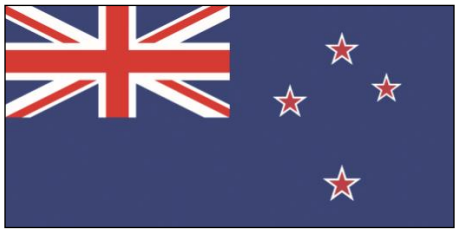
THE OECD TAX-BENEFIT DATABASE

Description of policy rules for New Zealand 2021



BETTER POLICIES FOR BETTER LIVES

THE OECD TAX-BENEFIT DATABASE FOR NEW ZEALAND

Description of policy rules for 2021

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This version: March 2022

BETTER POLICIES FOR BETTER LIVES

JOBS AND INCOME DIVISION
DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

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Preface

This report provides a detailed description of the tax and benefit rules in New Zealand as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

TaxBEN web calculator

Methodology and user guide

OECD tax-benefit data portal

Network of national experts

Guidelines for updating this report (for national experts)

General guidelines

Detailed **guidelines for updating Section 5** "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 April 2021**.
- The symbol ⓘ in the text provides a link to the 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.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for New Zealand: Policy rules in 2021

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

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here)[1]. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth[2] to the latest available wage estimate.

The adult minimum wage **[MIN]** on 1 April 2021 is NZD $20.00 per hour. The annual minimum wage is computed by multiplying the minimum hourly wage by 40 hours and 52 weeks, i.e. NZD 20.00 * 40 * 52 = NZD 41 600.

2. Unemployment benefits

2.1. Jobseeker Support / Sole Parent Support

Code in the OECD tax-benefit model:[3] **[UA1_p; UA1_s]**

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

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

[1] Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

[2] Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

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

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.

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 (see Section 9.1.).

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.[4]

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.

Benefit amounts are increased each year on 1 April to maintain the real value of assistance, called the Annual General Adjustment. From April 2020, the Annual General Adjustment of main benefits are indexed to percent increases in net average wages, rather than to the inflation rate[5].

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

[5] On 1 July 2021 (after the reference date), in addition to the 1 April 2021 Annual General Adjustment, all main benefit rates net of tax (including Job Seeker) were increased by a further $20 per week. This increase is not included in the table of rates.

Jobseeker Support rates as at 1 April 2021	
Family type	Gross rate (NZD per four weeks)
Single 18-19 at home *(not covered by the model)*	808.52
Single 18-19 away from home	981.88
Single 20-24	981.88
Single 25 and over	1,161.96
Sole parent	1,783.92
Married, civil union or de facto couple (with children)	1,972.32
Married, civil union or de facto couple (without children)	1,848.56

There is 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)*

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.

The benefit is paid after a stand-down period of between one to two weeks, depending on the beneficiary's previous income and family circumstances. The length of the stand-down period depends on the person's average weekly income (before tax) in the last 26 or 52 weeks and the number of children they have. If the person has a partner/spouse, the stand-down is based on whoever had the highest income over the last 26 or 52 weeks.

The formula for the initial stand-down period is based on the Gross Average Ordinary Time Weekly Wage (AOTWW) which comes from the Quarterly Employment Survey produced by Statistics New Zealand. For example, the AOTWW rate as at 2 February 2022 is NZD 1 360.10. For a single person whose average income was NZD 1 280.10 per week or more in the preceding 26 or 52 weeks, the stand-down period would be two weeks. For a couple with no children, that income threshold would be NZD 1 360.10. NZD 80 per week is added to the allowable average wage for each dependent child (e.g. a couple with two children would face a two week stand-down if their average weekly income was NZD 1 520.10 or more).

If a person leaves their job without a good reason, or is fired for misconduct, they may have to wait up to 13 weeks before payments start.

The stand-down period is not simulated in the model.

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, which is defined as working 30 or more hours per week.

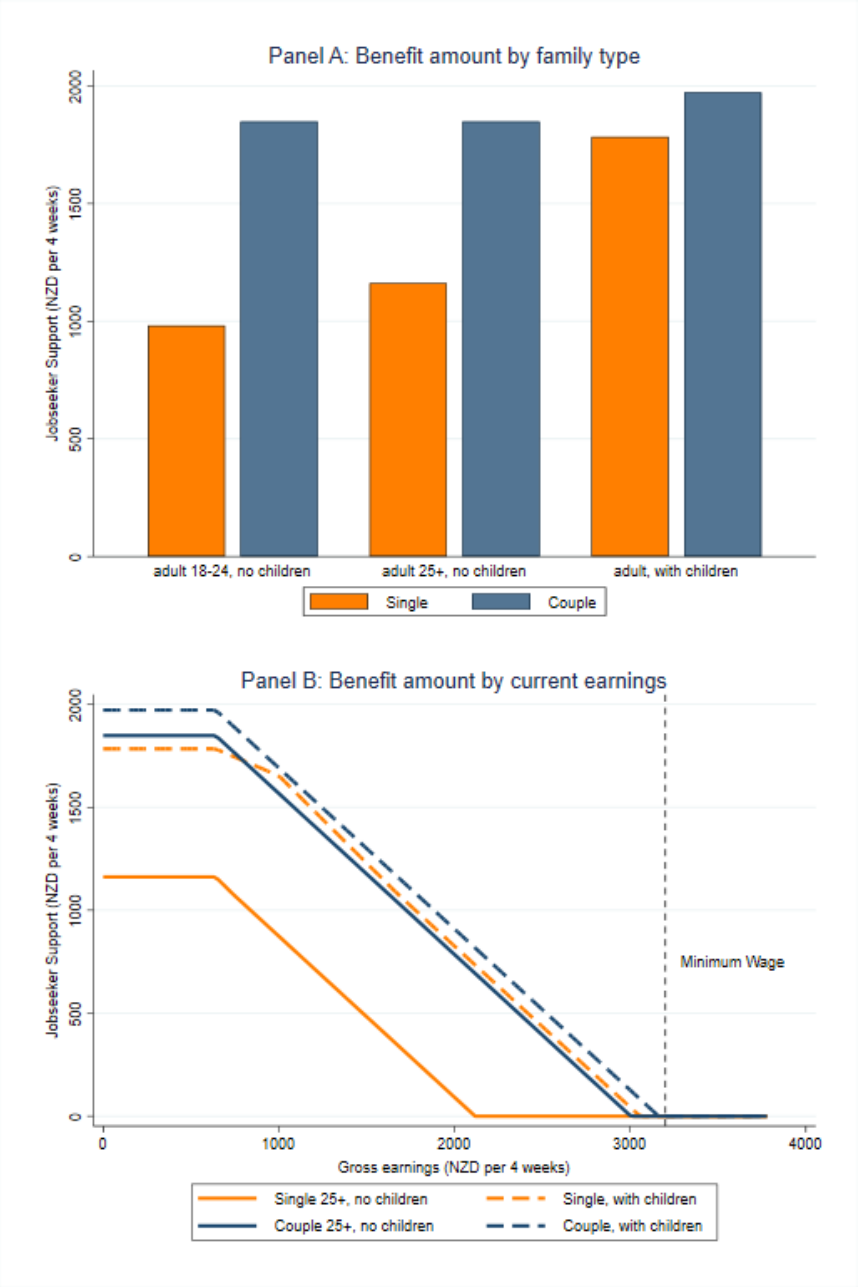
Net Jobseeker Support payments are abated at a rate of 70 cents for each dollar after NZD 160 gross weekly earnings before tax. The unit of income assessment is personal income for single people, or joint income for married, civil union and de facto couples.

For sole parents receiving Jobseeker Support, the net payments are abated at a rate of 30 cents for each dollar after NZD 160 gross weekly earnings before tax, and a rate of 70 cents for each dollar after NZD 250 gross weekly earnings. Note that there is a childcare cost exemption of NZD 20 a week (that is, sole parents who are paying for childcare can earn up to NZD 180 a week before tax before Jobseeker Support is abated).

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

Figure 1. Jobseeker Support

Single or couple with or without children



Note: The figure shows the total jobseeker support benefit for the family. In a couple, the second adult is assumed to be out of work and meeting the requirements for jobseeker support. The benefit amount is flat and does not depend on previous earnings or benefit duration. However, the benefit is reduced based on current earnings of the couple. Panel A shows the maximum benefit amount for a jobless family. Panel B shows reduction in the benefit amount if the first adult starts working part time (i.e. less than 20 hours per week). The vertical line in the Figure shows when the total earnings of the first adult reach the level of the monthly minimum wage of a full-time worker.
Source: OECD Tax-Benefit Model.

