

# The Treasury

## Budget 2024 Information Release

### September 2024

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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

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## Treasury Report: Budget 24 tax calculator

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<b>Date:</b>	12 April 2024	<b>Report No:</b>	T2024/1030
		<b>File Number:</b>	

### Action sought

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	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<b>Note</b> the contents of this report. <b>Approve</b> the proposed tax calculator option.	15 April

### Contact for telephone discussion (if required)

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Name	Position	Telephone	1st Contact
Julia Robinson	Analyst, Tax Strategy, <sup>[39]</sup> The Treasury	N/A (mob)	✓
Jean Le Roux	Manager, Tax Strategy, The Treasury	N/A (mob)	

### Minister's Office actions (if required)

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

# Treasury Report: Budget 24 tax calculator

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## Purpose of Report

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1. This report provides advice in response to your request for a “tax calculator” to support communications on the income tax package announced on Budget Day 2024. You specified that the calculator should illustrate what New Zealanders will get out of the tax package as a result of the Budget announcements.

## Analysis

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2. A tax calculator was last produced for Budget Day 2017 (see Annex 1). It is possible to produce something similar for this year’s Budget. While proceeding on the basis of the recommendations in this report will minimise the risk of error or failure, a low level of risk remains.

## Hosting

3. Officials propose that the calculator is added to the Budget 2024 website ([www.budget.govt.nz](http://www.budget.govt.nz)).
4. Officials considered hosting the calculator on the Inland Revenue website. That will not be possible due to risks associated with resourcing the web development alongside their current programme of work for Budget 2024, and risks to the viability of the Inland Revenue website on Budget Day due to high volumes of internet traffic. Inland Revenue’s rationale is provided in Annex 2.
5. Officials are confident that the Budget website will be able to withstand the increased traffic on Budget Day, including use of this calculator. But there is still a risk to the overall performance of the website due to higher than usual internet traffic. Such calculators can generate high interest. In 2017, in the hour following the embargo being lifted, 3600 users accessed the calculator. At its peak, the traffic totalled 781 users over a 5-minute period. Officials will test the website’s ability to support significantly higher traffic.
6. The tax calculator would go live to the public in line with the Budget website and Budget 2024 announcement at 2pm on Budget Day. An offline version would be available for participants in the Budget Lock Up.

## Design parameters

7. Officials have developed a set of design parameters, which broadly align with the 2017 approach. These parameters would deliver the highest confidence results and minimise the delivery risks. We seek your approval to the approach laid out below.
8. The calculator would take into account all components of the tax package: Personal Income Tax (PIT) Threshold changes; changes to the Independent Earner Tax Credit (IETC) and In Work Tax Credit (IWTC); and introduction of FamilyBoost. The calculator would present the changes for each tax package component as well as the overall impact on after-tax income.
9. The calculator would show the changes to an individual or family’s after-tax income as the total weekly change. Data would show the impact of the changes from 31 July 2024 onwards.

10. We advise against providing a total annual change, which may be misleading. The implementation date does not align with the tax year, so any projected total would not reflect the actual sum at the end of the tax year and might be confusing for the user. The actual annual change may also vary if a person's circumstances change in that time. In 2017, an annual total was included because the implementation date aligned with the start of the tax year.
11. As in 2017, the calculator would not cover beneficiaries, superannuitants, and students. This is because the payments these groups receive depend on a range of family and individual circumstances. Introducing these variables into the programming would compound the complexity of the calculations, and it is likely that the results would be much less accurate for these groups. The calculator website would make clear that those groups of people are not covered. General narratives on the impacts of the tax package changes on these groups could be included elsewhere in Budget communication materials.

## **Cost**

12. The Treasury has already contracted a website support vendor for technical updates to the Budget website ahead of Budget Day. It is possible to extend the scope of this work to include a tax calculator, <sup>[25]</sup>

## **Delivery risks**

13. Developing the Budget website is very resource demanding. Adding to that workload the development and design of a calculator will divert some resources, which would have focused otherwise on the core Budget information.
14. It is also not possible to give the absolute reassurance that the calculator will work perfectly once live. The tight timeframe means the calculator will be subject to less thorough testing, which raises the risk of inaccuracies.

## **Next Steps**

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15. If you agree, officials will engage with the web development company immediately to extend the scope of their existing contract with the Treasury to include the tax calculator according to the design principles specified above.

## Recommended Action

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We recommend that you:

- a **Note** the contents of this report.

*Noted / not noted.*

- b **Instruct** officials to contract the Treasury's website support vendor to implement a tax calculator on the Budget website, to go live in line with the Budget announcement on Budget Day 2024.

*Instructed / not instructed.*

- c **Note** that contracting the Treasury's website support vendor to implement a tax calculator would come at an additional cost of approximately \$40,000 funded from within Treasury's existing baseline.

