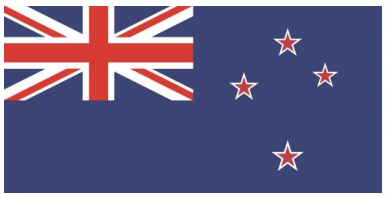
THE OECD TAX-BENEFIT MODEL FOR NEW ZEALAND

Description of policy rules for 2018



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BETTER POLICIES FOR BETTER LIVES

THE OECD TAX-BENEFIT MODEL FOR NEW ZEALAND
Description of policy rules for 2018

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BETTER POLICIES FOR BETTER LIVES

Social Policy Division and Jobs and Income Division

www.oecd.org/social

Directorate for Employment, Labour and Social Affairs

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Preface

The OECD Tax-Benefit model (**TaxBEN**) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families ("vignettes", e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN's policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **April 1, 2018**.
- **Guidelines for completing and updating this report** are provided here.
- Further information on the model, model results, and references to reports and analytical uses is available on the project website. A methodology document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol ⓘ in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for New Zealand: Policy rules in 2018

The provision of social security benefits in New Zealand is funded from general taxation and not specific social security contributions. 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, although eligibility is reviewed on a regular basis. 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 married, civil union and de facto couples).

1. Reference wages

The 2018 (preliminary) average wage **[AW]** is NZD 59 970 (New Zealand Dollar).[1]

The minimum wage **[MIN]** on 1 April 2018 is NZD 16.50 per hour. The annual minimum wage is computed by multiplying the minimum hourly wage by 40 hours and 52 weeks, i.e. NZD 16.50 * 40 * 52 = NZD 34 320.

2. Unemployment benefits

2.1. Jobseeker Support / Sole Parent Support

Code in the OECD tax-benefit model:[2] **[UI_p; UI_s]**

This is an unemployment insurance benefit. It is means-tested, taxable and non-contributory.

In some model specifications Jobseeker Support is classified as social assistance **[SA]**.

2.1.1. Eligibility conditions

Age: A person must be at least 18 years old or 20 years old if they have one or more dependent children.

Contribution/employment history: Social security benefits for the unemployed are not funded from specific employee/employer contributions and there are no minimum working hours or earnings required in order for a person to be covered.

[1] AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration. For more information on methodology see the latest Taxing Wages publication.

[2] The variable names ending with "_p" refer to the first adult (so-called "*p*rincipal" adult) whereas those ending with "_s" are related to the spouse.

Behavioural requirements and related eligibility conditions: A person is entitled to Jobseeker Support provided they are available and willing to undertake full time paid employment. These latter provisions are known as the "work test". A person may also be eligible for Jobseeker Support if they are temporarily unable to work due to a health condition.

Full time work obligations apply to people receiving Jobseeker Support, as well as to partners of clients where there are no dependent children or where the youngest child is 14 years of age or over. Where partners have a youngest child aged 3 years or over but under 14 years part-time work test obligations apply. Work preparation obligations apply to partners with a youngest child under 3 years. If the client has a subsequent child while on a benefit, when that child turns 12 months, work obligations for the partner will be based on the age of the next youngest child. Similar obligations are applied to sole parents (in this case the benefit is called **Sole Parent Support)**.

There are also requirements with respect to residency in New Zealand and other obligations. There is a range of work test exemptions that can be applied in specific circumstances, for example, during times of temporary illness.

TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.[3]

2.1.2. Benefit amount

Entitlement is based on the family, not the individual. Each partner of a married, civil union or de facto couple usually receives half of the total benefit but their benefit can be differently apportioned in some circumstances.

Jobseeker Support rates as at 1 April 2018	
Family type	Gross rate (NZD per four weeks)
Single 18-19 at home *(not covered by the model)*	641.56
Single 18-19 away from home	801.96
Single 20-24	801.96
Single 25 and over	962.40
Sole parent	1528.28
Married, civil union or de facto couple (with children)	1718.40
Married, civil union or de facto couple (without children)	1603.92

There are a range of payments or advances available to provide assistance in a financial crisis, including special needs grants, advance payments of benefit, recoverable assistance, or temporary additional support. The amounts available depend on individual circumstances and needs. *(not covered by the model)*

[3] Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), Langenbucher (2015) and Venn (2011).

