New Zealand's Income Tax in the Rollercoaster Muldoon Years: 1967-84

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Introduction

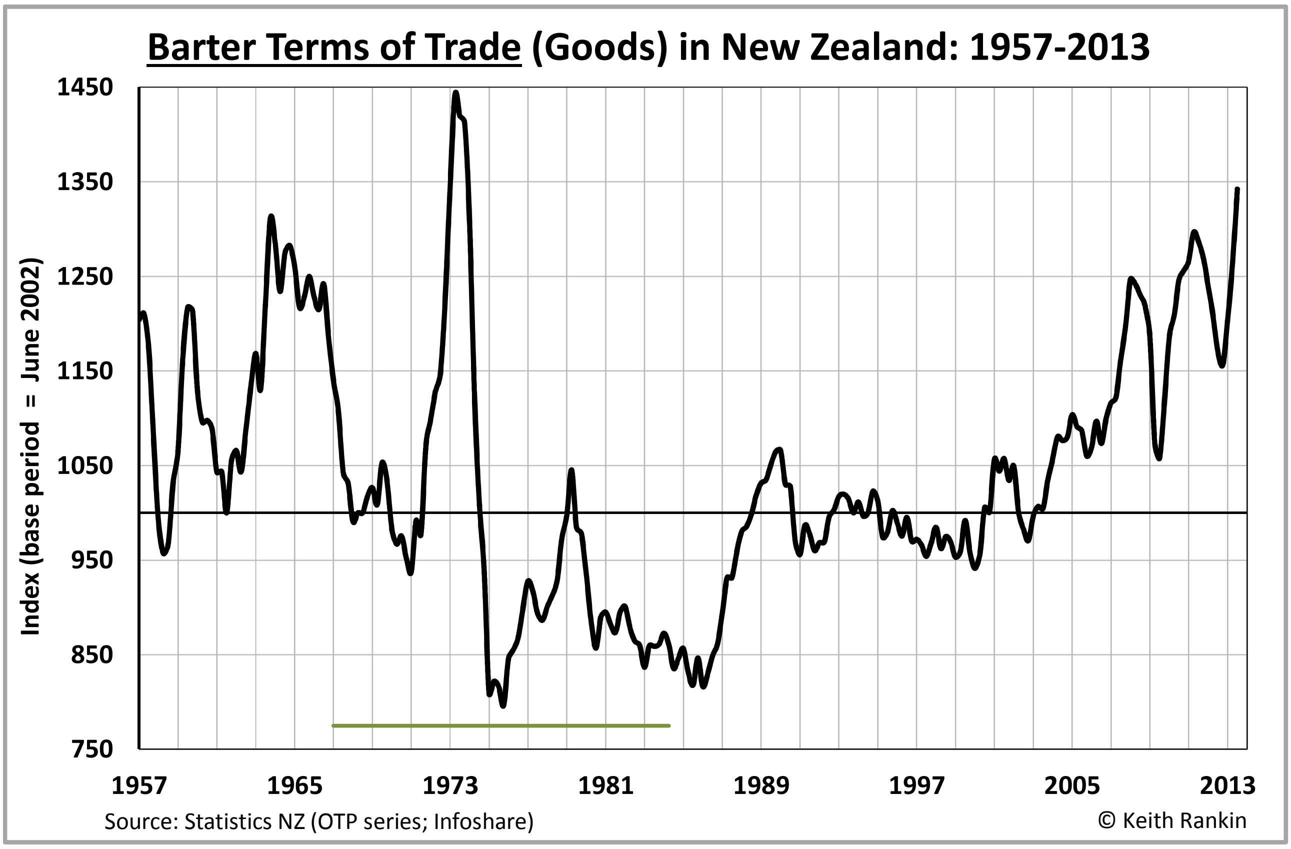
The period from 1967 to 1984 represented easily the most difficult external economic conditions faced by New Zealand since the Great Depression of the 1930s. New Zealand's terms of trade fell precipitously at the end of 1966, and generally declined for two decades (Figure 1). For all except three of the years 1967-84, one man – Robert Muldoon (later Sir Robert) was Minister of Finance in a National (centre-right) government. For the three years of centre-left Labour government – 1973-75 inclusive – he was Opposition Finance spokesperson.

A chart of inter-sectoral balances is shown in Appendix 6. It shows the prevailing juxtaposition of New Zealand's current account and budget deficits from 1965 to 1985. For the most part, New Zealand's financial story was one of government deficits funded by overseas borrowing. Prime Minister Holyoake was clear that government-led development had priority use of overseas funds, especially borrowed funds (Gustafson 2007, p.326)

These two decades were a transitional period of huge change for the New Zealand economy. Not least of the changes were to the income tax structure. Radically different in 1984 compared to 1966, there have been few significant changes in the 30 years since. The structure arising from Muldoon's 1982 Budget continues to prevail, with only the late-1980s' introduction of a comprehensive goods and services tax, and the related removal of marginal tax rates in excess of 40 percent, being the only further changes of significance.

This paper focuses on income tax design, and specifically addresses the question of why New Zealand, unlike other OECD countries, has no tax-free income zone. This question, which was answered essentially in Rankin (2006), will be revisited and broadened here.

Figure 1



'Public Equity' or Universality

Income tax and the first trappings of a welfare state were introduced in New Zealand in the 1890s with the advent of the 'Liberal-Labour' government. The idea of New Zealand as a national community of stakeholder-residents consolidated from this time. Lower-income earners were given their stake through income tax exemptions and through the family wage concept.[1] From 1898 to 1927, the aged, widows, and large families were granted benefits.

