



**A Fair Economy.
A Strong Future.**

Budget 2008 Personal Tax Package

What tax cuts will mean for workers

Lisa and Paul

Lisa and Paul are both in their late 30's and have one child, Jake (4). Lisa works as a hospital cleaner and earns \$29,640 per year while Paul works as a labourer on the minimum wage, earning \$24,960 per year.

From 1 October this year Lisa and Paul will start paying \$620 less per year in tax each and will receive an additional \$588 per year of Working for Families tax credits as a result of indexation of the Family Tax Credit and income threshold. Lisa and Paul are \$1,828 per year better off as a result of 1 October changes.

The family will continue to benefit as the package is rolled out. Lisa and Paul will each pay \$918 less tax per year from 1 April 2010 and from 1 April 2011 these savings will reach \$1,130 each per year. Also the Family Tax Credit and income threshold are expected to increase again from 1 April 2011, bringing their additional tax credits to \$1,264 per year.

By 1 April 2011 Lisa and Paul will be better off by \$3,524 per year, or \$68 a week.

The changes announced in Budget 2008 will reduce the amount of tax that Lisa pays by 20% and the amount of tax that Paul pays by 24%.

Meg and Jack

Meg and Jack are both 35 years old and have two children, Chris (9) and Joanna (5). Jack works full time earning \$45,000 per year (approximately the average wage) and Meg works three days a week earning \$20,000 per year.

From 1 October this year Jack will start paying \$860 less per year in tax and Meg will be paying \$620 less. They will receive an additional \$743 per year of Working for Families tax credits as a result of indexation of the Family Tax Credit and income threshold. Meg and Jack are \$2,223 per year better off as a result of 1 October changes.

The family will continue to benefit as the package is rolled out. Jack will pay \$1,158 less tax per year from 1 April 2010 and from 1 April 2011 these savings will reach \$1,670 each per year. For Meg the savings will be \$918 from 1 April 2010 and \$1,130 from 1 April 2011. Also the Family Tax Credit and income threshold are expected to increase again from 1 April 2011, bringing their additional tax credits to \$1,597 per year.

By 1 April 2011 Meg and Jack will be better off by \$4,397 per year, or \$85 a week.

The changes announced in Budget 2008 will reduce the amount of tax that Meg pays by 31% and the amount of tax that Jack pays by 17%.

Michael and Miriama

Michael and Miriama are both 30 years old. They both work full time and do not have any children. Michael works as graphic design assistant and earns \$47,000 and Miriama works as a Journalist and earns \$52,000.

From 1 October this year Michael and Miriama will each pay \$860 per year less in tax. From 1 April 2010 these annual tax savings increase to \$1,158 each, and from 1 April 2011 these savings will reach \$1,670 each per year.

When the personal tax package is fully implemented their total combined tax saving will add up to \$3,340 per annum, or \$64 a week.

The changes announced in Budget 2008 will reduce the amount of tax that Michael pays by 16% and the amount of tax that Miriama pays by 14%.

Jay and Kiri

Jay and Kiri are both in their early 40's and have two children, Marla (19) and Jade (12). Jay works full-time as an electrician earning \$65,000 a year. Kiri is not in paid employment. Marla lives with them while studying full time at university.

From 1 October this year Jay will start paying \$1,160 less per year in tax and the family will receive an additional \$588 per year of Working for Families tax credits as a result of indexation of the Family Tax Credit and income threshold. Jay and Kiri are \$1,748 per year better off as a result of 1 October changes.

The family will continue to benefit as the package is rolled out. Jay will pay \$1,458 less tax per year from 1 April 2010 and from 1 April 2011 these savings will reach \$1,970 per year. Also the Family Tax Credit and income threshold are expected to increase again from 1 April 2011, bringing the family's additional tax credits to \$1,264 per year.

In addition, in January 2009 Marla's student allowance eligibility will increase because of an increase in the parent income threshold. She currently receives \$30 a week. In 2009 Marla's student allowance will increase by \$22 to \$52 a week. Over a forty-week academic year this will save the household \$880.

By 1 April 2011, if Marla is still studying Jay and Kiri will be better off by \$4,114 per year, or \$79 a week.

The changes announced in Budget 2008 will reduce the amount of tax that Jay pays by 12%.

Reynold

Reynold is 48 years old and runs his own small business. He earns \$95,000 a year.

From 1 October this year Reynold will pay \$1,460 per year less in tax. From 1 April 2010 these annual tax savings increase to \$2,058, and from 1 April 2011 these savings will reach \$2,870 per year.

When the personal tax package is fully implemented Reynold's total tax saving will add up to \$2,870 per annum, or \$55 a week.

The changes announced in Budget 2008 will reduce the amount of tax that Reynold pays by 10%.

Betty and Rex

Betty and Rex retired a number of years ago and receive New Zealand Superannuation (NZS). As a married couple Betty and Rex between them receive after tax payments of NZS of \$879.60 per fortnight. Betty and Rex pay tax of \$177.88 per fortnight on their NZS payments.

From 1 October Betty and Rex will pay much less tax. Between them they will receive an additional \$45.88 per fortnight. As a result of the tax changes Betty and Rex pay 26% less tax from 1 October this year.

These tax cuts do not replace the annual adjustments of NZS. Rates of NZS will be increased again on 1 April 2009. Although the final rates will depend on inflation and average wage figures which will not be available until early 2009, current estimates are that Betty and Rex could receive an additional \$29.44 per fortnight between them from 1 April 2009.

This means by 1 April 2009 Betty and Rex could be \$75.32 a fortnight better off. This reflects an increase in income of around 8.5%.

Betty and Rex will continue to benefit from the tax package as it is rolled out on 1 April 2010 and 1 April 2011. Actual increases to rates will depend on inflation and wage growth between now and then.