government income tax liability (exclusive of tax credits)		6 311	11 674	25 188	6 311
6. Tax credits :					
Basic credit		520	0	0	0
Married or head of family					
Children					
Other					
	Total	520	0	0	0
7. Central government income tax finally paid (5-6)		5 791	11 674	25 188	6 311
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)		5 791	11 674	25 188	6 311
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	14 393
	Total	0	0	0	14 393
12. Take-home pay (1-10+11)		35 871	50 507	78 654	49 744
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		13.9%	18.8%	24.3%	15.1%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		13.9%	18.8%	24.3%	-19.4%
Total tax wedge including employer's social security contributions		13.9%	18.8%	24.3%	-19.4%
15. Marginal rates					
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 2019

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1. Gross wage earnings		62 181	103 842	124 362	103 842
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)		62 181	103 842	124 362	103 842
5. Central government income tax liability (exclusive of tax credits)		11 674	17 985	23 349	17 985
6. Tax credits :					
Basic credit		0	0	0	520
Married or head of family					
Children					
Other					
	Total	0	0	0	520
7. Central government income tax finally paid (5-6)		11 674	17 985	23 349	17 465
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)		11 674	17 985	23 349	17 465
11. Cash transfers from general government					
For head of family					
For two children		9 523	0	0	0
	Total	9 523	0	0	0
12. Take-home pay (1-10+11)		60 029	85 857	101 013	86 377
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		18.8%	17.3%	18.8%	16.8%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		3.5%	17.3%	18.8%	16.8%
Total tax wedge including employer's social security contributions		3.5%	17.3%	18.8%	16.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		55.0%	30.0%	30.0%	30.0%
Total payments less cash transfers: Spouse		38.0%	17.5%	30.0%	17.5%
Total tax wedge: Principal earner		55.0%	30.0%	30.0%	30.0%
Total tax wedge: Spouse		38.0%	17.5%	30.0%	17.5%

The national currency is the New Zealand dollar (NZD). In 2019, NZD 1.52 was equal to USD 1. In that year the average worker earned NZD 62 181 (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

None.

1.1.2.2. Main non-standard tax reliefs applicable to an average wage

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%;
 - On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5%;
 - On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30%;
 - On so much of the income as exceeds NZD 70 000: 33%.

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 1.21% 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 0.72%). 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

For all families with children born, or due to be born, on or after 1 July 2018, the Best Start payment provides NZD 60 per week (3 120 per year) for the first year of the child's life. The Best Start payment continues to provide NZD 3 120 per year for the second and third year of a child's life, but abates at 21.00 cents in the dollar for every dollar by which a family's income exceeds the abatement threshold of NZD 79 000. For families receiving paid parental leave, the Best Start payment begins after paid parental leave ends.

3.3. Family Tax Credit

From 1 July 2018, for an eldest child, the rate of the Family Tax Credit is NZD 5 878 per year. For subsequent children the rate is NZD 4 745. The total credit is abated by 25.00 cents on each dollar earned over NZD 42 700. 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 3 770 per family per year (or NZD 72.50 a week for up to three children), 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 MFTC provides a top-up to after-tax income for eligible working families and ensures families do not face a reduction in after-tax income when they move off a benefit and into paid employment.

The household income threshold for the minimum family tax credit ("MFTC"), which guarantees eligible low-income families a minimum level of after-tax income, rises from NZD 26,156 to NZD 26,572 per year, on 1 April 2019.

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 2018/19

Since 1 July 2018, the Winter Energy Payment (WEP) has been implemented and will support those in receipt of a main benefit, New Zealand Superannuation or a Veteran's Pension to heat their homes in winter by increasing the amount of money available to them over the winter months.

- The WEP is a payment of NZD 450 a year for single people, and NZD 700 for couples or those with dependent children.
- In future years, the WEP will be paid from May to September.
- Approximately 1 million people will be eligible for the WEP. Recipients can choose to opt out.

(Main benefits include Jobseeker Support, Supported Living Payment, Sole Parent Support, Youth Payment, and Young Parent Payment).

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.

2019 Parameter values

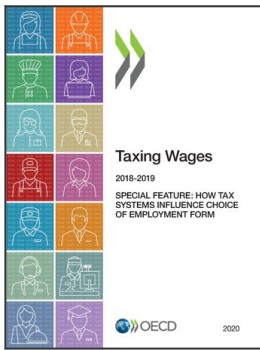
	Ave_earn	60 360	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Family tax credit	Fam_sup_eld	5 878	
	Fam_sup_oth	4 745	
	Fam_sup_thrsh	42 700	
	Fam_sup_rate	0.25	
In-work tax credit	In_work_children123	3 770	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	26 572	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2019 Tax equations

The equations for the New Zealand system in 2019 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
	Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC_thrsh2,IETC_rate)
6.	Tax credits:	tax_cr	B	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:			
	Family tax credit (unabated)	fam_tax_cr	J	Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1)
	In-work tax credit (unabated)	in_work_tax_cr	J	(Children>0)*(In_work_children123+Positive(Children-3)*In_work_children4plus)
	Tax credits abated	tax_cr_ab	J	Taper(fam_tax_cr+in_work_tax_cr, earn_total, Fam_sup_thrsh1, Fam_sup_rate1)
	Minimum Family tax credit	min_fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_total))
	Cash transfers	cash_trans	J	tax_cr_ab + min_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 2020

Access the complete publication at:
<https://doi.org/10.1787/047072cd-en>

Please cite this chapter as:

OECD (2020), "New Zealand (2019-20 Income tax year)", in *Taxing Wages 2020*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/04343f60-en>

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