The concept of universality became explicit in 1938. The then Labour Government's social security legislation granted a mix of cash benefits to people facing a variety of circumstances that prevented them from accessing a family wage, and substantial public provision of housing, education and health-care. While the labour market was accepted as being even more important than in the 1890s as a family's primary source of income – in the 1890s small land-holdings were regarded as complementary income sources – the 'cradle to the grave' ideal (Gustafson 2000 p.239, 1986) acknowledged that membership of the national community was about more than paid employment. In effect, such membership made a person a shareholder in New Zealand Incorporated, all members should receive some rewards on some basis of shared public equity, and public revenue should be high enough to return something to everyone.

Formally, we can think of a 'public equitarian' approach to policy-making as an emphasis on horizontal-equity principles in both the collection and distribution of public revenue; specifically through something close to a "basic income flat tax" structure (Rankin 2011a, Atkinson 1995). More generally, an equitarian approach may be understood as a fiscal strategy through which taxes should be collected both to fund collective goods such as education and defence, and to give something back – an equity benefit – on the basis that co-residents are members of a national community of interest.

While a public equitarian (universal) approach is to levy higher taxes and give something back broadly in line with "treating equals equally", the contrasting approach was called 'laissez-faire' in the 1960s, 'new right' or 'economic rationalism' in the 1980s, and 'neoliberal' today. The neoliberal approach emphasises exclusive property rights, lower taxes, and granting cash benefits in a targeted way according to criteria of 'need' or 'virtue'; this approach utilises vertical equity principles – treating unequals unequally – in determining how much revenue is to be given back, and to whom. Both philosophies fit easily into the concept of market capitalism. Robert Muldoon,[2] and most of his generational colleagues, right and left, were essentially public equitarian advocates of market capitalism. The zeitgeist for the thirty years after World War 2, and especially in the early 1960s, was equitarian. That changed completely in the 1980s.[3]

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[1] "Following the famous Harvester judgement by the Australian arbitration court in 1907, the New Zealand arbitration court adopted the principle of a 'living wage', that is a family wage sufficient to maintain a male breadwinner, a dependent wife, and three children" (Mein Smith 2005, p.106). The principle was enshrined in law as one of the first acts of the 1935-elected Labour government (Baker 2012).

[2] Gustafson (2000, p.250) Despite his abrasive political style, "Muldoon's … was a humane approach to government which he shared with many others of his generation, both National and Labour. The public interest was the concern of government and that prevented him from pursuing free-market or anti-state policies which would create a laissez-faire economy, in which only the fittest or more fortunate would prosper, or which would cut back the welfare state from social security in time of need to a mean-spirited minimal charity.

[3] One can argue that, since the 1980s, two strands of neoliberalism have formed. Right-neoliberalism emphasises private property, minimal government, minimal taxation and minimal welfare. People and governments who make

As two world wars and a 'Great' depression had made high income tax rates acceptable by the 1940s, the inclination especially of conservative 'National' governments was to use the income tax system to provide benefits, as much as possible, in the form of unconditional exemptions (or allowances), effectively zero-tax income brackets, in combination with high degrees of graduation in the income tax scale. By todays, standards, tax rates seem very high.

The New Zealand Income Tax Structure of the 1950s and 1960s.

Appendix 1(a) gives a table of the underlying structure of the system.[4] Core tax rates were set in 1954 and adjusted slightly, in light of economic growth and gradual inflation, in 1961. The scale was fine-tuned through the use of personal and special tax allowances, and through the use of percentage 'rebates'. Rebates here were discounts on the statutory tax rates, generally capped at some maximum annual amount, commonly $200 per year. Workers in the 1960s on a family wage would get a portion of the $200 rebate, in addition to gaining a substantial amount (at least $936) of untaxed income. The $936 exemption, raised from $600, was set by the Labour Government in 1960 as a part of its unsuccessful bid for re-election. It was retained at that level throughout the decade by the subsequent National government. With the exception of the years 1958-60, New Zealand was ruled by National Party governments from 1950 to 1972.

In addition to the normal income tax, the National government, in its first Budget, introduced a flat-rate 'Social Security Income Tax' (SSIT) of 7.5 percent, with a low annual exemption of $208. At the time, before the introduction of decimal currency in 1967, this exemption was £2 per week.

Appendix 2 gives an example of the tax scale in the final year (1969 financial year) in which this structure was used.

In the 1963 election-year Budget, the rebate discount was raised to 10 percent, capped at $200, up from $150. After that no changes were announced or introduced until the 1968 Budget in the third term of the National Government. Finance Minister Harry Lake had in 1966, however, instigated a review of the tax structure. By time the ensuing 'Ross Report' (Ross 1967) was published, Lake had succumbed to a heart attack (February 1967, just weeks after the 1966 election). Robert Muldoon, despite being the most junior minister in the Holyoake cabinet, was promoted to Minister of Finance.

The Ross Report was of its time, equitarian rather than neoliberal in focus. The need for high revenue levels was a given. Goldsmith (2008, pp.239-40) quotes Lake and Ross in ways that clearly reveal their equitarian credentials. And he notes that Ross, in advocating

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unsound choices are condemned to their fates, or at least to the vagaries of private charity. Left-neoliberalism would be associated in New Zealand with the Helen Clark Labour-led government of the 2000s, in which access to full membership rights of New Zealand Inc was equated with labour market activity (see St John 2013 for a succinct summary of the discriminatory impact of In Work Tax Credits in 2006), and governments were legitimate proprietors of productive assets so long as they managed those assets as if they were privately owned. Cash benefits were supplied on a strictly targeted (non-universal) basis with an emphasis on providing additional support to those and their families in paid employment, and a penurious approach to households not supported by wage, business or private property income.

[4] In all cases the source is Statistics New Zealand. The 1987/88 tax scale was sourced from NZOYB 1987. The others all from the "Taxation" or "Public Account Taxation" section of the online edition.

increased indirect taxation, offered "'negative taxes', which were then the fashion in Europe" as a counter-measure.