2.1.3. Benefit duration

People receiving Jobseeker Support are required to re-apply for the benefit every 12 months and undergo a comprehensive work assessment at the time of re-application. The benefit continues until a recipient is in full-time employment or receives income that fully abates the benefit.

2.1.4. Means test

The amount of the benefit is reduced based on personal or joint income (See Section 2.1.7.).

2.1.5. Tax treatment

Jobseeker Support is taxable with each spouse receiving half of the benefit entitlement for taxation purposes.

2.1.6. Interactions with other components of the tax-benefit system

Jobseeker support is taxed as main income. Additional income from employment is taxed at a secondary rate. Another main benefit cannot be received at the same time as Jobseeker Support; however recipients are often entitled to further supplementary assistance such as Accommodation Supplement.

2.1.7. Combining benefit receipt and employment/starting a new job

A person must not be in full time employment defined as working 30 or more hours per week.

Net Jobseeker Support payments are abated at a rate of 70 cents for each dollar after NZD 80 gross weekly earnings before tax. The unit of income assessment is personal income for single people, or joint income for married, civil union and de facto couples.

For sole parents receiving Jobseeker Support, the net payments are abated at a rate of 30 cents for each dollar after NZD 100 gross weekly earnings before tax, and a rate of 70 cents for each dollar after NZD 200 gross weekly earnings. Note that there is a childcare cost exemption of NZD 20 a week.

There is no specific disregard for new jobs. Income is charged consistently.

3. Social assistance and housing benefits

There is no social assistance benefit in New Zealand. However, in some model specifications Jobseeker Support is classified as social assistance **[SA]**.

3.1. Accommodation Supplement

Code in the OECD tax-benefit model: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

Accommodation Supplement provides assistance towards accommodation costs, including private rent, board and home ownership costs. The model considers the case of rental accommodation.

3.1.1. Eligibility conditions

There is no continuous residency period requirement. A person must still be ordinarily resident in New Zealand and either be a New Zealand citizen or hold a residence class visa. A person does not have to be receiving a benefit to qualify for Accommodation Supplement.

Young people aged 16-17 years are eligible to receive an Accommodation Supplement if they are financially independent. *(not covered by the model)*

People receiving New Zealand Superannuation or Veterans Pension cannot receive an Accommodation Supplement if they have other income exceeding the appropriate income limit. *(not covered by the model)*

3.1.2. Benefit amount

The calculation of the Accommodation Supplement is based on actual accommodation costs. Accommodation Supplement provides for 70% of accommodation costs above the entry threshold, up to a maximum amount.

- The entry threshold is 25% of a person's net rate of benefit plus the under 16 year old first child rate of Family Tax Credit for people with children.
- For non-beneficiaries, the entry threshold is 25% of the relevant net Jobseeker Support rate plus the under 16 year old first child rate of Family Tax Credit for people with children.

Accommodation Supplement payments are capped according to median rents in different parts of the country. In the model Area 3 is assumed.

Accommodation Supplement weekly maxima as at 1 April 2018 (NZD)				
Family type	Area 1	Area 2	Area 3	Area 4
1 person	165	105	80	70
2 people	235	155	105	80
3 or more people	305	220	160	120

3.1.3. Benefit duration

The Accommodation Supplement continues for as long a person meets the qualifying criteria. A review may be conducted either during a 52 week reapplication if they are receiving a main benefit or as part of a Review of Circumstances.

