

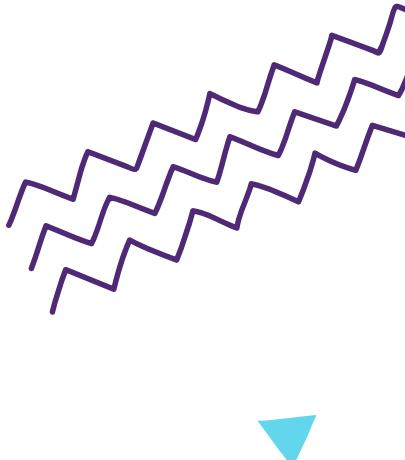
Taxation Module

## Topic 3 Sources of income

**THEME** Managing my money

Name:

# Contents



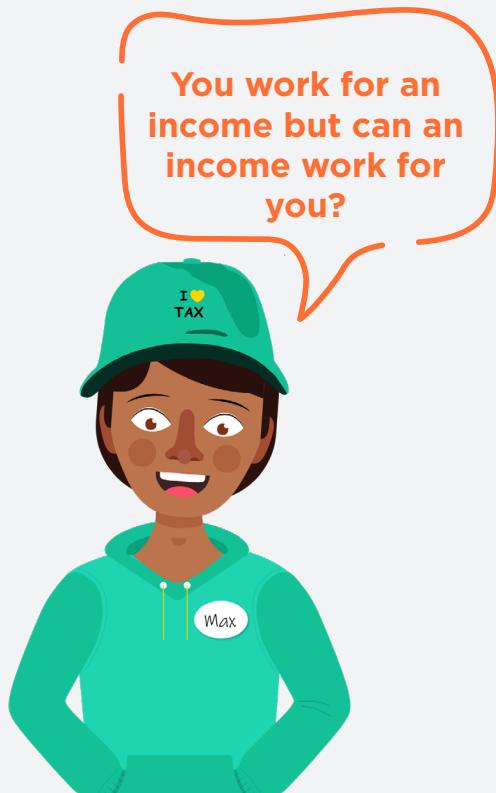
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# Nau mai haere mai!

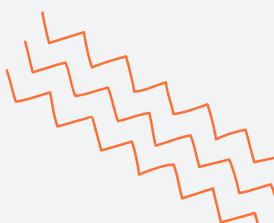
## Welcome to the topic Sources of income

This topic explores the different ways you might make income during your lifetime. Developing multiple streams of income is a way of getting ahead in life, especially if you can start as a student.



### In this topic you will explore:

- **Section One:** Where can my income come from?
- **Section Two:** How much do I really earn an hour?
- **Section Three:** Income sources for businesses.





## The topic will support you with:



### TAX Facts

The key ideas you need to know about the tax system in Aotearoa New Zealand.



### TAX Chats

Ideas or questions that you can discuss with other students. These will challenge you to think about different ideas and perspectives about the tax system.



### TAX Tasks

Tasks that will help you learn about the tax system and how decisions are made about the spending of taxes.



### TAX Checkpoints

Questions to check that you are on track with your learning.



### TAX Assessment Task

You will select one task to demonstrate your understanding of the topic.



### TAX Smart

An assessment rubric for you to assess your own outcomes.



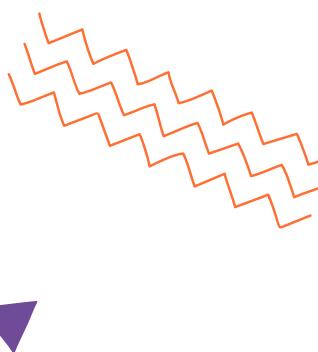
# Introduction

This topic explores why you might consider having more than one income source throughout your life. It is important to think ahead about your financial plan so that you can make informed choices. These choices could be around saving for a home, starting a business, making an investment or planning for your retirement. There are students in Aotearoa New Zealand who are making money from businesses that they run whilst at school.

## Learning Outcomes

After completing this topic you will be able to:

- Describe different sources of income (e.g. from employment, sales, investments, government benefits etc.)
- Explain various types of income (e.g. salaries, bonuses, commission, dividends, interest, etc.)
- Define hourly, weekly, net, and annual gross pay
- List different types of income sources for businesses.



