



**BUDGET
2024**

Tax at a Glance

**Hon Nicola Willis
Minister of Finance**

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Te Kāwanatanga o Aotearoa
New Zealand Government

TAX AT A GLANCE

The Government is delivering on its commitment to tax relief

- Tax relief in Budget 2024 will let hard-working New Zealanders keep more of what they earn.
- 83 per cent of New Zealanders will benefit from tax relief to help ease the cost of living.

What is changing?

The Government is increasing personal income tax thresholds, expanding eligibility for the independent earner tax credit, increasing the in-work tax credit and introducing FamilyBoost.

Personal income tax thresholds have been increased to recognise that wage growth over time has pulled more people into higher tax brackets. Increasing the thresholds reduces income tax for people earning more than \$14,000 per annum. It is the first reduction in personal income tax since 2010.

The upper limit of eligibility for the **independent earner tax credit** has been extended to recognise wage growth. This will help an estimated 420,000 additional people by up to \$20 per fortnight.

It is important that low-to-middle-income working families get the support they need, so families receiving the **in-work tax credit** will get up to an extra \$50 per fortnight, supporting an estimated 160,000 families.

The new **FamilyBoost** payment will help an estimated 100,000 families with young children meet the costs of early childhood education.

Who will benefit?

- Households with children, on average by **\$78 per fortnight**.
- Around 1.9 million households, on average by **\$60 per fortnight**.
- More than 3.5 million New Zealanders, on average by **\$32 per fortnight**.
- All people receiving NZ Superannuation.

WHAT IS CHANGING?

What it is	What it does and who's impacted	What's the change
Personal income tax (PIT)	Paid on the total income people receive over the tax year. There are five income tax brackets, four of which are defined by an upper income threshold. Income tax rates are higher in each successive bracket.	Income tax brackets will change. The thresholds will increase to \$15,600, \$53,500 and \$78,100 per annum.
Independent earner tax credit (IETC)	Tax credit for individuals in paid work who don't receive Working for Families, main benefits or Superannuation.	Eligibility extended to those earning up to \$70,000 per annum.
In-work tax credit (IWTC)	Tax credit for working families with dependent children.	Tax credit increases by up to \$50 per fortnight per family.
Minimum family tax credit (MFTC)	Tax credit for low-income working families with dependent children (additional to the IWTC).	The MFTC increases to allow recipients to benefit from the PIT changes.
FamilyBoost	Families earning under \$180,000 per annum with children in early childhood education (ECE) can claim a refund on fees.	25 per cent of ECE fees refunded up to a maximum of \$150 per family per fortnight for families earning under \$180,000 per annum.

CHANGES TO PERSONAL INCOME TAX (PIT) THRESHOLDS

From 31 July 2024, income tax thresholds will increase.

Increasing PIT thresholds reduces income tax for people receiving over \$14,000 of income per annum. The current thresholds have been the same since 2010 (apart from a new top threshold which took effect in 2021). As wages have grown over time, people have paid more of their incomes in tax. Increasing the income tax thresholds goes some way towards addressing this.

Current brackets \$	New brackets \$	Rate
0 – 14,000	0 – 15,600	10.5%
14,001 – 48,000	15,601 – 53,500	17.5%
48,001 – 70,000	53,501 – 78,100	30%
70,001 – 180,000	78,101 – 180,000	33%
180,001+	No change	39%

EXTENDING THE INDEPENDENT EARNER TAX CREDIT (IETC)

From 31 July 2024, the IETC will be available to eligible individuals earning between \$24,000 and \$70,000 per annum.

The IETC is a tax credit of up to \$20 per fortnight that is currently available to those earning between \$24,000 and \$48,000 per annum. Those eligible can receive the IETC during the year by using an appropriate tax code, or get it all at the end of the year.

To recognise the impact of wage growth, the upper limit of eligibility for the IETC is being extended from \$48,000 to \$70,000 per annum. Those earning \$24,000 to \$66,000 per annum receive the full credit, with entitlements gradually reducing as income increases, up to the limit of \$70,000. After these changes, a total of 725,000 people will receive the IETC.

INCREASING THE IN-WORK TAX CREDIT (IWTC)

From 31 July 2024, the IWTC will increase by up to \$50 per fortnight.

