

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
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[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[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.

**Treasury Report:** Supplementary information about tax and transfers (No. 9)

<b>Date:</b>	10 April 2017	<b>Report No:</b>	T2017/918
		<b>File Number:</b>	SH-13-5-2-3

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Steven Joyce)	<b>Note</b> the enclosed information	Tuesday, 11 April 2017
Associate Minister of Finance (Hon Simon Bridges)		
Associate Minister of Finance (Hon Amy Adams)		

**Contact for Telephone Discussion** (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
[34]	Analyst, Tax Strategy	[39]	[23]
Dr Eina Wong	Senior Analyst, Tax Strategy	[39]	[23]

**Actions for the Minister's Office Staff** (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes

## Treasury Report: Supplementary information about tax and transfers (No. 9)

This report provides additional information about tax and transfers following recent reports and meetings with officials.

	Date	Title	Notes
1	3/4/2017	Tax and Transfer Packages 5a and 6a – costs by component	Table for Budget Ministers 3.
2	5/4/2017	Tax and Transfer Packages 5a and 6a – costs by component (updated)	Updated version of (1) to show Fiscal year, rather than tax year.
3	3/4/2017	Package 5a example families	Full FTC abatement and 40 <sup>th</sup> percentile AS
4	5/4/2017	Package 5a example families (updated)	Updated version of (3) above to remove example 21
5	4/4/2017	Working for Families – abatement charts	
6	5/4/2017	Distributional analysis for variants of Packages 5a and 6a (updated)	Updated tables from T2017/895 to show percentages
7	7/4/2017	Effective Marginal Tax Rate comparison charts	Scenarios assume dependent children under 13
8	7/4/2017	Independent Earner Tax Credit decomposition	An amended version will be provided.
9	7/4/2017	Packages 5a and 6a – cost comparison	
10	10/4/2017	Combined distributional analysis for variants of Packages 5a and 6a by quintile	Models the combined impact of tax, IETC, FTC and AS
<b>Accommodation Supplement (Source: MSD)</b>			
11	4/4/2017	Adjustment of AS maxima to 40 <sup>th</sup> percentile of 2016 median rents	Most recent Areas tables are attached to the draft Cabinet paper report (T2017/920)
12	5/4/2017	Comparison of 40 <sup>th</sup> percentile AS options with and without co-payment	
13	7/4/2017	Comparison of 40 <sup>th</sup> percentile AS options with and without co-payment (updated)	Updated using corrected population weightings
14	7/4/2017	Advice on an Accommodation Supplement calculator to reflect Budget 2017 changes	

### Other information provided separately last week

Report number	Date	Description
T2017/895	4/4/2017	<i>Aide memoire</i> Further tax and transfer package options – distributional analysis
T2017/936	6/04/2017	<i>Aide Memoire</i> Further tax and transfer package options - timeline and comparison of packages
T2017/920	7/4/2017	Tax and transfer package - draft Cabinet paper and RIS

### Information still to be provided

We expect to provide this week:

- An update of item 8 for the Independent Earner Tax Credit decomposition.

- An update of item 10 to include the breakdown of average gains by package component for Packages 5a and 6a.
- A comparison of AS options with 30% co-payment and 25% co-payment based on 80% of median rents.
- Distributional analysis of families, including characteristics of those gaining and losing.

## Index of information provided to date

The appendix to this report contains an index of the tax and transfers information provided to date.

## Recommended Action

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We recommend that you:

- a **note** the enclosed information, and

*Noted.*

Minister of Finance

*Noted.*

Associate Minister of  
Finance

*Noted.*

Associate Minister of  
Finance

- b **note** that MSD will need a decision on the AS component of the package by Monday, 10 April to have an AS calculator ready for public use by Budget day.

*Noted.*

Minister of Finance

*Noted.*

Associate Minister of  
Finance

*Noted.*

Associate Minister of  
Finance

Dr Eina Wong  
**Senior Analyst**

Steven Joyce  
**Minister of Finance**

Hon Simon Bridges  
**Associate Minister of  
Finance**

Hon Amy Adams  
**Associate Minister of  
Finance**

## Appendix: Index of information provided about tax and transfers

Document date	Report number	Description
5/09/2016	T2016/1640	Aide Memoire: Income Policies for Low-income Populations
21/12/2016	TR2016/2527	Aide Memoire: Who receives accommodation supplement and Working for Families 21 December
13/09/2016	T2016/1650	Preliminary Options for Tax Cuts for Budget 2017
29/09/2016	BN2016/508	Ability to implement Budget 2017 tax cuts and Working for Families changes 29 Sep
7/11/2016	T2016/2059	Aide Memoire: Advice on Adjusting for Fiscal Drag and the Possible Impacts
7/11/2016	T2016/1948	Advice on personal tax cuts for Budget 2017
10/01/2017	T2016/2551	Aide Memoire: Effect of Accommodation Supplement on effective marginal tax rates 10 Jan
23/12/2016	T2016/2540	Advice on Adjusting Tax Thresholds and the Possible Impacts
17/10/2016	T2016/1991	Aide Memoire: Clawback rate update 5 Sep
31/01/2017		Options to simply the tax and transfer system – Treasury slide pack, Tuesday 31 January 2017
1/02/2017	T2017/14	Taxes and labour supply
3/02/2017	T2017/164	Removing the Independent Earner Tax Credit
2/02/2017	T2017/152	Advice on Changes to the Tax System, Distributional Analysis of Possible Impacts
3/02/2017	T2017/170	Supplementary information about tax and transfers (and attachments)
3/02/2017	T2017/170	Attachment 1 – Breakdown of population
3/02/2017	T2017/170	Attachment 2 – A3 summary of the main transfers
17/10/2014	T2017/170	Attachment 3 – DPMC report: Work programme to address children living in material deprivation
7/11/2014	T2017/170	Attachment 4 – DPMC report: Work programme to address children living in material hardship
12/12/2014	T2017/170	Attachment 5 – DPMC report: Package to reduce the number of children living in material hardship
15/12/2014	T2017/170	Attachment 6 – T2014/2197 – Points for meeting on children in material hardship
5/02/2015	T2017/170	Attachment 7 – DPMC report: Material hardship package
11/02/2015	T2017/170	Attachment 8 – T2015/160: Children in material hardship package
1/11/2014	T2017/170	Attachment 9 – Treasury’s advice on benefit settings
10/02/2017	T2017/218	Aide Memoire: Potential options for a tax and transfer package
10/02/2017	T2017/197	Supplementary information about tax and transfers (No. 2)
7/02/2017	T2017/197	Attachment 1 – Accommodation Supplement spend
7/02/2017	T2017/197	Attachment 2 – Amended replacement rate graphs updated from Child Material Hardship package
10/02/2017	T2017/197	Attachment 3 – Comparison of Unemployment Benefit/Jobseeker support with AOTWE
3/02/2017	T2017/197	Attachment 4 – Breakdown of population

3/02/2017	T2017/197	Attachment 5 – Household living-costs price indexes 2008-2016
10/02/2017	T2017/197	Attachment 6 – Primer about tax credits (source Inland Revenue)
23/09/2017	T2017/197	Attachment 7 – Aide Memoire: Explanation of FTC Interactions with the Tax and Welfare System (T2017/1847)
4/12/2015	T2017/197	Attachment 8 – MSD Report: Incentivising and rewarding independence from welfare and social housing
4/12/2015	T2017/197	Attachment 9 – MSD Report: Incentivising and rewarding independence from welfare and social housing (Appendix One)
27/05/2016	T2017/197	Attachment 10 – Report: Reassessing the use of MSD resources to trial a transition payment
10/02/2017	T2017/197	Attachment 11 – Understanding the impact on TAS of increases to AS and main benefits
10/02/2017	T2017/197	Attachment 12 – Housing subsidies – example and scenarios
10/02/2017	T2017/197	Attachment 13 – Further information on AS recipients who own their own home
10/02/2017	T2017/197	Attachment 14 – Information on non-recipients of Accommodation Supplement
17/02/2017	T2017/265	Supplementary information about tax and transfers (No. 3)
17/02/2017	T2017/265	Attachment 1 – A3 of straw packages for discussion
17/02/2017	T2017/265	Attachment 2 – Family tax credit rate change options (phasing)
17/02/2017	T2017/265	Attachment 3 – Accommodation Supplement – returning residual incomes to 2006 levels
17/02/2017	T2017/265	Attachment 4 – Phasing of AS changes
17/02/2017	T2017/265	Attachment 5 – Eligibility settings for the AS and social housing
17/02/2017	T2017/265	Attachment 6 – Mid-year implementation impacts of AS changes
24/02/2017	T2017/335	Supplementary information about tax and transfers (No. 3)
20/02/2017	T2017/335	Attachment 1 – Preliminary package options for consideration
20/02/2017	T2017/335	Attachment 2 – AS Option – impact on residual incomes
24/02/2017	T2017/335	Attachment 3 – Reconciliation of attachments 2, 3 and 5
24/02/2017	T2017/335	Attachment 4 – Updated family type distribution
24/02/2017	T2017/335	Attachment 5 – EMTR analysis for individuals with taxable income between \$14k and \$48k
24/02/2017	T2017/335	Attachment 6 – Phasing of Accommodation Supplement changes – amended
24/02/2017	T2017/335	Attachment 7 – Advice on creating incentives for matching clients to the right size house
3/03/2017	T2017/403	Supplementary information about tax and transfers (No. 5)
3/03/2017	T2017/403	Attachment 1 – Corrected preliminary package options for consideration
3/03/2017	T2017/403	Attachment 2 – Additional package option that partially adjusts for fiscal drag
3/03/2017	T2017/403	Attachment 3 – Variability of gains and losses by income band
3/03/2017	T2017/403	Attachment 4 – Homeowners receiving the Accommodation Supplement – further information and options for time-limiting eligibility
3/03/2017	T2017/403	Attachment 5 – Further analysis of declines in residual incomes
3/03/2017	T2017/403	Attachment 6 – AS options 1 & 2 – residual income and distributional analysis

