
NEW ZEALAND 2004

1. Overview of the tax-benefit system

The provision of social security benefits in New Zealand is funded from general taxation and not specific social security contributions. For example, social security benefits for the unemployed are not funded from specific employee/employer contributions. There are no minimum working hours or earnings required in order for a person to be covered by the social security provisions. All New Zealanders regardless of their employment history are covered by the benefits provided under the Social Security Act 1964. All benefits are payable without a fixed duration. In addition to the specific qualifying criteria for each benefit, provision is subject to a New Zealand residence requirement and personal income (joint income in the case of a married couple).

A guaranteed minimum family income (family tax credit) exists, but only for non-beneficiary families with children whose main source of income is salary or wages. A family assistance programme is also available consisting of a child tax credit, parental tax credit and family support tax credit. The tax unit is based on personal income, although eligibility for family tax credits is based on combined family income.

1.1. Average worker wage (AW)

At 30 June 2004, for individuals, average annual before-tax personal income was NZD 29,346, while the average worker (AW) amounts to NZD 38147.

2. Unemployment insurance

There is no unemployment insurance.

3. Unemployment assistance

3.1 Conditions for receipt

A person is entitled to the Unemployment Benefit provided they are available and willing to undertake full-time paid employment. A person must have resided in New Zealand for at least two years and be over the age of 18, or alternatively over the age of 16, and married with one or more dependent children. They must not be in full-time employment (defined as working 30 or more hours per week), but available for and taking reasonable steps to find full-time employment. These are referred to as the work test provisions.

3.1.1 Employment conditions

None

3.1.2 Contribution conditions

None

3.2 Calculation of benefit amount

3.2.1 Calculation of gross benefit

Family type	Gross rate (NZD per 4 weeks)
Single 18-19 at home	514.96
Single 18-19 away from home	643.72
Single 20-24	643.72
Single 25 and over	775.68
Single parent + 1 child	1135
Single parent + 2 or more children	1243.32
Married couple	1287.44
Married couple with children	1368.08

In the case of married couples, each partner receives half of the total benefit.

3.2.2 Income and earnings disregards

Gross income (in NZD per week)	Reduction (in net benefit)
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Exceeding NZD 80	70%
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3.3 *Tax treatment of benefit and interaction with other benefits*

Benefits are taxable with each spouse receiving half of the benefit entitlement for taxation purposes.

3.4 *Benefit duration*

The benefit is payable indefinitely, however, a stand down is applied to new applicants. The length of the stand down (1-10 weeks) is based on gross income and family circumstances in the 6 months prior to the date of benefit entitlement. A longer waiting period (13 weeks) applies to an applicant for an employment-related benefit who has left their employment without a good reason, or who has lost their employment due to serious misconduct.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

The Independent Youth Benefit (IYB) rate in April 2004 was NZD 643.72 gross for each four-week period. The basic qualification for the IYB requires the applicant to be 16 or 17 years of age, to be without a dependent child or dependent children, and to have resided in New Zealand for not less than 2 years. An applicant for IYB must not be living with their parents or expect to be financially dependent on their parents, due to a breakdown in family circumstances. In order to receive IYB a person must be unemployed, temporarily incapacitated, full-time employment related training, or full-time at secondary school. Tertiary students are not eligible for the IYB as they are able to apply for a student allowance through the Ministry of Social Development. The Job Search Allowance for 16-17 year olds was repealed on 1 January 1998.

3.5.2 *Older workers*

The work test provisions (see section 3.1) are relaxed for older job seekers. Recipients of work tested benefits are exempt from the work test in the following situations:

- Partners aged between 55-59 years of jobseekers may apply for an exemption from meeting their work test obligations if they have been subject to the work test for 6 months since turning 55 years old.
- If they are aged over 60 years.

Universal Superannuation is payable from age 65.

3.5.3 *Others if applicable*

3.5.3.1 Home detention/Habitation Programmes

A client (or partner) serving a sentence of home detention, or conditions and requirements of a court sentence or court order that limits their ability to meet all the conditions of their work test can be exempted from the work test for this period.

3.5.3.2 Pregnancy

Jobseekers that are pregnant may be exempt from their work test obligations from the day they provide proof from a health professional (Doctor or registered midwife).

Once the jobseeker is 27 weeks pregnant they can be transfer to the non work-tested [Sickness Benefit](#).

3.5.3.2 People with disabilities or ill-health

A person who is sick, injured or disabled may be eligible to receive the Invalids Benefit or Sickness Benefit. These benefits are not work tested.

4. Social assistance

No information.

