Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

[2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Income Splitting

This is a tax issue which has been around for years but no action has been taken by successive Governments. The concept was first mentioned as early as 1982 in the McCaw Report on the NZ tax system. It is used in France, where it also takes into account the number of children in the family

Income splitting for tax purposes recognises that under our present tax system, a single tax earner supporting a spouse/partner and children, may be paying significantly more tax than an equivalent family where both spouses/partners are in the work force; even although the household income before tax is the same. This results from the progressive nature of the NZ tax system.

Let me give you an example. If a single income family earns $80,000 p.a. they will pay significantly more tax than an equivalent family with the same number of children which has two incomes (since both mum and dad are in the workforce), also totalling $80,000; e.g. each partner earns $40,000 p.a. The $80,000 single income family will pay tax of $17,320 p.a. while the two income family with the same combined income will pay just $12,020; a difference of $5,300 p.a.

Since both families have the same number of dependants this is inequitable and would be rectified, in its simplest form, by allowing the single income family a tax credit of $5,300 p.a.

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