2.2. COVID-19 Income Relief Payment

This was a special benefit for unemployed introduced during the COVID-19 emergency. It was aimed to help with living costs after a sudden job loss, and provide time to find other work. This benefit ended on 4 February 2021. For more details see the 2020 version of this report.

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_main]**

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[6]. 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.

[6] The standard TaxBEN indicators assume that rent is equal to 20% of the average wage (for all family types). This estimate serves as a benchmark for cross-country comparison. In the context of New Zealand, this is a relatively low rent. TaxBEN calculator allows choosing alternative rent amounts.

Accommodation Supplement payments are capped according to median rents in different parts of the country. In the model, Area 2 (which covers Wellington) is assumed.[7]

Accommodation Supplement weekly maxima as at 1 April 2021 (NZD)				
Family type	Area 1	Area 2	Area 3	Area 4
Single person, 16+ years	165	105	80	70
Married, civil union or de facto couple or sole parent with 1 child	235	155	105	80
Married, civil union or de facto couple with 1 or more children, sole parent with 2+ children	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[8] above the relevant income threshold[9] shown below:

Accommodation Supplement income thresholds for non-beneficiaries as at 1 April 2021	
Family Type	NZD per four weeks
Single 16+ years	2120
Married, civil union or de facto couple without children	3004
Married, civil union or de facto couple with children	3164
Sole parent	2852

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

[7] This assumption was revised during the 2019 model update cycle. In the past, models for 2005-2018 policy years assumed Area 3. As of 2019, all models from 2001 to 2019 assume Area 2, which includes Wellington. Detailed geographical coverage of each area is available here: https://www.workandincome.govt.nz/map/deskfile/extra-help-information/accommodation-supplement-tables/definitions-of-areas.html

[8] In the 2020 model, gross income included earnings from work as well as COVID-19 Income Relief Payment (while it existed between June 2020 and February 2021). Only earnings are included in the 2021 model, as the COVID-19 Income Relief Payment was not available on the reference date.

[9] On 1 July 2021 (after the reference date), income thresholds for non-beneficiaries (and beneficiaries) were increased by between NZD 28 – NZD 58 per week. The table shows the rates prior to this increase.

OECD Note: When calculating the Accommodation Supplement, the entry threshold is rounded to the nearest dollar per week, accommodation costs are rounded up to the next dollar per week and the final Accommodation Supplement amount, after applying the means test, is rounded up to the next dollar per week.

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 people not on a benefit may be eligible for the Accommodation Supplement. A person who is only 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.

3.2. Winter Energy Payment

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

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

The Winter Energy Payment was implemented on 1 July 2018.

3.2.1. Eligibility conditions

The Winter Energy Payment is available to those in receipt of a main benefit (in the model this is Jobseeker Support and Sole Parent Support) to heat their homes in winter by increasing the amount of money available to them over the winter months.

The Winter Energy Payment is also available for people in receipt of other benefits *(not considered in the model)*:

- New Zealand Superannuation – universal pension for people over 65;
- Veteran's Pension - payment (optional, instead of NZ Superannuation) for veterans who have qualifying operational service in the New Zealand Armed Forces;
- Supported Living Payment - assistance for people who have, or are caring for someone with, a health condition, injury or disability;
- Emergency Maintenance Allowance – assistance that may be paid to sole parents who do not qualify for any other payments;
- Emergency Benefit – assistance that may be paid to those who can't support themselves and don't qualify for any other benefit;
- Youth Payment – assistance for young people aged 16 or 17 who can't live with their parents or guardian and aren't supported by them or anyone else;
- Young Parent Payment – assistance for young parents aged 16-19.

3.2.2. Benefit amount

Between 1 May and 1 October 2021, single people without dependent children will receive a total of NZD 450 and couples and people with dependent children will receive a total of NZD 700.

3.2.3. Benefit duration

The benefit is paid for 22 weeks per year (from 1 May to 1 October). It is paid as long as eligibility conditions hold.

3.2.4. Means test

Not means-tested.

3.2.5. Tax treatment

Not taxable.

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

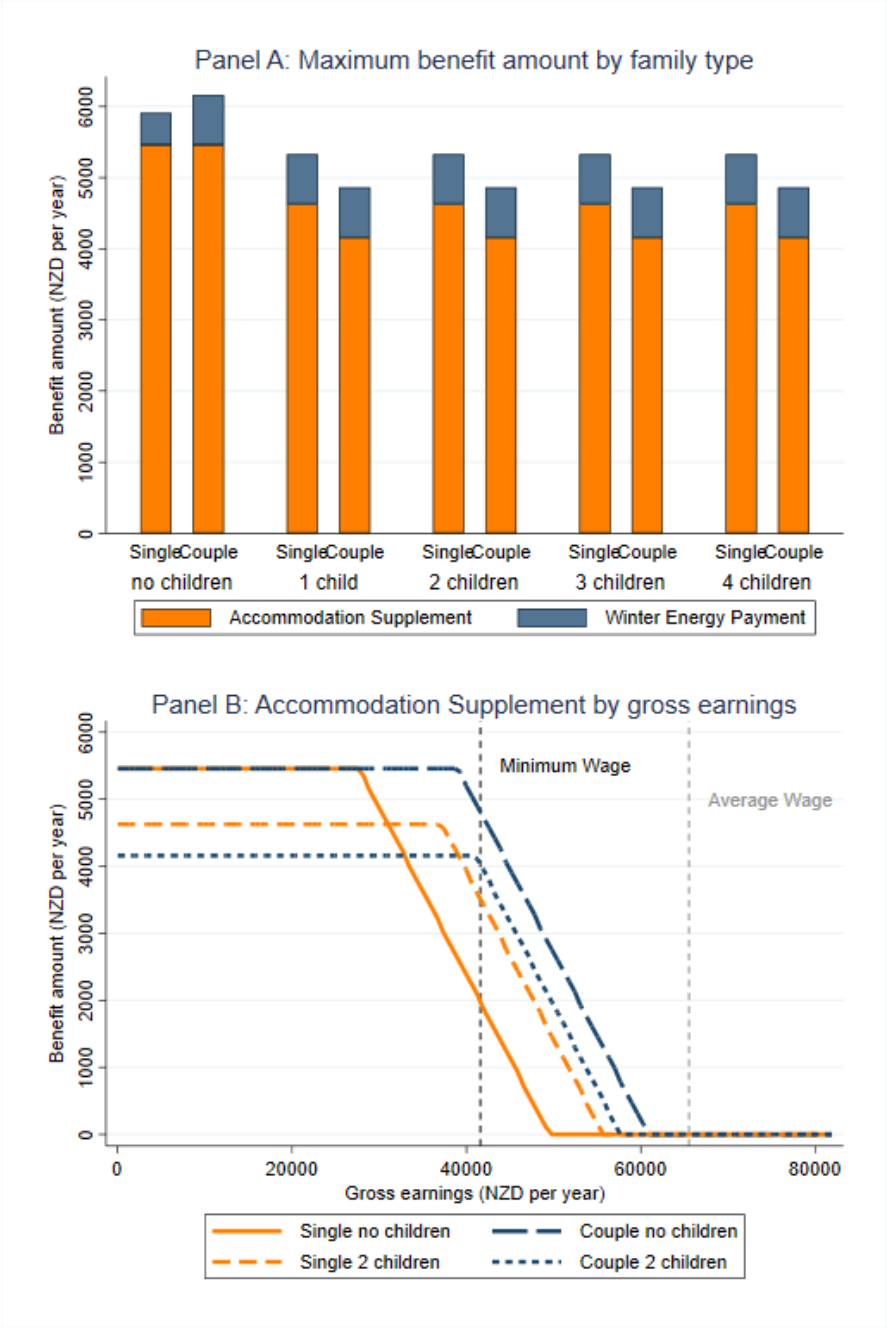
The eligibility is based on receipt of other benefits (see Section 3.2.1.

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

The Winter Energy Payment can be combined with employment if eligibility conditions hold (see Section 2.1.7. on how Jobseeker Support and Sole Parent Support can be combined with employment). There are no specific rules for new jobs.

Figure 2. Housing benefits

40-year old single person and couple with or without children



Note: A family is assumed to live in Wellington and paying rent that is equal to 20% of average wage (for all family types). Panel A assumes a jobless family that receives the main benefit (e.g. Jobseeker Support), and thus is eligible to both Accommodation Supplement and Winter Energy Payment. The figure shows the maximum benefit amount given the assumed level of rent. The maximum amounts for families without children are higher than for families with children because the entry thresholds for families without children are lower, as inferred by the bullet points in section 3.1.2. Panel B shows how Accommodation Supplement would decrease for a non-beneficiary if one adult in the family starts working.
Source: OECD Tax-Benefit Model.

