

# 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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Reference: T2024/780

Date: 22 March 2024

To: Minister of Finance  
(Hon Nicola Willis)

Deadline: None  
(if any)

## Personal tax package: costings of scaling options

We understand the personal tax package might be a focus of the third Budget Ministers meeting on 25 March. To support your discussions, this report summarises the fiscal costs of all tax proposals for Budget 2024 that impact on family incomes, including options to reduce the cost of these proposals. The proposals include:

1. **lifting Personal Income Tax (PIT) thresholds** to \$15,600; \$53,500; \$78,100; \$180,000,
2. **increasing the In-Work Tax Credit (IWTC) rate** by \$25 per week,
3. <sup>[33]</sup>
4. **extending the income range for the Independent Earner Tax Credit (IETC)** to \$70,000, and
5. **introducing the FamilyBoost policy** allowing a 25% refund of early childhood education fees (up to a refund of \$75 per week).

Officials have prepared fiscal costings for each of these proposals, assuming a 1 April 2025 implementation date for <sup>[33]</sup> and a 1 July 2024 implementation date for the remaining proposals. These are set out in Table 1. Any changes to the implementation dates will impact these costings.

The cost of this package totals <sup>[33]</sup> over the forecast period (OFP), with more than 80% of the cost coming from lifting personal income tax thresholds (PIT changes).

**Table 1: Fiscal costs of personal tax package (\$billions)**

Component: implementation date	2024/25	2025/26	2026/27	2027/28	Total OFP
<b>PIT changes:</b> 1 July 2024	\$1.82	\$2.51	\$2.56	\$2.49	<b>\$9.39</b>
<b>IETC expansion:</b> 1 July 2024	\$0.17	\$0.21	\$0.19	\$0.18	<b>\$0.75</b>
<b>IWTC increase:</b> 1 July 2024	\$0.16	\$0.16	\$0.15	\$0.15	<b>\$0.62</b>
<sup>[33]</sup>					
<b>FamilyBoost:</b> 1 July 2024	\$0.17	\$0.17	\$0.17	\$0.17	<b>\$0.68</b>
<b>Total</b>	<sup>[33]</sup>				

Officials have costed a range of options for reducing the fiscal cost of the personal tax package. These could involve both delaying the implementation of the package and scaling down the size of individual components of the package.

The FamilyBoost policy with a 1 July start date is due to be considered by Cabinet on 25 March. Delaying implementation of the other proposals (personal income tax threshold adjustments, In-Work Tax Credit increase, and Independent Earner Tax Credit extension) from 1 July 2024 is estimated to achieve the following savings:

- Delay to 31 July 2024: saving of **\$0.18 billion** over the forecast period
- Delay to 1 September 2024: saving of **\$0.35 billion** over the forecast period
- Delay to 1 October 2024: saving of **\$0.53 billion** over the forecast period.

Further savings could be achieved by scaling down the size of the individual package components. Officials have costed some options in Table 2. However, your options are not limited to these. These options would alter the distributional impact of the package.

**Table 2: Cost savings from scaling size of package components (1 July implementation)**

Policy	Description of scaling option	Saving over forecast period	Saving in 2027/28
	<i>Options you have requested</i>	<b>\$billions</b>	<b>\$billions</b>
PIT	<b>\$70,000 threshold to \$77,000</b> (\$1,100 less)	<b>-\$0.20</b>	-\$0.05
	<i>Saving per each \$1000 decrease between \$78,100 - \$74,000</i>	<i>-\$0.18</i>	<i>-\$0.05</i>
IETC	<b>Scaling the expansion of IETC to \$53,500</b>	<b>-\$0.52</b>	-\$0.13
IWTC	<b>Increase IWTC by \$20 per week</b> (\$5 less)	<b>-\$0.12</b>	-\$0.03
	<i>Further options prepared by officials</i>		
PIT	<b>Retain bottom threshold</b> (remain at \$14,000)	<b>-\$1.16</b>	-\$0.28
PIT	<b>10% less increase for each threshold</b> (\$15,400; \$53,000; \$77,300)	<b>-\$0.81</b>	-\$0.21
PIT	<b>50% less increase for \$70,000 threshold</b> (\$74,000)	<b>-\$0.75</b>	-\$0.20
IWTC	<b>Increase IWTC by \$15 per week</b> (\$10 less)	<b>-\$0.25</b>	-\$0.06
[33]			

The cost savings in Table 2 assume 1 July implementation for all proposals. Savings will differ depending on the implementation date. Costings were produced at pace and are indicative only to inform decision making. Further work will be needed to produce final costings, and these may differ. Some of the savings identified may be due to methodology differences in how the costings were produced. Forecasts from the 2023 Half Year Economic and Fiscal Update are used.

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