

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



Reference: T2017/853 SH-13-5-2-3

Date: 30 March 2017

To: Minister of Finance (Hon Steven Joyce)  
Associate Minister of Finance (Hon Simon Bridges)  
Associate Minister of Finance (Hon Amy Adams)

Deadline: None

## Aide Memoire: Potential impacts of a tax and transfer package on example workers

This note provides a breakdown of the likely change in income for the scenarios requested in Table 2. The table shows the annual total change by component, annual total change, and total weekly change for each scenario. All scenarios are based on the proposed Package 5a (packages are included in table 1 below).

For communication support going forward, we are able to provide a narrative and key messages on the final tax and transfer package to explain how it targets low- to middle-income earners. We are also able to provide a narrative for scenarios (like the ones analysed in this note) to illustrate the impact the package would have on hypothetical New Zealanders. A Question and Answer document can also be provided.

**Table 1: Tax and transfer packages**

	Package 4	Package 5a	Package 6a
Tax thresholds	Increase the \$14,000 threshold to \$18,000, and the \$48,000 to \$52,000.	Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$55,000.	Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$52,000.
Independent Earner Tax Credit (IETC)	Maintain the existing IETC.	Remove the IETC.	
Family Tax Credit (FTC)	Align the FTC rates to the eldest child rates, increase abatement rate to 23.75% and reduce the abatement threshold to \$35,900.		
Accommodation Supplement	Update the maxima to reflect 2016 median rents, while re-allocating areas to reflect rental costs.		
<b>Fiscal cost<sup>1</sup> (including clawback)</b>	<b>\$2,000 m</b>	<b>\$2,800 m</b>	<b>\$2,350 m</b>

<sup>1</sup> Rounded to the nearest \$50 million.

	<b>Table 2: Impact on example workers</b>	Annual changes of (in \$):				Annual Total	Weekly Total
		Tax	IETC	WfF	AS		
1	Single worker full time on minimum wage, no dependents	560	-520	0	0	40	1
2	Single worker full time on minimum wage, 2 dependents aged 5 and 7, living in Manukau receiving accommodation supplement	560	0	1,875	2,132	4,567	88
3	Single worker full time on average wage, no dependents.	1,435	0	0	0	1,435	28
4	Single worker full time on average wage, 2 dependents aged 5 and 7, living in Christchurch receiving accommodation supplement	1,435	0	1,470	676	3,581	69
5	Single worker, salary of \$35,000, no dependents	560	-520	0	0	40	1
6	Single worker, salary of \$65,000, no dependents	1,435	0	0	0	1,435	28
7	Single worker, salary of \$85,000, no dependents	1,435	0	0	0	1,435	28
8	Worker full time on minimum wage, married to spouse also full time on minimum wage, 2 dependents aged 5 and 7, living in Manukau receiving accommodation supplement	1,120	0	1,404	1,612	4,136	80
9	Worker full time on minimum wage, married to spouse also full time on minimum wage, 3 dependents aged 12, 15 and 17, living in Manukau receiving accommodation supplement	1,120	0	1,846	8,372	11,338	218
10	Worker full time on minimum wage, married to spouse working 20 hours per week on minimum wage, 3 dependents aged 12, 15 and 17, living in Manukau receiving accommodation supplement	727	0	2,050	8,372	11,149	214
11	Worker full time on average wage, married to spouse working 20 hours per week on average wage, 2 dependents aged 5 and 7, living in Lower Hutt receiving accommodation supplement	1,995	-520	891	0	2,366	46
12	Worker full time on average wage, married to spouse working 20 hours per week on average wage, 3 dependents aged 12, 15, and 17, living in Lower Hutt receiving accommodation supplement	1,995	0	1,535	0	3,530	68
13	Worker, salary of \$65,000, married to spouse earning \$40,000, 2 dependents aged 5 and 7, living in Christchurch	1,995	-520	0	0	1,475	28
14	Worker, salary of \$85,000, married to spouse earning \$55,000, 2 dependents aged 5 and 7, living in Christchurch	2,870	0	0	0	2,870	55
15	Worker, salary of \$65,000, married to spouse earning \$40,000, 2 dependents aged 15 and 17, living in Christchurch	1,995	-520	0	0	1,475	28
16	Worker, salary of \$85,000, married to spouse earning \$55,000, 2 dependents aged 15 and 17, living in Christchurch	2,870	0	0	0	2,870	55
17	Worker, salary of \$100,000, married to spouse earning \$85,000, 2 dependents aged 15 and 17, living in Christchurch	2,870	0	0	0	2,870	55

- All of the first 7 scenarios may be eligible for an increase in Accommodation Supplement (AS) depending on where they live and their weekly housing costs. However, we have modelled only the 2<sup>nd</sup> and 4<sup>th</sup> with AS.
- Where AS increases are included, housing costs are assumed to be median rent, which results in the household being eligible for the AS maxima.
- In calculating median rent, older children (over 12) have been assumed to have their own bedroom, while younger ones are assumed to share.
- Other eligibility requirements for Accommodation Supplement, such as the cash asset test, are assumed to be met.
- All of the scenarios assume no receipt of income-tested benefits, including NZS, or any other form of income or expense which may influence entitlements.
- All of the scenarios assume Package 5a is fully implemented on the 1st of April, 2018.
- Note that the families in the last four scenarios all earn above the cut-out point for entitlement to AS.
- The AS payment of \$676 for the fourth scenario may be understated by up to \$100 (\$2 per week), due to MSD using a different average wage to Treasury in calculating this entitlement.

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