3.1.4. Means test

Beneficiaries do not have their Accommodation Supplement abated. Non-beneficiaries have their Accommodation Supplement reduced by 25% for each dollar of gross income above the relevant income threshold shown below:

Accommodation Supplement income thresholds for non-beneficiaries as at 1 April 2018	
Family Type	NZD per four weeks
Single 16+ years	1552
Married, civil union or de facto couple without children	2372
Married, civil union or de facto couple with children	2520
Sole parent	2232

A cash assets test is also applied. *(not covered by the model)*

3.1.5. Tax treatment

The Accommodation Supplement is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

People on a benefit and off a benefit may be eligible for the Accommodation Supplement. A person just receiving an income-tested benefit such as Jobseeker Support does not need to undergo an income test to receive the Accommodation Supplement.

3.1.7. Combining benefit receipt and employment/starting a new job

A person in employment can still receive the Accommodation Supplement. The amount received will depend on the income earned and accommodation costs.

4. Family benefits

4.1. Family tax credit

Code in the OECD tax-benefit model: **[FIS]**

This is a refundable tax credit. In the model it is classified as a family benefit **[FB]**, non-contributory, means-tested and not taxable.

4.1.1. Eligibility conditions

Family Tax Credit is available to families with dependent children. Work and Income can pay a family tax credit to the client provided they are a Principal Child Caregiver who has a dependent child or children.

- Beneficiary families are paid Family Tax Credit weekly or fortnightly with their benefit, but can choose to receive it from the Inland Revenue Department directly.
- Family Tax Credit is paid to non-beneficiary families by the Inland Revenue Department, either weekly or fortnightly, (with an end of year “square up”) or in one lump sum at the end of the tax year.

4.1.2. Benefit amount

Family Tax Credit rates depend on the number of children, the age of the children and family income. These rates will be increased in July 2018.

Gross Family Tax Credit rates as at 1 April 2018	
Family Type	NZD per four weeks
First or only child aged 0-15 years	370.92
First or only child aged 16-18 years	407.92
Second or subsequent child aged 0-12 years	257.76
Second or subsequent child aged 13-15 years	294.00
Second or subsequent child aged 16-18 years	365.00

4.1.3. Benefit duration

As long as the eligibility conditions hold.

4.1.4. Means test

Each dollar of gross income in excess of NZD 36 350 reduces Family Tax Credit by 22.5 cents. This threshold (and abatement rate) will be increased in July 2018.

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

The Family Tax Credit is one of four tax credits that make up Working for Families. Working for Families is aimed at providing additional support for low income families to help meet the costs of children. The Family Tax Credit is the only Working for Families tax credit that a person on a main benefit with children is eligible for, and they will receive the maximum amount. A person receiving a foster care allowance, orphan's benefit or unsupported child's benefit cannot receive the Family Tax Credit.

4.1.7. Combining benefit receipt and employment/starting a new job

Families with dependent children whose income is from employment are able to receive the Family Tax Credit. The Family Tax Credit is abated as described in Section **Error! Reference source not found.**).

5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **April 1, 2018.**

Schooling is compulsory at the age of six in New Zealand, although the majority of children start school immediately after their fifth birthday.

From 1 July 2007 all three and four year old children enrolled in early childhood education services offering 20 Hours early childhood education (ECE) were able to attend services for up to six hours a day, and up to 20 hours a week, at no charge.[4] From July 2010, this was extended to include five year olds.

Early childhood education services include teacher-led early childhood education services, and parent-led early childhood education services such as kohanga reo and playcentres. Government provides funding to services for 20 hours ECE at a level designed to meet average sector costs. Services opting into this scheme are not permitted to request compulsory charges from parents, but may request optional charges or donations especially where they offer additional features above and beyond the regulated requirements for ECE provision. Services can charge fees to parents for children enrolled outside of the 20 hours ECE programme, including those aged under 3, or enrolled for more than 20 hours a week.

Another funding stream available is equity funding which provides additional targeted funding to some early childhood education services. Equity funding is an `add-on' to the early childhood bulk funding subsidy. It is targeted to licensed early childhood education services:

- in low socio-economic communities
- that may have significant numbers of children with special education needs or from non-English speaking backgrounds
- in isolated areas
- that are based on a language and culture other than English (including sign language).

