

## Fact sheet - Personal tax cuts

### *What is changing?*

- All personal income tax rates will be cut from 1 October 2010 as shown in the table below.

### **Comparison of old and new income tax rates**

Income	Current rates	New rates
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21.0%	17.5%
\$48,001 - \$70,000	33.0%	30.0%
Over \$70,000	38.0%	33.0%

- Secondary tax and resident withholding tax rates will be reduced from 1 October 2010, to align with the new personal tax rates.

### *Why?*

- Lower personal tax rates reward effort and give people an increased incentive to up-skill, develop new products and services, and get ahead under their own steam. This has strong benefits for the economy.
- Lower personal tax rates provide an increased reason for skilled people to stay in, or move to, New Zealand.
- Lower personal tax rates encourage saving, as people have higher after-tax incomes and pay less tax on their investment income.
- The top tax rate will now be the same as the trustee rate, which is the most important thing the Government can do to improve the coherence and integrity of the tax system.
- The new income tax rates more than compensate wage and salary earners for the increase in GST.

### **Key facts**

- The top tax bracket (\$70,000+ per annum) includes many police, nurses and secondary school teachers.
- New Zealand currently raises more revenue, as a percentage of GDP, from personal income taxes than most other OECD countries.

- A person on the average annual wage of about \$50,000 will get a weekly income tax cut of about \$29 a week. Even after the increase in GST is taken into account they are more than \$15 a week better off if they are paying an average rent or mortgage.
- Higher income earners get the biggest gain from these income tax cuts, but on the other hand bear the brunt of the other measures like depreciation changes (either directly or because they own shares in a company).
- The overall tax package has a broadly distributionally-neutral impact across household groups as a proportion of income.
- The cost of the personal tax cuts (excluding those on NZ Superannuation payments, which are included in the compensation package) is \$2.46 billion in 2010/11 rising to \$4.26 billion in 2013/14. These form part of a package of changes that overall are broadly fiscally neutral.

### **More information**

*Individuals and families can work out how Budget 2010 tax changes personally affect them at [www.taxguide.govt.nz](http://www.taxguide.govt.nz)*

*A special report explaining the relevant amendments will be available on Inland Revenue's Policy Advice Division website at [www taxpolicy.ird.govt.nz](http://www taxpolicy.ird.govt.nz) after Budget day legislation is introduced.*