In addition to the more general need to reform the tax structure in light of substantial economic growth and creeping inflation, Muldoon inherited what had the potential to become a major balance of payments crisis, instigated by a big fall in world wool prices. More than any other commodity, it had been wool that had made New Zealand one of the richest nations in the world, *per capita*, in the previous 100 years. The roller-coaster ride had begun. It was not just a balance of payments scare; it was New Zealand's introduction to stagflation. Registered unemployment rates exceeded one percent for the first time in the decade (6,869 unemployed in 1968; SNZ 1970), while inflation exceeded six percent in 1967.

Muldoon had to act, principally to forestall IMF (International Monetary Fund) intervention (Mini-Budget 1967). His number one political innovation was the Mini-Budget. Under the increasingly uncertain conditions of the time, he believed fiscal policy had to be much more responsive than it could ever be by cramming all fire-fighting initiatives into a single June Budget. The 1967 Ross Report certainly advocated activist fiscal policy (Goldsmith p.240).

Tax changes were made in consultation with Treasury, and in the spirit of the Ross Report. Muldoon's first change had an unwieldy look about it, because his first reform was to merge the SSIT with the general income tax. At the same time, Muldoon faced the political challenge to ensure that the 1969 Budget was equitable, especially given that the initial response of the Arbitration (labour) Court to the 1967/68 crisis had been to refuse to grant workers a wage increase (Gustafson 2007, p.331). The tax tables for 1969/70 appear in Appendix 2.

Reform: The 1970 and 1973 Budgets.

By 1970 the balance of payments crisis had been resolved, but concern about demand inflation had set in, in its stead. Muldoon presented a crisis Mini-Budget in October 1970, which included a 10 percent surcharge on prevailing tax rates from December 1970 until July 1971. Technically, this raised the top tax rate from 67.5% to 74.25%. But, because it only represented a 3⅓% surcharge over the whole year, the top marginal rate increased to 69.75%, the highest at least since 1954.

The 1969 scale was an interim scale – a merger with the SSIT that was also intended as a contractionary fiscal policy, on account of the earlier balance of payments and the later inflation problems. The actual reformed scale was that presented in the main 1970 Budget, featuring a top marginal rate of 50 cents in the dollar, and with fewer (and more coherent) gradations. However, in 1970, there was a need to continue to dampen aggregate demand and also to not give too much to the rich with nothing for those on low incomes. So Muldoon introduced a controversial payroll tax. This is not the place to discuss this, other than to note it was repealed as one of the first acts of the 1973-75 Labour Government, and that Muldoon later classed it as one of his biggest mistakes (Gustafson 2000, p.116).

In 1972 the McCarthy Commission presented its report on social security in New Zealand (McAloon p.147). Most famous for its advocacy that all members of the national community should have access to sufficient income to enable them to properly participate in

New Zealand society, a further step was taken in the cognizance of public equity. Both the National and Labour parties embraced the universal welfare state, and were comfortable with the principles espoused by McCarthy. In addition, in 1972, equal pay by gender was introduced, paving the way for the end of the family wage as a means to provide benefits to married women through their husbands' wages.

In 1973, the new Labour Government, with Bill Rowling as Minister of Finance, introduced a new means to give something back through the income tax scale (Rankin 2006). The $275 personal tax-free allowance was replaced by a new kind of "rebate"; a $125 cashback best described today as a 'non-refundable tax credit'. To do this, the tax-free allowance of $275 plus the lowest tax bracket had to be removed. Thus the first dollar of income was now taxed at 18%, with the top rate still at 50%. The tax credit would offset the tax paid by low-income earners. It created an effective tax-free income bracket of $690, nearly $7,000 when adjusted to $2013 prices, substantially higher than the $275 exemption it replaced. The new structure, implemented in the 1974/75 tax year, is shown in Appendix 4.

The tax scale was now less graduated, a 'plateau' scale (Rankin 2006, p.15), with low-income workers generally gaining lower average tax rates, though higher marginal rates.

The problem that Labour faced was that a huge boost in the terms of trade, which required significant redistribution (enabled also by a revaluation of the exchange rate), was very short-lived. World inflation associated with commodity prices of New Zealand's pastoral exports soon gave way to inflation associated with New Zealand's most important imported commodity; oil. The Labour Government was soon having to address simultaneous balance of payments and inflation crises, and at a time when New Zealand's principal market – the United Kingdom – had just joined the European Union (then the European Economic Community). The remainder of the 1970s became a period of both adapting to world inflation, and trying to reign in that inflation as best as it could without any substantial loss of commitment to full employment.

One of the main casualties of that inflation, and of the successor Muldoon-led National government, was Labour's new tax credit. Appendix 4 shows the tax scale for the 1976/77 tax year, still under the structure introduced by Rowling. For 1977/78 the same scale applied, with a 5% rebate – the 1960s' style of rebate – applied for the last 2 months of the financial year.

In election-year 1978, Robert Muldoon's priorities were different. Managing many-step tax scales is difficult under inflationary conditions, and politically problematic as simple cost-of-living wage adjustments kept taking workers into tax brackets with higher marginal tax rates; a process of 'fiscal drag' or 'bracket creep'. Further, Treasury and others were emphasising marginal over average tax rates. Their concern was about labour supply, and maintaining if not increasing the incentives, at the margin, to work longer or harder. In the more equitarian 1960s, while hard work was valued, low labour force participation rates were not seen as a problem.

The new tax scale featured the removal of the universal non-refundable tax credit introduced by the Labour Government in the 1973 Budget. And it drastically reduced the number of steps in the tax scale, creating a slightly lower bottom marginal rate, and a long second rate, which would become the marginal tax rate for most fulltime wage and salary earners. As compensation to low earners and part-time second-income-earners, abating (tapered) 'rebates' (ie credits) were introduced.

