

TAXATION (SUPERANNUITANT SURCHARGE REDUCTION) BILL

GENERAL POLICY STATEMENT

Summary

The purpose of this Bill is to significantly increase the New Zealand superannuitant surcharge thresholds with effect from 1 April 1997. This will have an effect of substantially reducing the surcharge liabilities of well over 100,000 superannuitants.

The Bill proposes to adjust the targeting of New Zealand Superannuation (NZS) so that the cut-in point for the surcharge occurs when a couple's total gross income (NZS plus other income) is about 10 percent above the gross average ordinary-time wage. The threshold for a single superannuitant would retain the same relationship to the threshold for a couple as at present.

The resulting surcharge exemption thresholds, effective for the 1997/98 and subsequent income years, are shown in the following table:

	Surcharge Thresholds of other income	Estimated threshold of total income (including NZS)
Couple	\$15,444 p.a. (\$297 per week)	\$34,934 p.a.
Single (living alone)	\$10,296 p.a. (\$198 per week)	\$23,307 p.a.

The proposal will reduce the estimated percentage of New Zealand superannuitants who are subject to the surcharge from 25% to 14%.

The New Zealand superannuitant surcharge thresholds will be reviewed from time to time to ensure that the levels of income at which the surcharge commences to apply maintain their value. This review process is consistent with the Multi-Party Accord on Retirement Income Policies.

This proposal supersedes the second stage of the increase in the NZ superannuitant surcharge exemption thresholds that was to come into effect from 1 July 1997 as part of the Tax Reduction and Social Policy programme.

Clause by clause analysis

PART I

AMENDMENTS TO INCOME TAX ACT 1994

Clause 3 amends section JB 4(1) which determines the surcharge exemption threshold applicable to a superannuitant.

Subclause (1) inserts the new surcharge thresholds.

Subclause (2) provides that the new surcharge thresholds apply for the 1997-98 and subsequent income years.

Clause 4 amends section NI 5 which deals with the application of the surcharge codes. The surcharge codes are used by a superannuitant to have the surcharge deducted from source deduction payments (other than New Zealand Superannuation).

Subclauses (1) and (2) replace the amounts specified in NI 5 (2) and (3) to take into account the increase in the surcharge exemption thresholds.

Subclause (3) provides that subclauses (1) and (2) apply to a surcharge deduction from a source deduction payment for a pay period that ends on or after 1 April 1997.

Clause 5 repeals the provisions in the Income Tax Act 1994 Amendment Act 1996 which implement the second stage of the surcharge threshold increase of the Tax Reduction and Social Policy programme.

PART II

AMENDMENTS TO TAX ADMINISTRATION ACT 1994

Clause 7 amends section 33A which sets out the circumstances under which an individual is not required to file an annual tax return.

Subclause (1) inserts the amount of payments in aggregate from certain sources that a superannuitant receives before an annual tax return is required to be furnished. This amendment is a consequential change as a result of the surcharge threshold increase.

Subclause (2) provides that this new amount will apply for the 1997-98 and subsequent income years.

Clause 8 repeals the provisions in the Tax Administration Amendment Act 1996 which implement the second stage of the surcharge threshold increase of the Tax Reduction and Social Policy programme.

Hon. Peter Dunne

**TAXATION (SUPERANNUITANT SURCHARGE
REDUCTION) BILL**

ANALYSIS

Title	5. Consequential repeal
1. Short Title	
	PART II
PART I	AMENDMENTS TO TAX ADMINISTRATION ACT 1994
AMENDMENTS TO INCOME TAX ACT 1994	6. Tax Administration Act 1994
2. Income Tax Act 1994	7. Annual income tax returns not required from taxpayers
3. New Zealand superannuitant surcharge	8. Consequential repeal
4. New Zealand superannuitant surcharge codes	

A BILL INTITULED

**An Act to increase the New Zealand superannuitant
surcharge thresholds**

BE IT ENACTED by the Parliament of New Zealand as follows:

5 **1. Short Title**—This Act may be cited as the Taxation
(Superannuitant Surcharge Reduction) Act 1996.

PART I

AMENDMENTS TO INCOME TAX ACT 1994

10 **2. Income Tax Act 1994**—The Income Tax Act 1994* is
amended by this Part.

3. New Zealand superannuitant surcharge—(1) In
section JB 4 (1)—

(a) Wherever it occurs, “\$4,550” is replaced by “\$10,296”:

(b) Wherever it occurs, “\$6,825” is replaced by “\$15,444”:

15 (c) Wherever it occurs, “\$3,412.50” is replaced by “\$7,722”.

*1994, No. 164

Amendments: 1995, No. 18; 1995, No. 21; 1995, No. 71; 1995, No. 73; 1995, No. 79; 1995,
No. 82; 1996, No. 17; 1996, No. 58; 1996, No. 67

2 *Taxation (Superannuitant Surcharge Reduction)*

(2) **Subsection (1)** applies to the 1997–98 and subsequent income years.

4. New Zealand superannuitant surcharge codes—
(1) Section NI 5 (2)(a) to (f) are replaced by:

- “(a) One day, \$39.60: 5
- “(b) One week, \$198.00:
- “(c) Two weeks, \$396.00:
- “(d) Three weeks, \$594.00:
- “(e) Four weeks, \$792.00:
- “(f) One month, \$858.00.”. 10

(2) Section NI 5 (3)(a) to (f) are replaced by:

- “(a) One day, \$29.70:
- “(b) One week, \$148.50:
- “(c) Two weeks, \$297.00:
- “(d) Three weeks, \$445.50: 15
- “(e) Four weeks, \$594.00:
- “(f) One month, \$643.50.”.

(3) **Subsections (1) and (2)** apply to a surcharge deduction from a source deduction payment for a pay period ending on or after 1 April 1997. 20

5. Consequential repeal—Sections 34, 44 and 48 of the Income Tax Act 1994 Amendment Act 1996 are repealed.

PART II

AMENDMENTS TO TAX ADMINISTRATION ACT 1994

6. Tax Administration Act 1994—The Tax Administration Act 1994* is amended by this Part. 25

7. Annual income tax returns not required from taxpayers—(1) In section 33A (2)(b), “\$3,412.50” is replaced by “\$7,722.00”.

(2) Subsection (1) applies to the 1997–1998 and subsequent income years. 30

8. Consequential repeal—Sections 7 (2) and (5) and 8 of the Tax Administration Amendment Act 1996 are repealed.

*1994, No. 166; 1995, No. 24; 1995, No. 72; 1995, No. 77; 1996, No. 19; 1996, No. 56; 1996, No. 67