In addition to 20 Hours and Equity funding, the Government provides the ECE Funding subsidy. The ECE Funding Subsidy is the primary form of government funding for licensed ECE services. The ECE Funding Subsidy contributes to services' operating costs by paying for part of each hour each child spends in ECE, to a maximum of six hours per child-place per day, 30 hours per child-place per week (i.e. seven days).

For more information on ECE funding see the Funding Handbook: http://www.education.govt.nz/early-childhood/running-an-ece-service/funding/ece-funding-handbook/.

5.1. Gross childcare fees

Code in the OECD tax-benefit model: **[NZcc_cost]**

Government provides universal funding of between NZD 3.38 and NZD 13.59 per hour per child to assist with the cost of early childhood education and care. [5] The payment is made by the Ministry of Education direct to the provider of the service and varies according to the age of the child (under 2 or 2 and over), the type of service, and the proportion of regulated teaching staff who are ECE qualified and registered.

[4] Parents can be asked to pay optional charges for hours claimed as 20 Hours ECE.

[5] Source: ECE: Funding handbook: Appendix one. http://www.education.govt.nz/early-childhood/running-an-ece-service/funding/ece-funding-handbook/

A 2013 survey of ECE providers[6] estimated the average fees (NZD per hour) by service type and age of child:

Service Type	Zero to One years old	Two to Five years old
Education and Care	5.80	5.50
Kindergarten	N/A	3.60
Home-based	5.60	5.55
Playcentre	0.45	0.50

Sources: 2013 Survey of Income, Expenditure and Fees of Early Childhood Education Providers in New Zealand (2015).

ECE average fee for additional hours for children enrolled in 20 Hours ECE is NZD 6.55 per hour.

In the model these fees are uprated to 2018 using CPI (1.06143). The Goods and Services Tax is also included (15% since October 2010).

5.1.1. Discounts for part-time usage (not modelled)

The fee subsidy is paid on an hourly basis, eligibility does not change if childcare is used on a part-time basis.

5.2. Fee discounts and free provision

The Childcare Assistance Programme contains several forms of assistance to help with the costs of childcare. Included in this programme is Twenty Hours of ECE, which subsidises 20 hours of ECE each week for all children aged three, four or five years old. The Early Learning Payment is also included in this programme. This is a non-taxable payment that provides earlier access to ECE for certain families. The Guaranteed Childcare Assistance Payment provides financial support for young parents. The Childcare subsidy is also included and will be discussed in the following section.

5.2.1. Eligibility

To qualify for the Early Learning Payment, a person must be the caregiver of a dependent child aged 18 months to three years and must be enrolled in a Family Start or Early Start programme (long term and intensive home visiting services). *(not covered by the model)*

The Guaranteed Childcare Assistance Payment is for young parents aged 19 years or under who are participating in their youth activity obligations, or for young parents aged 18 years or under who are non-beneficiaries participating in secondary education. *(not covered by the model)*

5.2.2. Amount of discount or free provision

The maximum amount payable under the Early learning Payment is NZD 7.55 per hour as at 1 October 2017, for a maximum of 20 hours per week.

[6] Available at: https://www.educationcounts.govt.nz/publications/ECE/survey-of-income,-expenditure-and-fees-of-early-childhood-education-providers-in-new-zealand/2013-survey-of-income-income-expenditure-and-fees-of-ece-providers

The rate of payment of the Guaranteed Childcare Assistance Payment can be up to NZD 6 per hour or up to NZD 300 per week per child. The amount payable depends on the number of eligible children the young parent has and the number of hours (including travel time) the young parent is undertaking through their youth activity obligations and paid employment, or secondary school.

5.2.3. Variation by income

A person cannot receive the Guaranteed Childcare Assistance Payment if they are employed full time or over 15 hours of part-time work.

5.3. Child-care benefits for formal centre-based care

Code in the OECD tax-benefit model: `[cc_benefit]`

5.3.1. Eligibility

Childcare Subsidy is a non-taxable payment which assists low- and middle-income families to pay for their under five year old children (and some under six year olds) to attend licensed preschool facilities.