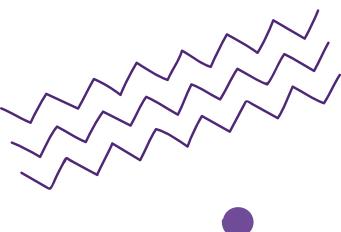


## Success criteria

At the end of this topic you will select a task to complete for your assessment, so it is important to complete all sections. To support your learning outcomes it is important to complete the TAX Facts, TAX Chats, TAX Checkpoints and TAX Tasks so you can demonstrate your understanding of the different sources of income you can have as an individual or as a business.

### To be successful you will need to:

- Identify and discuss the key ideas around sources of income
- Identify and appropriately use the key vocab based on terms on your payslip
- Show evidence that you have accessed the Inland Revenue website for information
- Compare income and passive income
- Read a payslip and understand how gross earning relates to the hourly rate
- Describe income sources for individuals
- Describe income sources for businesses.



# Section One: Where can my income come from?

## Learning Outcomes for Section One

- Describe different sources of income (e.g. from employment, sales, investments, government benefits etc.)
- Explain various types of income (e.g. salaries, bonuses, commission, dividends, interest, etc.).

## Success criteria

- I can explain different sources of income for an individual and can give examples of these
- I can explain when employers have to pay time and a half to their employees.





## TAX Facts: Sourcing income from employment

You work to earn an income. The two most common types of income are wages and salaries.

### Wage

A wage is payment for hours worked. You are normally paid an agreed amount per hour. When working on a wage, there is usually the ability to work overtime.

### Extra pay rates

Sometimes there are opportunities to earn higher rates of pay. An example of this is when you are asked to work on a public holiday such as Anzac Day or Labour Day. By law, if your employer requires you to work on a public holiday, they need to pay you “time and a half”. This means that you get 1.5 times as much per hour as you would on a regular workday.

**Example:** Alipate’s employer asks him to work on a public holiday.

His normal pay rate is \$20.45 per hour.

Normal daily pay = \$20.45 per hour x 8 hours = **\$163.60**

How much will he earn if he works for 8 hours on time and a half pay?

Public holiday pay rate = \$20.45 per hour x 1.5 = \$30.68 per hour

Public holiday daily pay = \$30.68 per hour x 8 hours = **\$245.44**





## Salary

A salary is usually a fixed amount of money per year. For example, teachers are paid salaries: they get the same amount of money each week, regardless of the number of hours they work.

**Example:** Aliko loves his job as a young teacher. He is always first at school to get ready for the school day and to fit a game of rugby in with the students before the bell goes. He heads out at intervals and lunchtime to referee games. After school, he marks work, tutors students and gets ready for the next day. He spends every Saturday at sports grounds supporting the school teams. Regardless of the extra hours that Aliko works, he does not receive extra income.



Apart from wages and salaries, there are several other types of income that you can earn from being employed.

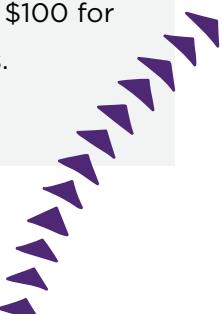
## Bonuses

A bonus is a financial reward for extra effort. This can be anything from a tip to a larger amount of money paid to you by your employer as a reward for your good performance.

## Commissions

To earn a commission, you are paid for achieving a particular target or goal. Sometimes you agree to a lower wage but your pay is topped up by being paid commission.

**Example:** Tipene is paid the minimum wage as a car salesman. However, for every car he sells he receives \$1,000 extra in his wages. He also has the opportunity of an extra \$100 for every insurance policy he sells and another \$100 for every service contract he sells.





## TAX Facts: Sourcing income from investment

Investing is when you put money into financial assets like interest-bearing accounts, shares, property or business, expecting that they will earn you income or grow in value. Common examples are property, term deposits, shares, gold and digital currencies.

**To learn more about investing, check out the information below:**



[Investing Booklet](#)



[Investing Infographic](#)



[Investing PowerPoint](#)

## Dividends

Investing in shares pays income as dividends - money that a company pays to its shareholders. Dividends are paid based on how many shares you own. For example, if a company declares a \$1 per share dividend and you own 100 shares, you will receive \$100.