3/03/2017	T2017/402	Aide Memoire: Options for phasing Family Tax Credit changes
8/03/2017	T2017/261	Impact of Accommodation Supplement Increases on the housing Market
10/03/2017	T2017/583	Aide Memoire: Preliminary results for further package options
13/03/2017	T2017/595	Further tax and transfer package options
16/03/2017	T2017/630	Aide Memoire: Further tax and transfer package options – variability of gains
17/03/2017	T2017/637	Supplementary information about tax and transfers (No. 5)
17/03/2017	T2017/637	Attachment 1 – The number of individuals who may be eligible for both the Independent Earner Tax Credit and Accommodation Supplement
17/03/2017	T2017/637	Attachment 2 – Impact of proposed AS changes on the social housing register
17/03/2017	T2017/637	Attachment 3 – Variability of gains for MSD clients
16/03/2017	T2017/637	Attachment 4 – The impact of rising housing costs on accommodation supplement recipients
20/03/2017	T2017/691	Aide Memoire: Further tax and transfer package options – additional variability of gains analysis
21/03/2017	T2017/694	Aide Memoire: Further tax and transfer package options – FTC phasing options
21/03/2017	T2017/711	Aide Memoire: Further tax and transfer package options – distributional analysis on individuals
24/03/2017	T2017/752	Aide Memoire: Further tax and transfer package options – FTC phasing options (with amended fiscal costs)
24/03/2017	T2017/726	Supplementary information about tax and transfers (No. 7)
24/03/2017	T2017/726	Attachment 1 – Cost breakdown of packages by component
24/03/2017	T2017/726	Attachment 2 – Phased Accommodation Supplement Option
24/03/2017	T2017/726	Attachment 3 – New Accommodation Supplement Option - Co-payment
24/03/2017	T2017/726	Attachment 4 – Proposed Accommodation Supplement areas
29/03/2017	T2017/814	Advice on building an interactive web application for Budget 2017 tax and transfer changes
30/03/2017	T2017/813	Further tax and transfer package options - variations for Packages 5a and 6a, and suggested timeline
4/04/2017	T2017/895	Aide Memoire: Further tax and transfer package options - distributional analysis
6/04/2017	T2017/936	Aide Memoire: Further tax and transfer package options - timeline and comparison of packages
7/04/2017	T2017/920	Tax and transfer package - draft Cabinet paper and Regulatory Impact Statement
7/04/2017	T2017/920	Attachment 1: Draft Cabinet paper
7/04/2017	T2017/920	Attachment 2: Draft Regulatory Impact Statement





Attachment 2: Tax and Transfer Packages 5a and 6a – costs by component (updated)

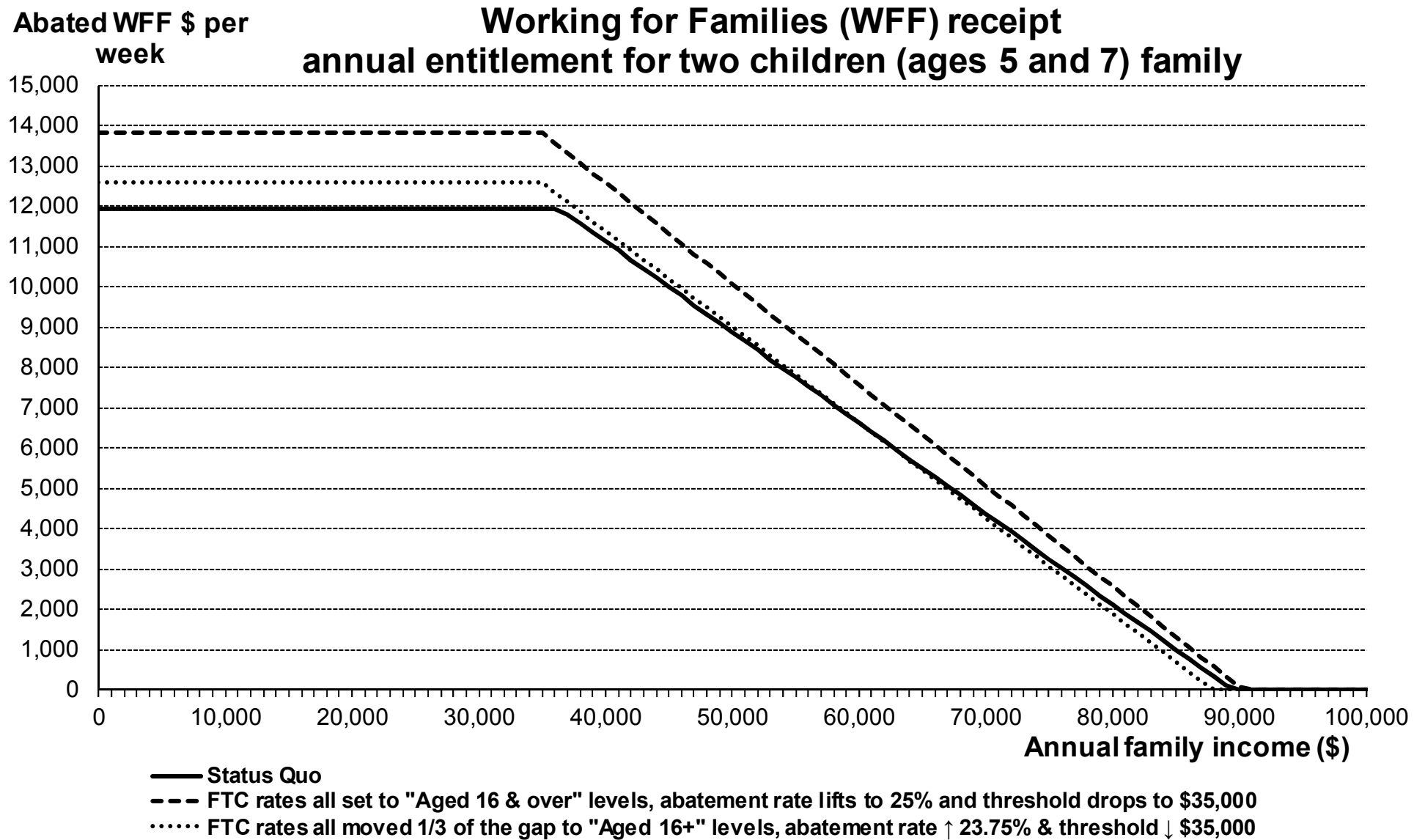
		Package 5a				Package 6a				
		Original	Full abatement	FTC 1	FTC 3	Original	Full abatement	FTC 1	FTC 2	FTC 3
<b>Tax thresholds</b>		Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$55,000.				Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$52,000.				
		<b>\$2,280m</b>				<b>\$1,830m</b>				
<b>IETC</b>		Remove the IETC.								
<b>FTC</b>	<b>Year 1</b>	No phasing. Abatement rate: 23.75 % Abatement threshold: \$35,900.	No phasing. Abatement rate: 25.00 % Abatement threshold: \$35,000.	1/3 payment. Abatement rate: 23.75 % Abatement threshold: \$35,000. <b>\$60m</b>	1/3 payment. Abatement rate: 25.00 % Abatement threshold: \$35,000. <b>\$20m</b>	No phasing. Abatement rate: 23.75 % Abatement threshold: \$35,900.	No phasing. Abatement rate: 25.00 % Abatement threshold: \$35,000.	1/3 payment. Abatement rate: 23.75 % Abatement threshold: \$35,000. <b>\$60m</b>	1/3 payment. Abatement rate: 23.75 % Abatement threshold: \$35,900. <b>\$100m</b>	1/3 payment. Abatement rate: 25.00 % Abatement threshold: \$35,000. <b>\$20m</b>
	<b>Year 2</b>	<b>\$440m</b>	<b>\$350m</b>	2/3 payment. <b>\$340m</b>	2/3 payment. <b>\$280m</b>	<b>\$440m</b>	<b>\$350m</b>	2/3 payment. <b>\$340m</b>	2/3 payment. Abatement rate: 23.75 % Abatement threshold: \$35,450. <b>\$300m</b>	2/3 payment. <b>\$290m</b>
<b>Accommodation Supplement</b>		Update the maxima to reflect 90% of 2016 median rents (40 <sup>th</sup> percentile), while re-allocating areas to reflect rental costs. <b>\$240m</b> <i>Alternatively, this option may be phased over two years: Year 1 cost would be \$175m, and Year 2 cost would be \$250m</i>								
<b>Total Fiscal Year cost (including clawback)</b>	<b>2017/18</b>	<b>\$680m</b>	<b>\$660m</b>	<b>\$590m</b>	<b>\$580m</b>	<b>\$570m</b>	<b>\$550m</b>	<b>\$480m</b>	<b>\$480m</b>	<b>\$460m</b>
	<b>2018/19</b>	<b>\$2,730m</b>	<b>\$2,640m</b>	<b>\$2,440m</b>	<b>\$2,390m</b>	<b>\$2,270m</b>	<b>\$2,190m</b>	<b>\$1,980m</b>	<b>\$1,990m</b>	<b>\$1,930m</b>
	<b>2019/20</b>	\$2,760m	\$2,670m	\$2,730m	\$2,670m	\$2,270m	\$2,190m	\$2,240m	\$2,200m	\$2,180m
	<b>2020/21</b>	\$2,810m	\$2,740m	\$2,800m	\$2,740m	\$2,320m	\$2,230m	\$2,280m	\$2,260m	\$2,230m