4. Family benefits

In the model, two tax credits are classified as family benefits: Family Tax Credit (described in Section 4.1.) and Best Start Tax Credit (described in Section 8.1.4.). 4.1.

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" (the body under the supervision of the Ministry of Social Development) 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.

Gross Family Tax Credit rates since July 2018	
Family Type	NZD per four weeks
First or only child	452.16
Second or subsequent child	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 42 700 reduces Family Tax Credit by 25 cents. This threshold (and abatement rate) was 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 and the Best Start Tax Credit are

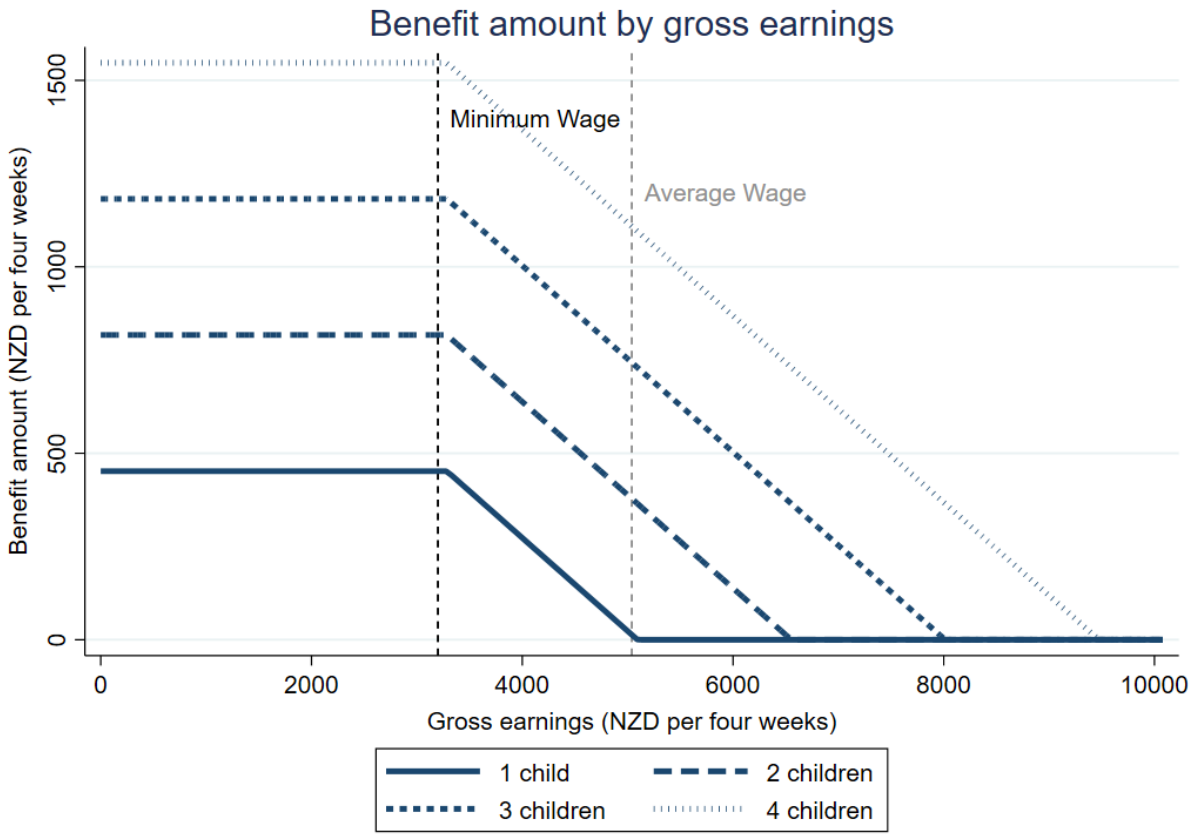
the only Working for Families tax credits that a person on a main benefit with children is eligible for, and they will receive the maximum amount. A person receiving a foster care allowance, orphan's benefit or unsupported child's benefit cannot receive the Family Tax Credit.

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 4.1.4.

Figure 3. Family Tax Credit

40-year old single person or couple with children



Note: The figure shows the maximum Family tax credit for a jobless family (at zero earnings) and how the amount is reduced if a family has earnings from work. The amounts and reductions are the same for single parents and couples.
Source: OECD Tax-Benefit Model

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 April 2021.**

Schooling is compulsory at the age of six in New Zealand, although the majority of children start school immediately after their fifth birthday. Most children attend some form of early childhood education (ECE) prior to starting school with 96.9% of children reporting attendance in the six months prior to beginning school. Early childhood education services include teacher-led ECE services, and parent or kaiako-led ECE services such as playcentres and kōhanga reo.

The Government provides several subsidies for ECE attendance, which are paid directly to ECE services.

The first major subsidy, the **ECE Funding Subsidy**, contributes to services' operating costs by paying for part of each hour each child aged two and under spends in ECE, to a maximum of six hours per child-place per day, and 30 hours per child-place per week (i.e. seven days). The ECE Subsidy is also available to children aged three to five years old and pays for a maximum of 10 hours of funding per week (two hours per day) over and above the 20 Hours ECE Subsidy described below.

Three- to five-year-olds enrolled in licensed early childhood education services are able to receive the second major subsidy, the **20 Hours ECE subsidy**, for up to six hours a day and 20 hours a week. The 20 Hours ECE Subsidy is a child-based subsidy paid at a level designed to meet average sector costs. This is a higher rate than the ECE Funding Subsidy and is intended to enable families to access this amount of ECE at no charge.

ECE services receiving the 20 Hours ECE Subsidy are not permitted to request compulsory charges (fees) 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 smaller funding stream for ECE services is **equity funding**. This 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).

The Government also provides a small **Targeted Funding for Disadvantage payment** to some ECE services. Targeted Funding began in 2018 and allocates funding to services with high proportions (20% or above) of enrolled children from disadvantaged backgrounds. It aims to:

- counteract inequity in the ECE sector where disadvantaged children, on average, participate less
- reduce the early emergence of achievement gaps through raising the quality and affordability of ECE for children from disadvantaged backgrounds.

For more information on New Zealand's ECE funding system 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]**

The ECE Subsidy and 20 Hours ECE Subsidy provide funding anywhere between NZD 3.49 and NZD 14.53 per hour per child to assist with the cost of licensed ECE services.[10] The payment varies according to the age of the child (under 2 or 2 and over), staff qualifications and the type of service. For example, teacher-led centres are eligible for higher funding rates if they employ 80% or more certificated teachers to cover regulated (ratio) staff hours.[11] Funding rates are based on the mix of basic operating costs incurred by all ECE services, and a variable component based on cost drivers that differ between ECE service types.

Although ECE services may not charge fees for the 20 Hours ECE Subsidy, they are able to request optional charges and donations. They can also charge fees for hours not captured by the 20 Hours ECE subsidy, such as when a child is enrolled for 25 hours a week. Gross fees are set autonomously by the providers. There are no national or local controls on the level of fees charged (outside of 20 Hours ECE Subsidy hours). The level of fees is moderated by competition between providers and affordability for parents.

The Ministry of Education does not currently have reliable data on average hourly fees. It is investigating alternative approaches to collecting fees data from ECE services and hopes to have this data available in 2022.

5.1.1. Discounts for part-time usage

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 Ministry of Social Development administers the Childcare Assistance Programme which contains several forms of assistance to help with the costs of childcare. **The Early Learning Payment** *(not covered by the model)* 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** *(not covered by the model)* provides financial support for young parents. The **Childcare Subsidy** is also included and will be discussed in Section 5.3.

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

[11] A certificated teacher must be an ECE qualified teacher, a New Zealand qualified teacher or have a comparable overseas primary teacher qualification supported by an assessment from the New Zealand Qualifications Authority. They must hold a current practising certificate that has been issued by the Teaching Council, or a letter from the Teaching Council advising that certification has been approved and that the practising certificate will be mailed within four to six weeks.

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).

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.

5.2.2. Amount of discount or free provision

The maximum amount payable under the Early learning Payment is NZD 8 per hour as at 1 April 2021, for a maximum of 20 hours per week.

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

The Childcare Subsidy is a non-taxable payment which assists low- and middle-income families to pay for their pre-school children (up to six-year olds) to attend licensed preschool facilities. Generally, children start school at age five, but some schools use cohort entry systems and from 2020 childcare subsidy will continue for a number of weeks after the child turns five until the next cohort intake at the child's school.