With the introduction and subsequent abolition of Labour's non-refundable tax credit, the zero-tax initial stage of the tax scale was also abolished, creating the opposite of what was intended in the 1973 legislation; a plateau scale without an offsetting credit. Further, in the 1978 income tax scale we can see the genesis of the scale that we use today. The main difference is that the top three rates are gone – indeed have been gone since 1989 – and that the other three rates are lower.

Before moving on to our final period, we should note that the Muldoon had no philosophical objection to Labour's tax credit. Rather, he had other priorities to fund.

While consistently maintaining the extended universal benefits introduced following the McCarthy Report, Muldoon replaced a highly individualised labour-market-oriented retirement savings scheme introduced by the 1973-75 Labour Government with a tax-funded scheme – National Superannuation – that drew implicitly on public equity concepts. Often criticised subsequently for being both universal and too generous, it has to be understood in the context of the high prevailing marginal tax rates – at least 60% maximum – faced at the time it was introduced, and indeed until 1986. This meant that for high income earners aged over sixty, 60 percent of the nominal Superannuation was clawed back. Today, as New Zealand Superannuation, under the still universal scheme high earners face only a 33 percent clawback.

My reading of the Muldoon years is that Muldoon-led policy has consistently sought to protect New Zealanders' public equity rights, while also wanting to protect lower and middle income wage earners from the ravages of inflation and falling terms of trade by creating environments through which more output can compensate for higher prices of imported commodities.

In the 1978 election campaign, Labour leader and former Finance Minister, Bill Rowling, promised a "tax-free basic income for all". Labour was positioning itself as the champions of public equity, whereas Muldoon's National Government was being painted as willing to sacrifice the well-being of those on the lowest incomes.

The final Muldoon years: 1979-84

Policy from 1979 to 1984 was generally focussed on creating both efficiency and new opportunities in the tradable sector, be it exporting new products to difficult new markets, or substituting for imported commodities, especially imported oil. In that sense, inflation greater than that of New Zealand's trading partners was a critical constraint, and Muldoon would do whatever he thought it would take to ensure that inflation would not derail his diversification and efficiency initiatives. Lower taxes for fulltime workers were the priority if he was to forge a successful policy of wage restraint.

Here, Muldoon's views on income tax fell in line with the recommendations of the 1982 McCaw Report on taxation, which largely dismissed the problem of high taxes on low-income recipients who were generally not fulltime workers (Rankin 2006, p.16). Indeed, it could be argued that the tax scale announced in the 1978 Budget anticipated McCaw's recommendations.

In the 1982 Budget, Muldoon announced a significant tax cut, broadly within the 1978 structure, but with a much more extended second-lowest rate of 31.25 cents in the dollar. The new scale was in particular a response to fiscal drag. By early 1982, a substantial number of wage workers had migrated into the 55% and even the 60% marginal tax bracket. It was these workers who gained most, as Muldoon raised the bracket thresholds and cut the middle rates.

To compensate for the political fallout arising from what seemed like a program of 'tax cuts for the rich', Muldoon imposed a 10% "temporary" surcharge on the top two tax rates, much in the vein of the 10% surcharge imposed for eight months following his October 1970 Mini-Budget. One can only suppose that he had intended to remove this surcharge either in the 1984 election year Budget, or, if its removal might be seen as another round of tax cuts for the rich, in the post-election 1985 Budget.

Treasury and the rich themselves seemed not to be buying into these categorisations. The rich in the non-tradable sector saw the world very differently from farmers and manufacturers (Bertram 2009). Further the electorate was tired of Muldoon's abrasive political style. And, many believed, the voting public did not see Rowling as a man who could defeat Muldoon; he had failed three times, albeit narrowly in 1978 and 1981.

In 1982 Rowling was deposed as Labour leader. In 1984, Muldoon gambled and called an early election without having presented a Budget. He lost. While we will never know for sure when Muldoon would have restored (or even lowered) the top 60% tax rate, almost certainly it would have been in the 1984 or 1985 Budget, depending on the political winds.

Aftermath

The Labour government, elected in 1984, with Roger Douglas as Minister of Finance, persevered with Muldoon's temporary tax surcharge until September 1986, collecting as much revenue as possible before cutting the top rate drastically, in a two-step process, to 33 percent. Douglas wanted, in 1988, to introduce a low flat rate of income tax of around 24 cents in the dollar, but was overruled by Prime Minister David Lange. The simplified tax scales from the 1978 Budget to the present-day scale are shown in Appendix 5.

A comprehensive Goods and Services tax (GST) was introduced in October 1986, alongside the removal of the two top steps of the income tax scale. Initially set at ten percent, the GST rate was soon raised to 12.5 percent (in 1989) and now sits at fifteen percent.

The Labour Government in 1973 introduced an accident compensation insurance scheme (ACC) that combines elements of universalism (no-fault no-litigation accident compensation) that, like the short-lived Labour retirement savings fund, emphasised payments to people in employment. From the 1990s, ACC employee levies constitute an additional income tax, usually close to a flat rate tax of 1%. They have become the modern equivalent of the social security income tax (SSIT) of the 1960s.

Muldoon was given little credit for steering New Zealand through its most unfavourable trade environment since the early 1930s. In his last years, though largely unnoticed, he advocated for his public equitarian principles, both as a Member of Parliament, and as a talkback radio host.

Conclusion

In the 1960s, New Zealand followed a highly graduated income structure that could flexibly lower or raise taxes to mean short-term fiscal-policy considerations. But the structure could not survive the unexpectedly high levels of inflation that followed, and it was ill-suited to the ensuing era of two-income families and single-parent families.

