



19 May 2005

Budget 2005

KEY FACTS for TAXPAYERS

Hon Dr Michael Cullen
MINISTER OF FINANCE

EMBARGO

Contents not for communication in any form before the Budget documents are tabled in the House of Representatives by the Minister of Finance on Budget Day.



Who pays tax . . . and how much?

Individual taxable income (\$)	Number of people		Tax paid	
	(000)	%	(\$m)	%
Zero	178	6%	0	0%
1-10,000	495	16%	311	1%
10-20,000	994	32%	2,471	12%
20-30,000	360	12%	1,674	8%
30-40,000	309	10%	2,135	10%
40-50,000	253	8%	2,448	12%
50-60,000	141	5%	1,824	9%
60-70,000	104	3%	1,725	8%
70-100,000	141	5%	3,251	15%
100,000+	85	3%	5,295	25%
All	3,060	100%	21,134	100%

This table includes tax on New Zealand Superannuation and major Social Welfare benefits, but excludes ACC levies and anyone who is under 15. Data are projected for the year ended June 2006.

Statutory tax scale from 1 April 2000

- 19.5c per \$1 on income up to \$38,000
- 33c per \$1 on income between \$38,000 and \$60,000
- 39c per \$1 on income over \$60,000

With low-income rebate, effective rates are:

- 15c per \$1 on income up to \$9,500
- 21c per \$1 on income between \$9,500 and \$38,000
- 33c per \$1 on income between \$38,000 and \$60,000
- 39c per \$1 on income over \$60,000

The statutory tax scale shows the rates before the application of the low-income rebate. Effective rates are what you actually pay.

Average Incomes

Average individual wage earnings:	(\$)
- full-time earner	42,920
- part-time earner full year	15,878

Full-time earner works for more than 30 hours per week.

Average family gross income:	(\$)
- couple with children	82,370
- couple with no children	67,829
- sole parent	26,324
- single person	26,720

Includes benefits and other non-wage income for year ended June 2006.

Family assistance for non-beneficiary families (\$)

Family Size	Cut-off point	Family income	Family assist. 2005/06	Effect of working for families
One child under 16		20,000	4,524	1,300
		30,000	2,486	1,300
	38,286	40,000	0	0
Two children, one between 13 and 15, one under 13		20,000	7,748	2,080
		30,000	5,710	2,080
	49,033	40,000	2,710	2,080
Three children, one between 13 and 15, two under 13		20,000	10,972	2,860
		30,000	8,934	2,860
	59,779	40,000	5,934	2,860
		50,000	2,934	2,860

Family assistance is in two parts, family support and child tax credit. "Cut-off point" is income level where family assistance cuts out. Families on benefit qualify for family support, but not for child tax credit.

What is the full-year cost of . . . ?

	(\$m)
\$1 a week increase (in the hand) to NZ Super	25
\$1 a week increase (in the hand) to other benefits	17
\$1 billion increase in government debt	65

How does a 1% change in growth affect tax?

Tax source:	(\$m)
- wages and salaries	200
- taxable business profits	105
- spending by households	105

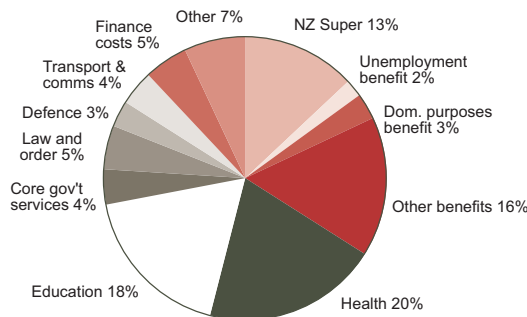
Estimated effect on a full year's revenue of a one-percentage point change in the growth of the income or spending source in 2005/06.

How does a 1% change in tax rate affect tax?