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 2021:

Childcare Subsidy income abatement thresholds and rates as at 1 April 2021		
Number of children	Gross income (NZD per week)	Childcare Subsidy (NZD per hour)
1	Less than 800	5.37
	800 – 1 199.99	4.28
	1 200 – 1 299.99	2.99
	1 300 – 1 399.99	1.67
	1 400 or more	Nil
2	Less than 920	5.37
	920 – 1 379.99	4.28
	1 380 – 1 489.99	2.99
	1 490 – 1 599.99	1.67
	1 600 or more	Nil
3 or more	Less than 1 030	5.37
	1 030 – 1 539.99	4.28
	1 540 – 1 669.99	2.99
	1 670 – 1 799	1.67
	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 20 Hours ECE. However, they can receive the Childcare Subsidy for any other hours not covered by 20 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.**5.3.2.

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

The 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, kōhanga reo, Playcentre, kindergarten)
  - home-based education and care service
  - 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 an unlicensed or uncertificated service.

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. Independent Earner Tax Credit **[IETC_p; IETC_s]** requires people without children to earn a certain amount of income. 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]**

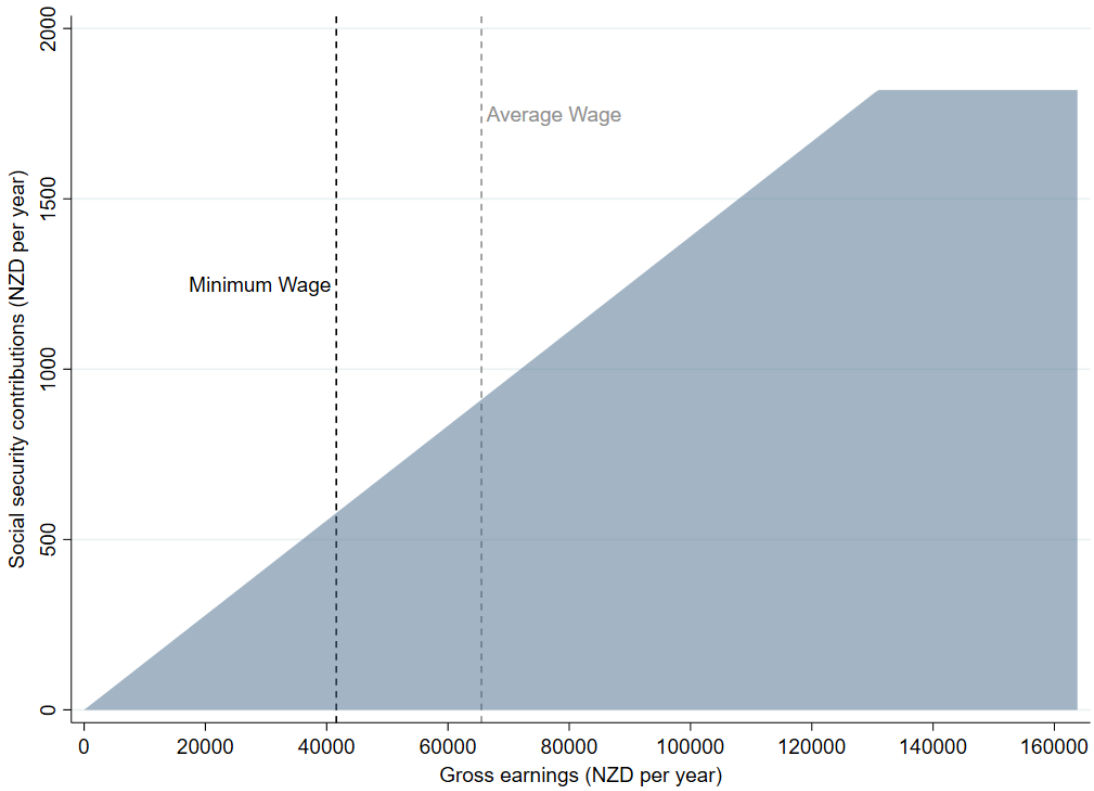
New Zealand has no compulsory social security contributions to schemes operated within the government sector.

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%[12] of their gross earnings up to a threshold of NZD 130 911 in 2020-2021.

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)*.

Figure 4. Accident compensation scheme

40-year old single person without children



Note: Payments to accident compensation scheme do not depend on family composition. In the model, these payments are classified as non-tax compulsory payments.
Source: OECD Tax-Benefit Model.

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

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.

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 2021 (NZD per year)	Statutory tax rate (%)
0 – 14 000	10.5
14 001 – 48 000	17.5
48 001 – 70 000	30.0
70 000 – 180 000	33.0
over 180 000	39.0

8.1.4. *Tax credits*

All tax credits described in this section are refundable.

Independent Earner Tax Credit **[IETC_p; IETC_s]** 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[13]
- An income-tested benefit (in the model this is Jobseeker Support)
- Veteran's Pension or New Zealand Superannuation *(not covered by the model)*

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

Family Tax Credit **[FIS]** is classified in the model as family benefit and is described in Section 0)

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

In-Work Tax Credit `[IWP]` is available to families who do not receive a main benefit (in the model this is Jobseeker Support). Since 1 July 2020, there are no minimum hours of work required to get this payment. However, the person should be normally in paid work.

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 and the amount you receive also depends on family income. In-Work Tax Credit is reduced in the same way as Family tax credit, but the reduction starts only after the Family tax credit is fully withdrawn

Families receiving the following government transfers (not covered by the model) can still qualify for In-Work Tax Credit provided the client or their partner does not also receive an income-tested benefit, student support, or certain veterans' assistance[14]:

- NZ Superannuation
- Veteran's pension
- a Foster Care Allowance, Orphan's or Unsupported Child's Benefit
- 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 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 `[MinIncTaxCred]` is available to working families who do not receive an income-tested benefit or certain veteran's assistance[15] (in the model, this is Jobseeker Support).

- 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 30 576 per annum before Family Tax Credit and In-Work Tax Credit are included, as at 1 April 2021.

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

Best Start Tax Credit `[BSTC]`**:** This replaces the previous Parental Tax Credit, which applied to qualifying families for the first ten weeks after their baby was born or adopted.[16] The Best Start Tax Credit applies for qualifying families with children born after 1 July 2018. It is a payment to help families with the costs in a child's first three years. All families are eligible: working and non-working, those who receive a main benefit and those who don't.

The amount of the credit is up to NZD 60 a week (or NZD 3 120 a year) per child for a maximum of three years from the child's date of birth. The Best Start Tax Credit is a

[14] Parent's Allowance and Children's Pension.

[15] Parent's Allowance and Children's Pension

[16] The model does not include the Parental Tax Credit as children under one year old are beyond the scope of the model. However, the Best Start Tax Credit is included in the model as it covers a broader child age range.

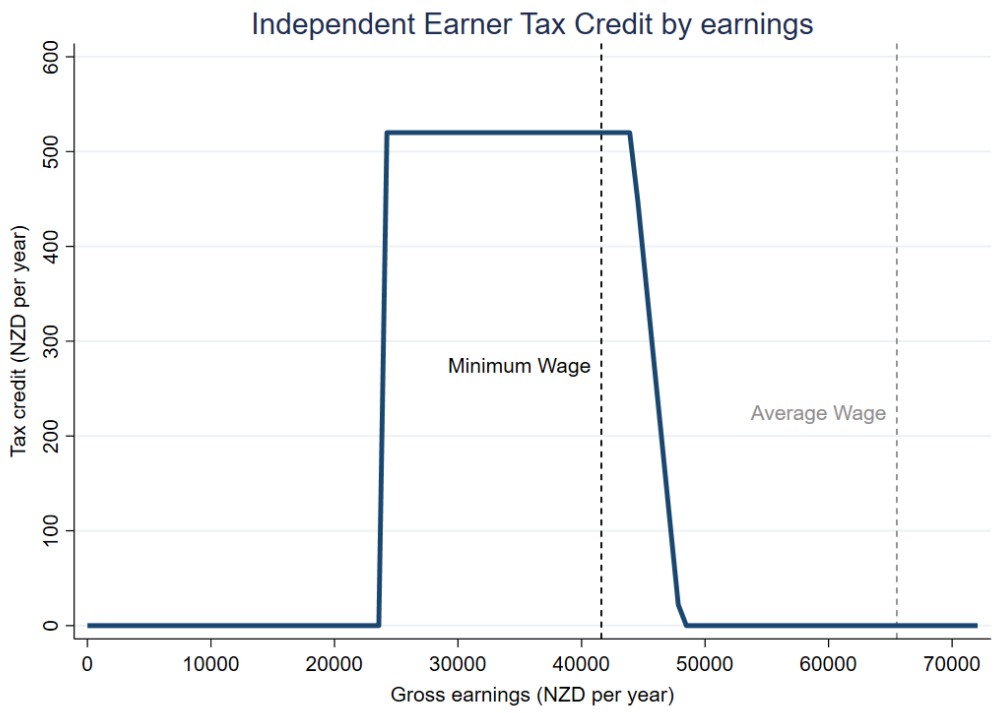
universal payment in the first year of a child's life. For children one year old or older, the total amount is reduced by 21 cents for every dollar the family income goes over NZD 79 000.[17] Families cannot receive Paid Parental Leave at the same time. The Best Start Tax Credit will begin once Paid Parental Leave has finished.