Attachment 4: Package 5a example families (updated)

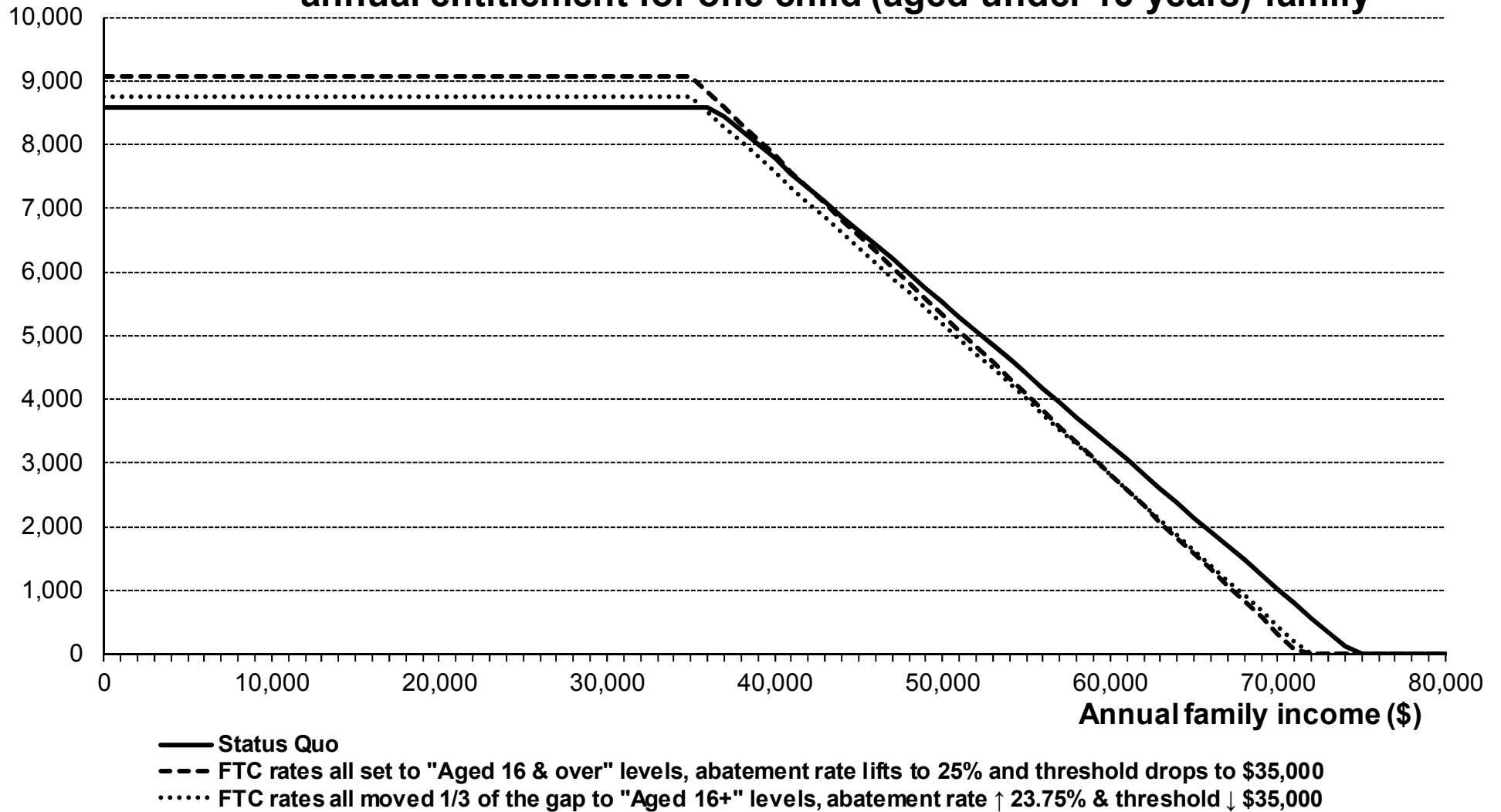
**Reference:** Package 5a (full abatement)  
 FTC: \$35,000, 25%, alignment  
 AS at 40<sup>th</sup> percentile of 2016 median (90% of median)

<b>Budget Ministers #3 (3 April 2017)</b>		<b>Annual Changes (in \$)</b>						
<b>Table 2: Impact on example workers</b>		<b>Tax</b>	<b>IETC</b>	<b>WfF</b>	<b>Annual Tax and Transfer Subtotal</b>	<b>AS</b>	<b>Annual Total</b>	<b>Weekly Total</b>
1	Single worker full time on minimum wage, no dependents	560	-520	0	<b>40</b>	1612	<b>1,652</b>	32
2	Single worker full time on minimum wage, 2 dependents aged 5 and 7, living in Manukau receiving accommodation supplement	560	0	1,875	<b>2,435</b>	2,132	<b>4,567</b>	88
3	Single worker full time on average wage, no dependents.	1,435	0	0	<b>1,435</b>	0	<b>1,435</b>	28
4	Single worker full time on average wage, 2 dependents aged 5 and 7, living in Christchurch receiving accommodation supplement	1,435	0	940	<b>2,375</b>	624	<b>2,999</b>	58
5	Single worker, salary of \$35,000, no dependents	560	-520	0	<b>40</b>	0	<b>40</b>	1
6	Single worker, salary of \$65,000, no dependents	1,435	0	0	<b>1,435</b>	0	<b>1,435</b>	28
7	Single worker, salary of \$85,000, no dependents	1,435	0	0	<b>1,435</b>	0	<b>1,435</b>	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	808	<b>1,928</b>	1,664	<b>3,592</b>	69
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	1,250	<b>2,370</b>	7,020	<b>9,390</b>	181
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	1,660	<b>2,387</b>	7,020	<b>9,407</b>	181
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	0	<b>1,475</b>	0	<b>1,475</b>	28
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	630	<b>2,625</b>	0	<b>2,625</b>	50
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	<b>1,475</b>	0	<b>1,475</b>	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	<b>2,870</b>	0	<b>2,870</b>	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	<b>1,475</b>	0	<b>1,475</b>	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	<b>2,870</b>	0	<b>2,870</b>	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	<b>2,870</b>	0	<b>2,870</b>	55
18	Sole parent beneficiary, 2 dependents aged 5 and 7, living in Waitakere	0	0	1,875	<b>1,875</b>	4,784	<b>6,659</b>	128
19	Sole parent beneficiary, 1 dependent aged 3, living in Waitakere	0	0	481	<b>481</b>	3,744	<b>4,225</b>	81
20	Single Jobseeker beneficiary, no dependents, living in Hamilton	0	0	0	<b>0</b>	1,820	<b>1,820</b>	35



