

# New Zealand

## (2022-2023 Income tax year)

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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.

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## New Zealand 2022

## 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>		47 294	70 588	117 882	47 294
<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>		47 294	70 588	117 882	47 294
<b>5. Central government income tax liability (exclusive of tax credits)</b>		7 296	14 214	29 821	7 296
<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>		7 296	14 214	29 821	7 296
<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>		7 296	14 214	29 821	7 296
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		350	0	0	14 934
	Total	350	0	0	14 934
<b>12. Take-home pay (1-10+11)</b>		40 348	56 374	88 061	54 931
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
Income tax		15.4%	20.1%	25.3%	15.4%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		14.7%	20.1%	25.3%	-16.1%
Total tax wedge including employer's social security contributions		14.7%	20.1%	25.3%	-16.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		17.5%	33.0%	33.0%	44.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		17.5%	33.0%	33.0%	44.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

## New Zealand 2022

## 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
<b>1. Gross wage earnings</b>		70 588	117 882	141 176	117 882
<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					
	<b>Total</b>	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>		70 588	117 882	141 176	117 882
<b>5. Central government income tax liability (exclusive of tax credits)</b>		14 214	21 510	28 428	21 510
<b>6. Tax credits :</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	<b>Total</b>	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		14 214	21 510	28 428	21 510
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings					
Taxable income					
	<b>Total</b>	0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		14 214	21 510	28 428	21 510
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		8 644	350	0	350
	<b>Total</b>	8 644	350	0	350
<b>12. Take-home pay (1-10+11)</b>		65 018	96 721	112 748	96 721
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
Income tax		20.1%	18.2%	20.1%	18.2%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		7.9%	18.0%	20.1%	18.0%
Total tax wedge including employer's social security contributions		7.9%	18.0%	20.1%	18.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		60.0%	33.0%	33.0%	33.0%
Total payments less cash transfers: Spouse		33.0%	17.5%	33.0%	17.5%
Total tax wedge: Principal earner		60.0%	33.0%	33.0%	33.0%
Total tax wedge: Spouse		33.0%	17.5%	33.0%	17.5%

The national currency is the New Zealand dollar (NZD). In the year to March 2022, NZD 1.47 was equal to USD 1 on average. The average worker earned NZD 70 588 (Country estimate<sup>1</sup>).

## 1. Personal Income Tax System

In New Zealand, the tax year starts April 1<sup>st</sup> and ends March 31<sup>st</sup>.

### 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

Refer to section 1.3.

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

Refer to section 1.3.

#### 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 but does not exceed NZD 180 000: 33%;

On so much of the income as exceeds NZD 180 000:

- 39%.

### 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 will increase for 2022/23 to represent 1.27% of their gross earnings from 1.21% for gross earnings for 2021/22. 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 0.63% for 2022/23). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

### 3. Universal Cash Transfers

The main entitlements in New Zealand are targeted at families under the blanket title 'Working for Families' ('WFF'). There are four main payments that constitute WFF, which are described in 1.3.2 – 1.3.5 below. The Independent Earner Tax Credit (IETC) is another form of support that is separate from WFF and is described in 1.3.6 below.

#### 3.1. Amount for marriage

None.

#### 3.2. Best Start Tax Credit

The Best Start Tax Credit ("BSTC") is a payment made to families with a new-born baby. From 1 April 2022, the BSTC payment increased to NZD 65 per week (3 388 per year) for the first year of the child's life. There is no income limit for receiving the BSTC payment in the first year of the child's life. The BSTC continues to provide NZD 3 388 per year for the second and third year of a child's life, but this 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 BSTC payment begins after paid parental leave ends.

#### 3.3. Family Tax Credit

The Family Tax Credit (FTC) is available to families with dependent children regardless of whether they receive a main benefit. FTC pays an amount for a family's eldest child, and a lesser amount for each subsequent child. From 1 April 2022, the eldest child rate increased to NZD 6 642 per year and the subsequent child rate increased to NZD 5 412. The total credit is abated by 27.00 cents (increasing from 25 cents from 1 April 2022) on each dollar earned over NZD 42 700. The abatement is based on the combined family income.