**Example:** Te Wheti, a farmer, has invested in horticulture and technology companies over the years. These shares have continued to do well. He receives money from dividends from his shares each year.



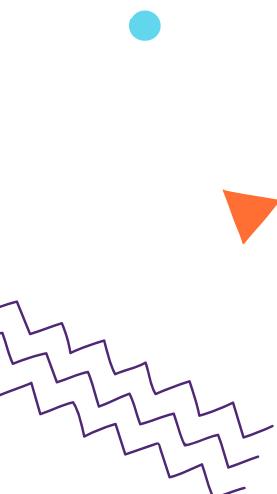
## TAX Facts: Sourcing income from the Government

The government supports individuals, families and businesses who require additional assistance. Inland Revenue jointly administers five social policies with other government agencies.

**They use revenue from taxes collected to fund some of these:**

- Working for Families Tax Credits assist families with children with a regular payment to pay for their basic needs and cost of living
- Parental leave allows a parent or primary carer to stay at home with a baby or child under 6 who is now in their care. The payment goes towards loss of income and is paid for up to a maximum of 26 weeks.

To find out more about working for families payments follow this [link](#).



## NZ Super

Retirement is when you choose to stop working. You can retire when you have enough income to support your chosen lifestyle. There is no set retirement age in Aotearoa New Zealand. However, many people choose to stop working at 65. This is the age when the government NZ Super payment starts. It is a fortnightly payment that is paid into your nominated bank account.

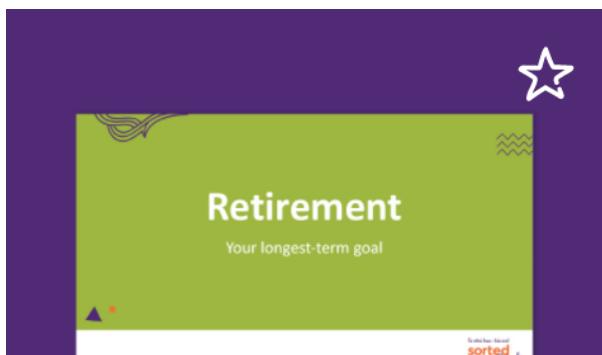
**Check out this information to further investigate saving for your retirement:**



[Retirement Booklet](#)



[Retirement Infographic](#)



[Retirement PowerPoint](#)



## TAX Facts: Other income sources



There are numerous ways other income sources can be earned. Here are some examples.

### Koha

A koha is a gift or a donation that you might receive.

**Example:** When each of their grandchildren turned 21-years-old, Mary and Hemi gave them \$20,000 as a contribution to the purchase of their first home.

Koha given in return for something is not a gift and you may need to pay GST on this type of koha.

It's the same for money, goods or vouchers – koha – given to someone who does work for you. It is not a gift because you got something in return. You need to deduct PAYE on koha given this way.

### Rental Property

Rent is the payment you receive from the tenant of a property that you own but do not live in or a room or rooms that are rented out to flatmates or boarders.

### Royalty

Royalty is a sum paid to writers, artists, musicians and composers for their original work to be used in the public domain. Each time their work is read, used or listened to they receive a payment.

**Example:** James and Ani are popular entertainers who were fully booked for a year in advance to sing at weddings and events. When the COVID-19 pandemic came along they were no longer able to perform and lost a chunk of their income. Luckily they had income from hits on YouTube as well as royalties from original songs they had sold to advertisers.

### Self-employed or business income

Having your own business can also generate income.

## Multiple income sources

As an individual, you can have more than one source of income. It is quite a good idea to create additional income sources (often called income streams) in case of unexpected events happening.

Having more than one income stream can also help build a nest egg for the major events in your life like buying a house, educating your children and for your retirement. This income is called **passive income** which means you do not physically go to work and earn it. It gives you choices in life.

**Example:** Kaia and Tom are a married couple on one income. If Kaia, the main earner, loses her job, they do not necessarily have a backup plan or an emergency fund to cope with this situation.

**Example:** When Telulia and Han retire at 65 years old they will both receive the NZ Super. In addition to this Han will continue to receive royalties on the three books he has written. Telulia and Han also own a rental property that generates income after Tax has been paid on the earnings. They purposefully created multiple streams of income whilst they are still both working. This passive income will give them many choices in their retirement.