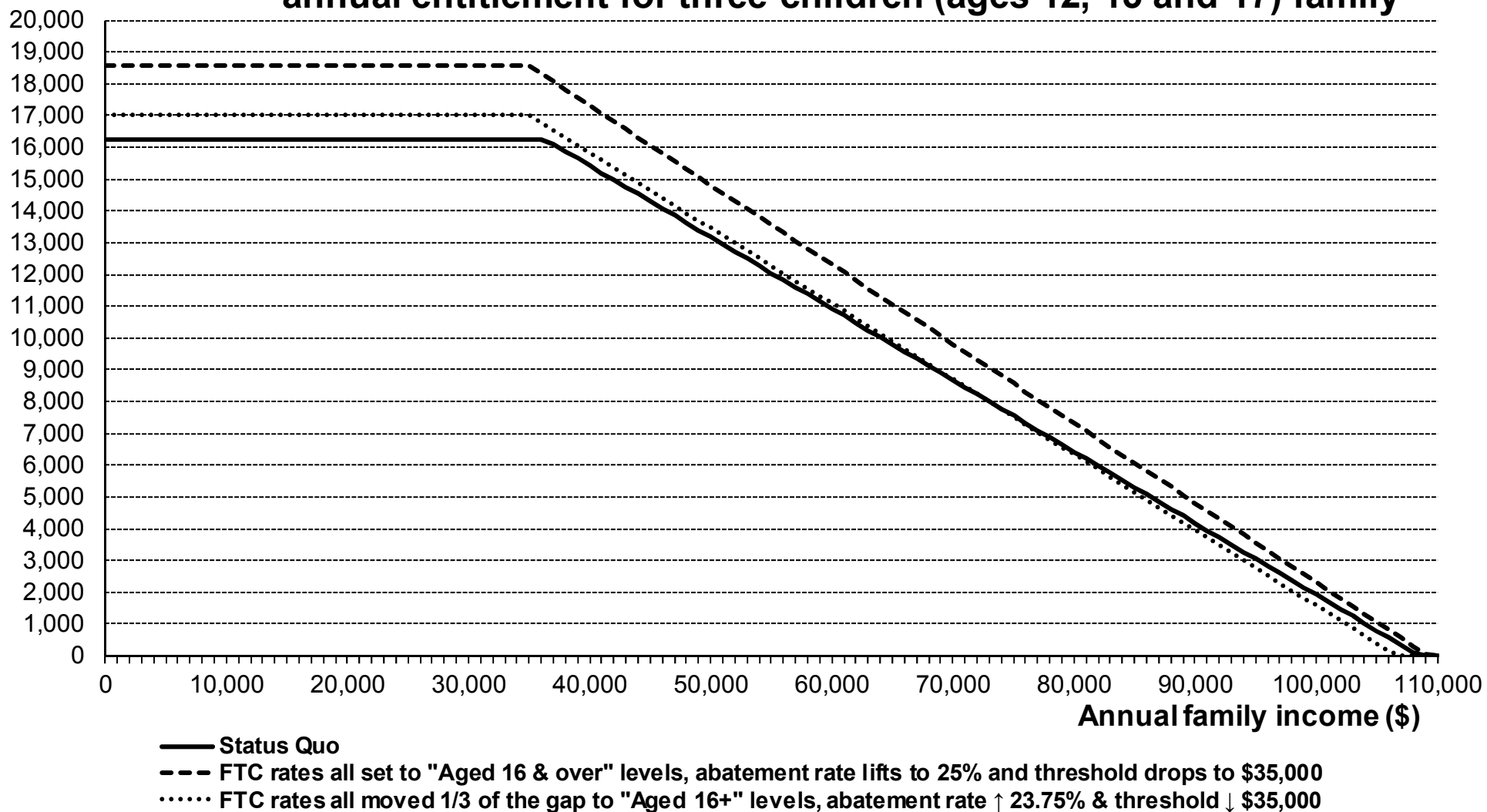
Abated WFF \$ per week

### Working for Families (WFF) receipt annual entitlement for one child (aged under 16 years) family



Abated WFF \$ per week

### Working for Families (WFF) receipt annual entitlement for three children (ages 12, 15 and 17) family



**Distributional impacts for Package 5a (full abatement, no phasing) - Families**

**Table 3: Distribution of families that gain in the year beginning 1 April 2018**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	200,000	13%	17,000	9%	\$36	*	*
\$14,000-\$31,000	249,000	16%	205,000	82%	\$18	*	*
\$31,000-\$48,000	221,000	14%	220,000	100%	\$9	*	*
\$48,000-\$60,000	136,000	9%	136,000	100%	\$23	*	*
\$60,000-\$70,000	78,000	5%	78,000	100%	\$26	*	*
\$70,000-\$100,000	241,000	16%	240,000	100%	\$28	*	*
\$100,000-\$125,000	143,000	9%	143,000	100%	\$35	*	*
\$125,000-\$150,000	88,000	6%	88,000	100%	\$41	*	*
\$150,000+	186,000	12%	186,000	100%	\$45	*	*
All	1,542,000	100%	1,311,000	85%	\$27	6,000	\$(1)

**Table 4: Distribution of families that gain in the year beginning 1 April 2019**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	196,000	13%	14,000	7%	\$23	*	*
\$14,000-\$31,000	242,000	16%	198,000	82%	\$14	*	*
\$31,000-\$48,000	213,000	14%	213,000	100%	\$8	*	*
\$48,000-\$60,000	140,000	9%	140,000	100%	\$23	*	*
\$60,000-\$70,000	83,000	5%	83,000	100%	\$25	*	*
\$70,000-\$100,000	238,000	15%	238,000	100%	\$29	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$34	*	*
\$125,000-\$150,000	94,000	6%	94,000	100%	\$42	*	*
\$150,000+	198,000	13%	198,000	100%	\$45	*	*
All	1,550,000	100%	1,324,000	85%	\$27	4,000	\$(1)

**Table 5: Distribution of families that gain in the year beginning 1 April 2020**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	194,000	12%	14,000	7%	\$23	*	*
\$14,000-\$31,000	235,000	15%	191,000	81%	\$15	*	*
\$31,000-\$48,000	203,000	13%	203,000	100%	\$8	*	*
\$48,000-\$60,000	143,000	9%	143,000	100%	\$23	*	*
\$60,000-\$70,000	94,000	6%	94,000	100%	\$26	*	*
\$70,000-\$100,000	232,000	15%	232,000	100%	\$29	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$34	*	*
\$125,000-\$150,000	101,000	6%	101,000	100%	\$41	*	*
\$150,000+	211,000	14%	211,000	100%	\$46	*	*
All	1,559,000	100%	1,335,000	86%	\$27	4,000	\$(2)

**Distributional impacts for Package 5a (full abatement, no phasing) – Individuals**

**Table 6: Distribution of individuals that gain in the year beginning 1 April 2018**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	539,000	22%	125,000	23%	\$18	29,000	\$(4)
\$14,000-\$31,000	408,000	16%	370,000	91%	\$12	4,000	\$(3)
\$31,000-\$48,000	463,000	19%	462,000	100%	\$5	*	*
\$48,000-\$60,000	305,000	12%	304,000	100%	\$24	*	*
\$60,000-\$70,000	171,000	7%	171,000	100%	\$29	*	*
\$70,000-\$100,000	327,000	13%	327,000	100%	\$28	*	*
\$100,000-\$125,000	117,000	5%	117,000	100%	\$28	*	*
\$125,000-\$150,000	57,000	2%	57,000	100%	\$27	*	*
\$150,000+	97,000	4%	97,000	100%	\$27	*	*
All	2,483,000	100%	2,031,000	82%	\$19	35,000	\$(4)

**Table 7: Distribution of individuals that gain in the year beginning 1 April 2019**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	527,000	21%	113,000	21%	\$14	30,000	\$(2)
\$14,000-\$31,000	402,000	16%	367,000	91%	\$10	*	*
\$31,000-\$48,000	445,000	18%	445,000	100%	\$5	*	*
\$48,000-\$60,000	303,000	12%	303,000	100%	\$24	*	*
\$60,000-\$70,000	186,000	7%	186,000	100%	\$29	*	*
\$70,000-\$100,000	347,000	14%	347,000	100%	\$28	*	*
\$100,000-\$125,000	129,000	5%	129,000	100%	\$28	*	*
\$125,000-\$150,000	55,000	2%	55,000	100%	\$27	*	*
\$150,000+	104,000	4%	104,000	100%	\$27	*	*
All	2,499,000	100%	2,049,000	82%	\$18	32,000	\$(2)

**Table 8: Distribution of individuals that gain in the year beginning 1 April 2020**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals (\$)
0-\$14,000	525,000	21%	110,000	21%	\$14	28,000	\$(2)
\$14,000-\$31,000	389,000	15%	353,000	91%	\$10	*	*
\$31,000-\$48,000	419,000	17%	419,000	100%	\$5	*	*
\$48,000-\$60,000	309,000	12%	309,000	100%	\$23	*	*
\$60,000-\$70,000	205,000	8%	205,000	100%	\$28	*	*
\$70,000-\$100,000	362,000	14%	362,000	100%	\$28	*	*
\$100,000-\$125,000	130,000	5%	130,000	100%	\$28	*	*
\$125,000-\$150,000	64,000	3%	64,000	100%	\$27	*	*
\$150,000+	110,000	4%	110,000	100%	\$27	*	*
All	2,513,000	100%	2,062,000	82%	\$19	30,000	\$(2)

Distributional impacts for Package 5a (partial abatement, FTC phasing) - **Families**