*Noted / not noted.*

- d **Agree** to the following design parameters for the tax calculator:

- include all components of the tax package: Personal Income Tax (PIT) Threshold changes; changes to the Independent Earner Tax Credit (IETC) and In Work Tax Credit (IWTC); and introduction of Family Boost,
- calculate the changes to an individual or family's after-tax income including total weekly change from 31 July 2024 onwards,
- present the changes for each tax package component as well as the overall impact on after-tax income, and
- do not include calculations for beneficiaries, superannuitants, and students due to risks to accuracy and website performance.

*Agreed / not agreed.*

- e **Note** the low residual risks that remain, including resourcing impacts, time constraints, and accuracy of the end product.

*Noted / not noted.*

Jean Le Roux  
**Manager, Tax Strategy**

Hon Nicola Willis  
**Minister of Finance**

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## Annex 1: 2017 Tax Calculator

The Government provided a tax calculator in 2017 to demonstrate the impact of tax changes introduced in Budget 2017. The calculator was hosted on the Budget 2017 website.

Below are screenshots of the 2017 calculator tool, including the type of information provided in the results.

### HOW DOES THE FAMILY INCOMES PACKAGE AFFECT ME?

December 2017: It is the Government's current intention to repeal these Family Incomes measures introduced by the previous Government.

My income before tax: 79000 Yearly

My partner's income before tax: 21000 Yearly

My family income is **\$100,000** per year

Number of children for whom I receive Working for Families as of 1 April 2018

Under 13 years: 3

13 - 15 years: 1

16 - 18 years (dependents): 0

Do you qualify for the In-Work Tax Credit?  
You qualify if you and your partner work at least 30 hours per week combined, or if you are a sole parent and work 20 hours or more.

NO  YES

Calculate

### Changes to my family after-tax income from 1 April 2018

Weekly tax reduction	\$29.81
Weekly Independent Earner Tax Credit change	\$0.00
Weekly Working for Families change	\$52.58
<hr/>	
Total weekly change to my family income	\$82.39
Total annual change to my family income	\$4,284.00

The 2017 calculator also included several caveats:

## Notes

- If you are receiving New Zealand Superannuation, a main benefit or a student allowance this calculator will not be suitable for you.
- Actual changes will depend on personal circumstances and may differ from the estimate provided by the calculator, especially if your circumstances change.
- The calculator is based on the taxable income estimates you provided.
- For simplicity, the calculator excludes [other income types and adjustments](#) that can affect Working for Families entitlements.
- The calculator does not include the Parental Tax Credit and Minimum Family Tax Credit which may affect Working for Families entitlements.
- The calculator assumes children remain in the same age threshold for a full tax year. If your children will cross an age threshold (eg, from under 13 to 13-15 years) during the tax year the calculator will provide an overestimate of the change in family income.
- The calculator does not estimate changes to the Accommodation Benefit.
- Your inputs into the calculator are not stored anywhere, nor are they transmitted to any party including government agencies.
- Family is defined broadly to include one adult, a spouse (if any) and dependent children (if any).



## Annex 2: Consideration of hosting the calculator on the Inland Revenue website: Inland Revenue's comment

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Inland Revenue has been approached to consider hosting a Budget Tax Calculator on our website for Treasury. Under normal circumstances, we would be able to consider helping with this request. However, the collective risk in our overall change portfolio is high and, from a governance point of view, we must manage this risk and prevent any further work from coming in.

Our change portfolio is oversubscribed and contains many government priorities that we cannot expose to further risk. Taking on further work will draw away critical resources that need to be focussed on our must-deliver priorities like Family Boost, Personal Income Tax Changes, Working for Families and online casino taxes.

We are also engaged in other work relating to different Government priority items, some of which are led by other agencies, that also impact us and our critical resources. For example, Student Loans (Fees Free), Brightline property changes, increasing compliance across tax and social policy products and R&D Tax Credits.

In parallel to this portfolio risk, we are moving into our period of peak customer demand. Our Individual Income Tax Assessment process starts late May 2024 and continues through to June. We expect to issue over 3 million tax assessments over this period, drawing a large amount of customer demand to myIR and our website. Because of this, moving the risk associated with hosting the calculator to IR from May onwards would be counterintuitive. Anything that impacted on our website availability, limiting access to channels like myIR, could drive thousands of customers to less efficient channels and create long term impacts to our workload.

Finally, we believe there are other risks associated with Inland Revenue hosting this calculator such as customer confusion between our existing calculators and the Budget one, as well as the technical system challenges that would need to be resolved. Considering these risks, we believe hosting the website somewhere else would significantly reduce the chances of negative outcomes for both agencies.