



2017 BUDGET

Budget at a Glance

Delivering for New Zealanders

Hon Steven Joyce
Minister of Finance

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[New Zealand](#) Government

budget.govt.nz

Delivering for New Zealanders

The outlook for the economy is positive and the Crown's books are steadily improving.



Real GDP growth of 3.1 per cent on average over the next five years.



Over 200,000 more jobs created over the last three years and another 215,000 expected by 2021.



Rising surpluses and net debt falls to 19.3 per cent of GDP by 2020/21.



The average wage is expected to rise to \$64,300 a year by 2021.

New spending in Budget 2017

Net new operating spending in Budget 2017 averages

\$1.8b
A YEAR

Net new capital expenditure in Budget 2017 totals

\$4b

The Government's Fiscal Priorities

- 1** Maintain rising OBEGAL surpluses over the forecast period so that cash surpluses are generated and net debt begins to reduce in dollar terms.
- 2** Reduce net debt to around 20 per cent of GDP in 2020, and to between 10 and 15 per cent of GDP by 2025.
- 3** Invest in the public services and infrastructure needed for a growing country.
- 4** As fiscal conditions allow, adjust tax and transfer settings to improve family incomes and simplify the tax and transfer system.

Investing in a Growing Economy

\$1b

Through the Business Growth Agenda to keep building a sustainable growing economy.



**INNOVATIVE
NEW ZEALAND**

Innovative New Zealand

\$373 million investment to help diversify the economy and support more jobs and higher wages, including:

- \$ 81.9 million for the Endeavour research fund.
- \$ 74.6 million for Callaghan Innovation R & D Grants.
- \$ 69.3 million for increased tertiary subsidies.
- \$ 52.5 million for university research funds (PBRF).



Trade Agenda 2030

\$134 million to forge new and better trade opportunities to increase the standard of living of New Zealanders.



Tourism

\$61 million towards a new \$102 million tourism infrastructure fund for regional New Zealand. \$86 million for DOC tourism infrastructure around New Zealand.



Natural Resources

\$81 million for predator control programmes, protecting our fisheries and investment in new water storage.



Film Industry

\$222 million over four years plus \$18 million in 2016/17 for the International Screen Production Grant to make more international movies in New Zealand.
\$64 million brought forward for the domestic screen grant.

Māori Development

\$93 million for developing Māori tourism, Māori housing and social initiatives, Whānau Ora extensions, and supporting and sustaining the use of te reo.

Public Services for a Growing Country

\$7b

To deliver better public services for a growing country.



Health

\$3.9 billion for District Health Boards, care and support workers, Disability Support Services, ambulance services, pharmaceuticals, elective surgery, bowel screening, mental health services and primary health care.



Education

\$1.1 billion for schools and early childhood centres, roll growth and demand, and an increase in operational grant funding for schools.



Vulnerable Children, Oranga Tamariki

\$424 million investment in the new Ministry and new model for working with vulnerable children, plus funding for caregiver support, Children's teams, Family Start and Youth Justice.



Justice Sector

\$1.2 billion for a 10 per cent increase in police staff numbers, meeting increased demand for justice, courts and corrections services, initiatives in burglary prevention, reducing family violence, reducing youth reoffending, and supporting at-risk prisoners.



Social Development

\$194 million for Social Development initiatives including \$64 million to support people into employment and \$38 million for development of the new Social Investment Agency.



Social Housing

\$185 million for more emergency housing, to expand the Housing First programme and to provide a pathway into housing for people with a Corrections history.

Social Investment

\$321m

To improve the lives of our most vulnerable people.



Mental health

\$116 million to test different approaches to how we engage with those people who have mild-moderate and severe mental health needs to help build a better picture of client needs and service gaps.



Helping kids to have a better start in life

\$73 million to support children who are most at-risk of poor life outcomes by providing them services at an earlier age.



Reducing reoffending and improving long-term outcomes

\$79 million to support those at-risk (outside and within the prison environment) and helping them onto alternative pathways. Including \$14 million to reduce youth offending and \$33 million for burglary prevention.



Addressing barriers to employment and independence

\$54 million to provide more intensive support and improve access to services. Includes \$18 million to increase contraceptive access for women on low incomes.

In May the Prime Minister outlined a new set of 10 Better Public Services targets. The new targets include:

- Improving the literacy and numeracy of children – focusing on higher achievement of students in year 8.
- Reducing the number of hospitalisations for children 12 and under with preventable conditions.
- Having 90 per cent of pregnant women register with a Lead Maternity Carer in their first trimester.