This tax credit is rolled out gradually in the model. In 2019 model *(policy reference date 1 April 2019)*, only children below 1 are eligible *(this age range is not covered in the model, hence the tax credit is not simulated)*; in 2020 model *(policy reference date 1 April 2020)* – children below 2 are eligible; in 2021 model *(policy reference date 1 April 2021)* – children below 3 are eligible.

In the model, the Best Start Tax Credit is classified as family benefit.

Figure 5. Independent Earner Tax Credit

40-year old single person or couple without children

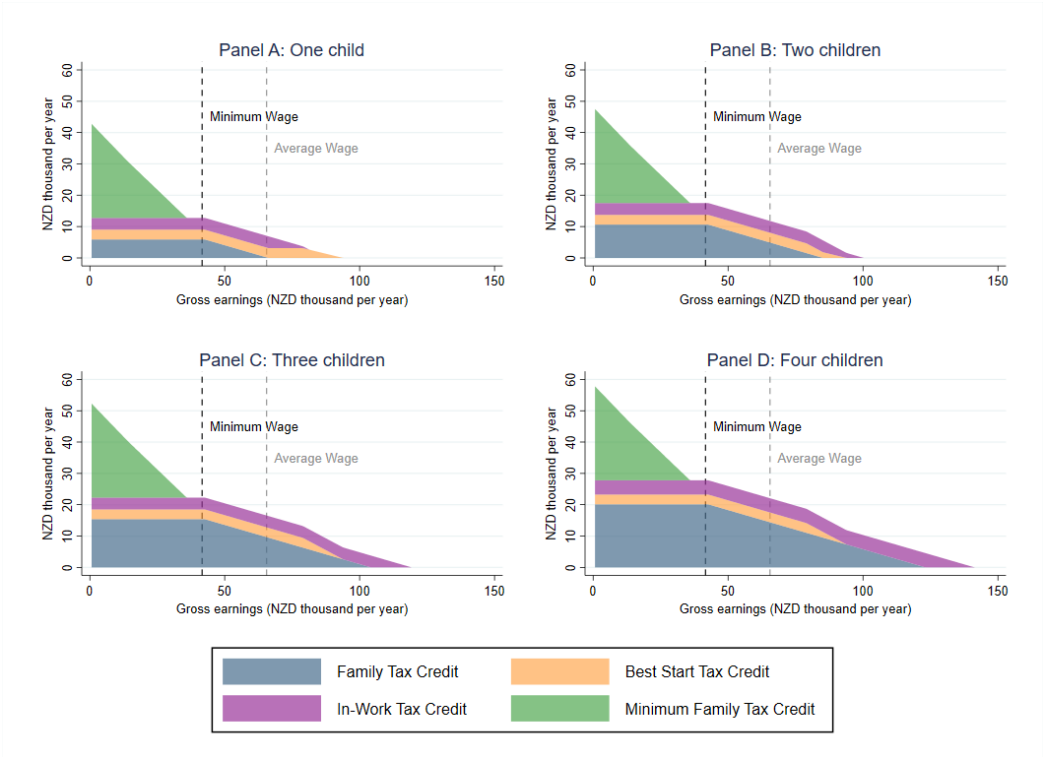


Note: The figure assumes no receipt of the main benefit. The amount of tax credit is the same for a single person and for a couple without children.
Source: OECD Tax-Benefit Model.

[17] The model considers only children starting from one year old, so the means test always applies. If there are multiple children, first the total benefit amount is calculated, then the reduction is applied.

Figure 6. Working for Families Tax Credits, by earnings of full-time workers

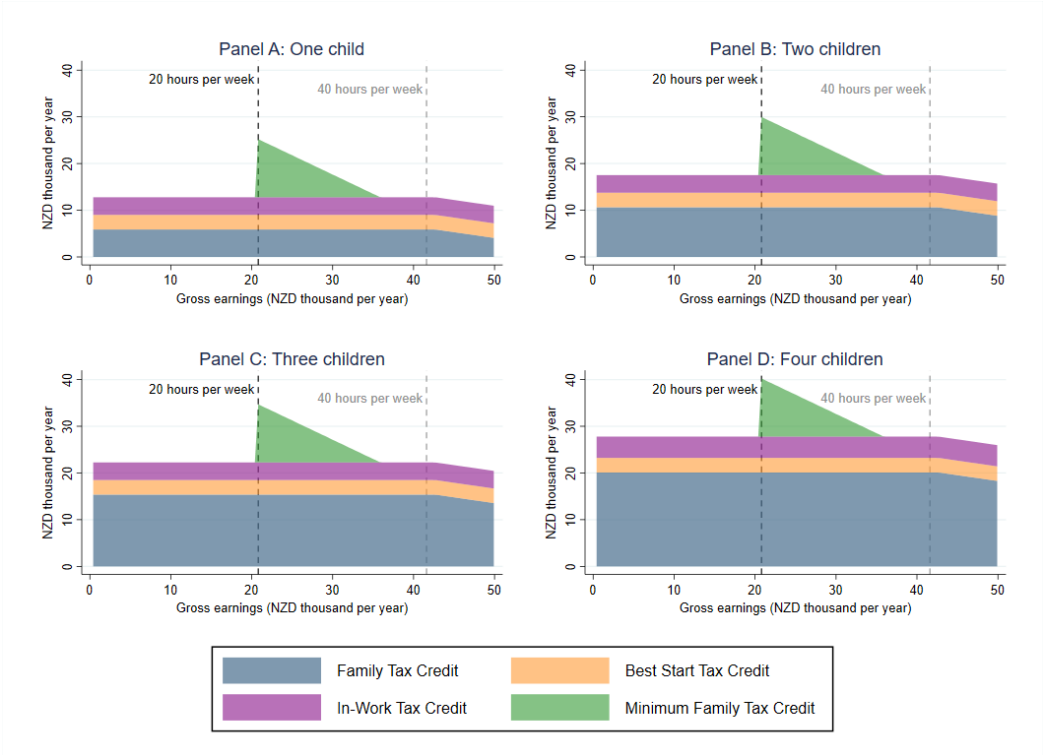
40-year old single person or couple with children



Note: The figure assumes no receipt of the main benefit. The calculations assume that the first adult works full-time (even if earnings are very low). In reality, a person would receive at least minimum wage, which at full-time hours would provide an annual gross earnings of NZD 41 600. Thus, the segment of the Figure below this earnings threshold is purely illustrative. The partner (if any) is assumed to be out of work. The children are 1, 6, 8 and 10 years old.
Source: OECD Tax-Benefit Model.

Figure 7. Working for Families Tax Credits for lone parents, by working hours at minimum hourly wage