In pairs discuss the following:

- If you were able to create yourself three streams of income what would they be and why?



## TAX Task 1a: How can I earn an income at school

Did you know that you can be an entrepreneur and still be at school?

Check out these inspiring stories and videos of students who have participated in the Young Enterprise Programmes.



## TAX Task 1b: How can you earn an income as a student?

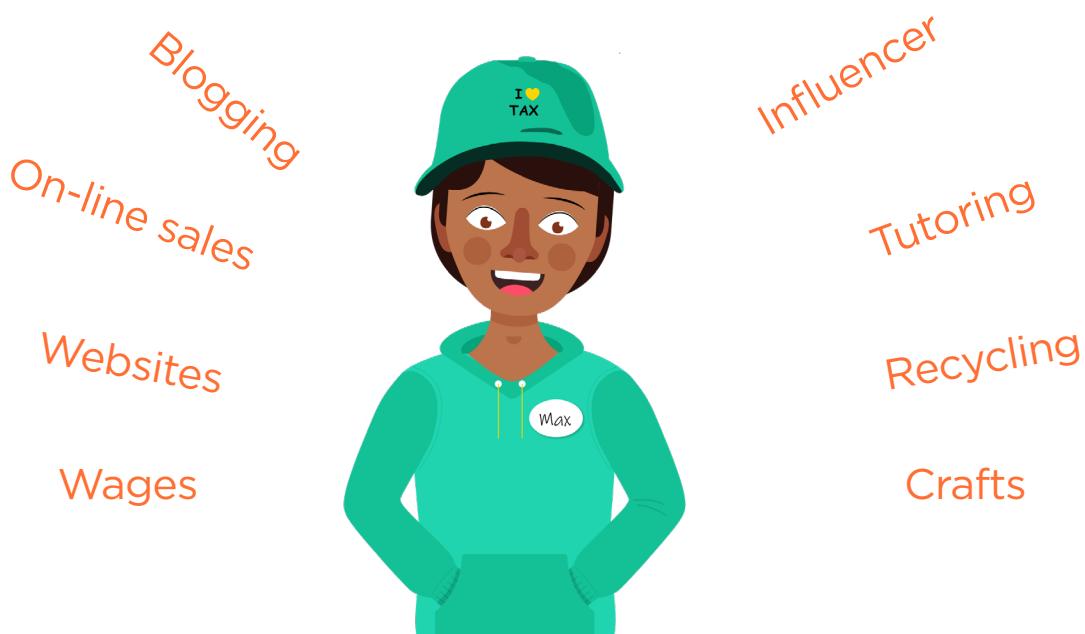
Apart from having a part-time job for salary or wages, many students in Aotearoa New Zealand generate income in other ways. Some of these began as start-up ideas that have grown, over years, into multi-million dollar companies.

Think about all of the ways that you could make money whilst you are at school. Utilise your talents and passions. Many students use the internet to make money designing websites, selling second-hand clothes online, blogging, vlogging and becoming social influencers.

Check out how much you can make broadcasting on your own YouTube channel:

[How much do YouTubers make?](#)

Research several ways that you can make “an income as a student”. Create a resource that can be shared with your classmates and present it to them.





## TAX Checkpoint

Let's see what you have learned so far.

**1)** List sources of income that an individual can have.

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**2)** What are the two main employment income types for individuals in Aotearoa New Zealand?

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**3)** Explain what a passive income is and its advantages.

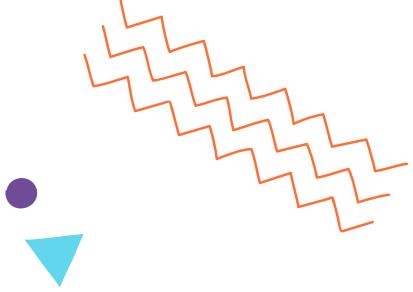
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**4)** Describe ways you might create an income as a student.

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**Before moving on to Section Two, check that you understand:**

- Explain different sources of income for an individual and can give examples of these
- Explain when employers have to pay time and a half to their employees.