**Table 9: Distribution of families that gain in the year beginning 1 April 2018**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	200,000	13%	17,000	9%	\$12	*	*
\$14,000-\$31,000	249,000	16%	205,000	82%	\$8	*	*
\$31,000-\$48,000	221,000	14%	221,000	100%	\$5	*	*
\$48,000-\$60,000	136,000	9%	136,000	100%	\$19	*	*
\$60,000-\$70,000	78,000	5%	78,000	100%	\$22	*	*
\$70,000-\$100,000	241,000	16%	241,000	100%	\$25	*	*
\$100,000-\$125,000	143,000	9%	143,000	100%	\$34	*	*
\$125,000-\$150,000	88,000	6%	88,000	100%	\$41	*	*
\$150,000+	186,000	12%	186,000	100%	\$45	*	*
All	1,542,000	100%	1,314,000	85%	\$23	4,000	\$(1)

**Table 10: Distribution of families that gain in the year beginning 1 April 2019**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	196,000	13%	14,000	7%	\$23	*	*
\$14,000-\$31,000	242,000	16%	198,000	82%	\$15	*	*
\$31,000-\$48,000	213,000	14%	213,000	100%	\$9	*	*
\$48,000-\$60,000	140,000	9%	140,000	100%	\$24	*	*
\$60,000-\$70,000	83,000	5%	83,000	100%	\$27	*	*
\$70,000-\$100,000	238,000	15%	238,000	100%	\$31	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$35	*	*
\$125,000-\$150,000	94,000	6%	94,000	100%	\$42	*	*
\$150,000+	198,000	13%	198,000	100%	\$45	*	*
All	1,550,000	100%	1,324,000	85%	\$27	4,000	\$(1)

**Table 11: Distribution of families that gain in the year beginning 1 April 2020**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	194,000	12%	14,000	7%	\$23	*	*
\$14,000-\$31,000	235,000	15%	191,000	81%	\$15	*	*
\$31,000-\$48,000	203,000	13%	203,000	100%	\$8	*	*
\$48,000-\$60,000	143,000	9%	143,000	100%	\$24	*	*
\$60,000-\$70,000	94,000	6%	94,000	100%	\$28	*	*
\$70,000-\$100,000	232,000	15%	232,000	100%	\$32	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$35	*	*
\$125,000-\$150,000	101,000	6%	101,000	100%	\$41	*	*
\$150,000+	211,000	14%	211,000	100%	\$46	*	*
All	1,559,000	100%	1,335,000	86%	\$28	4,000	\$(2)

Distributional impacts for Package 5a (partial abatement, FTC phasing) – **Individuals**

**Table 12: Distribution of individuals that gain in the year beginning 1 April 2018**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	539,000	22%	101,000	19%	\$6	53,000	\$(3)
\$14,000-\$31,000	408,000	16%	369,000	90%	\$7	5,000	\$(2)
\$31,000-\$48,000	463,000	19%	463,000	100%	\$4	*	*
\$48,000-\$60,000	305,000	12%	305,000	100%	\$22	*	*
\$60,000-\$70,000	171,000	7%	171,000	100%	\$27	*	*
\$70,000-\$100,000	327,000	13%	327,000	100%	\$27	*	*
\$100,000-\$125,000	117,000	5%	117,000	100%	\$27	*	*
\$125,000-\$150,000	57,000	2%	57,000	100%	\$27	*	*
\$150,000+	97,000	4%	97,000	100%	\$27	*	*
All	2,483,000	100%	2,006,000	81%	\$16	58,000	\$(3)

**Table 13: Distribution of individuals that gain in the year beginning 1 April 2019**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	527,000	21%	117,000	22%	\$15	28,000	\$(1)
\$14,000-\$31,000	402,000	16%	367,000	91%	\$11	*	*
\$31,000-\$48,000	445,000	18%	445,000	100%	\$6	*	*
\$48,000-\$60,000	303,000	12%	303,000	100%	\$24	*	*
\$60,000-\$70,000	186,000	7%	186,000	100%	\$29	*	*
\$70,000-\$100,000	347,000	14%	347,000	100%	\$29	*	*
\$100,000-\$125,000	129,000	5%	129,000	100%	\$28	*	*
\$125,000-\$150,000	55,000	2%	55,000	100%	\$28	*	*
\$150,000+	104,000	4%	104,000	100%	\$28	*	*
All	2,499,000	100%	2,053,000	82%	\$19	29,000	\$(1)

**Table 14: Distribution of individuals that gain in the year beginning 1 April 2020**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	525,000	21%	115,000	22%	\$15	25,000	\$(1)
\$14,000-\$31,000	389,000	15%	354,000	91%	\$11	*	*
\$31,000-\$48,000	419,000	17%	419,000	100%	\$6	*	*
\$48,000-\$60,000	309,000	12%	309,000	100%	\$24	*	*
\$60,000-\$70,000	205,000	8%	205,000	100%	\$29	*	*
\$70,000-\$100,000	362,000	14%	362,000	100%	\$29	*	*
\$100,000-\$125,000	130,000	5%	130,000	100%	\$28	*	*
\$125,000-\$150,000	64,000	3%	64,000	100%	\$27	*	*
\$150,000+	110,000	4%	110,000	100%	\$28	*	*
All	2,513,000	100%	2,068,000	82%	\$19	26,000	\$(1)



**Distributional impacts for Package 6a (full abatement, no phasing) - Families**

**Table 15: Distribution of families that gain in the year beginning 1 April 2018**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	200,000	13%	17,000	9%	\$36	*	*
\$14,000-\$31,000	249,000	16%	205,000	82%	\$18	*	*
\$31,000-\$48,000	221,000	14%	220,000	100%	\$9	*	*
\$48,000-\$60,000	136,000	9%	136,000	100%	\$20	*	*
\$60,000-\$70,000	78,000	5%	78,000	100%	\$21	*	*
\$70,000-\$100,000	241,000	16%	238,000	99%	\$23	*	*
\$100,000-\$125,000	143,000	9%	143,000	100%	\$27	*	*
\$125,000-\$150,000	88,000	6%	88,000	100%	\$31	*	*
\$150,000+	186,000	12%	186,000	100%	\$34	*	*
All	1,542,000	100%	1,310,000	85%	\$22	8,000	\$(2)

**Table 16: Distribution of families that gain in the year beginning 1 April 2019**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	196,000	13%	14,000	7%	\$23	*	*
\$14,000-\$31,000	242,000	16%	198,000	82%	\$14	*	*
\$31,000-\$48,000	213,000	14%	213,000	100%	\$8	*	*
\$48,000-\$60,000	140,000	9%	140,000	100%	\$20	*	*
\$60,000-\$70,000	83,000	5%	83,000	100%	\$20	*	*
\$70,000-\$100,000	238,000	15%	238,000	100%	\$24	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$27	*	*
\$125,000-\$150,000	94,000	6%	94,000	100%	\$31	*	*
\$150,000+	198,000	13%	198,000	100%	\$34	*	*
All	1,550,000	100%	1,324,000	85%	\$22	4,000	\$(1)

**Table 17: Distribution of families that gain in the year beginning 1 April 2020**

Taxable income	Total number of families	% of total	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families (\$)	Number of families losing	Average weekly loss for losing families (\$)
0-\$14,000	194,000	12%	14,000	7%	\$23	*	*
\$14,000-\$31,000	235,000	15%	191,000	81%	\$15	*	*
\$31,000-\$48,000	203,000	13%	203,000	100%	\$8	*	*
\$48,000-\$60,000	143,000	9%	143,000	100%	\$20	*	*
\$60,000-\$70,000	94,000	6%	94,000	100%	\$21	*	*
\$70,000-\$100,000	232,000	15%	232,000	100%	\$24	*	*
\$100,000-\$125,000	146,000	9%	146,000	100%	\$27	*	*
\$125,000-\$150,000	101,000	6%	101,000	100%	\$31	*	*
\$150,000+	211,000	14%	211,000	100%	\$34	*	*
All	1,559,000	100%	1,335,000	86%	\$22	4,000	\$(2)

**Distributional impacts for Package 6a (full abatement, no phasing) – Individuals**

**Table 18: Distribution of individuals that gain in the year beginning 1 April 2018**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	539,000	22%	125,000	23%	\$18	29,000	\$(4)
\$14,000-\$31,000	408,000	16%	370,000	91%	\$12	4,000	\$(3)
\$31,000-\$48,000	463,000	19%	462,000	100%	\$5	*	*
\$48,000-\$60,000	305,000	12%	304,000	100%	\$20	*	*
\$60,000-\$70,000	171,000	7%	171,000	100%	\$21	*	*
\$70,000-\$100,000	327,000	13%	326,000	100%	\$21	*	*
\$100,000-\$125,000	117,000	5%	117,000	100%	\$20	*	*
\$125,000-\$150,000	57,000	2%	57,000	100%	\$20	*	*
\$150,000+	97,000	4%	97,000	100%	\$20	*	*
All	2,483,000	100%	2,029,000	82%	\$15	36,000	\$(4)