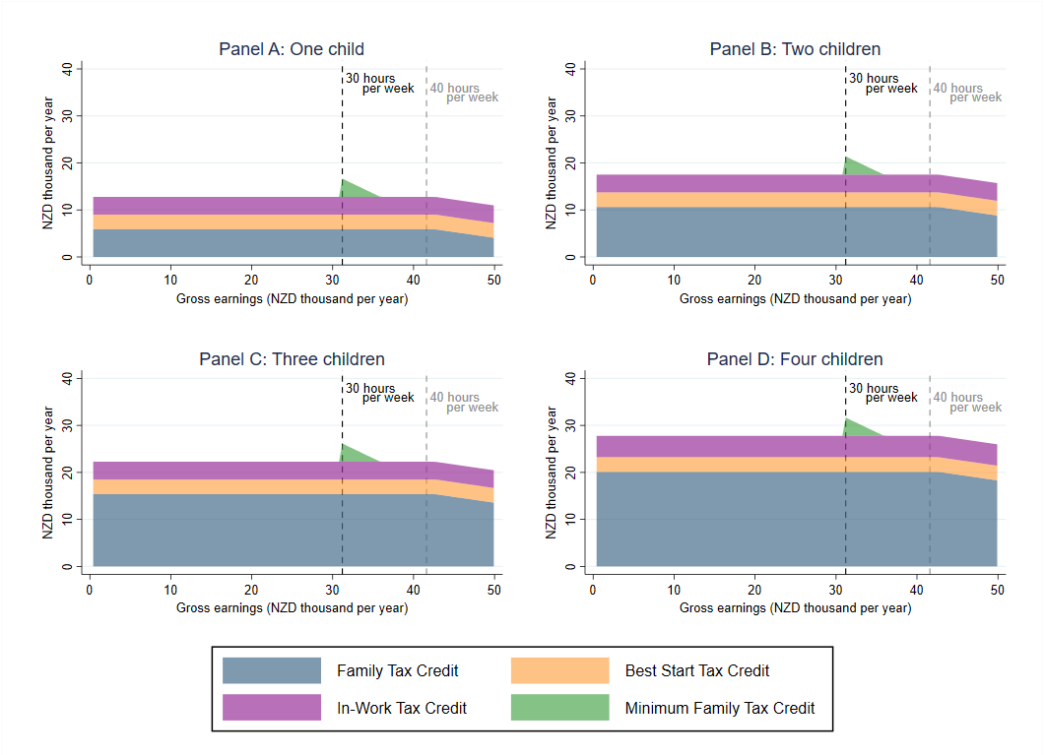
40-year old single person with children



Note: The figure assumes no receipt of the main benefit. The calculations assume that the adult earns minimum hourly wage and increases working hours 1 to 40 hours per week. The lone parent is eligible for Minimum Family Tax Credit once he or she works at least 20 hours per week (provided no receipt of the main benefit). The children are 1, 6, 8 and 10 years old.
Source: OECD Tax-Benefit Model.

Figure 8. Working for Families Tax Credits for one-earner couple, by working hours at minimum hourly wage

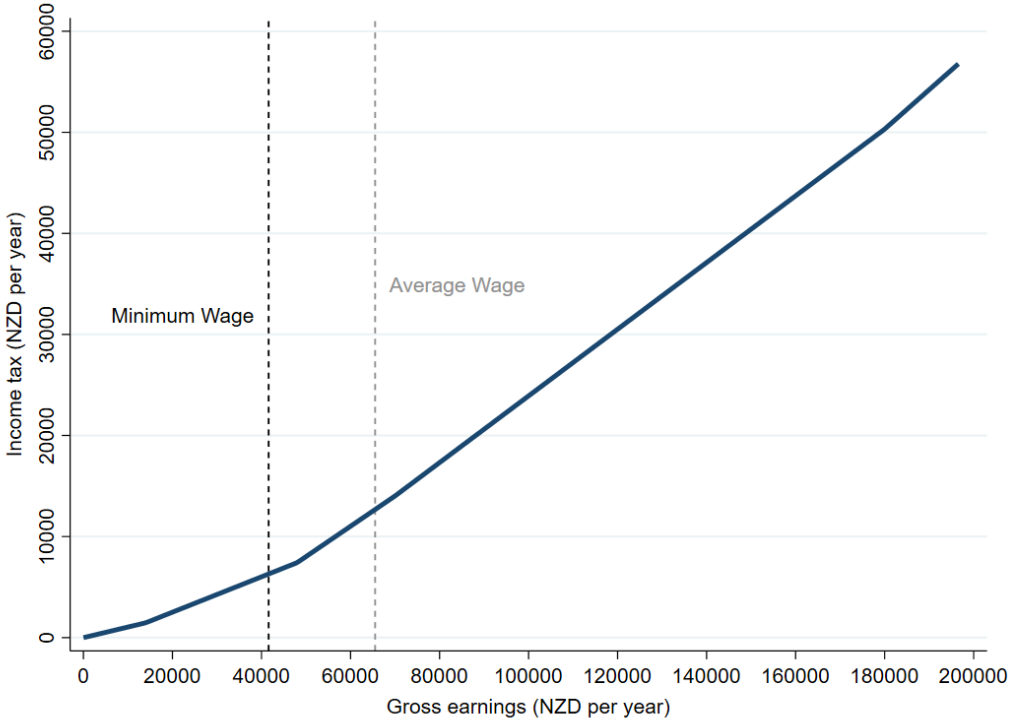
40-year old couple with children



Note: The figure assumes no receipt of the main benefit. The calculations assume that the first adult earns minimum hourly wage and increases working hours 1 to 40 hours per week. The second adult is out of work. The couple is eligible for Minimum Family Tax Credit once they together work at least 30 hours per week. The children are 1, 6, 8 and 10 years old.
Source: OECD Tax-Benefit Model.

Figure 9. Income tax

40-year old single person without children



Note: The figure shows gross income tax before any tax credits. The amount of gross income tax does not depend on family composition.
Source: OECD Tax-Benefit Model.

9. Sickness benefits

Section 9.1. describes the main state-provided benefit in case of temporary sickness. Section **Error! Reference source not found.** provides information on mandatory e mployer payments in case of temporary sickness.

Due to Covid-19 a new subsidy, the COVID-19 Leave Payment Scheme, was introduced to help employers to pay employees in situations where employees need to stay away from work due to COVID-19 related reasons (including sickness) and cannot work from home. This subsidy was available for those people who applied between 17 – 27 March 2020. Later it was replaced by the COVID-19 Leave Support Scheme. These subsidies are described in Section 10.1.

9.1. Sickness benefit

If a person is temporarily unable to work due to a health condition, they may be eligible for Jobseeker Support/Sole Parent Support (see Section 2.1.). It is means-tested, taxable and non-contributory. The detailed description of the benefit is provided in Section 2.1. This section highlights any additional information relevant for the case of temporary sickness.

9.1.1. Eligibility conditions

The eligibility conditions are the same as described in Section 2.1.1. However, there is a range of work test exemptions that apply during times of temporary illness.

A person must have at least two years of continuous residence; and have stopped working, have reduced hours and income, or be unemployed or working part-time and be unable to perform full-time work due to sickness or disability.

For persons with less than two years of residency, a benefit may be paid in cases of hardship. For non-permanent residents, an income- and asset-tested emergency benefit may be paid in cases of hardship. *(not modelled)*

9.1.2. Benefit amount

The amount of the benefit is the same as the Jobseeker Support (see Section 2.1.2.).

9.1.3. Benefit duration

The benefit is paid after a stand-down period of between one to two weeks, depending on the beneficiary's previous income and family circumstances (See Section 2.1.3). There is no limit on the period of eligibility, but the beneficiary must reapply every 52 weeks. A medical professional must periodically assess the illness.

As part of the Government’s response to COVID-19, initial stand-downs were removed for all clients (regardless of benefit type) between 23 March 2020 to 25 July 2021.

9.1.4. Means test

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

9.1.5. Tax treatment

The benefit is taxable. Each spouse receives half of the benefit entitlement for taxation purposes.

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

One cannot receive this benefit together with another main benefit (e.g. Jobseeker Support) at the same time; however, recipients are often entitled to further supplementary assistance such as Accommodation Supplement.

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

It is possible to receive sickness benefit for reduced working hours due to health reasons. The benefit is reduced at a certain rate for every dollar earned above a threshold (see Section 2.1.7.).

9.2. Sick leave

In accordance with the Holidays Act 2003, an employee is entitled to paid sick leave.

9.2.1. Eligibility conditions

Employees (including part-time and casual employees) are entitled to paid sick leave to care for themselves or their dependants. In order to be eligible for paid sick leave, an employee must have either:

- Six months' current continuous employment with the same employer, or
- Have worked for the employer for six months for an average of 10 hours per week and at least one hour in every week or 40 hours in every month.

9.2.2. Benefit amount

During sick leave the employer pays the relevant or average daily pay. Relevant daily pay means paying an employee what they would have earned if they were at work on the day(s) for which they took sick leave.

Average daily pay may only be used if it is not possible or practicable to work out the relevant daily pay, or an employee's daily pay varies in the relevant pay period. Average daily pay is calculated by adding up the employee's gross earnings over the past 52 weeks and dividing it by the number of whole or part days the employee either worked or was on paid leave or holidays during that period.

9.2.3. Benefit duration

As of 24 July 2021, the legal minimum of paid sick leave is 5 days per 6 month period and a further 5 days on each following 12 month anniversary from their entitlement date once eligibility conditions are met (see Section 9.2.1). Any unused sick leave at the end of a 12 month period can be carried over and added to the entitlement for the next year. The maximum amount of sick leave that can be accumulated under the Holidays Act 2003 is 20 days, although the employer and employee can agree to accumulate more than 20 days of sick leave.

9.2.4. Means test

Not means-tested.

9.2.5. Tax treatment

Taxable according to general tax rules and subject to payments to the accident compensation scheme.

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

Sick pay is included in the means tests for other benefits in the same way as earnings from work.