# Section Two: How much do I earn an hour?

## Learning Outcomes for Section Two

- Define hourly, weekly, net, and annual gross pay.

### Success criteria

- I can work out what the hourly rates are from the details on a payslip
- I can explain why there are three different minimum wages.



### TAX Facts

## Minimum Wage

Employees are covered by an employment agreement that means they must be paid the minimum wage. This covers all employees over the age of 16 years old. As you begin part-time work, be aware of what you are entitled to. There are three different scales for minimum wage. You have rights as an employee just as your employer has responsibilities to their workers.

The current minimum wage rates (before Tax) are as at 1 April 2022 and apply to employees age 16 years or over:

Type of minimum wage	Per hour	8 hour day	40 hour week	80 hour fortnight
<b>Adult</b>	\$21.20	\$169.60	\$848.00	\$1,696.00
<b>Starting-out</b>	\$16.96	\$135.68	\$678.40	\$1,356.80
<b>Training</b>	\$16.96	\$135.68	\$678.40	\$1,356.80

Source: Employment New Zealand

## Understanding your payslip

If you are on wages or a salary you will usually receive a payslip. It is important to understand the components of your payslip.

Your gross pay is the total amount you earn for the work you have done.

Your net pay is the amount that goes into your bank account each payday. It is your gross pay less your taxes and other deductions, like KiwiSaver.

Your hourly rate is what you earn per hour. To work out your weekly gross pay you multiply your hourly rate by the number of hours worked per week.

Check your payslip each pay period so you can track if you are being paid correctly.



Sometimes, people don't have much leftover after deductions like tax, KiwiSaver and non-negotiable living expenses like rent, food and power are paid. If you know what your net pay is you can monitor non-essential buying.

You know how hard you have worked for your money and it makes you aware of your needs and wants.

Is that pair of shoes, latest mobile device or concert ticket really worth it?



## TAX Task 2: Know my rights

Your task is to create a resource for other students in your school who work part-time but are unaware of their rights. This resource can be in either a visual or audio format of your choice. Check with your teacher whether you should do this individually, in pairs or as a group.

Read through the resources below.

### **Resource 1: Pay and the minimum wage**

There is a minimum wage in New Zealand and it is important that you are aware of this and what you are entitled to as an employee:

### **Resource 2: Discover the perspective of migrant workers.**

#### **'Exploitation is my destiny': Migrant workers open up about 'modern slavery' in NZ**

### **Resource 3: Further investigate migrant exploitation**

### **Resource 4: Workers are entitled to rests and meal breaks**

### **Resource 5: Hours of work**

All employees must have an employment agreement stating hours of work, start and finish times, and the days of the week the employee will work.

### **Resource 6: Leave and Holidays**

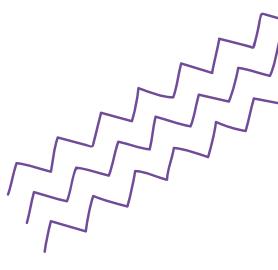
It is important to make sure that you are getting the correct holiday and leave entitlements. Make sure you are getting paid correctly.

### **Resource 7: Resolving Problems**

Problems can occur in the workplace and it is important that you understand the rights and responsibilities of both you and your employer.



## TAX Checkpoint



Let's see what you have learned so far.

**1)** Describe what gross pay is.

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**2)** Describe what net pay is.

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**3)** Explain why it is important to know what your gross, net, weekly and hourly pay is.

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**4)** Define what a minimum wage is and explain why it is important that you know your rights as you enter the workforce.

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**Before moving on to your assessment, check that you understand:**

- Work out what the hourly rates are from the details on a payslip
- Explain why there are three different minimum wages.

# Section Three: Income sources for businesses

## Learning Outcomes for Section Three

- List different types of income sources for businesses.

## Success Criteria

- I can explain several sources of income that a business may have.

Just like individuals, businesses can have multiple income sources. It is sometimes a safeguard not to rely on only one source of income.

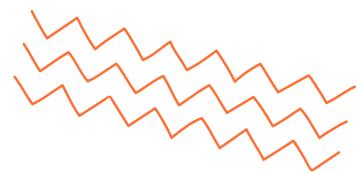
### Some ways that businesses can receive income is by:

- Generating sales by providing goods or services
- Using the profits that they make to invest in shares in Aotearoa New Zealand or overseas
- Interest on money that they have loaned out
- Selling the use of intellectual property
- Receiving royalties.





