

DETERMINATION > MISCELLANEOUS

# **Determination under section RD 11(3) of the Income Tax Act 2007 of the amount of tax for a payment of a main benefit**

Issued: 10 July 2024

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**EFFECTIVE:** for the 2024-25 income year onwards.

## Determination

The Commissioner of Inland Revenue, under section RD 11(3) of the Income Tax Act 2007, has determined, in consultation with the Chief Executive of the Ministry of Social Development (being the administering department), the amount of tax for a payment of a main benefit as follows:

- For any payments made up to and including Thursday, 1 August 2024 - the M tax code rate set out in Commissioner's weekly PAYE tables that apply from 1 April 2024 to 30 July 2024.
- For any payments made on or after Friday, 2 August 2024 – the M tax code rate set out in the Commissioner's weekly PAYE tables that apply from 31 July 2024.

Dated at Wellington on 10 July 2024.

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## Background (material under this heading does not form part of the determination)

### Summary of effect

1. Under s RD 11(3) of the Income Tax Act 2007 the amount of tax for a PAYE income payment that is a payment of a main benefit must be determined by the Commissioner of Inland Revenue, in consultation with the Chief Executive of the Ministry of Social Development (being the administering department).
2. A main benefit is defined in s YA 1 of the Income Tax Act 2007 as:
  - main benefit** means any of the following:
    - (a) a main benefit, as defined in paragraph (a) of the definition of main benefit in schedule 2 of the Social Security Act 2018:
    - (b) main benefit equivalent assistance
  - main benefit equivalent assistance** means special assistance granted under—
    - (a) clause 9 of the COVID-19 New Zealanders Stranded Overseas Support Programme that corresponds to a main benefit, as defined in paragraph (a) of the definition of main benefit in schedule 2 of the Social Security Act 2018; or
    - (b) clause 11 of that programme
3. The tax rate determined under s RD 11(3) is the amount of tax required to be paid to the Commissioner by the Chief Executive for a payment of a main benefit. The amount of tax calculated using this rate is paid by the Ministry of Social Development to Inland Revenue. This is not the final tax for the recipient of the main benefit; that is determined at the end of year square up for the recipient based on their total taxable income.
4. The Taxation (Budget Measures) Act 2024 amended the personal income tax thresholds from Wednesday, 31 July 2024.
5. In order to facilitate the smooth administration and taxation of main benefits in the cross-over from the current to the new personal income tax thresholds, the Commissioner has consulted with the Chief Executive and determined:
  - 5.1 For any payments of main benefits made up to and including Thursday, 1 August 2024, the rate of tax shall be the M tax rate set out in the

Commissioner's PAYE tables that apply at the date of this determination and are set out in the applicable IR340.

- 5.2 For any payments of main benefits made on or after Friday, 2 August 2024, the rate of tax shall be the M tax rate set out in the Commissioner's PAYE tables that apply the tax thresholds set out in the Taxation (Budget Measures) Act 2024 and will be set out in the applicable IR340.
6. The rate of tax determined under s RD 11(3) is not the final tax on the payment of the main benefit. The final tax is determined at the end of year square up for a recipient of the main benefit based on that person's total taxable income. Although it will depend on the total taxable income of the recipient, this may mean that a recipient will have too much PAYE tax paid for the few days between 31 July 2024 and their benefit payment the following week, although this can be reconciled and may be refundable at the end of year square up.

## References

### Legislative references

Income Tax Act 2007: sections RD 11(3), RA 5, RD 10, YA 1 and Schedule 2.

Social Security Act 2018: paragraph (a) of the definition of main benefit in Schedule 2.

### About this publication

The Commissioner is required to determine the amount of tax for a PAYE income payment that is a payment of a main benefit in consultation with the Chief Executive of the administering department, being the Ministry of Social Development.

The determination is an exercise of the power in s RD 11(3) of the Income Tax Act 2007.

This is not a determination under Part 5 of the Tax Administration Act 1994.