

# 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
- [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
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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: T2024/1464

Date: 29 May 2024

To: Minister of Finance  
(Hon Nicola Willis)

Deadline: None  
(if any)

## Aide Memoire: Personal Income Tax Modelling Note

1. You have requested information about the modelling process undertaken to produce distributional impacts from the Budget 2024 personal income tax changes, including the reasoning behind key modelling assumptions. You have also requested information on the number of households who will receive different levels of gains from the changes.

### Population distributional impacts (modelled by TAWA)

#### *Population sample used in modelling*

2. Distributional impacts for the New Zealand population are modelled by the Treasury's Tax and Welfare Analysis (TAWA) model. The model uses data from the Household Economic Survey, which contains a representative sample of New Zealand households. The TAWA model therefore reflects a broad and comprehensive range of household circumstances. The Household Economic Survey is however a sample of the population, so it will not capture every single household in New Zealand. In addition, Integrated Data confidentiality rules mean that we cannot report on modelling that covers less than 3,000 households.
3. Modelling is presented for households and individuals. Households are defined as one or more people living together in a private dwelling and sharing facilities. Households and families are not equivalent; a household could contain more than one family, which is defined as a single person or couple and any dependent children. For example, two couples sharing a flat would be two families in one household.

#### *Reason for modelling 2026/27 tax year*

4. In Treasury's advice on the Budget 2024 personal income tax changes, modelling of impacts has been shown for the 2026/27 tax year (the year ending 31 March 2027). This has been done to ensure all changes and flow-on impacts are in place for the full year that is modelled.
5. In particular, households with seniors gain significantly more in 2026/27 compared to 2025/26 (\$46 per fortnight compared to \$40 per fortnight) due to the lagged indexation effect of the tax changes on NZ Super rates.
6. For other households, the difference between 2025/26 and 2026/27 is minimal. As shown in Table 1, the average gains across all individuals and the average gains for households with children do not change between these two tax years.

### *Impacts on NZ Super*

7. In the 2024/25 tax year, a couple receiving NZ Super is estimated to gain around \$9 per fortnight from the tax changes. This is the result of a smaller proportion of income tax being levied on their NZ Super payments.
8. The tax changes also have an indirect effect on NZ Super payments due to the indexation of Super rates to the net average wage. However, the indexation adjustment occurs on 1 April each year, so the first adjustment after the 31 July tax changes will be at the beginning of the 2025/26 tax year.
9. During the 2025/26 tax year, a couple receiving NZ Super will receive a further gain of \$9 per fortnight following the indexation adjustment of Super rates, for a total gain of \$18 per fortnight. A further adjustment in 2026/27 means this couple will gain by a total of \$26 per fortnight from the tax changes.
10. The estimated gains for 2025/26 and 2026/27 are based on Budget 2024 economic forecasts. The actual gains Superannuitants receive will depend on actual future wage and CPI growth, and may differ from these estimates.

### *Interpretation of household impacts*

11. Distributional impacts are comparisons of household incomes at the same point in time (tax year 2027) with and without the tax package. Gains and losses do not indicate whether a household is better or worse off compared to the previous year, but only how their projected income in 2027 *with* the tax package compares to their projected income in 2027 *without* the tax package.
12. For example, a household that is referred to as having increased disposable income because of the tax package may not actually see their income increase from year to year. All this means is that their income is higher than it would have been if the tax changes were not implemented.

### *Figures quoted in Tax at a Glance*

13. The first page of Tax at a Glance quotes figures from TAWA modelling outputs. These figures are explained in detail below, and Table 1 provides a complete summary of TAWA distributional outputs. Highlighted figures in Table 1 are quoted in Tax at a Glance.
  - *83 per cent of New Zealanders will benefit from tax relief.*

Of the 4.267 million total individual New Zealanders aged 15 and over in tax year 2026/27, 3.521 million (83%) will benefit from the tax changes.
  - *Households with children, on average by \$78 per fortnight.*

Of the 0.629 million total households with children in tax year 2026/27, 0.584 million (93%) will gain from the tax changes. Out of these households with children who gain, the average fortnightly gain is \$78.<sup>1</sup>

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<sup>1</sup> To be absolutely clear: if you add up all of the gains across the 0.584 million households with children who gain from the tax changes (i.e., excluding households who do not gain) and divide them by the number of gaining households (0.584 million), you get \$78 per fortnight. The same approach is taken for the \$60 average gain for all households and the \$32 average gain for all individuals.