Infrastructure for a Growing Economy

\$4b

To help build the public infrastructure needed to support growth.



Kaikōura roading

\$812 million capital investment to reinstate the earthquake damaged sections of State Highway 1 from Picton to Christchurch.



Rail around New Zealand

\$548 million investment in the rail network with KiwiRail, including \$98 million for the Wellington Commuter Rail Network.



Auckland City Rail Link

\$436 million investment for the first part of the Crown's share for the Auckland City Rail Link project.



New schools and classrooms

\$392 million additional investment in school property with six new schools, 11 special education satellite units, and 305 new classrooms.



Defence

\$576 million investment in Defence for new capability and the modernisation of defence bases.



Justice sector

\$763 million investment in additional prison capacity.



Health

\$150 million more for the District Health Boards' capital plans.

The Government's total investment in new infrastructure over the next four years is \$32.5 billion. This includes \$9.2 billion in new State Highways and \$2.7 billion in housing, including the Auckland Housing Programme.

Family Incomes Package

\$2b
PACKAGE

To provide better rewards for hard work, help lower-income families with young children meet their living costs, and improve incomes for those with high housing costs.



Tax thresholds

Increases the \$14,000 income tax threshold to \$22,000, and the \$48,000 threshold to \$52,000. This provides a tax reduction of \$11 a week to people earning \$22,000 or more rising to \$20 per week for anyone earning \$52,000 or more.



Independent Earner Tax Credit

Independent Earner Tax Credit will be discontinued. Those claiming it are fully compensated by the tax threshold adjustments.



Family Tax Credit

Increases the maximum credit for the first child under 16 by \$9 a week, and for each subsequent child under 16 by between \$18 and \$27 a week. Also increases the abatement rate to 25 per cent, and reduces the abatement threshold to \$35,000.



Accommodation Supplement

Increases the maximum payment rates for a two person household by between \$25 and \$75 a week, and for larger households by between \$40 and \$80 a week. Changes to Accommodation Supplement areas will provide further gains for some families.



Accommodation Benefit

Increases weekly payments by up to \$20 for students to reflect increasing housing costs for students.

The Family Incomes Package will benefit 1,340,000 families in New Zealand by, on average, \$26 per week from 1 April 2018. Around 750,000 superannuitants and around 41,000 students will also benefit from the Family Incomes Package.

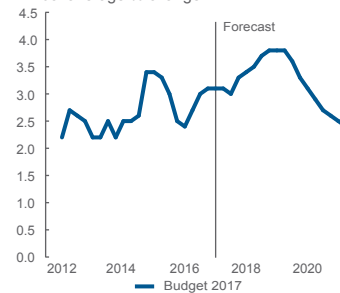
Economic Outlook

The outlook for the economy is positive

The Treasury forecasts economic growth of around 3.1 per cent per annum over the next five years, supported by investment, private consumption and growth in exports. Inflation is expected to be at 1-2 per cent in the near-term, but rise above 2 per cent in 2019.

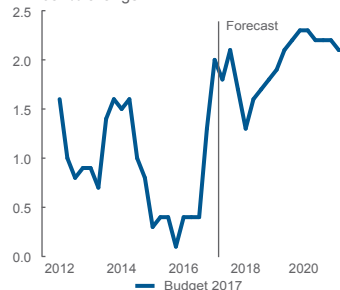
Economic Growth (real GDP)

Annual average % change



CPI Inflation

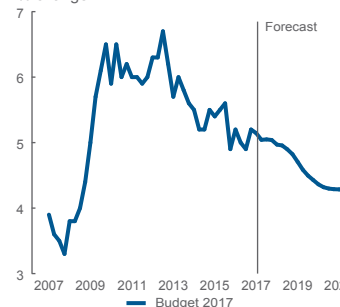
Annual % change



Employment growth continues to be strong with 215,000 additional jobs expected to be created over the next four years, and the unemployment rate dropping to 4.3 per cent by 2020. New Zealand is expected to continue to grow at a faster rate than many other OECD countries.