4.1 *Conditions for receipt*

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

4.2.2 *Income and earnings disregards*

4.3 *Tax treatment of benefit and interaction with other benefits*

4.4 *Benefit duration*

4.5 *Treatment of particular group*

4.5.1 *Young persons*

4.5.2 *Older workers*

4.5.3 *Others if applicable*

5. **Housing benefits**

5.1 *Conditions for receipt*

Payable to those with high accommodation costs (private rent, board or home ownership costs) and low income/assets

5.2 *Calculation of benefit amount*

The calculation of the benefit is based on actual accommodation costs.

5.2.1 *Calculation of gross benefit*

For beneficiaries in rented accommodation or boarding, the rate payable is 70 per cent of the accommodation costs exceeding 25 per cent of the after tax rate of benefit plus the first child rate of Family Support for people with children to which the household would be eligible (see section 3.2.1). For beneficiaries who own their own home, the rate payable is 70 per cent of the accommodation costs exceeding 25 per cent of the after tax rate of benefit plus the first child rate of Family Support for people with children to which the household would be eligible. For low income working families the rate payable is 70% of the accommodation costs exceeding 25 per cent (30 per cent if they own their home) of the appropriate rate of Invalids Benefit plus the first child rate of Family Support. The maximum housing benefits are regionally determined. For example, the housing benefit available in Auckland reflects the higher accommodation costs in that city.

Family type	Weekly maximum (in NZD)		From 1 April 2004, rest of New Zealand
	Area 1	Area 2	
1 person	100	65	45
2 people	115	75	55
3+ people	150	100	75

Area 1: Auckland.

Area 2: Hamilton, Tauranga, Rotorua, Napier, Hastings, Palmerston North, Wellington, Nelson and Christchurch.

5.2.2 *Income and earnings disregards*

For beneficiaries receiving the Unemployment Benefit or any other benefit, the housing benefit is reduced by 25 cents per dollar for gross earnings up to NZD 80 per week (earnings of both partners are added). At that stage the entitlement remains fixed for as long as the applicant remains on benefit (or unless earnings cease). For non-beneficiaries the entitlement is reduced by 25 cents for every dollar earned above the applicable gross weekly rate of Invalid's Benefit plus an amount of NZD 17.92.

Family type	Invalids benefit (NZD per 4 weeks), gross rate	Resulting Income Threshold (NZD per 4 weeks)
Single 16-17 years	785.20	856.88
Single 18 years and over	983.40	1055.08
Married person with no children	810.28	881.96
Single person with 1 child	1309.24	1287.44
Single person with 2 or more children	1410.08	1481.76
Married person with 1 or more children	810.28	881.96

A cash assets test is also applied. For a married couple or a single person with a dependent child or children, every NZD 100 of cash assets over NZD 5 400 held is treated as NZD 1.00 per week income. In the case of a single person, every NZD 100 of cash assets over NZD 2 700 held is treated as NZD 1.00 per week income. Assets exceeding NZD 16 200 in the case of a married person/single person with a dependent child or NZD 8 100 in any other case preclude entitlement.

5.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

5.4 Treatment of particular groups

Tenants who live in a state house receive a rental subsidy through Income Related Rents, and are not eligible for the Accommodation Supplement. The Income Related Rent subsidy reduces the amount of rent payable to 25 per cent of the person's net income.

6. Family benefits

6.1 Conditions for receipt

The Family Support tax credit is available to families on low incomes who have children. For beneficiary families it is paid with their weekly benefit. For non-beneficiary families, payments are made fortnightly by the Inland Revenue Department (IRD) with an end-of year square up, or in a lump sum at the end of the tax year.

6.2 Calculation of benefit amount

The amounts are differentiated by age of the child.

6.2.1 Calculation of gross benefit

The 4-weekly amounts in NZD are:

Number of children	Gross rate per child (NZD per 4 weeks)
For the eldest child:	
Aged 0 – 15 years	188
Aged 16 – 18 years	240
For each additional child:	
Aged 0 – 12 years	128
Aged 13 – 15 years	160
Aged 16 – 18 years	240

6.2.2 Income and earnings disregards

The tax credit is reduced by 18 cents per dollar earned between (joint in the case of a couple) NZD 20 000 – 27 000 and by 30 cents per dollar earned above NZD 27 000.

6.3 Tax treatment of benefit and interaction with other benefits

Not taxable

6.4 Treatment of particular groups

None

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

7. Childcare for pre-school children

The Childcare Subsidy is paid on behalf of children aged under 5 **or** under 6 years old if the child is one for whom a Child Disability Allowance is paid **or** aged 5 years old but not yet attending a school (Childcare Subsidy payable for 4 weeks after the child turns 5 years old).