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

All employees, including part-time and casual employees, are entitled to sick leave provided eligibility conditions are met (see Section 9.2.1). It is possible to get sick leave for reduced working hours (e.g. a full-time employee can take a sick leave for half a day if they cannot work the full day because of sickness).

10. Short-time work schemes

During the COVID-19 emergency, five new schemes to mitigate the impact on employers and employees were introduced:

- Leave Support Scheme (see Section 10.1.)
- Wage Subsidy (see Section 10.2.)
- Wage Subsidy Extension (see Section 10.3.)
- COVID-19 Resurgence Wage Subsidy (see Section 10.4.)
- COVID-19 Wage Subsidy (March 2021) scheme (see Section 10.5.)
- COVID-19 Wage Subsidy (August 2021) scheme, and its extensions (see Sections 10.6. to **Error! Reference source not found.**)

10.1. COVID-19 Leave Support Scheme

The COVID-19 Leave Payment was available between 17-27 March 2020. It had the same eligibility criteria and payment rates as the COVID-19 Leave Support Scheme, the scheme that was introduced later (described below). Employers could receive this payment for 14 days.

The COVID-19 Leave Support Scheme (LSS) was introduced on 28 April 2020 to provide financial assistance to employers during the COVID-19 public health restrictions to:

- encourage employees to self-isolate (stay at home) when they need to and
- support employees who are unable to work from home to have an income when they cannot work

Originally, this payment was called "COVID-19 Essential Workers Leave Support Scheme" because it was only available to essential businesses. Since 1 May 2020 it was made available to all employers who meet the criteria.

10.1.1. Eligibility conditions

LSS is available to the majority of New Zealand employers (including contractors, registered charities, kindergartens and sole traders). State sector organisations, such as ministries, Crown entities and schools, are generally not eligible to receive the subsidy. In order to be eligible for LSS employers must meet certain criteria including:

The business must:

- be registered and operating in New Zealand;
- have employees who are legally working in New Zealand;
- have experienced a minimum 30% decline in actual or predicted revenue[18] over the period of a month when compared to the same month last year, and that revenue loss is attributable to the COVID-19 outbreak. The business must have experienced this revenue decline between January 2020 and the date the application was made; or

[18] The revenue test was suspended for applications done after 21 August 2020.

- had their ability to support employees due to the COVID-19 public health restrictions negatively impacted.

Employees are eligible if they cannot work because they:

- are at higher risk if they get COVID-19, and Ministry of Health guidelines recommend they stay at home while public health restrictions are in place;
- have come into contact with someone who has COVID-19 and must self-isolate for 14 days (as required by Ministry of Health guidelines)
- have tested positive for COVID-19 and are required to remain off work until they've been cleared by a health professional to be released from self-isolation; or
- have household members who are at higher risk if they get COVID-19 and the Ministry of Health recommends the employee also remains at home to reduce the risk to them.

An employer must get the relevant employee's consent before making an application for LSS. Employees may choose to use existing sick or annual leave and the employer could use the subsidy to support paying that.

10.1.2. Payment rates

The COVID-19 Leave Support Scheme is paid to employer at a flat rate of:

- NZD 600.00 per week for people who were working 20 hours or more per week (full-time rate)
- NZD 359.00 per week for people who were working less than 20 hours per week (part-time rate).

If the employer receives the subsidy, they must make best endeavours to pay the employee at least 80% of their usual salaries or wages. If that isn't possible, the employer must pay at least the subsidy rate. If the employee's usual wage is below this rate, then at least the usual wage must be paid. Any difference should be used for the wages of other affected staff.

10.1.3. Duration

The subsidy covers 2 weeks per employee. It is possible to re-apply for the subsidy for the same employee. An employer can keep re-applying for the same employee as long as the subsidy scheme is operating, and the criteria are met.

10.1.4. Means test

Not means-tested.

10.1.5. Tax treatment

The employer does not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment in the same way as on normal wages as well as contribute to the accident compensation scheme.

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

Employers cannot apply for the COVID-19 Leave Support scheme and the COVID-19 Wage Subsidy scheme (or its extension) for the same employee at the same time. If an employer is eligible for both schemes, it may be more appropriate for them to apply for the COVID-19 Wage Subsidy, as this is of longer duration and more flexible.

10.1.7. Combining receipt of subsidy and employment/starting a new job

Employees cannot work while receiving this subsidy (see section 10.1.1.).

10.2. COVID-19 Wage Subsidy

The first iteration of the COVID-19 Wage Subsidy was introduced on 17 March 2020 and was available to support otherwise viable employers to survive the COVID-19 public health restrictions and retain their employees. Employers and self-employed people could apply for the Wage Subsidy between 17 March 2020 and 9 June 2020.

10.2.1. Eligibility conditions

To be eligible for the COVID-19 Wage Subsidy scheme, businesses needed to be registered and operating in New Zealand. Most employers needed to be eligible (including self-employed, NGOs, kindergartens, etc.), except state sector organisations. Employees must be legally working in New Zealand.

Businesses needed to have experienced a minimum 30% decline in actual or predicted revenue over the period of a month when compared with the same month in the previous year, and that revenue loss needed to be attributable to COVID-19. The business also needed to have experienced this decline between 1 January 2020 and 9 June 2020.

In addition to the above, the business must have taken active steps to mitigate the financial impact of COVID-19 such as drawing down on its cash reserves or making an insurance claim.

Workers could not be dismissed during the subsidy period. If they were dismissed, the subsidy could be used to pay other eligible employers, otherwise the subsidy needed to be repaid.

10.2.2. Payment rate

The COVID-19 Wage Subsidy is paid to the employer at a flat rate of:

- NZD 585.80 per week for people who were working 20 hours or more per week (full-time rate)
- NZD 350.00 per week for people who were working less than 20 hours per week (part-time rate).

Subject to the same ‘best endeavours’ as for the COVID-19 Leave Support Scheme (see Section 10.1.2.)

10.2.3. Duration

The subsidy is paid as a lump sum and covers 12 weeks per employee from the date when the application is submitted. One employee cannot receive it twice. The application could be submitted from 17 March 2020 and 9 June 2020.

10.2.4. Means test

Not means-tested.

10.2.5. Tax treatment

The employer did not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment as on normal wages as well as contribute to the accident compensation scheme.

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

Employers could not apply for the COVID-19 Leave Support scheme and the COVID-19 Wage Subsidy scheme (or its extension) for the same employee at the same time.

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

Employees covered by the COVID-19 Wage Subsidy needed to remain employed by the employer who applied on their behalf.

10.3. COVID-19 Wage Subsidy Extension

The COVID-19 Wage Subsidy Extension was introduced from 10 June 2020 to support employers who continued to struggle, with the post-lockdown impacts of the COVID-19 public health restrictions, to remain connected to their employees.

Applications were open from 10 June 2020 to 1 September 2020. This scheme continued on from the COVID-19 Wage Subsidy Scheme (see Section 10.2).

10.3.1. Eligibility conditions

Same eligibility as for the Wage Subsidy (see Section 10.2.1.), but the business must have experienced a minimum 40% decline in revenue for a continuous 30 day period, instead of a 30% decline in revenue. This period needed to be in the 40 days before the application (but no earlier than 10 May 2020) and needed to be compared to the closest period last year. The decline must also be related to COVID-19.

10.3.2. Payment rates

The amount of subsidy paid to the employer was the same as the Wage Subsidy (see Section **Error! Reference source not found.**10.1.2.)

However, an employer also needed to make best endeavours to pay their employees in accordance with their employment agreement (i.e. 100% of the usual gross wage). If this cannot be done, employers should try to pay at least 80% of an employee's usual wages. If that isn't possible, then the employer needs to pay at least the subsidy rate. If the usual wages are lower than the subsidy rate and the difference cannot be used to pay other employees, it should be paid back.

Hours of work and hourly rate of employees could only be changed with the employee's agreement.

10.3.3. Duration

The subsidy covered employee wages for an 8-week period. Employees could only receive the subsidy once.

10.3.4. Means test

Not means-tested.

10.3.5. Tax treatment

The employer did not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment as on normal wages as well as contribute to the accident compensation scheme.

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

Employers could not apply for the COVID-19 Leave Support scheme and any other COVID-19 Wage Subsidy scheme (including its iterations) for the same employee at the same time.

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

Employees covered by the COVID-19 Wage Subsidy needed to remain employed by the employer who applied on their behalf.

10.4. COVID-19 Resurgence Wage Subsidy

The COVID-19 Resurgence Wage Subsidy was available from 21 August 2020 to 3 September 2020. It was for employers and self-employed people who would otherwise have had to lay off staff or reduce their hours due to COVID-19.