Robert Muldoon and his Labour counterpart Bill Rowling made significant changes to the tax structure in the inflationary 1970s. It was in 1973 that the less graduated plateau structure emerged, in Rowling's first Budget. An innovative new tax credit, which was funded by removing the personal tax allowance and raising the first step of the income tax scale to 18 percent, nevertheless doubled the tax-free income zone.

Though Muldoon was not philosophically opposed to the new tax credit that could have become the genesis of a refundable tax credit (Rankin 2011b) or negative income tax, the Rowling credit was lost to the ravages of inflation and new priorities. Muldoon faced a record low terms of trade in an environment in which New Zealand's predominant trading partner had reoriented its trade towards its geographical neighbours in Europe.

New Zealand was left with a tax scale which would lend itself well to a subsequent neoliberal-inspired program of tax cuts that reduced the top rate from 66% to 33% in just two years (from 1986 to 1988), and which was predicated on giving back as little as possible in equity benefits such as the short-lived Rowling tax credit.

The rhetoric of targeting was central to neoliberal policy-making, and that of universalism was its antithesis. Nevertheless, many of the institutions of the universal tax-welfare society – mostly created between 1935 and 1977 – have survived the ravages of the neoliberal period. One way or another, almost all New Zealanders do get something back, and whether or not they are in employment. Few New Zealanders would want it any other way.[5]

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[5] In a recent public opinion poll (Roy Morgan Research, 22 January 2014), New Zealand's only overtly neoliberal political party currently in parliament, ACT, scored precisely zero percent support.

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Appendix

1.

a) NZ Income Tax System to 1968/69.

Income Year Ended 31 March	Special Exemptions						Ordinary Income Tax		
	Personal	Wife	Child	Church Gifts (Maximum)	Insurance (Maximum)	For SSIT Only	Base Year Rates Employed	Rebates	
								Rate	Maximum
*$140 for each child in excess of four.									
	$	$	$	$	$	$			$
1959	676	324	150	-	350	-	1954	12 ½%	74
1960	600	400	150	-	350	-	1954	10%	60
1961	936	312	156	-	500	-	1961	-	-
1962	936	312	156	-	500	208	1961	-	-
1963	936	312	156	50	500	208	1961	5%	100
1964	936	312	156	100	500	208	1961	7 ½%	150
1965	936	312	156	100	500	208	1961	10%	200
1966	936	312	156	100	500	208	1961	10%	200
1967	936	312	156	100	500	208	1961	10%	200
1968	936	312	156	100	500	208	1961	10%	200
1969	936	312	156	100	500	208	1961	10%	200
1970	275	240	135*	100	500	-	1969	-	-

from NZOYB [online] 1970; SSIT is "Social Security Income Tax", merged from 1969/70 tax year

b) NZ Income Tax System to 1974/75.

Income Year Ended 31 March	Special Exemption						Ordinary Income Tax		
	Personal	Wife	Child	Charitable Donations and School Fees*	Insurance and Superannuation		Basic Rates Introduced	Rebates	
					Member of Subsidised Scheme*	Others*		Rate	Maximum
								%	
1970	275‡	240‡	135†‡	100	500	650	1969	-	-
1971	275	275	135†	100	700	950	1969	-3 1/3	-
1972	275	275	135†	100	700	950	1970	-3 1/3	-
1973	275	275	35	200	700	950	1970	7 1/2	-
1974	275	275	-	200	700	950	1970	10	-
1975	§	§	-	200	700	950	1974	-	-
*Maximum.									
†$140 for each child in excess of four.									
‡Upon amalgamation of income tax and social security tax.									
§For 1975 as mentioned above rebates replaced special exemptions.									

from NZOYB [online] 1975:
- the 1975 "rebates" are conceptually different from the rebates in the table heading
- I use the word "credits" for the new style of rebate, more accurate from a 21st century perspective