A person may be entitled to a Childcare Subsidy of up to 9 hours per week if they meet the income test. People who are in work related activities or undertaking training may access up to 50 hours Childcare Subsidy per week for the time they are engaged in those activities *(this case is assumed in the model)*. The payment is made to the provider of the service on behalf of the parent.

5.3.2. Benefit amount

The following table shows Childcare Subsidy income abatement thresholds and maximum rates from 1 April 2018:

Childcare Subsidy income abatement thresholds and rates as at 1 April 2018		
Number of children	Gross income (NZD per week)	Childcare Subsidy (NZD per hour)
1	Less than 800	5.13
	800 – 1 199.99	4.09
	1 200 – 1 299.99	2.86
	1 300 – 1 399.99	1.59
	1 400 or more	Nil
2	Less than 920	5.13
	920 – 1 379.99	4.09
	1 380 – 1 489.99	2.86
	1 490 – 1 599.99	1.59
	1 600 or more	Nil

3 or more	Less than 1 030	5.13
	1 030 – 1 539.99	4.09
	1 540 – 1 669.99	2.86
	1 670 – 1 799	1.59
	1 800 or more	Nil

5.3.3. Benefit duration

A person may receive the Childcare Subsidy until the child turns 5 years old (with some exemptions) unless they no longer meet the other qualifying criteria.

5.3.4. Means test

Benefits are reduced according to gross income (see Section 5.3.2.).

5.3.5. Tax treatment

Not taxable.

5.3.6. Interaction with other benefits

A person cannot receive the Childcare Subsidy for the same hours that they are receiving the Twenty Hours ECE. However they can receive the Childcare Subsidy for any other hours not covered by Twenty Hours ECE up to a combined total of 50 hours depending on their activities.

5.3.7. Combining benefit receipt and employment/starting a new job

The Childcare Subsidy is based on income depending on the number of children the subsidy applies to. The income thresholds and rates are shown in Section **Error! Reference source not found.**.

5.4. Child care allowance for children not using child care centres

Childcare subsidy is only paid if the child is attending an approved early childhood programme. An early childhood programme means early childhood education provided by any of the following:

- A licensed early childhood service which includes:
  - early childhood education and care centres (e.g. day care centre, kohanga reo, Playcentre kindergarten)
  - home-based education and care service (e.g. Porse, Barnados)
  - hospital-based education and care service
- A playgroup that has been certified by the Ministry of Education

and

- For which a fee is charged for the children to participate in the programme.

The childcare subsidy is not payable for childcare provided informally (for example through friends or family who are not licensed to provide home-based education and care service) or a childhood centre or service that is not approved and licensed.

5.5. Tax concessions for childcare expenditures

There are four tax credits that make up Working for Families. Working for Families is aimed at providing additional support through the tax system for low income families to help meet the costs of children. These tax credits are discussed more in Section 8.1.4. . However, there are no tax concessions which depend primarily on childcare use or childcare expenses.

6. In-work benefits

In-Work Tax Credit **[IWP]** and Minimum Family Tax Credit **[MinIncTaxCred]** require the parent (or at least one parent in the case of couples) to meet an hours of work test. These tax credits are classified in the model as in-work benefits **[IW]** (see description in Section 8.1.4.).

7. Social security contributions and payroll taxes

7.1. Social security contributions

Variable names: **[SC]**

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 (ACC) for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. Employees pay a premium of 1.39%[7] of their gross earnings up to a threshold of NZD 126 286 in 2018-2019.

Employers pay a premium depending on their total payroll and their assessed accident risk; the average rate is 0.72% *(not covered by the model)*.

8. Taxes

8.1. Personal income tax

There is a central government income tax, but there are no state or local income taxes. Family members are taxed as individuals.

Code in the OECD tax-benefit model: **[F_INCTAX_p; F_INCTAX_s]**

8.1.1. Tax allowances

None.

