

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [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

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Reference: T2024/1021

Date: 11 April 2024

To: Minister of Finance
(Hon Nicola Willis)

Deadline: None
(if any)

Aide Memoire: Summarising flow-on decisions for personal tax package

1. This report summarises the flow-on impacts of the personal tax package for Budget 2024. You have received advice separately asking for decisions on these flow-on impacts. Decisions are required by the **end of Friday 12 April** so that officials can proceed with final costings.
2. As noted in previous advice, the adjustments to the personal income tax thresholds and the increase to the In-Work Tax Credit (IWTC) will affect other components of the tax and transfer system in the following ways if no supplementary decisions are taken:
 - a. **NZ Superannuation** rates will *increase* due to both the direct impact of the tax threshold adjustments and the indirect impact over time of being tied to the net average wage.
 - b. **Main benefits** will be *unaffected* by the tax changes as the rates are set net of tax in legislation.
 - c. **Student allowances** will *increase* by around \$2 per week as the rates are set gross in legislation.
 - d. **Minimum Family Tax Credit** (MFTC) recipients gain \$25 via the IWTC increase.
3. Flow-on impacts are summarised in Table 1. These are the default impacts assuming you do not take further action. You have options to change the way the tax package flows through to the rest of the tax and transfer system.
4. Officials recommend taking the following actions to change the flow-on impacts of the tax package. These choices would mean recipients of these transfers are *neither better nor worse off* from the tax package and would reduce the cost of the package by **\$5.8 million** per annum.
 - i. Prevent personal income tax changes impacting the net rates of Student Allowance by retaining the current net rates as at 1 April 2024 (agree to the relevant recommendation in **T2024/967**).
 - ii. Reduce the MFTC threshold so that recipients are not impacted by the tax package (agree to Option 3 in **IR2024/119**).

Table 1: Summary of flow-on impacts and recommended decisions

| Policy flow-on | Outcome for cohort in package from 31 July 2024 <u>if no further decisions are taken</u> | Recommended change & rationale | Report reference for decision | Outcome for cohort in package from 31 July 2024 <u>if recommended action is taken</u> |
|---|---|---|--------------------------------------|--|
| NZ Super | Gain by around \$2 per week (via PIT changes) | No action recommended. | n/a | Gain by around \$2 per week |
| Main Benefits | No impact from package | No action recommended. | n/a | No impact from package |
| Student allowances | Gain by around \$2 per week (via PIT changes) | Reduce gross rates to prevent flow through of tax changes. This is to ensure consistency with the treatment of main benefits. | IR2024/119 | No impact from package |
| Minimum Family Tax Credit (MFTC) recipients | Gain by around \$25 per week (via IWTC increase) | Decrease MFTC threshold so recipients don't gain from IWTC changes. This is to maintain policy intent of the MFTC and system integrity, while also ensuring these families are not worse off from the changes. | T2024/967 | No impact from package |

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