2. Income Tax Scales for 1968/69 and 1969/70 [SSIT = Social Security Income Tax]

1968/69 tax year	Gross Earnings	Gross taxable	Marginal Tax Rate	Tax excl. SSIT	Rebate [10%]	SSIT	Tax incl. SSIT		2013Gross [CPI=61.74]	Marginal Tax	Average Tax
	$	$	%	$	$	$	$		$ 2013	%	%
	0	0	0.00	0.00	0.00	0.00	0.00		0	0.00	
	208	0	0.00	0.00	0.00	0.00	0.00		3,369	7.50	0.0
	936	0	15.00	0.00	0.00	54.60	54.60		15,160	22.50	5.8
	1,936	1,000	17.50	150.00	15.00	129.60	264.60		31,357	25.00	13.7
	2,136	1,200	20.00	185.00	18.50	144.60	311.10		34,597	27.50	14.6
	2,336	1,400	22.50	225.00	22.50	159.60	362.10		37,836	30.00	15.5
	2,536	1,600	25.00	270.00	27.00	174.60	417.60		41,075	32.50	16.5
	2,736	1,800	26.25	320.00	32.00	189.60	477.60		44,315	33.75	17.5
	2,936	2,000	27.50	372.50	37.25	204.60	539.85		47,554	35.00	18.4
	3,136	2,200	28.75	427.50	42.75	219.60	604.35		50,794	36.25	19.3
	3,336	2,400	30.00	485.00	48.50	234.60	671.10		54,033	37.50	20.1
	3,536	2,600	31.25	545.00	54.50	249.60	740.10		57,272	38.75	20.9
	3,736	2,800	32.50	607.50	60.75	264.60	811.35		60,512	40.00	21.7
	3,936	3,000	33.75	672.50	67.25	279.60	884.85		63,751	41.25	22.5
	4,136	3,200	35.00	740.00	74.00	294.60	960.60		66,991	42.50	23.2
	4,336	3,400	36.25	810.00	81.00	309.60	1,038.60		70,230	43.75	24.0
	4,536	3,600	37.50	882.50	88.25	324.60	1,118.85		73,469	45.00	24.7
	4,736	3,800	38.75	957.50	95.75	339.60	1,201.35		76,709	46.25	25.4
	4,936	4,000	40.00	1,035.00	103.50	354.60	1,286.10		79,948	47.50	26.1
	5,136	4,200	41.25	1,115.00	111.50	369.60	1,373.10		83,188	48.75	26.7
	5,336	4,400	42.50	1,197.50	119.75	384.60	1,462.35		86,427	50.00	27.4
	5,536	4,600	43.75	1,282.50	128.25	399.60	1,553.85		89,666	51.25	28.1
	5,736	4,800	45.00	1,370.00	137.00	414.60	1,647.60		92,906	52.50	28.7
	5,936	5,000	46.25	1,460.00	146.00	429.60	1,743.60		96,145	53.75	29.4
	6,136	5,200	47.50	1,552.50	155.25	444.60	1,841.85		99,385	55.00	30.0
	6,336	5,400	48.75	1,647.50	164.75	459.60	1,942.35		102,624	56.25	30.7
	6,536	5,600	50.00	1,745.00	174.50	474.60	2,045.10		105,863	57.50	31.3
	6,736	5,800	51.25	1,845.00	184.50	489.60	2,150.10		109,103	58.75	31.9
	6,936	6,000	52.50	1,947.50	194.75	504.60	2,257.35		112,342	60.00	32.5
	7,136	6,200	53.75	2,052.50	200.00	519.60	2,372.10		115,581	61.25	33.2
	7,336	6,400	55.00	2,160.00	200.00	534.60	2,494.60		118,821	62.50	34.0
	7,536	6,600	56.25	2,270.00	200.00	549.60	2,619.60		122,060	63.75	34.8
	7,736	6,800	57.50	2,382.50	200.00	564.60	2,747.10		125,300	65.00	35.5
	7,936	7,000	58.75	2,497.50	200.00	579.60	2,877.10		128,539	66.25	36.3
	8,136	7,200	60.00	2,615.00	200.00	594.60	3,009.60		131,778	67.50	37.0
	8,936	8,000	60.00	3,095.00	200.00	654.60	3,549.60		144,736	67.50	39.7
	12,348	11,412	60.00	5,142.20	200.00	910.50	5,852.70		200,000	67.50	47.4

1969/70 tax year	Gross Earnings	Gross taxable	Marginal Tax Rate	Tax excl. SSIT	Rebate [10%]	SSIT	Tax incl. SSIT		2013Gross [CPI=64.19]	Marginal Tax	Average Tax
	$	$	%	$	$	$	$		$ 2013	%	%
	0	0	0.00	0.00	0.00	0.00	0.00		0	0.00	
	275	0	7.85	0.00	0.00	0.00	0.00		4,284	7.85	0.00
	925	650	21.00	136.50	0.00	0.00	136.50		14,410	21.00	14.76
	1,975	1,700	24.50	393.75	0.00	0.00	393.75		30,768	24.50	19.94
	2,275	2,000	27.50	476.25	0.00	0.00	476.25		35,442	27.50	20.93
	2,775	2,500	33.00	641.25	0.00	0.00	641.25		43,231	33.00	23.11
	3,275	3,000	34.00	811.25	0.00	0.00	811.25		51,020	34.00	24.77
	3,775	3,500	37.00	996.25	0.00	0.00	996.25		58,810	37.00	26.39
	4,275	4,000	40.00	1,196.25	0.00	0.00	1,196.25		66,599	40.00	27.98
	4,775	4,500	43.00	1,411.25	0.00	0.00	1,411.25		74,389	43.00	29.55
	5,275	5,000	45.00	1,636.25	0.00	0.00	1,636.25		82,178	45.00	31.02
	5,775	5,500	49.00	1,881.25	0.00	0.00	1,881.25		89,967	49.00	32.58
	6,275	6,000	50.00	2,131.25	0.00	0.00	2,131.25		97,757	50.00	33.96
	6,775	6,500	54.00	2,401.25	0.00	0.00	2,401.25		105,546	54.00	35.44
	7,275	7,000	60.00	2,701.25	0.00	0.00	2,701.25		113,335	60.00	37.13
	7,775	7,500	65.00	3,026.25	0.00	0.00	3,026.25		121,125	65.00	38.92
	8,275	8,000	66.00	3,356.25	0.00	0.00	3,356.25		128,914	66.00	40.56
	10,275	10,000	67.00	4,696.25	0.00	0.00	4,696.25		160,072	67.00	45.71
	12,275	12,000	67.50	6,046.25	0.00	0.00	6,046.25		191,229	67.50	49.26
	12,838	12,563	67.50	6,426.28	0.00	0.00	6,426.28		200,000	67.50	50.06