The fraction of children in child care is approximately 8.5% of 0-4 year olds at 30 June 2004

Early Childhood Education: enrolments by age at 1 July 2004	
Age	9388
0	23627
1	35850
2	54056
3	59684
4	1908
5 or More	184513
Total	9388

Number of early childhood education (ECE) services at 1 July	
Type of service	2004
Licensed ECE Services:	
Kindergartens	614
Playcentres	481
Education and Care centres	1730
Te Kohanga Reo	513
Homebased Services	192
Correspondence School	1
Casual Education and Care centres	43
Subtotal	3574

Licence-exempt ECE Services:	
Early Childhood Development Funded:	
- Playgroups	599
- Nga Puna Kohungahunga^	43
- Pacific Islands EC Groups	113
- Playcentres	32
Licence-exempt Kohanga Reo	13
Subtotal	800
Total	4374

Compulsory schooling age is six years old.

7.1 Out-of-pocket childcare fees paid by parents

The average fees paid by parents for full-time formal centre-based care is not available.

Fee amounts set out in Regulations made under the Social Security Act 1964

A tax rebate of 1/3 of fees paid may be available for people who earn a taxable income and have paid for childcare up to a household maximum of NZD310

Fees are not taken into account when determining entitlement to benefits such as social assistance.

7.2 Child-care benefits

Families who meet the income test and are in work related activities may access up to 50 hours subsidised child-care per week during the time they are engaged in those activities, including travel time. All other low-income families may be eligible for 9 hours of Childcare Subsidy per week.

7.2.1 Conditions for receipt

Childcare Subsidy is a non-taxable payment that aims to assist low-income clients who have dependent children to undertake and remain in employment, education or training. It also assists client's access pre-school care if they or their child are seriously disabled or ill. A person may be able to receive assistance for subsidised childcare of up to 9 hours a week if:

- they are the principal caregiver of a dependent child
- they meet an income test

- the child is under 5 years old **or** under 6 years old if the child is one for whom a Child Disability Allowance is paid **or** aged 5 years old but not yet attending a school (Childcare Subsidy payable for 4 weeks after the child turns 5 years old)
- the child attends a [licensed pre-school facility](#)
- the child attends for at least 3 hours per week
- they are a [New Zealand citizen](#) or [permanent resident](#) (ie not be in New Zealand unlawfully or here on [temporary permit](#)) **and** generally be [ordinarily resident](#) in New Zealand

Out of School Care and Recreation Subsidy (OSCAR): The primary objective of the OSCAR subsidy is to help caregivers meet the costs associated with out of school care while they work or actively prepare for work through training or education. The subsidy covers out of school care and school holiday programmes while the parent or caregiver works or actively prepares for work (including travel time). The rate payable takes into account an applicant's income and number of children in the family. The subsidy is payable to the provider of OSCAR services. It is directed towards parents with primary school aged children (5-13 years old).

7.2.2 *Calculation of benefit amount*

7.2.2.1 Calculation of gross benefit

Below are the Childcare Subsidy income abatement thresholds and maximum rates at 1 April 2004.

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs
 Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

Number of children	Gross weekly income	Childcare Subsidy (per hour)	Childcare Subsidy (per week for 50 hours)
1	Less than \$520	\$2.58	\$129.00
	\$520 to \$569.99	\$1.80	\$90.00
	\$570 to \$619.99	\$1.00	\$50.00
	\$620 or more	nil	nil
2	Less than \$640	\$2.58	\$129.00
	\$640 to \$689.99	\$1.80	\$90.00
	\$690 to \$739.99	\$1.00	\$50.00
	\$740 or more	nil	nil
3 or more	Less than \$750	\$2.58	\$129.00
	\$750 to \$799.99	\$1.80	\$90.00
	\$800 to \$849.99	\$1.00	\$50.00
	\$850 or more	nil	nil

Below are the OSCAR Subsidy income abatement thresholds and maximum rates at 1 April 2004.

Number of children	Gross weekly income (NZD)	OSCAR Subsidy (per hour) (NZD)	OSCAR Subsidy (per week) (NZD)	
			Term time	Holidays (for 50 hours)
1	Less than \$520	\$1.99	\$39.80	\$99.50
	\$520 to \$569.99	\$1.39	\$27.80	\$69.50
	\$570 to \$619.99	\$0.77	\$15.40	\$38.50
	\$620 or more	nil	nil	nil
2	Less than \$640	\$1.99	\$39.80	\$99.50

Number of children	Gross weekly income (NZD)	OSCAR Subsidy (per hour) (NZD)	OSCAR Subsidy (per week) (NZD)	
			Term time	Holidays (for 50 hours)
	\$640 to \$689.99	\$1.39	\$27.80	\$69.50
	\$690 to \$739.99	\$0.77	\$15.40	\$38.50
	\$740 or more	nil	nil	nil
3 or more	Less than \$750	\$1.99	\$39.80	\$99.50
	\$750 to \$799.99	\$1.39	\$27.80	\$69.50
	\$800 to \$849.99	\$0.77	\$15.40	\$38.50
	\$850 or more	nil	nil	nil

7.2.2.2 Income and earnings disregards

Benefits are reduced with gross income, see section 7.2.2.1

7.2.3 Tax treatment of benefit and interaction with other benefits

Non-Taxable

7.2.4 Treatment of particular groups

None

8. Employment-conditional benefits

8.1 *Conditions for receipt*

The guaranteed minimum family income (known as the Family Tax Credit) is only available to non-beneficiary families. To qualify, a principal child carer or partner must work for salary or wages. This work must be for at least 20 hours per week in a sole parent family and a combined 30 hours per week in a two-parent family. The self-employed are not eligible for the Family Tax Credit.

