



21 August 2023

[Redacted]

Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 15 August 2023. You requested:

(...) a breakdown of income tax revenue (PAYE) per tax bracket for the years 2020, 2021 and 2022. Ideally this would show the proportion of income tax paid by individuals in each tax bracket for each of the aforementioned year (...)

Pay as you earn (PAYE) is a type of annual withholding tax collected from employees, via their employers, and from the recipients of taxable government transfers. The tax scale is annual, from 1 April to 31 March (the tax year). An underlying assumption in the PAYE system is that income earned in each pay period will continue to be earned for other pay periods in the remainder of the tax year.

The amount of tax deducted through PAYE is squared up against the total tax liability for the tax year during the year-end reconciliation process. This square up involves considering all the payrolls and additional earnings for the tax year in the calculation. Any residual balance resulting from square-up is either an additional tax payment (referred to as terminal tax) or a tax refund.

The income tax brackets for individuals are outlined in **Table 1**, The 39% tax rate, applying to income exceeding \$180,000, came into effect from the 2021-22 tax year. In preceding years, the applicable marginal tax rate for incomes exceeding \$180,000 is 33%.

Table 1: Personal Income Tax Brackets from the 2021-22 tax year

Taxable Income (\$)	Marginal Tax Rate
0-14,000	10.5%
14,001-48,000	17.5%
48,001-70,000	30.0%
70,001-180,000	33.0%
180,001+	39.0%

I am releasing, outlined in **Table 2**, the total amount of PAYE tax paid per PAYE-earnings income bracket for the years ended 31 March 2020, 2021, and 2022. The figures shown excludes the ACC earner premium.

The PAYE figures outlined in Table 2 are not necessarily the final tax for the employees concerned, further, the income bands shown are based on the employees' PAYE earnings (only) for that tax year.

Each row of table 2 shows the total PAYE paid by people in that income band. For example, in the tax year ended 31 March 2022, \$7,065 million in PAYE tax was collected for the \$48,000 to \$70,000 income band. This \$7,065 million PAYE tax includes tax from the different rates (10.5%, 17.5%, and 30%). Some of the \$7,065 million PAYE tax collected

could also include tax collected from higher rates (33% or 39%), depending on how long it took to earn the income.

For example, an employee earning \$20,000 in two months and nothing for the rest of the tax year would pay more PAYE than an employee earning the same amount throughout the entire tax year. The square up process addresses this with an annual lens applied to the earnings.

Table 2: PAYE by PAYE Income Bracket for Years Ended 31 March

PAYE collected in the year ended 31 March (\$millions)			
PAYE Income (\$)	2020	2021	2022
0 – 14,000	550	421	384
14,001 – 48,000	6,659	6,760	6,660
48,001 – 70,000	6,381	6,647	7,065
70,001 – 180,000	14,780	15,889	18,700
180,001+	4,137	4,517	5,534
Total	32,507	34,233	38,343

Information on income distributions and/or wage and salary distributions (excluding taxable transfers) is published annually on the Inland Revenue website's, at [Taxable income distribution of individuals](#) and [Wage and salary distributions for individuals](#) respectively.

Publishing of OIA response

We intend to publish our response to your request on our website. This letter, with your personal details removed, will be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of Ministers and officials.

Thank you for your request.

Yours sincerely



Sandra Watson
Policy Lead, Forecasting and Analysis