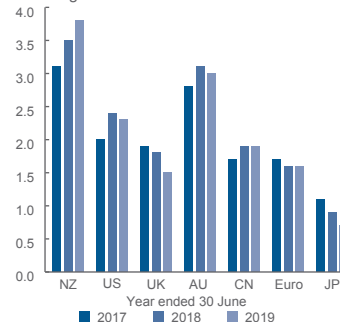
Unemployment Rate

% change



Trading Partner Growth Forecast

% change

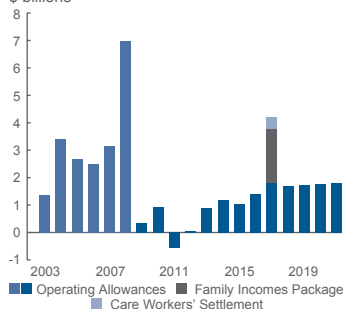


Fiscal Outlook

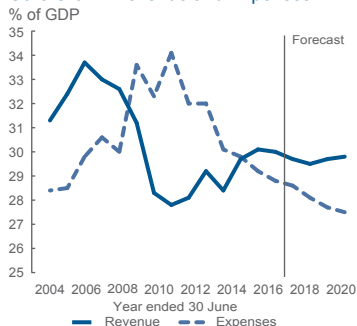
Increases to the operating allowances remain moderate

Net new operating spending in Budget 2017 averages \$1.8 billion a year. Spending continues to be much smaller than under the previous Government. Core Crown expenses are forecast to fall to 28.6 per cent of GDP in 2017/18.

Operating Allowances
\$ billions



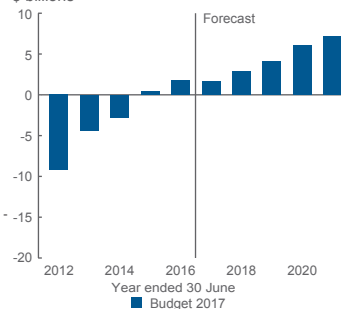
Core Crown Revenue and Expenses
% of GDP



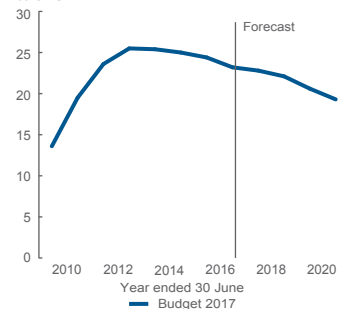
The fiscal position continues to improve

Modest operating balance before gains and losses (OBEGAL) surpluses are expected in 2016/17 and 2017/18, increasing to a forecast \$7.2 billion by 2020/21. Net core Crown debt is expected to fall to 19.3 per cent by 2020/21.

Total Crown OBEGAL
\$ billions



Net Core Crown Debt
% of GDP

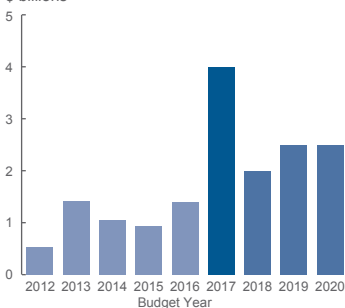


Source: The Treasury

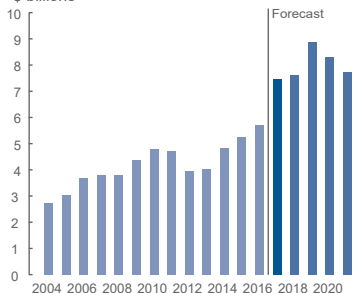
There is high levels of capital investment

The Government is investing \$11 billion in new capital over Budgets 2017-2020 on top of the already committed spending, which is the biggest increase in decades.

Capital Allowances
\$ billions



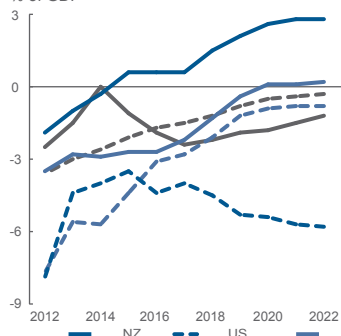
Historical and Forecast Infrastructure Investment
\$ billions



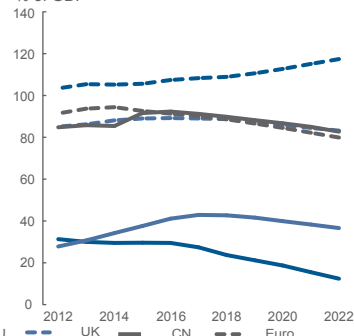
Source: The Treasury

New Zealand's fiscal performances is among the strongest in the developed world

General Government Fiscal Balance
% of GDP



General Government Gross Debt
% of GDP



Source: International Monetary Fund Fiscal Monitor April 2017. These are internationally comparable definitions and differ slightly from fiscal indicators generally used in New Zealand. The above graphs do not incorporate any decisions announced in Budget 2017.