#### 3.4. In Work Tax Credit

The In Work Tax Credit (IWTC) is available to families with dependent children who have some income from paid employment each week, and who are not receiving an income-tested benefit or student allowance. IWTC provides 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 (or NZD 15 a week) for fourth and subsequent children. It uses the same abatement regime used with the FTC, although it does not begin to abate until the FTC entitlement has been abated to zero.

From 1 April 2021, the IWTC is available for up to two weeks when taking an unpaid break from work. This is intended to provide support for those transitioning between jobs or who are unpaid for a period.

#### 3.5. Minimum Family Tax Credit

The Minimum Family Tax Credit ("MFTC") effectively guarantees a minimum after-tax income for all full-time working families with dependent children, and is intended to ensure that working families are better off in work than they would be if they were on a benefit. For the purposes of MFTC, "full-time" employment is defined as 20 hours or more per week for a sole parent, and 30 hours or more per week combined for a two-parent family.

The MFTC threshold (the level to which after-tax income is topped up to) rose from NZD 30 576 per year to NZD 31 096 on 1 July 2021. It increased further to NZD 32 864 on 1 April 2022.

### **3.6. Independent Earner Tax Credit**

The Independent Earner Tax Credit (IETC) of up to NZD 520 per year is available to individuals who do not receive other forms of support such as WFF tax credits or benefits, and who have an annual net income between NZD 24 000 and NZD 48 000. The IETC abates at a rate of 13 cents on each dollar earned over NZD 44 000. Unlike WFF tax credits, the IETC is calculated on the recipient's individual income rather than family income, and does not require the recipient to have dependent children.

## **4. Main Changes in Personal Tax/Benefit Systems since 2020/21**

### **4.1. General changes to the tax/benefit system in 2022**

#### *4.1.1. The Government announced a Cost of Living Payment as part of Budget 2022.*

The payment will total up to \$350, split into 3 monthly payments of around NZD 116. The first payment was made on 1 August 2022. The payment will be available to eligible individuals who earned NZD 70 000 or less during the period from 1 April 2021 to 31 March 2022, and who are not eligible to receive the Winter Energy Payment. Eligible individuals will receive the payment directly into their bank account from Inland Revenue.

## **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 (QES) for those employees in the B-N industry groups based on the ISIC Rev.4 definition. 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. In 2021 the QES has been redesigned, which means that the average wage data for 2021 may not be directly comparable to previous years.<sup>2</sup> In 2022 the ISIC version 4 replaced the version 3 concordance, which has changed average annual earnings estimates for previous years and limits comparability.

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

No information available.

## 2022 Parameter values

	Ave_earn	70 588	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	180 000
		0.39	
Family tax credit	Fam_sup_eld	6 642	
	Fam_sup_oth	5 412	
	Fam_sup_thrsh	42 700	
	Fam_sup_rate	0.27	
In-work tax credit	In_work_children123	3 770	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	32 864	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	
Cost of Living Payment	COL	350	
	COL_thrsh	70 000	

*Note: Those with children under 3 years of age receive the Best Start Tax Credit and will therefore have a lower effective tax rate than implied by the model.*

## 2022 Tax equations

The equations for the New Zealand system in 2021 are mostly repeated for each individual of a 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(cash_trans=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))
	Cost of Living Payment	COL_pay	B	(earn<=COL_thrsh)*COL
	Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr+COL_pay
13.	Employer's soc security	SSC_empr	B	0

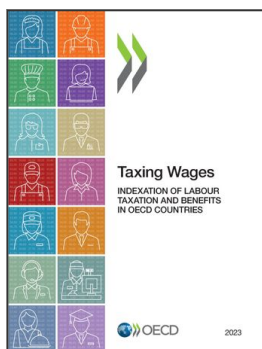
Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Notes

<sup>1</sup> In the year to March 2022.

<sup>2</sup> <https://www.stats.govt.nz/methods/effects-of-the-qes-redesign-on-the-march-2021-quarter-statistics>.





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