

# The Treasury

## Budget 2011 Information Release

### Release Document

June 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

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THE TREASURY  
Kaitohutohu Kaupapa Rawa

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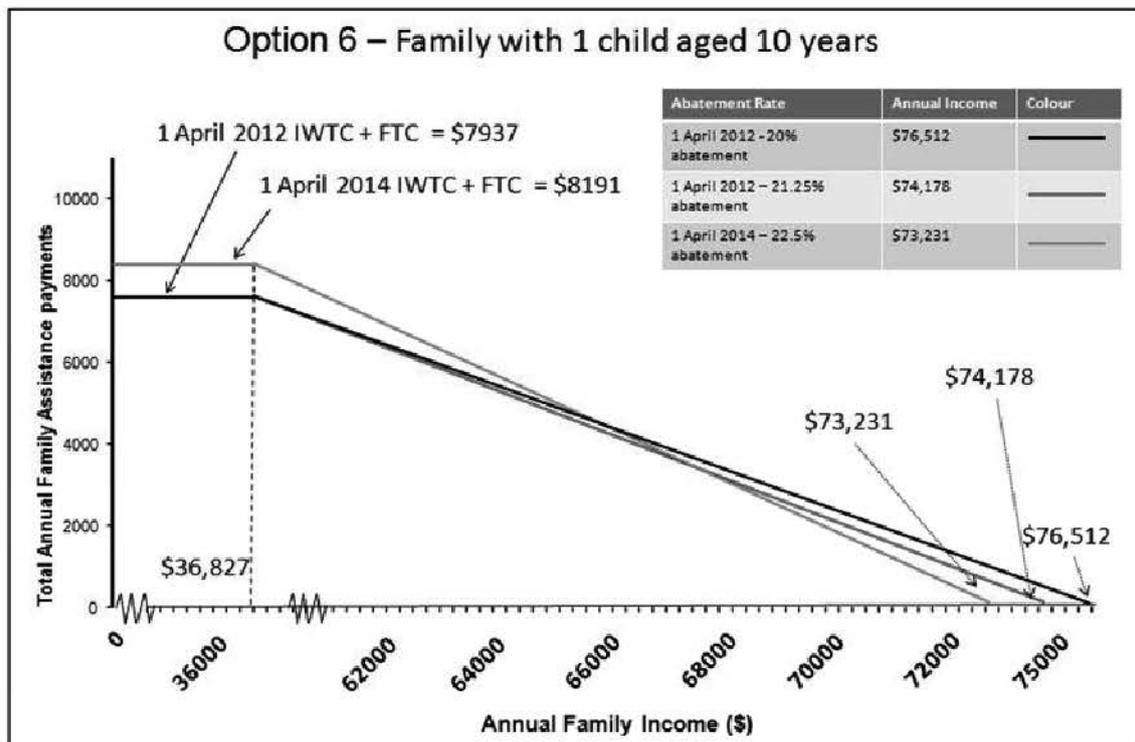
### AIDE MEMOIRE: WORKING FOR FAMILIES – ADDITIONAL OPTIONS FOR MEETING ON MONDAY 28 FEBRUARY

This Aide Memoire responds to a request for fiscal costings of two further options to reform the Working for Families (WFF) scheme. These are in addition to the five options contained in a joint report sent to Ministers of Tuesday 22 February (T2011/249 refers).

Due to time constraints the analysis below only contains a brief description of each option, indicative fiscal costs, and a short comment on the administrative implications. The two new options are as follows:

#### Option 6: Increase to the abatement rate by 1.25 percentage points at the time of Family Tax Credit indexation

This option increases the abatement rate by 1.25 percentage points at the same time as the Family Tax Credit (FTC) is indexed to inflation. Under 2010 HYEPU forecasts, it is estimated that FTC amounts will be indexed on 1 April 2012 by 5.22% and 1 April 2014 by 5.28%. These are the points at which cumulative changes in the CPI will reach 5 percent. This means that on 1 April 2012 the abatement rate will increase to 21.25% and on 1 April 2014 will increase further to 22.5%. This is illustrated graphically below:



Indicative fiscal savings are as follows:

Fiscal years	2011/2012	2012/2013	2013/2014	2014/2015	4 year total
<b>Option 6</b>	16	63	79	128	<b>286</b>

The fiscal savings presented above are for fiscal years (July – June) and are for the budget forecast period from 2011/12 to 2014/15. Note that these savings *do not* take account of other offsetting Crown costs e.g. increased uptake of other hardship related programmes delivered by MSD (although these are likely to be small).

There are no significant implementation issues with this option and the administrative costs are expected to be low. The impact on customers would be minimal.

Note that Option 6 could be combined with Option 4, lowering the abatement threshold to \$30,000, although the fiscal savings cannot be added together.

### **Option 7: Remove indexation of the Family Tax Credit 16 or over amounts**

This option removes the indexation of the amounts for children 16 or over. This means that over time the amount for older children become less as a proportion of total FTC spending. The FTC amounts are due to be indexed on 1 April 2012 by 5.22% and 1 April 2014 by 5.28%. This option effectively holds those amounts constant for the next two indexation rounds as shown in the following table:

Age/Number of Children	Weekly Pay Current	Weekly Pay – 1 April 2012	Weekly Pay – 1 April 2014
First Child if under 16	\$88.03	\$92.63	\$97.52
First Child if 16 or over	\$101.98	\$101.98	\$101.98
Second child rate if under 13	\$61.19	\$64.38	\$67.78
Second child rate if 13 to 15	\$69.78	\$73.42	\$77.30
Second child rate if 16 or over	\$91.25	\$91.25	\$91.25

The above table implies that on 1 April 2014, a family with two children ages 16 and 13 would be \$10.99 per week worse off compared to the status quo.

Indicative fiscal savings are as follows:

Fiscal years	2011/2012	2012/2013	2013/2014	2014/2015	4 year total
<b>Option 7</b>	5	21	26	43	<b>95</b>

The fiscal savings presented above are for fiscal years (July – June) and are for the budget forecast period from 2011/12 to 2014/15. Note that these savings *do not* take account of other offsetting Crown costs e.g. increased uptake of other hardship related programmes delivered by MSD (although these are likely to be small).

There are no significant implementation issues with this option and the administrative costs are expected to be low. The impact on customers would be minimal.

Note that Option 7 could be combined with options to change the abatement rate or the abatement threshold (options 3 and 4). However, the fiscal savings cannot be added together.

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