The IWTC is a tax credit for families with dependent children who are normally in paid work. The increase of \$50 per fortnight (which gradually reduces as family income rises) will further support low-to-middle-income families.

The MFTC tops up the after-tax income of around 3,000 eligible low-income working families to a guaranteed minimum amount. This guaranteed minimum will be increased slightly to allow MFTC recipients to benefit from the PIT changes (on top of the full \$50 per fortnight IWTC increase).

INTRODUCING FAMILYBOOST

FamilyBoost is a new childcare payment that will be available to low-to-middle-income families with children aged 5 and under, to help with the costs of early childhood education (ECE).

From 1 July 2024, parents and caregivers will be eligible for a partial reimbursement of their ECE fees, up to a maximum fortnightly payment of \$150. Reimbursements will be made quarterly, as a lump sum. The first payments will therefore be made from October.

Parents and caregivers can get back up to 25 per cent of their ECE fees, after the 20 Hours ECE and MSD Childcare Subsidy have been taken into account, up to the \$150 maximum.

This maximum payment slowly reduces for family incomes over \$140,000 per annum. Families with incomes over \$180,000 per annum are not eligible for FamilyBoost.

WHAT COULD THIS MEAN FOR ME?

Below are some examples of how people and families benefit from the Government's tax changes. To find out more about how much you or your family could be better off from these changes, a tax calculator is available at budget.govt.nz/taxcalculator

Couple with four children, two in ECE

Couple with two school-aged children and two children in ECE, with one parent earning \$80,000 per annum and the other earning \$60,000 per annum, for an annual household income of \$140,000, spending \$600 per fortnight on childcare.

Total annual gain: \$7,042

PIT: \$1,842 | IWTC: \$1,300 | FamilyBoost: \$3,900

Better off by around \$271 per fortnight

Average income household with two children in ECE

Couple earning \$62,500 each per annum, with two children in ECE. They spend \$600 per fortnight on childcare. Their combined income of \$125,000 matches the New Zealand average household income.

Total annual gain: \$6,539

PIT: \$1,599 | IETC: \$1,040 | FamilyBoost: \$3,900

Better off by around \$252 per fortnight

Average income household with two children

Couple earning \$62,500 each per annum, with two school-aged children.

Total annual gain: \$2,639

PIT: \$1,599 | IETC: \$1,040

Better off by around \$102 per fortnight

Couple with a child in ECE

Couple with a three-year old, with each adult earning \$75,000 per annum for an annual household income of \$150,000 and spending \$400 per fortnight on childcare.

Total annual gain: \$4,499

PIT: \$1,899 | FamilyBoost: \$2,600

Better off by around \$173 per fortnight

WHAT COULD THIS MEAN FOR ME?

Sole parent with two children

Sole parent earning \$80,000 per annum, with two children aged 16 and 13.

Total annual gain: \$2,343

PIT: \$1,043 | IWTC: \$1,300

Better off by around \$90 per fortnight

Working couple

Two adults both earning \$150,000 per annum.

Total annual gain: PIT: \$2,085

Better off by around \$80 per fortnight

Single adult

Single adult earning \$55,000 per annum.

Total annual gain: \$1,320

PIT: \$800 | IETC: \$520

Better off by around \$51 per fortnight

Minimum wage earner

Single adult earner working 40 hours per week on minimum wage, earning \$48,152 per annum.

Total annual gain: \$651

PIT: \$131 | IETC: \$520

Better off by around \$25 per fortnight

Retired couple

Retired couple receiving NZ Superannuation with no other income.

Total annual gain: PIT: \$224

*This couple will initially be better off by around \$9 per fortnight, rising to around \$18 per fortnight from 1 April 2025 and \$26 per fortnight from 1 April 2026 due to the Annual General Adjustment process. These estimates are based on Budget 2024 forecasts.

Better off by around \$9 per fortnight – rising to around \$26 per fortnight*

To find out more about how much you or your family could be better off from the Government's tax changes, visit **budget.govt.nz/taxcalculator**

Permanent URL:

treasury.govt.nz/publications/glance/tax-glance-2024

Budget 2024 website URL:

budget.govt.nz/budget/2024/tax-at-a-glance

Notes:

Distributional impacts presented are based on tax year 2027. Impacts on example families are for a full year from 1 Aug 2024 to 31 Jul 2025.



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