**Table 19: Distribution of individuals that gain in the year beginning 1 April 2019**

Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	527,000	21%	113,000	21%	\$14	30,000	\$(2)
\$14,000-\$31,000	402,000	16%	367,000	91%	\$10	*	*
\$31,000-\$48,000	445,000	18%	445,000	100%	\$5	*	*
\$48,000-\$60,000	303,000	12%	303,000	100%	\$20	*	*
\$60,000-\$70,000	186,000	7%	186,000	100%	\$21	*	*
\$70,000-\$100,000	347,000	14%	347,000	100%	\$21	*	*
\$100,000-\$125,000	129,000	5%	129,000	100%	\$20	*	*
\$125,000-\$150,000	55,000	2%	55,000	100%	\$20	*	*
\$150,000+	104,000	4%	104,000	100%	\$20	*	*
All	2,499,000	100%	2,049,000	82%	\$15	32,000	\$(2)

**Table 20: Distribution of individuals that gain in the year beginning 1 April 2020**

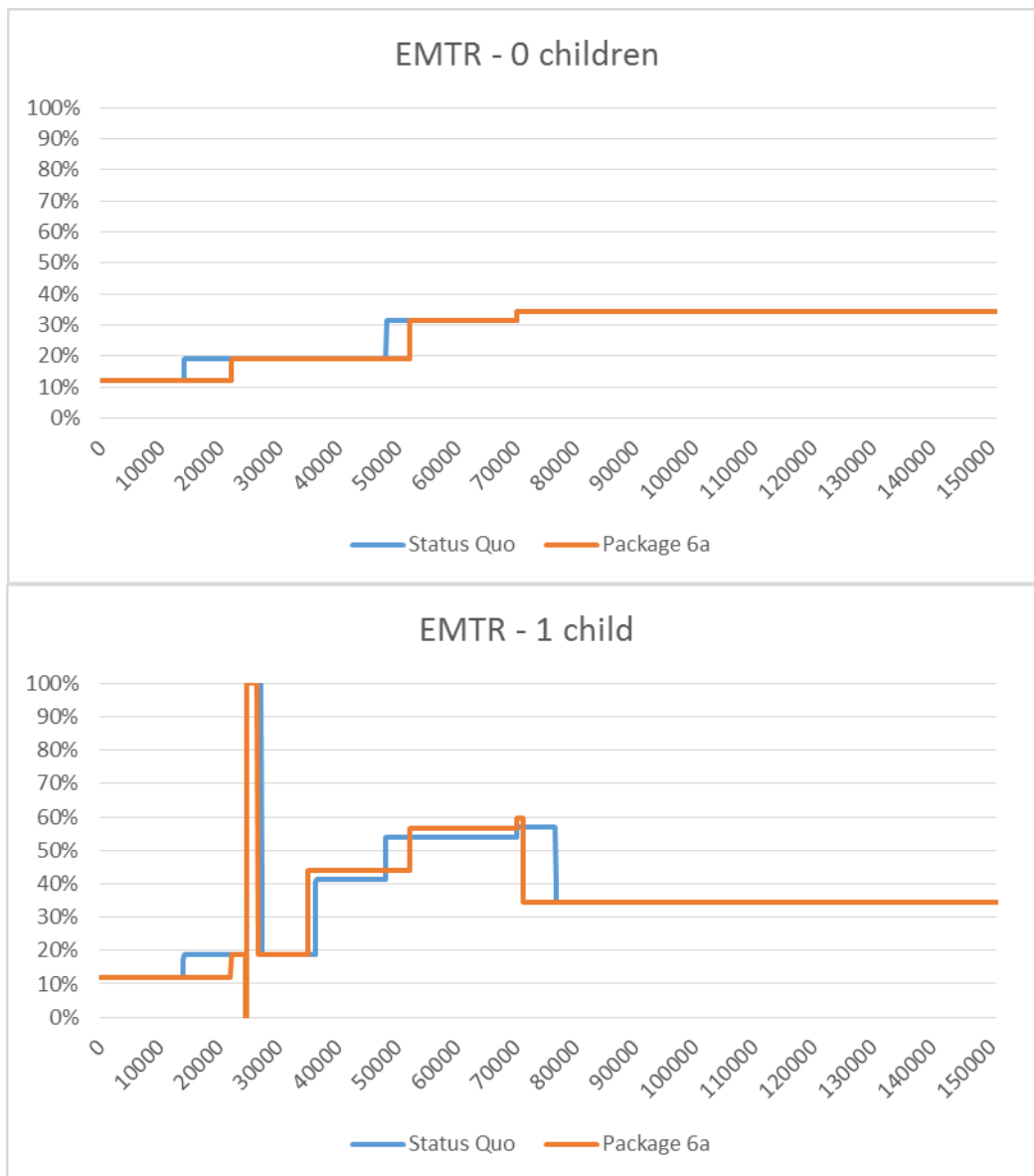
Taxable income	Total number of individuals	% of total	Number of individuals gaining	Percentage of individuals gaining	Average weekly gain for gainers (\$)	Number of individuals losing	Average weekly loss for losing individuals
0-\$14,000	525,000	21%	110,000	21%	\$14	28,000	\$(2)
\$14,000-\$31,000	389,000	15%	353,000	91%	\$10	*	*
\$31,000-\$48,000	419,000	17%	419,000	100%	\$5	*	*
\$48,000-\$60,000	309,000	12%	309,000	100%	\$20	*	*
\$60,000-\$70,000	205,000	8%	205,000	100%	\$21	*	*
\$70,000-\$100,000	362,000	14%	362,000	100%	\$21	*	*
\$100,000-\$125,000	130,000	5%	130,000	100%	\$20	*	*
\$125,000-\$150,000	64,000	3%	64,000	100%	\$20	*	*
\$150,000+	110,000	4%	110,000	100%	\$20	*	*
All	2,513,000	100%	2,062,000	82%	\$15	30,000	\$(2)

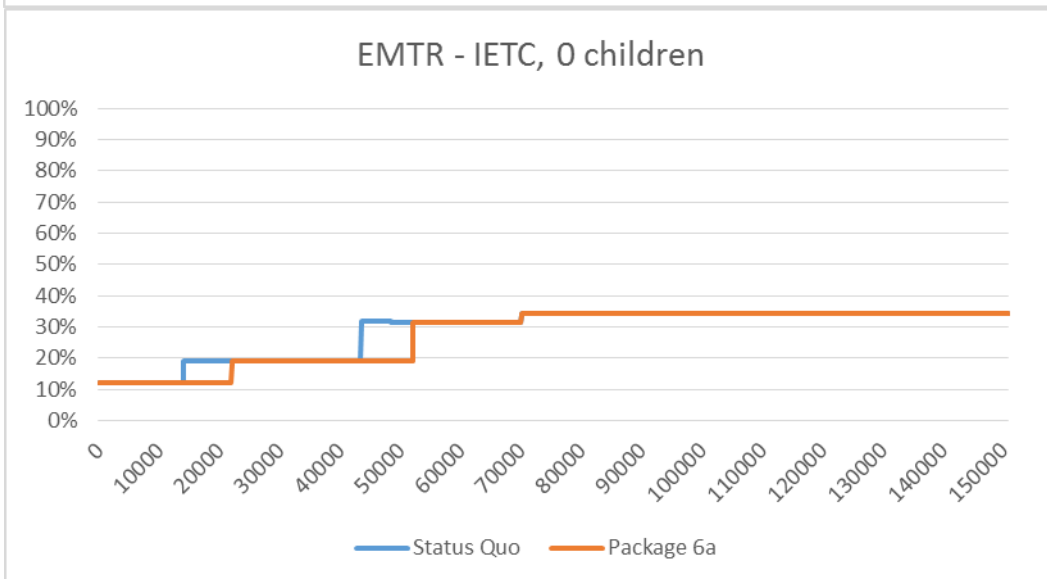
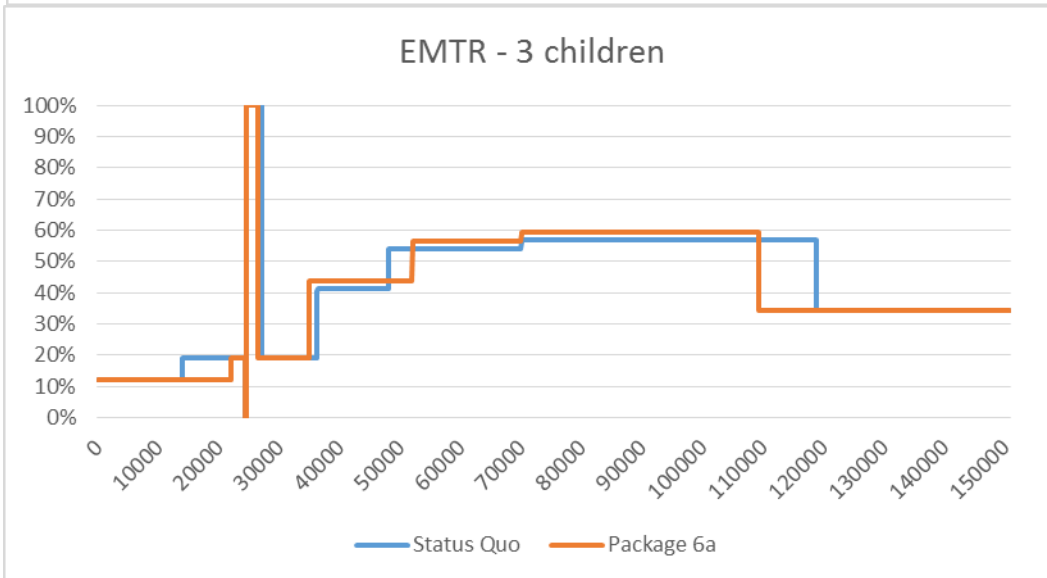
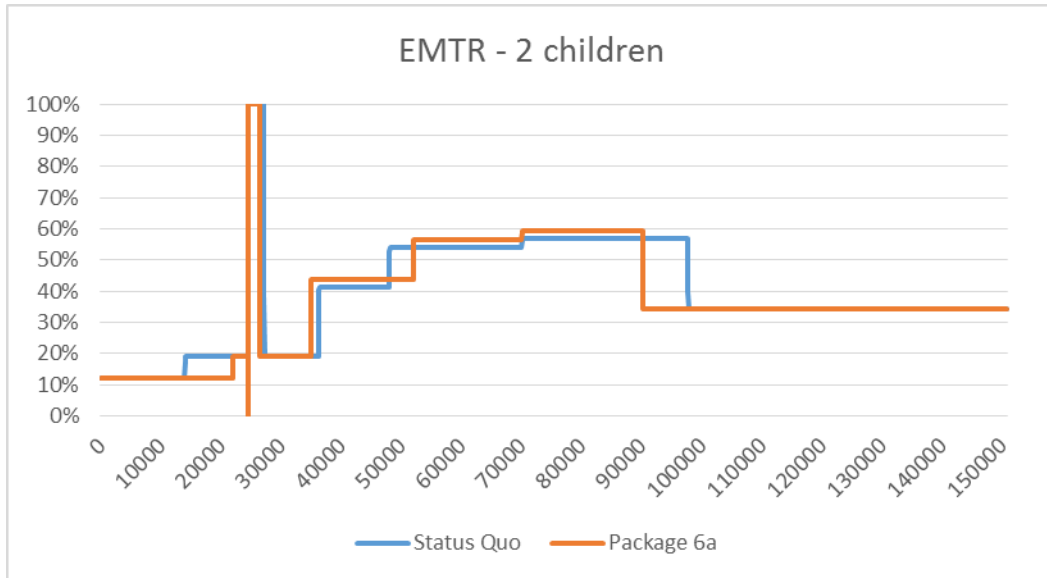
## Attachment 7: Effective Marginal Tax Rate comparison charts

