

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
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- [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
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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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Tax Policy Report: Joint Report: Regulatory Impact Statements - Personal income tax relief and \$25 per week increase to the in-work tax credit

Date:	24 April 2024	Report No:	T2024/1148 IR2024/191
		File Number:	SH-13-5-2-5-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Nicola Willis)	<p>Note the regulatory impact statements attached</p> <p>Refer both regulatory impact statements to the Minister for Regulation</p> <p>Refer the "\$25 per week increase to the in-work tax credit" regulatory impact statement to the Minister for Child Poverty Reduction</p>	26 April 2024
Minister of Revenue (Hon Simon Watts)	Note the regulatory impact statements attached	26 April 2024

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Robert O'Hara	Analyst, Tax Strategy, The Treasury [39]	[35]	✓
Claire McLellan	Team Leader, Tax Strategy, The Treasury		
Maraina Hak	Policy Lead, Policy and Regulatory Stewardship, Inland Revenue		

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Tax Policy Report: Joint Report: Regulatory Impact Statements - Personal income tax relief and \$25 per week increase to the in-work tax credit

As part of Budget 2024, policies are being progressed to deliver personal income tax relief (including lifting personal income tax thresholds and expanding the Independent Earner Tax Credit) and to increase the In-Work Tax Credit by \$25 per week. These policies will involve regulatory change, meaning regulatory impact statements are required to be produced.

Two regulatory impact statements are attached, one for personal income tax relief (including lifting personal income tax thresholds and expanding the Independent Earner Tax Credit) and one for the \$25 per week increase to the In-Work Tax Credit. These documents provide a summary of officials' views on the policies and incorporate advice provided to ministers throughout the policy process.

The regulatory impact statement for personal income tax relief describes the context of accumulated fiscal drag in which the policy was developed, and the various proposals that were considered throughout the policy process. These include the proposals put forward by the National and ACT parties during the 2023 general election, and variations on these proposals that were requested by ministers and developed by officials. These proposals are compared using tax policy principles. The regulatory impact statement concludes that officials support the broad approach of the proposal being taken to Cabinet, with the following further recommendations:

- a. consider cost-saving alternatives ^[34]
- b. delay implementation to 1 October 2024,
- c. do not proceed with the proposed IETC expansion,
- d. prevent the tax changes flowing through to student allowances.

The regulatory impact statement for the \$25 increase to the In-Work Tax Credit concludes that officials broadly support the Government's proposal on the grounds that an increase will ensure that the real value of the support increases with wage growth. It also ensures the tax credit acts as an effective incentive for low- to middle-income families to take up, and stay in, employment. Officials note that wider changes to the policy settings of the In-Work Tax Credit, including the rules for eligibility and abatement, were not in scope for any of the proposed options. The modelling of child poverty impacts was also not modelled independently of the other Tax Package changes, due to time constraints.

The regulatory impact statement also covers a consequential amendment required to the Minimum Family Tax Credit. The base rate of the In-Work Tax Credit affects the calculation of the Minimum Family Tax Credit threshold, and therefore required a Cabinet decision. The Cabinet paper proposes to allow Minimum Family Tax Credit recipients to gain from both the In-Work Tax Credit increase and the personal income tax reductions. This was the preferred option of both the Ministry for Social Development and the Child Wellbeing and Poverty Reduction Group in the Department of the Prime Minister and Cabinet on income adequacy grounds. This was not the preferred option of Inland Revenue on the grounds that it would speed up the eventual overlap of the Minimum Family Tax Credit threshold and the Working for Families abatement threshold and exacerbate issues relating to the tax credits 100% abatement rate.

These regulatory impact statements will be made publicly available on Budget Day (30 May), alongside the legislation required to implement the policies.

Recommended Action

We recommend that you:

a **note** the regulatory impact statements attached.

Noted

Noted

b **refer** both regulatory impact statements to the Minister for Regulation.

Referred/Not referred.

c **refer** the “\$25 per week increase to the in-work tax credit” regulatory impact statement to the Minister for Child Poverty Reduction.

Referred/Not referred.

Claire McLellan
Team Leader
Tax Strategy, The Treasury

Maraina Hak
Policy Lead
Inland Revenue

Hon Nicola Willis
Minister of Finance

Hon Simon Watts
Minister of Revenue

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Regulatory impact statement available at:
<https://www.treasury.govt.nz/publications/risa/regulatory-impact-statement-personal-income-tax-relief>