	(\$m)
Top individual rate (current rate = 39%)	115
Upper middle rate (current rate = 33%)	95
Lower middle rate (current rate = 21%)	325
Bottom rate (current rate = 15%)	215
Company tax rate (current rate = 33%)	205
GST rate (current rate = 12.5%)	610

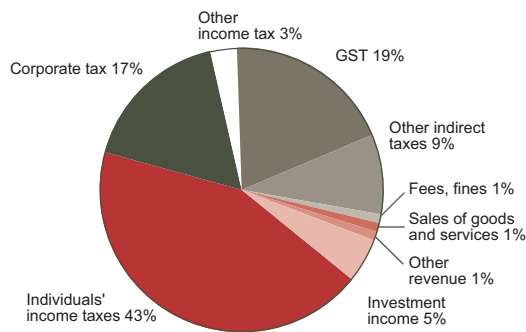
Estimated effect on full year's revenue of a one-percent rise in tax rate. This allows for interaction between tax types, but makes no allowance for feedback effects from the macroeconomy.

Core Crown Expenses in 2005/06 \$48.2 billion

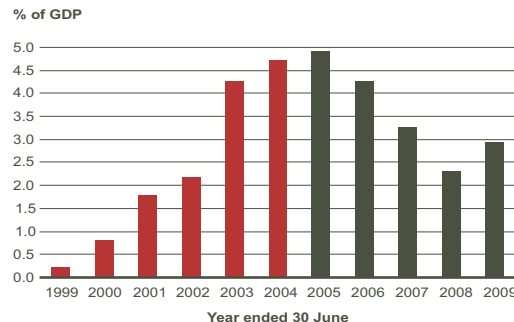


Other benefits include family support, accom suppl & invalids benefits

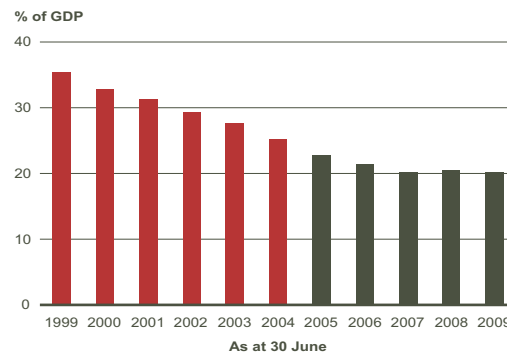
Core Crown Revenue in 2005/06 \$53.3 billion



Government Operating Balance (OBERAC)



Gross Sovereign-issued Debt



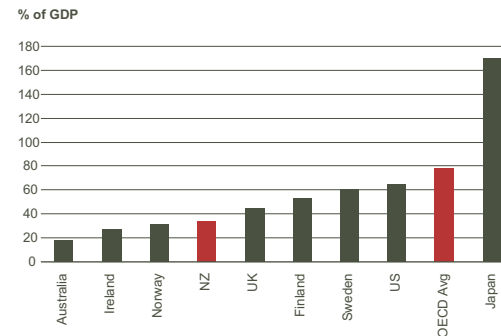
Government 2005/06 Key Fiscal Aggregates

	\$ billion	% GDP
Core Crown revenue	53.3	34.1%
Core Crown expenses	48.2	30.9%
Net CEs, SOEs, and elims	1.6	1.0%
Operating balance	6.7	4.3%
Crown balance	48.6	31.2%
Gross Sovereign-issued debt	33.3	21.3%
Net Crown debt	10.3	6.6%

Crown balance and debt as at 30 June 2006.

Net debt is gross debt less financial assets including super fund assets.

Gross Public Debt (2005)



OECD: General government gross financial liabilities (adjusts for CEs, SOEs, ACC and local authorities)

What Government owns and owes

	\$ billion
Total Crown assets as at 30 June 2006	
Cash, marketable securities, etc.	35.2
Property, plant and equipment	65.1
Other	27.6
Total assets	127.9
Total Crown liabilities as at 30 June 2006	
Borrowings - sovereign guaranteed	
New Zealand-dollar	21.3
Foreign-currency	4.9
Borrowings - non-sovereign guaranteed	10.0
Provision for GSF pension liability	14.1
Provision for ACC outstanding claims	11.8
Other	17.3
Total liabilities	79.3

Assets less liabilities (Crown balance) 48.6

Expenses and revenue are on a core Crown basis and so exclude CEs (Crown entities) and SOEs. Assets and liabilities involve the total Crown and include CEs/SOEs, with flows between them eliminated.

Further Budget 2005 information is available on:

<http://www.treasury.govt.nz/budget2005/>

This includes information about the macroeconomy.

Ready reckoner for tax rate and base changes:

<http://www.treasury.govt.nz/readyreckoner/>