

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.

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- [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.

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

From: Sandra Breedt [1]
Sent: Friday, 5 October 2018 4:03 PM
To: TWG Submissions
Subject: Tax working Group [UNCLASSIFIED]

Good afternoon

It is great to see all the work and ideas that went into INC tax rates. I cannot see any requests for changes to the ESCT tax rates. I believe this is something that we need to look at.
The current ESCT tax rates can be seen in the document below. Would it be more fair to bring the ESCT tax rates in line with the INC tax rates?

In practise an employee who earn \$1 more than his colleague, can ended up paying must more tax and get less KiwiSaver Savings due to ESCT tax rate.

I will explain it with an example.

Employee 1:

Receive an annual income of \$57599.00.
His gross employer contribution will be $\$57\,599 \times 3\% = \1727.97
His ESCT at 17.5% will be $\$1727 \times 17.5\% = \302.22
His net KSR that will go for savings will be $\$1727.97 \text{ minus } \$302.22 = \$1425.75$

Employee 2:

Receive an annual income of \$57602.00.
His gross employer contribution will be $\$57\,599 \times 3\% = \1728.06
His ESCT at 17.5% will be $\$1728 \times 30\% = \518.40
His net KSR that will go for savings will be $\$1728.06 \text{ minus } \$518.40 = \$1209.66$

As you can see that although their annual income only differs by \$3, the 2nd employee pays \$216.18 more ESCT.

Thanks

Employee's salary or wage income for year ended 31 March (including gross superannuation employer contributions)	ESCT from 1 April
\$0 to \$16,800	10.5%
\$16,801 to \$57,600	17.5%
\$57,601 to \$84,000	30%
\$84,001 upwards	33%

Income tax rates

Income tax rates are applied to your combined income at the end of the tax year to work out your tax obligation.

Tax rates for the 2017-2018 tax year

Taxable income	Tax rate
Up to \$14,000	10.5%
Over \$14,000 and up to \$48,000	17.5%
Over \$48,000 and up to \$70,000	30%
Remaining income over \$70,000	33%

Secondary tax

Secondary income is taxed at a flat rate throughout the year.

Tax code	Income tax rate
SB	10.5%
S	17.5%
SH	30%
ST	33%

[Find out more about secondary tax codes](#)

Sandra Breedt

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