3. Income Tax Scales for 1970/71, 1971/72 and 1972/73

1970/71 tax year	Gross Earnings	Gross taxable	Marginal Tax Rate	Tax payable	2013 Gross [CPI=70.58]	Average Tax Rate	With 3.33% surcharge:	Tax payable	Marginal Tax Rate	Average Tax Rate
	$ 1970	$ 1970	%	$ 1970	$ 2013	%		$ 1970	%	%
	0	0	0.00	0	0			0	0.00	0.0
	275	0	7.85	0	3,896	0.0		0	8.11	0.0
	925	650	21.00	51	13,106	5.5		53	21.70	5.7
	1,975	1,700	24.50	272	27,982	13.7		281	25.32	14.2
	2,275	2,000	27.50	345	32,233	15.2		357	28.42	15.7
	2,775	2,500	33.00	483	39,317	17.4		499	34.10	18.0
	3,275	3,000	34.00	648	46,401	19.8		669	35.13	20.4
	3,775	3,500	37.00	818	53,485	21.7		845	38.23	22.4
	4,275	4,000	46.00	1,003	60,570	23.5		1,036	47.53	24.2
	4,775	4,500	43.00	1,233	67,654	25.8		1,274	44.43	26.7
	5,275	5,000	45.00	1,448	74,738	27.4		1,496	46.50	28.4
	5,775	5,500	49.00	1,673	81,822	29.0		1,728	50.63	29.9
	6,275	6,000	50.00	1,918	88,906	30.6		1,981	51.67	31.6
	6,775	6,500	54.00	2,168	95,990	32.0		2,240	55.80	33.1
	7,275	7,000	60.00	2,438	103,075	33.5		2,519	62.00	34.6
	7,775	7,500	65.00	2,738	110,159	35.2		2,829	67.17	36.4
	8,275	8,000	66.00	3,063	117,243	37.0		3,165	68.20	38.2
	10,275	10,000	67.00	4,383	145,579	42.7		4,529	69.23	44.1
	12,275	12,000	67.50	5,723	173,916	46.6		5,913	69.75	48.2
	14,116	13,841	67.50	6,965	200,000	49.3		7,197	69.75	51.0

Note: All rates for the 1970/71 tax year were subject to a 10% surcharge for the last 4 months of the tax year [1970 Mini-Budget]

1971/72 tax year	Gross Earnings	Gross taxable	Marginal Tax Rate	Tax payable	2013 Gross [CPI=77.02]	Average Tax Rate	With 3⅓% surcharge:	Tax payable	Marginal Tax Rate	Average Tax Rate
	$ 1971	$ 1971	%	$ 1971	$ 2013	%		$ 1971	%	%
	0	0	0.00	0	0			0	0.00	0.0
	275	0	7.85	0	3,571	0.0		0	8.11	0.0
	925	650	21.00	51	12,010	5.5		53	21.70	5.7
	1,975	1,700	24.50	272	25,643	13.7		281	25.32	14.2
	2,275	2,000	27.50	345	29,538	15.2		357	28.42	15.7
	2,775	2,500	30.50	483	36,030	17.4		499	31.52	18.0
	3,275	3,000	34.00	635	42,521	19.4		656	35.13	20.0
	3,775	3,500	37.00	805	49,013	21.3		832	38.23	22.0
	4,275	4,000	39.00	990	55,505	23.2		1,023	40.30	23.9
	4,775	4,500	41.00	1,185	61,997	24.8		1,225	42.37	25.6
	5,275	5,000	43.00	1,390	68,489	26.4		1,436	44.43	27.2
	5,775	5,500	45.00	1,605	74,981	27.8		1,659	46.50	28.7
	6,275	6,000	46.00	1,830	81,472	29.2		1,891	47.53	30.1
	7,275	7,000	47.00	2,290	94,456	31.5		2,366	48.57	32.5
	8,275	8,000	48.00	2,760	107,440	33.4		2,852	49.60	34.5
	10,275	10,000	49.00	3,720	133,407	36.2		3,844	50.63	37.4
	12,275	12,000	50.00	4,700	159,374	38.3		4,857	51.67	39.6
	14,000	13,725	50.00	5,563	181,771	39.7		5,748	51.67	41.1
	15,404	15,129	50.00	6,265	200,000	40.7		6,473	51.67	42.0

Note: Rates for the 1971/72 tax year were subject to a 10% surcharge for the first 4 months of the tax year [1970 Mini-Budget] p

1972/73 tax year	Gross Earnings	Gross taxable	Marginal Tax Rate	Tax payable	2013 Gross [CPI=81.23]	Average Tax Rate	With 7.5% rebate:	Tax payable	Marginal Tax Rate	Average Tax Rate
	$ 1972	$ 1972	%	$ 1972	$ 2013	%		$ 1972	%	%
	0	0	0.00	0	0			0	0.00	0.0
	275	0	7.85	0	3,385	0.0		0	7.26	0.0
	925	650	21.00	51	11,387	5.5		47	19.43	5.1
	1,975	1,700	24.50	272	24,314	13.7		251	22.66	12.7
	2,275	2,000	27.50	345	28,007	15.2		319	25.44	14.0
	2,775	2,500	30.50	483	34,162	17.4		446	28.21	16.1
	3,275	3,000	34.00	635	40,318	19.4		587	31.45	17.9
	3,775	3,500	37.00	805	46,473	21.3		745	34.23	19.7
	4,275	4,000	39.00	990	52,628	23.2		916	36.08	21.4
	4,775	4,500	41.00	1,185	58,784	24.8		1,096	37.93	23.0
	5,275	5,000	43.00	1,390	64,939	26.4		1,286	39.78	24.4
	5,775	5,500	45.00	1,605	71,094	27.8		1,485	41.63	25.7
	6,275	6,000	46.00	1,830	77,250	29.2		1,693	42.55	27.0
	7,275	7,000	47.00	2,290	89,561	31.5		2,118	43.48	29.1
	8,275	8,000	48.00	2,760	101,871	33.4		2,553	44.40	30.9
	10,275	10,000	49.00	3,720	126,493	36.2		3,441	45.33	33.5
	12,275	12,000	50.00	4,700	151,114	38.3		4,348	46.25	35.4
	14,000	13,725	50.00	5,563	172,350	39.7		5,145	46.25	36.8
	16,246	15,971	50.00	6,686	200,000	41.2		6,184	46.25	38.1