[7] This rate includes Goods and Services Tax (15% since October 2010).

8.1.2. Tax base

All benefits considered in the model (except jobseeker support) are not taxable. Tax base is calculated as employment income plus jobseeker support.

8.1.3. Income tax schedule

Gross taxable income as at 1 April 2018 (NZD per year)	Statutory tax rate (%)
0 – 14 000	10.5
14 001 – 48 000	17.5
48 001 – 70 000	30.0
over 70 000	33.0

8.1.4. Tax credits

Independent Earner Tax Credit is available to individuals who earn between NZD 24 000 and NZD 48 000 (after expenses and losses) per annum. If your income is between NZD 24 000 and 44 000 – you receive NZD 10 per week (NZD 520 a year). If your income is between NZD 44 001 and 48 000 – your entitlement reduces by 13 cents for every dollar you earn over NZD 44 000.

You cannot get Independent Earner Tax Credit if you:

- Receive Working for Families Tax Credits[8]
- An income-tested benefit
- Veteran's Pension or New Zealand Superannuation *(not covered by the model*

Family Tax Credit is classified in the model as family benefit and is described in Section 4.1.)

In-Work Tax Credit is available to families who do not receive a main benefit and who normally work a minimum number of hours of paid work each week.

- A sole parent qualifies if they work at least 20 hours per week.
- A two-parent family qualifies if the two parents work a combined 30 hours per week.

In-Work Tax Credit is up to NZD 72.50 per week for families with up to three children, increasing by NZD 15 for each additional child after the third. Eligibility for In-Work Tax Credit also depends on family income.

Families receiving the following government transfers *(not covered by the model)* can still qualify for In-Work Tax Credit provided the family works the required hours:

- NZ Superannuation
- Veteran's pension
- a foster care allowance, orphan's or unsupported child's benefit

[8] Working for Families Tax Credits are made up of four entitlement types: family tax credit, in-work tax credit, parental tax credit, and minimum family tax credit.

- accident compensation for incapacity provided the person normally worked the required hours each week prior to their injury and had an accident after 1 January 2006.
- paid parental leave or Parental Tax Credit provided the family worked the required hours before taking leave due to the birth of a child.

In the model In-Work Tax Credit is classified as in-work benefit.

Minimum Family Tax Credit is available to working families who do not receive a main benefit.

- A sole parent qualifies if they work at least 20 hours per week.
- A two-parent family qualifies if the two parents work a combined 30 hours per week.
- Self-employed people are not eligible.

The Minimum Family Tax Credit ensures a minimum net income of NZD 26 156 per annum before Family Tax Credit and In-Work Tax Credit are included, as at 1 April 2018.

In the model Minimum Family Tax Credit is classified as in-work benefit.

Parental Tax Credit: Families may be entitled to a Parental Tax Credit of NZD 220 per week for the first ten weeks after their baby is born or adopted. They cannot receive a Parental Tax Credit if they are receiving Paid Parental Leave. The Parental Tax Credit will be replaced by Best Start on 1 July 2018. This will be a NSD 60 payment for all families for the first year of a child's life. For the second and third years, support will continue for low- and middle-income families. The Best Start tax credit will be reduced by 21 cents for every NZD 1.00 earned over NZD 79 000. *(not covered by the model)*

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in New Zealand that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

New Zealand offers a range of financial assistance to support low income families. The availability of support varies based on a family's situation and their need. Most assistance is means-tested, using income and in some instances cash asset tests. In order to reflect the varied needs and means of families, the welfare support system has three tiers of assistance.

The first tier is the main benefits, providing a basic income for people who are not able to support themselves through paid work. In addition to Jobseeker Support and Sole Parent Support (see Section **Error! Reference source not found.**, it includes Supported Living Payment, Youth Payment and Young Parent Payment (see description below).

The second tier is additional assistance paid to people in particular situations or with specific on-going costs. This includes the Accommodation Supplement (see Section**Error! Reference source not found.**and Working for Families tax credits (see Section 4.1.) as well as Winter Energy Payment (introduced on 1 July 2018 and described below).