### EMTR graphs for example couple families

Each of the scenarios assumes a couple with the specified number of dependent children. One spouse is the sole earner. For simplicity, the graphs only consider tax (including ACC levy of 1.45%), the Minimum Family Tax Credit, the In-Work Tax Credit and the Family Tax Credit. The Independent Earner Tax Credit is also considered for a couple with no children.

The Family Tax Credit begins to abate at \$36,350 at a rate of 22.5% under the status quo and at \$35,000 at a rate of 25% for Package 6a. The In-Work Tax Credit abates at the same rate once the Family Tax Credit is fully abated.







## Attachment 9: Packages 5a and 6a – cost comparison

### Comparison of Fiscal Costs (in \$m) for Packages 5a and 6a:

		Package 5a (full abatement)	Package 6a (full abatement)	Phased tax thresholds (52k, 55k)
Fiscal year cost (including clawback)	2017/18	660	550	550
	2018/19	2,640	2,190	2,310
	2019/20	2,670	2,190	2,670
	2020/21	2,740	2,230	2,740

Proposed tax threshold changes:

Status Quo		Package 5a	Package 6a
\$14,000	10.5%	\$22,000	\$22,000
\$48,000	17.5%	\$55,000	\$52,000
\$70,000	30%	\$70,000	\$70,000
\$70,000+	33%	\$70,000+	\$70,000+

Phasing of tax thresholds could look like:

Status Quo		Year 1	Year 2
\$14,000	10.5%	\$22,000	\$22,000
\$48,000	17.5%	\$52,000	\$55,000
\$70,000	30%	\$70,000	\$70,000
\$70,000+	33%	\$70,000+	\$70,000+

Packages 5a and 6a include:

- Removing Independent Earner Tax Credit (IETC)
- Increasing lower-age child rates for Family Tax Credit (FTC) to eldest child rates, and decreasing the abatement threshold to \$35,000, and increasing the abatement rate to 25%.
- Increasing Accommodation Supplement maxima rates to reflect 40<sup>th</sup> percentile of 2016 rents, and updating areas to reflect changes in rental prices since 2005.

## Attachment 10: Combined distributional analysis for variants of Packages 5a and 6a

### Package 5a – Full FTC abatement, including AS

Family taxable income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Number of families disadvantaged	Percentage of families losing	Average weekly loss for losing families	Percentage of cost
1	299,000	154,000	52%	\$35	-	-	-	13%
2	298,000	296,000	99%	\$15	-	-	-	11%
3	298,000	297,000	99%	\$29	-	-	-	20%
4	298,000	298,000	100%	\$33	-	-	-	24%
5	298,000	298,000	100%	\$44	-	-	-	32%
<b>Total</b>	<b>1,492,000</b>	<b>1,343,000</b>	<b>90%</b>	<b>\$31</b>	<b>5,000</b>	<b>0%</b>	<b>\$(2)</b>	<b>100%</b>

### Package 6a – Full FTC abatement, including AS

Family taxable income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Number of families disadvantaged	Percentage of families losing	Average weekly loss for losing families	Percentage of cost
1	299,000	154,000	52%	\$35	-	-	-	16%
2	298,000	296,000	99%	\$15	-	-	-	13%
3	298,000	296,000	99%	\$24	-	-	-	20%
4	298,000	298,000	100%	\$26	-	-	-	23%
5	298,000	298,000	100%	\$33	-	-	-	29%
<b>Total</b>	<b>1,492,000</b>	<b>1,342,000</b>	<b>90%</b>	<b>\$26</b>	<b>6,000</b>	<b>0%</b>	<b>\$(3)</b>	<b>100%</b>

#### Notes:

- Use with caution. The results presented are not directly comparable with previous advice.
- This analysis uses bespoke survey weights to reflect MSD data on Accommodation Supplement receipt. These weights are different from the weights used in previous advice, and while every effort has been made to ensure the reliability of these tables, there may be unknown data quality issues as a result of the modifications made.
- The quintiles are constructed from family taxable income without any equivalisation for family composition. Equivalised disposable income is the most common income measure for this type of analysis, however the full eligibility assumption for Accommodation Supplement prevents its use for this analysis.
- There are other caveats that apply to this analysis which will be outlined in subsequent advice summarising the quintile analysis.

## Attachment 11: Adjustment of AS maxima to 40th percentile of 2016 median rents (Source: MSD)

This note provides a summary of the preferred option for adjusting Accommodation Supplement (AS) as part of the tax and transfer package being progressed through Budget 2017. It provides:

- a description of the adjustment
- a distribution of the adjustment if it was introduced in one year or phased over two years
- a comparison of the new maxima against the current maxima, and
- a description of the new AS areas resulting from the adjustment.

### 40<sup>th</sup> percentile of 2016 median rents

This adjustment will increase the maxima to be equal to the 40<sup>th</sup> percentile of 2016 rents in each Area. Currently, AS maxima are based on median rents (50<sup>th</sup> percentile) from 2003. Using the 40<sup>th</sup> percentile provides a balance between updating AS to reflect rental cost growth and limiting the fiscal cost of the package. This adjustment provides similar increases to the maxima as a maxima increase based on 90% of the median 2016 rents.

This adjustment also reflects an update of locations into the AS Areas that most closely match their current rental costs, described in the last section of this note.

### Phasing the adjustment over two years

The table below provides a comparison of the fiscal costs (not accounting for clawback) of the adjustment if it was introduced in one year and if it was introduced over two years. Note that there are around \$20m of additional costs associated with this option not included in the table below, as they have not yet been phased across fiscal years. These costs are largely driven by the cost of newly-eligible recipients (around \$15m per year), with the rest attributable to operational costs and the costs associated with the new AS Areas.

**Table 1. Fiscal costs, single year and phased over two years**

	40 <sup>th</sup> percentile – unphased adjustment		40 <sup>th</sup> percentile – phased adjustment over two years	
	2018/19		2018/19	2019/20
<b>Gross fiscal cost</b>	\$344m		\$250m	\$356m
<b>Net fiscal cost</b>	\$252m		\$183m	\$258m
<b>Reduction in TAS</b>	\$93m		\$67m	\$99m

### Comparison of the current maxima vs the 40th percentile adjustment

**Table 2. AS maxima, current and proposed**

	1 person		2 people		3 + people	
	Current	40 <sup>th</sup> percentile	Current	40 <sup>th</sup> percentile	Current	40 <sup>th</sup> percentile
<b>Area 1</b>	\$145	\$165 (+\$20)	\$160	\$235 (+\$75)	\$225	\$305 (+\$80)
<b>Area 2</b>	\$100	\$105 (+\$5)	\$125	\$155 (+\$30)	\$165	\$220 (+\$55)
<b>Area 3</b>	\$65	\$80 (+\$15)	\$75	\$105 (+\$30)	\$120	\$160 (+\$40)
<b>Area 4</b>	\$45	\$70 (+\$25)	\$55	\$80 (+\$25)	\$75	\$120 (+\$45)

The increases to the maxima from the 40<sup>th</sup> percentile adjustment range from \$5 per week (single person in Area 2) to \$80 per week (3 or more people in Area 1).