Applications could be made between 21 August 2020 and 3 September 2020. Businesses could apply for the Resurgence Wage Subsidy if they met the criteria and hadn't received any other wage subsidy at the same time.

10.4.1. Eligibility conditions

The criteria that businesses needed to meet were the same as for the Wage Subsidy and Wage Subsidy Extension, except for the criterion relating to the revenue decline. For the Resurgence Wage Subsidy, the revenue drop was for a continuous 14 day period between 12 August – 10 September 2020 (compared to a similar period in 2019), whereas the Wage Subsidy Extension required businesses to have a 40% decline in revenue for a 30 day period.

10.4.2. Payment rates

The payment rates are the same as for the Wage Subsidy scheme (see Section 10.1.2.)

10.4.3. Duration

The subsidy covered employee wages for a two-week period. Employees could only receive the subsidy once.

10.4.4. Means test

Not means-tested.

10.4.5. Tax treatment

The employer did not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment as on normal wages as well as contribute to the accident compensation scheme.

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

Employers could not apply for the COVID-19 Leave Support scheme and the COVID-19 Wage Subsidy scheme (the extension or the resurgence) for the same employee at the same time.

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

Employees covered by the COVID-19 Wage Subsidy needed to remain employed by the employer who applied on their behalf.

10.5. COVID-19 Wage Subsidy (March 2021) scheme

The COVID-19 Wage Subsidy (March 2021) scheme was available from 8 March 2021 to 21 March 2021. The scheme fulfilled a similar purpose as the Resurgence Wage Subsidy which was to support New Zealand employers to retain their employees during periods of escalations in public health alert levels.

10.5.1. Eligibility conditions

The criteria that businesses needed to meet were the same as for the Wage Subsidy and Wage Subsidy Extension, however the revenue decline settings were slightly different.

To qualify for the Wage Subsidy (March 2021) scheme, a business needed to have experienced a minimum 40 percent decline in revenue over a period of 14 consecutive days during the revenue test period (28 February to 21 March 2021), and compare this with the typical revenue during a period of 14 consecutive days between 4 January and 14 February 2021.

10.5.2. Payment rates

The payment rates are the same as for the previous Wage Subsidy schemes (see Section 10.1.2.)

10.5.3. Duration

The subsidy covered employee wages for a two-week period. Employees could only receive the subsidy once.

10.5.4. Means test

Not means-tested.

10.5.5. Tax treatment

The employer did not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment as on normal wages as well as contribute to the accident compensation scheme.

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

Employers could not apply for the COVID-19 Leave Support scheme and any other COVID-19 Wage Subsidy scheme (including its iterations) for the same employee at the same time.

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

Employees covered by the COVID-19 Wage Subsidy needed to remain employed by the employer who applied on their behalf.

10.6. COVID-19 Wage Subsidy (August 2021) scheme

The COVID-19 Wage Subsidy (August 2021) scheme was a series of eight fortnightly schemes available from 20 August 2021 to 9 December 2021. The scheme fulfilled a similar purpose as the Resurgence Wage Subsidy which was to support New Zealand employers to retain their employees during periods of escalations in public health alert levels.

10.6.1. Eligibility conditions

The criteria that businesses needed to meet were the same as for the Wage Subsidy and Wage Subsidy Extension, however the revenue decline settings were slightly different.

To qualify for the Wage Subsidy (August 2021) scheme, a business needed to have experienced a minimum 40 percent decline in revenue over a period of 14 consecutive days during the revenue test period, and compare this with the typical revenue during a period of 14 consecutive days in the 6 weeks immediately before the move to Alert Level 4 on 17 August 2021. The revenue test period was the 14 days starting four days before each application period. For example, the #2 payment period was from 3 September to 16 September 2021, and the revenue test period for the #2 payment was 31 August to 13 September 2021[19].

10.6.2. Payment rates

The payment rates are the same as for the original COVID-19 Leave Support Scheme (see Section 10.1.2.)

[19] Explicit dates for all eight August schemes can be found here: https://workandincome.govt.nz/covid-19/wage-subsidy/ended-covid-19-payments.html

10.6.3. Duration

The subsidy covered employee wages for a two-week period. Employees could only receive the subsidy once.

10.6.4. Means test

Not means-tested.

10.6.5. Tax treatment

The employer did not need to pay Goods and Services Tax on the subsidy. Employees have to pay tax on their wage subsidy payment as on normal wages as well as contribute to the accident compensation scheme.

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

Employers could not apply for the COVID-19 Leave Support scheme and any other COVID-19 Wage Subsidy scheme (including its iterations) for the same employee at the same time.

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

Employees covered by the COVID-19 Wage Subsidy needed to remain employed by the employer who applied on their behalf.

11. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for New Zealand 2021. TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the project website. The figure shows outputs for four scenarios:

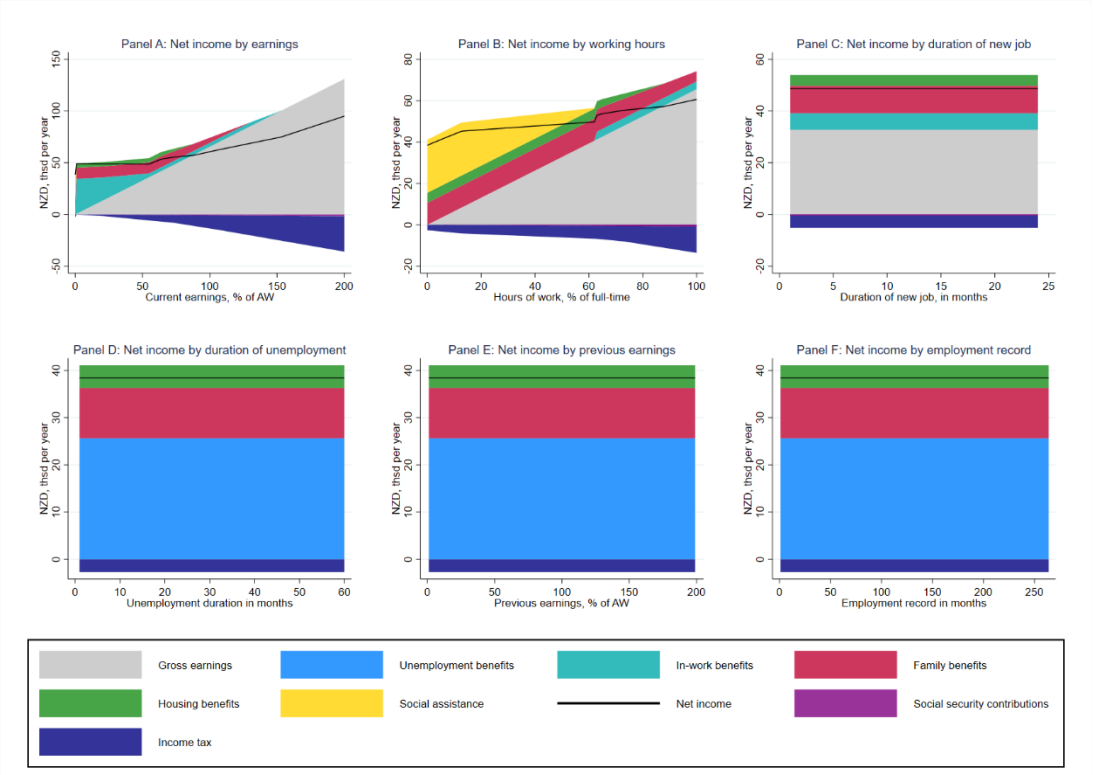
- By percentage of the average wage (**Panel A**);
- By working hours (**Panel B**);
- By duration of a new job (in months) for a person claiming social assistance who started a new employment (**Panel C**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel D**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel E**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel F**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the six scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Figure 10. Selected output from the OECD tax-benefit model

40-year old couple with two children



Note: In Panel A, B, and C the first adult is employed, whereas the second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panel A, the first adult works full-time at different wage levels. in Panel B, the first adult earns average (hourly) wage at variable working hours. In Panel C, the first adult has just started a new full-time employment at 50% of the average wage after claiming social assistance. In Panels D, E, and F the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. In Panel D and F, previous earnings of the first adult equal to the average wage. In Panels D and E, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. Panels E and F refer to the 2nd month of unemployment benefit receipt.
Source: OECD Tax-Benefit 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 P ayment, 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 3.1.) and Working for Families tax credits (see Section 0) as well as the Winter Energy Payment (introduced on 1 July 2018 and described in Section 3.2).

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 160 per week before tax. Income between NZD 160 and NZD 250 per week their benefit is reduced by 30 cents for each NZD 1.00 of income and income over NZD 250 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 227.18 gross per week before their benefit is reduced.

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.