Note: All rates for the 1972/73 tax year were reduced by a 7.5% rebate

4. Income Tax Scales for 1974/75 and 1976/77, with new $125 [$155] non-refundable tax credit.

1974/75 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax before credit	credit	Tax after credit		2013 Gross [CPI=100.7]	Average Tax Rate
	$ 1974	%	$ 1974	$ 1974	$ 1974		$ 2013	%
	0	18.00	0	0	0		0	
	500	18.50	90	90	0		4,965	0.0
	690	18.50	125	125	0		6,852	0.0
	1,000	19.00	183	125	58		9,930	5.8
	2,000	22.50	373	125	248		19,861	12.4
	2,500	26.50	485	125	360		24,826	14.4
	3,000	28.50	618	125	493		29,791	16.4
	3,500	32.00	760	125	635		34,757	18.1
	4,000	34.50	920	125	795		39,722	19.9
	4,500	36.00	1,093	125	968		44,687	21.5
	5,000	39.00	1,273	125	1,148		49,652	23.0
	5,500	41.50	1,468	125	1,343		54,618	24.4
	6,000	44.50	1,675	125	1,550		59,583	25.8
	7,000	46.00	2,120	125	1,995		69,513	28.5
	7,000	47.00	2,120	125	1,995		69,513	28.5
	8,000	48.00	2,590	125	2,465		79,444	30.8
	9,000	48.50	3,070	125	2,945		89,374	32.7
	10,000	49.00	3,555	125	3,430		99,305	34.3
	11,000	49.50	4,045	125	3,920		109,235	35.6
	12,000	50.00	4,540	125	4,415		119,166	36.8
	14,000	50.00	5,540	125	5,415		139,027	38.7
	17,000	50.00	7,040	125	6,915		168,818	40.7
	20,140	50.00	8,610	125	8,485		200,000	42.1

1976/77 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax before credit	credit	Tax after credit		2013 Gross [CPI=134.8]	Average Tax Rate
	$ 1976	%	$ 1976	$ 1976	$ 1976		$ 2013	%
	0	20.00	0	0	0		0	
	775	20.00	155	155	0		5,749	0.0
	2,000	21.00	400	155	245		14,837	12.3
	2,500	23.50	505	155	350		18,546	14.0
	3,000	26.00	623	155	468		22,255	15.6
	3,500	28.50	753	155	598		25,964	17.1
	4,000	31.00	895	155	740		29,674	18.5
	4,500	33.50	1,050	155	895		33,383	19.9
	5,000	36.50	1,218	155	1,063		37,092	21.3
	5,500	39.50	1,400	155	1,245		40,801	22.6
	6,000	42.50	1,598	155	1,443		44,510	24.0
	6,500	45.50	1,810	155	1,655		48,220	25.5
	8,000	48.00	2,493	155	2,338		59,347	29.2
	10,000	49.00	3,453	155	3,298		74,184	33.0
	12,000	50.00	4,433	155	4,278		89,021	35.6
	14,000	51.00	5,433	155	5,278		103,858	37.7
	16,000	52.00	6,453	155	6,298		118,694	39.4
	18,000	54.00	7,493	155	7,338		133,531	40.8
	20,000	57.00	8,573	155	8,418		148,368	42.1
	22,000	60.00	9,713	155	9,558		163,205	43.4
	24,000	60.00	10,913	155	10,758		178,042	44.8
	26,000	60.00	12,113	155	11,958		192,878	46.0
	26,960	60.00	12,689	155	12,534		200,000	46.5

5. Tax scales for 1979/80, 1983/84, 1987/88, 1988/89 and 2013/14:

1979/80 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax payable		2013 Gross [CPI=199.4]	Average Tax Rate
	$ 1979	%	$ 1979		$ 2013	%
	0	14.50	0		0	
	4,500	36.50	653		22,568	14.5
	10,000	41.50	2,660		50,150	26.6
	11,000	48.00	3,075		55,165	28.0
	16,000	55.00	5,475		80,241	34.2
	22,000	60.00	8,775		110,331	39.9
	30,000	60.00	13,575		150,451	45.3
	39,880	60.00	19,503		200,000	48.9

1983/84 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax payable		2013 Gross [CPI=320.0]	Average Tax Rate
	$ 1983	%	$ 1983		$ 2013	%
	0	20.00	0		0	
	6,000	31.25	1,200		18,750	20.0
	24,000	* 45.10	6,825		75,000	28.4
	30,000	* 56.10	9,531		93,750	31.8
	38,000	* 66.00	14,019		118,750	36.9
	50,000	* 66.00	21,939		156,250	43.9
	64,000	* 66.00	31,179		200,000	48.7
* includes a 10% temporary surchage on rates of 41%, 51%, 60%						

1987/88 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax payable		2013 Gross [CPI=522.8]	Average Tax Rate
	$ 1987	%	$ 1987		$ 2013	%
	0	15.0	0		0	
	9,500	30.0	1,425		18,171	15.0
	30,000	48.0	7,575		57,383	25.3
	38,000	48.0	11,415		72,686	30.0
	60,000	48.0	21,975		114,767	36.6
	104,560	48.0	43,364		200,000	41.5

1989/90 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax payable		2013 Gross [CPI=586.9]	Average Tax Rate
	$ 1989	%	$ 1989		$ 2013	%
	0	* 15.0	0		0	
	9,500	** 28.0	1,425		16,187	15.0
	30,875	33.0	7,410		52,607	24.0
	48,000	33.0	13,061		81,786	27.2
	70,000	33.0	20,321		119,271	29.0
	117,380	33.0	35,957		200,000	30.6

* this step, officially classed as a rebate, applies only to wage income

** includes abatement of low-income rebate

2013/14 tax year	Gross Earnings (all taxable)	Marginal Tax Rate	Tax payable		2013 Gross [CPI=1000]	Average Tax Rate
	$ 2013	%	$ 2013		$ 2013	%
	0	10.5	0		0	
	14,000	17.5	1,470		14,000	10.5
	48,000	30.0	7,420		48,000	15.5
	70,000	33.0	14,020		70,000	20.0
	117,380	33.0	29,655		117,380	25.3
	200,000	33.0	56,920		200,000	28.5

6. New Zealand's Inter-sectoral balances 1965-1985.