- *Around 1.9 million households, on average by \$60 per fortnight.*  
Of the 2.019 million total households in tax year 2026/27, 1.888 million (94%) gain from the tax changes. Out of these 1.888 million households who gain, the average fortnightly gain is \$60.
- *More than 3.5 million New Zealanders, on average by \$32 per fortnight.*  
Of the 4.267 million total individual New Zealanders aged 15 and over in tax year 2026/27, 3.521 million (83%) will benefit from the tax changes. Out of these 3.521 million individuals who gain, the average fortnightly gain is \$32.

**Table 1: Distributional impacts**

	Total number	Total number gaining	Percentage gaining	Average fortnightly gain
<b>All households</b>				
<i>Tax year 2025/26</i>	2,000,000	1,865,000	93%	\$58
<i>Tax year 2026/27</i>	2,019,000	1,888,000	94%	\$60
<b>Households with children</b>				
<i>Tax year 2025/26</i>	629,000	581,000	92%	\$78
<i>Tax year 2026/27</i>	629,000	584,000	93%	\$78
<b>Households with seniors</b>				
<i>Tax year 2025/26</i>	637,000	629,000	99%	\$40
<i>Tax year 2026/27</i>	657,000	649,000	99%	\$46
<b>Individuals</b>				
<i>Tax year 2025/26</i>	4,219,000	3,469,000	82%	\$32
<i>Tax year 2026/27</i>	4,267,000	3,521,000	83%	\$32

*Distribution of household gains*

14. You have requested information on the number of households who gain certain amounts from the tax package. Table 2 provides this information.
15. In tax year 2025/26, 9.5% of all households and 16.7% of households with children gain at least \$100 per fortnight.
16. In tax year 2026/27, 9.9% of all households and 17.3% of households with children gain at least \$100 per fortnight.

**Table 2: Number of households gaining different amounts from tax changes**

	< \$25	\$25-50	\$50-75	\$75-100	\$100-200	\$200+	Total gaining
<b>2025/26</b>							
All households	424,000	518,000	221,000	524,000	159,000	19,000	1,865,000
Households with children	48,000	125,000	77,000	234,000	83,000	14,000	581,000
<b>2026/27</b>							
All households	317,000	576,000	268,000	540,000	168,000	19,000	1,888,000
Households with children	46,000	128,000	76,000	233,000	86,000	15,000	584,000

Note: Figures are rounded to the nearest 1,000. Only gaining households are included (i.e., the less than \$25 category does not include households gaining \$0 or less).

### Example scenario impacts (modelled by the Tax Calculator)

17. Illustrative impacts of the tax package for example families and individuals are modelled by the Tax Calculator. This does not involve any data on the New Zealand population, but simply calculates the effects of the tax package for example families based on their situation as defined.

#### *Average household income*

18. Two of these scenarios in the TAAG refer to an “average income household” who have a total household income of \$125,000 per year. This average household income figure comes from: [Household income and housing-cost statistics: Year ended June 2023 | Stats NZ](#). This page notes that, in the year ended June 2023, “average gross annual household income increased from \$117,408 to \$126,411”.

#### *Median full-time wage*

19. You have also referred to “a median full-time wage and salary earner” when discussing impacts of fiscal drag. In T2024/419 – IR2024/072 “Personal income tax – design and delivery”, we provided figures of \$48,024 in the year ended June 2011 and \$73,417 in the year ended June 2023.
20. These figures were drawn from median weekly earnings statistics for full-time wage and salary earners in the Household Labour Force Survey (HLFS). Weekly earnings from the HLFS (\$921 in 2011 and \$1,408 in 2023) were multiplied by  $365/7$  (the precise number of weeks in a year) to produce annual figures. Full-time status in the HLFS is defined as usually working 30 or more hours per week, and median figures are the mid-point of the earnings distribution.

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