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

The Family Tax Credit ensures a minimum net income of NZD 290 net per week (NZD 15 080 net per annum) before Family Support and the Child Tax Credit.

8.2.2 *Income and earnings disregards*

Family, housing and child-care benefits are excluded from the income test.

8.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

8.4 *Benefit duration*

Indefinite.

8.5 *Treatment of particular group*

None.

8.5.1 *Young persons*

8.5.2 *Older workers*

8.5.3 *Others if applicable*

9. Lone-parent benefits

9.1 Conditions for receipt

Sole parents generally qualify for a Domestic Purposes Benefit (provided that they have a qualifying child, and are the primary carer for that child). The payment rate is the same as the Unemployment Benefit but without the strict income and work tests (see section 3.1). There is an earnings disregard of NZD 80 per week, after which benefits are reduced by 30 cents for each dollar of earnings up to NZD 180. Earnings above NZD 180 per week reduce the benefit by 70 cents for each dollar earned.

From 10 March 2003, the work test was removed from the Domestic Purposes and Widow's Benefit. Previously the age of the youngest child determined the work test requirements for sole parents in receipt of the DPB or Widows Benefit. Instead people on these benefits participate in a planning process that promotes goal setting and planning for the time when their circumstances allow them to successfully combine parenting and work.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

see 9.1

9.2.2 Income and earnings disregards

see 9.1

9.3 Tax treatment of benefit and interaction with other benefits

The Domestic Purposes Benefit is taxable

9.4 Benefit duration

None

9.5 Treatment of particular group

9.5.1 Young persons

none

9.5.2 Older workers

none

9.5.3 Others if applicable

none

10. Tax system

10.1 Income tax

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

10.1.1.2 Standard tax credits

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.

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.

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.

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.

10.1.2 Income tax schedule

	Gross taxable income (NZD per year)	%
Statutory tax rate	0 –38 000	19.5

38 000 – 60 000	33
Above 60 000	39

10.1.3 *State and local income taxes*

New Zealand has no state or local income tax.

10.2 *Treatment of family income*

Members of the family are taxed separately.

10.3 *Social security contribution schedule*

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%).

10.4 *Treatment of particular group*

10.4.1 *Young persons*

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.

10.4.2 *Older workers*

10.4.3 *Others if applicable*

11. Part-time work

11.1 *Benefit rules for part-time work*

None

11.2 *Special tax and social security contribution rules for part-time work*

None

12. Policy developments

12.1 Policy changes introduced during the previous year

Further Jobs Jolt initiatives

Jobs Jolt is a package of employment programmes designed to get as many people as possible into work by communicating better with jobseekers, investing in skill development and partnering with employers. Further jobs jolt initiatives introduced in 2004 included;

- [Clear and Strong Expectations](#)
- [Employment Coaching](#)
- [Flexible Fund – Mayors Taskforce](#)
- [Extra Help for Longterm Unemployed](#)
- [Job Partnership with Industry](#)
- [Limited Employment Locations](#)
- [Mature Workers Initiative](#)
- [Mobile Employment Fund](#)
- [Sickness Benefit and Invalids Benefit Initiatives](#)
- [Supporting Sole Parents into Work](#)

PATHS (Providing Access to Health Solutions)

PATHS (Providing Access to Health Solutions), a trial programmes aimed at assisting people with ill health or disability return to the workforce was trialled. PATHS helps to co-ordinate local health and social services providers to assist sickness and invalid benefit recipients access healthcare likely to improve vocational outcomes.

12.2 Policy changes announced

In the 2004 Budget, government announced the Working for Families (WfF) package. WfF will provided further target assistance toward low an middle income New Zealand families with children and improve in work support. WfF will deliver NZD 1.1 billion per annum in 2007

WfF has four key components, introduced over three years;

- Increasing family incomes and in work support
- Increased assistance for housing costs

- Increased assistance for childcare costs
- Simplified tax-benefit system.

Other initiatives announced included changes to the invalids benefit (IB) included allowing IB clients to trial a period of work without losing their entitlement and relaxing the stand-down period usually required before benefits are payable.