## TAX Checkpoint



Let's see what you have learned so far.

**1)** What are some different sources of income for a business? 

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**2)** Why could it be advantageous to have multiple sources of income?

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**Before moving on to your assessment, check that you understand:**

- Explain several sources of income that a business may have.



## TAX Assessment Task

This assessment provides an opportunity for you to demonstrate your understanding of how our revenue system works in Aotearoa New Zealand. Before you start, read the tax Smart rubric to see how you will be assessed.

Select a task that best shows that you can:

- Describe different sources of income (e.g. from employment, sales, investments, government benefits etc.)
- Explain various types of income (e.g., Salaries, bonuses, commission, dividends, interest, etc.)
- Define hourly, weekly, net pay and annual gross pay
- List different types of income sources for businesses.

**To show your understanding about Sources of income select one of the tasks:**

	<p><b>A TED Talk</b> Use this format to inform and educate your peers. It can be used as a resource in your school or the wider community. Although <u>this TED Talk</u> is not given by a student, the subject is about Money so check it out for some ideas.</p>
	<p><b>A digital visual resource</b> that can be shared in your school and with your family members, whānau, aiga, or kāinga e.g. presentation, documentary, video. <u>This is a good example.</u></p>
	<p><b>An infographic</b> that can visually inform the viewers about this topic.</p>
	<p><b>A how-to-guide</b> using publishing software that can be used for new immigrants coming into Aotearoa New Zealand. This can be in either English or another language.</p>



## TAX Smart: Assessment for learning

This self-assessment provides an opportunity for you to demonstrate your understanding of different income sources for the individual as well as for businesses.

This rubric is for you to identify where you are, what you are doing, and your next steps. You can opt to attach evidence to your outcomes.

Complete this rubric by highlighting the outcomes you have achieved and either attaching it to your task electronically or downloading a copy. This evidence might come from some learning during the topic or a link to part of your assessment task.

### Examples of evidence:



**TAX Chats** - Written outcomes based on the conversation starters and questions around the Tax system as an individual



**TAX Tasks** - Screenshot / photograph your outcomes / hyperlink.  
Examples might include photos of your outcomes for the tasks Income for students and Know my rights.



## Capability – Manage Money and Income

Outcome	Learning to be TAX Smart	TAX Smart Ready	TAX Smart Proficient	TAX Smart Expert
Describe sources of income	I can state what a source of income is.	I can describe several other sources of income that an individual can have.	I am TAX Smart Ready. + I can explain different sources of income for an individual and can give Examples of these.	I am a TAX Smart Proficient. + I can justify the value of having more than one source of income for different stages throughout your life.
Describe different types of income for an individual	I can state what a type of income is.	I can describe several types of income that an individual can have.	I am TAX Smart Ready. + I can explain different types of income for an individual and can give Examples of these.	I am a TAX Smart Proficient. + I can evaluate the best type of income to receive if I could generate more than one source of income.
Define hourly, weekly, net pay and annual gross pay	I can state what gross pay is.  I can state what net pay is.  I can state what time and a half is.  I can state what a minimum wage is.	I can describe annual gross pay, net pay, weekly pay and hourly pay by reading a payslip.  I can describe what the minimum wage is for someone over 16 years.  I can give an Example of when you can be paid time and a half.	I am TAX Smart Ready. + Using a calculator, I can work out what the hourly rates are from the details on a payslip.  I can explain why there are three different minimum wage rates.  I can explain why employers have to pay time and a half to their employees.	I am a TAX Smart Proficient. + I can show others how to work out the pay rates from a payslip.  I can justify the need for minimum wage rates.  I can create a resource to support others.  I can justify the need to know what is in your employment contract.
Describe the different income sources for a business	I can describe one income source for a business.	I can describe several sources of income that a business may have.	I am TAX Smart Ready. + I can explain in detail why a business may have several sources of income.	I am a TAX Smart Proficient. + I can justify the reason for selecting specific streams of income as being better options for a business.

Te whai hua - kia ora!



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**Notes:**