The third tier is tightly income and cash asset tested and provided generally to people in hardship (whether on benefit or not) as one-off grants or may continue over a relatively short period. The third tier assistance includes for example Special Needs Grants and Temporary Additional Support (see description below).

Supported Living Payment

The Supported Living Payment is a means-tested taxable main benefit for people who are not able to work because they are permanently and severely restricted in their capacity for work because of a health condition, injury, or disability, or are blind. It is also for people who are caring for someone who needs fulltime care and attention.

A person can qualify for the Supported Living Payment if they have a permanently and severely restricted capacity for work from the age of 16. For carers this is 18 if they do not have dependent children or 20 if they do. Applicants must also meet the standard residency requirements.

Clients receiving the Supported Living Payment may be assessed for their capacity to prepare for work. If they are able to undertake some work obligations they may have some applied. These are different to those applied to other benefits to reflect varying work capacities.

Partners of clients receiving the Supported Living Payment have varying work obligations depending on the presence and age of dependent children.

Supported Living Payment is abated if a client earns over NZD 100 per week before tax. Income between NZD 100 and NZD 200 per week their benefit is reduced by 30 cents for each NZD 1.00 of income and income over NZD 200 per week their benefit is reduced by 70 cents for every NZD 1.00 of income

Youth Payment and Young Parent Payment

The Young Parent Payment is for young people with at least one dependent child, and the Youth Payment is for young people who are unsupported by their parents.

To qualify for the Young Parent Payment, applicants must be 16 to 19 years old and have a dependent child. To qualify for the Youth Payment applicants must be 16 or 17 years old and either be unsupported by their parents or be in a relationship. They must also be in, or willing to pursue, education or training. Those on Young Parent are also expected to be in education unless their child is under 6 months, or they are between 6 and 12 months but they don't have access to a Teen Parent Unit.

Young people receiving the Youth Payment have a range of obligations to meet, primarily to provide them with essential life skills. They are expected to be enrolled and undertaking further education, participating in budgeting courses and when required attend interviews with the youth service provider. These are the same obligations for Young Parents, however they also need to be participating in parenting education and ensure their child is enrolled in primary healthcare and Early Childhood Education.

Most people on Youth Payment or Young Parent Payment are under money management. This means that most of their payment is paid directly towards essential costs, with the client receiving up to NZD 50 in hand per week.

Young people (and partner if any) can earn up to NZD 214.30 gross per week before their benefit is reduced.

Winter Energy Payment

The Winter Energy Payment will be implemented on 1 July 2018. The Winter Energy Payment will be available to 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.

Single people without dependent children will receive NZD 450 over winter (from 2019) and couples and people with dependent children will receive NZD 700 over winter (from 2019). In the winter of 2018 these figures are NZD 265.91 and NZD 413.64, respectively, due to the 1 July start date. Approximately 1 million people will be eligible for the Winter Energy Payment.

The Winter Energy Payment is not modelled in TaxBEN in 2018 because the policy reference date is April 1, 2018. It will be added to the model in 2019.

Special Needs Grants

Special Needs Grants provides supplementary non-taxable, one-off recoverable or non-recoverable financial assistance to clients to meet immediate needs.

Applicants must meet an income and cash asset test in order to qualify for a Special Needs Grant, and must have an essential need that they themselves cannot meet.

When a Special Needs Grant is for goods and services the grant must be paid to the seller/ supplier.

Temporary Additional Support

Temporary Additional Support is a non-taxable supplementary support that is a last resort to help clients with their regular essential living costs that cannot be met from their chargeable income and other resources.

Clients must ensure that they are accessing all other assistance available to them and take reasonable steps towards reducing their costs and increasing their chargeable income.

A client does not have to be receiving a main benefit to qualify for Temporary Additional Support.

Temporary Additional Support is paid for a period of 13 weeks, with the potential for reapplication after this period.

The calculation of this support depends on the income and living costs of individual households, and is calculated and paid on a weekly basis.