

The Treasury

Budget 2024 Information Release

September 2024

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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BUDGET
2024

Tax at a Glance

Hon Nicola Willis
Minister of Finance

30 May 2024

Embargo: Contents not for communication in any form
before 2:00 pm on Thursday 30 May 2024.

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 allow hard-working New Zealanders to 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. This will reduce 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 families with young children meet the costs of early childhood education.

Who will benefit?

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

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

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?

To find out more about how much you or your family will be better off from this year's Budget, 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 earning \$75,000 each 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

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Commented [RO[3]]: Noting Josh's suggestion to emphasise link somehow

Commented [JLR[4R3]]: Hamish, we couldn't find an obvious spot to bring the link to the calculator higher up in the document - maybe some formatting trick might help achieve that. Can you please check with Grant whether it needs to go higher than currently?

WHAT COULD THIS MEAN FOR ME?

Sole parent with two children

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

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 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.

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[^]**

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 from 1 Aug 2024 to 31 July 2025.
The payment received by Superannuitants will increase from 1 April 2025.



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