Who pays income tax... and how much?*

Annual individual taxable income (\$)	Number of people (000)	Tax paid	
		%	(\$m)
Zero	319	9	0
1-10,000	359	10	164
10,001-20,000	628	17	1,172
20,001-30,000	491	13	1,634
30,001-40,000	353	10	1,819
40,001-50,000	328	9	2,271
50,001-60,000	288	8	2,728
60,001-70,000	217	6	2,721
70,001-80,000	169	5	2,647
80,001-90,000	108	3	2,031
90,001-100,000	87	2	1,920
100,001-125,000	128	4	3,538
125,001-150,000	59	2	2,121
150,001+	108	3	8,282
All	3,644	100	33,048

Personal income tax scale*

10.5c per \$1 on income up to \$14,000
17.5c per \$1 on income between \$14,001 and \$48,000
30c per \$1 on income between \$48,001 and \$70,000
33c per \$1 on income over \$70,000

* from 1 April 2018, the lowest tax threshold is due to increase from \$14,000 to \$22,000, and the second threshold from \$48,000 to \$52,000.

How does a 1% point change affect tax?

Estimated effect on revenue in 2017/18 of a one-percentage point change in the growth of:	\$m
wages and salaries	335
taxable business profits	165
spending by households	190

What is the full-year cost of...?

\$1 a week increase (in the hand) in NZ Super	37
\$1 a week increase (in the hand) in other benefits	15
\$1 billion increase in government debt	34

Revenue effect of changes to key tax rates, bases and thresholds for 2016/17: www.treasury.govt.nz/government/revenue/estimatesrevenueeffects

This table includes tax on NZ Superannuation and major Social Welfare benefits, but excludes ACC levies, Working for Families and independent earner tax credits. Only individuals of working age are included, ie, 16 years and above.

Data are projected for the year ending March 2018. Access to the Household Economic Survey data was provided by Statistics New Zealand under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented here are the work of the Treasury, not Statistics New Zealand. Figures may not sum to total due to rounding.

Company tax rate

The company tax rate is 28%

GST rate

The GST rate is 15%

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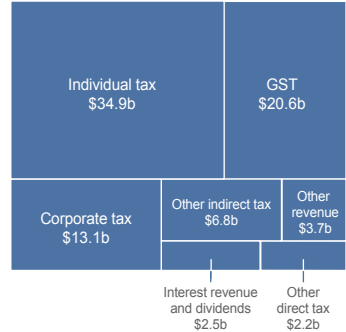
Budget 2017 website URL: www.budget.govt.nz/budget/2017/at-a-glance

Crown Balance Sheet – what we own and we owe

Assets 2017/18: \$302.8b		Liabilities 2017/18: \$191.3b	
Liquid Financial Assets	\$61.5b	Government bonds	\$59.6b
Other fixed assets	\$39.4b	Accident claims liability	\$40.7b
State Highways (incl. land)	\$35.8b	State-owned enterprise borrowing	\$31.8b
Other financial assets	\$31.8b	Other borrowing	\$20.1b
Housing Stock	\$24.5b	Accounts payable	\$12.5b
Hospitals, schools and prisons	\$23.3b	Retirement plan liabilities	\$9.9b
Electricity fixed assets	\$19.5b	Provisions	\$8.2b
KiwiBank mortgages	\$18.9b	Issued currency	\$5.9b
Receivables	\$17.5b	Earthquake insurance liability	\$0.5b
Student loans	\$9.2b	Other	\$2.1b
Other	\$21.3b		

What we earn

Core Crown Revenue 2017/18: \$83.8b

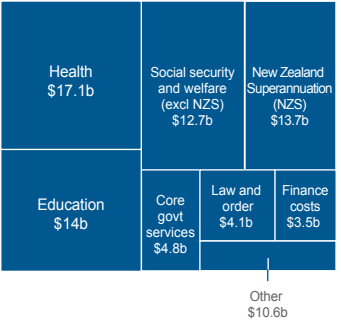


Other direct tax includes resident interest and dividend withholding taxes. Other indirect tax includes customs, excise and road user charges.

Source: The Treasury

What we spend

Core Crown Expenses 2017/18: \$80.5b



Social security and welfare includes Jobseeker Support and Emergency Benefit, Supported Living Payment, Family Tax Credit, and Sole Parent Support.

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