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The increases to the maxima from the 40<sup>th</sup> percentile adjustment range from \$5 per week (single person in Area 2) to \$80 per week (3 or more people in Area 1).

## New Accommodation Supplement Zones

The following principles have been used to create the revised AS zones:

- Any new AS zones need to form 'sensible areas' and not create perverse incentives that could drive behaviour (for example, multiple small 'islands' of different areas in a broader region could incentivise clients to move small distances to get more AS).
- New areas should be as simple as possible and minimise the number of boundaries where possible.
- Areas should only rise by one AS zone unless there are exceptional circumstances for why an area should rise by more than one zone (e.g. extremely high rental growth)
- Area boundaries should be set based on existing geographical features/obvious existing boundaries of habitation where possible

A comparison of the revised AS zones with the current AS zones is shown in the table below. Areas that move up an AS zone are highlighted. Two areas (Oxford and Ashburton) move up by two AS zones (from Area 4 to Area 2). MSD considers that this is justified because of the significant rental growth in these areas since the last AS changes.

There are a number of area units that also need to be manually allocated to AS zones. These area units are generally rural with insufficient rental data for them to be included in the modelling exercise that has been used to create the revised AS zones. These area units have been protected in previous boundary changes and allocated to the same AS zone as surrounding areas. MSD have followed the same approach when developing these proposed AS zones. These area units, and their proposed AS zones, are also included in Table 3 below.



**Table 3. Current vs Proposed new Areas**

Current Areas	Proposed new Areas
<b>Area 1</b>	
<p><b>Central Auckland Zone, Northern Auckland Zone.</b></p>	<p><b>Remaining in Area 1</b> Central Auckland Zone, Northern Auckland Zone.</p> <p><b>Moving up from Area 2</b> Arrowtown, Queenstown, Waiheke Island, Southern Auckland Zone, Western Auckland Zone, Warkworth, Helensville, Snells Beach, Brightwater, Pukekohe, Wanaka, Tauranga, Waiuku, Algies Bay area unit, Mahurangi area unit, Bombay area unit, Clevedon area unit, Glenbrook area unit, Hunua area unit, Karekare area unit, Kaukapakapa area unit, Kingseat area unit, Muriwai Beach area unit, Parakai area unit, Patumahoe area unit, Pokeno area unit, Rewiti area unit, Riverhead area unit, Tahekeroa area unit, Waitakere West area unit, Murawai Valley area unit.</p>
<b>Area 2</b>	
<p><b>Arrowtown, Queenstown, Waiheke Island, Wellington Zone, Southern Auckland Zone, Western Auckland Zone, Warkworth, Helensville, Snells Beach, Brightwater, Pukekohe, Wanaka, Tauranga, Waiuku, Nelson, Wakefield, Wellsford, Algies Bay– Mahurangi area unit, Awhitu area unit, Bombay area unit, Cape Rodney area unit, Clevedon area unit, Glenbrook area unit, Great Barrier Island area unit, Hunua area unit, Islands–Motutapu, Rangitoto, Rakino area unit, Karekare area unit, Kaukapakapa area unit, Kawau area unit, Kingseat area unit, Leigh area unit, Little Barrier Island area unit, Mangatawhiri area unit, Maramarua area unit, Matheson Bay area unit, Meremere area unit, Muriwai Beach area unit, Onewhero area unit, Otatau area unit, Parakai area unit, Patumahoe area unit, Pokeno area unit, Rewiti area unit, Riverhead area unit, South Head area unit, Tahekeroa area unit, Tauhoa–Puhoi area unit</b></p>	<p><b>Remaining in Area 2</b> Wellington Zone, Nelson, Wakefield, Wellsford, Brightwater, Awhitu area unit, Cape Rodney area unit, Great Barrier Island area unit, Islands–Motutapu, Rangitoto, Rakino area unit, Kawau area unit, Leigh area unit, Little Barrier Island area unit, Mangatawhiri area unit, Maramarua area unit, Matheson Bay area unit, Meremere area unit, Onewhero area unit, Otatau area unit, South Head area unit, Tauhoa–Puhoi area unit.</p> <p><b>Moving up from Area 3</b> Lincoln, Rolleston, Woodend, Darfield, Christchurch, Rangiora, Leeston, Cambridge Zone, Lower Hutt Zone, Upper Hutt Zone, Porirua Zone, Kapiti, Hamilton Zone, New Plymouth, Kerikeri, Te Puke Community, Raglan, Napier Zone, Cromwell, Motueka, Whangarei, Blenheim, Waihi Beach, Taupo, Matamata, Hastings Zone, Katikati Community, Whangamata, Whitianga, , Te Awamutu Zone, Makara–Ohariu area unit, Nabhra area unit.</p> <p><b>Moving up from Area 4</b> Oxford, Ashburton</p>

Current Areas	Proposed new Areas
<b>Area 3</b>	
<p><b>Lincoln, Rolleston, Woodend, Darfield, Christchurch, Rangiora, Leeston, Cambridge Zone, Lower Hutt Zone, Porirua Zone, Kapiti, Hamilton Zone, New Plymouth, Kerikeri, Te Puke Community, Raglan, Napier Zone, Upper Hutt Zone, Cromwell, Motueka, Te Awamutu Zone, Whangarei, Blenheim, Whakatane, Dunedin, Waihi Beach, Taupo, Thames, Matamata, Hastings Zone, Russell, Katikati Community, Whangamata, Hanmer Springs, Whitianga, Alexandra, Palmerston North, Paihia, Otaki, Feilding, Rotorua, Tairua, Taipa Bay-Mangonui, Takaka, Kaitaia. Cloustoneville area unit, Kapiti Island area unit, Makara–Ohariu area unit, Mana Island area unit, Mangaroa area unit, Maungakotukutuku area unit, Nabhra area unit, Opiki area unit, Paekakariki Hill area unit, Pencarrow area unit, Tokomaru area unit, Makara–Ohariu area unit, Nabhra area unit</b></p>	<p><b>Remaining in Area 3</b></p> <p>Whakatane, Dunedin, Thames, Russell, Hanmer Springs, Alexandra, Palmerston North, Paihia, Otaki, Feilding, Rotorua, Tairua, Taipa Bay-Mangonui, Takaka, Kaitaia, Cloustoneville area unit, Kapiti Island area unit, Makara–Ohariu area unit, Mana Island area unit, Mangaroa area unit, Maungakotukutuku area unit, Nabhra area unit, Opiki area unit, Paekakariki Hill area unit, Pencarrow area unit, Tokomaru area unit.</p> <p><b>Moving up from Area 4</b></p> <p>Inglewood, Te Aroha, Timaru, Waitara, Gisborne, Carterton, Twizel Community, Temuka, Coromandel, Picton, Oamaru, Hokitika, Edgumbe Community, Waihi, Paeroa, Huntly, Kaikoura, Kawakawa, Greymouth, Masterton, Hawera, Dargaville, Shannon, Otorohanga, Winton, Levin, Kaikohe, Waipawa Martinborough, Greytown, Morrinsville, Geraldine, Pleasant Point.</p>
<b>Area 4</b>	
<p><b>Oxford, Rural (Incl.some Off Shore Islands), Ashburton, Martinborough, Geraldine, Rural Centre, Inglewood, Te Aroha, Timaru, Pleasant Point, Morrinsville, Greytown, Waitara, Gisborne, Carterton, Twizel Community, Temuka, Coromandel, Picton, Oamaru, Hokitika, Edgumbe Community, Waihi, Paeroa, Huntly, Kaikoura, Kawakawa, Greymouth, Masterton, Hawera, Dargaville, Shannon, Te Anau, Stratford, Otorohanga, Winton, Levin, Featherston, Kaikohe, Waimate, Invercargill, Moerewa, Wanganui, Ohakune, Te Kuiti, Putaruru, Balclutha, Foxton Community, Eltham, Opunake, Gore, Waipawa, Milton, Manaia, Riverton, Opotiki, Kawerau, Bluff, Waipukurau, Marton, Westport, Tokoroa, Woodville, Dannevirke, Reefton, Bulls, Pahiatua, Wairoa, Turangi, Taumarunui, Taihape, Raetihi, Mangakino, Patea, Murupara, Waiouru</b></p>	<p><b>Remaining in Area 4</b></p> <p>Rural (Incl.some Off Shore Islands), Rural Centre, Te Anau, Stratford, Featherston, Waimate, Invercargill, Moerewa, Wanganui, Ohakune, Te Kuiti, Putaruru, Balclutha, Foxton Community, Eltham, Opunake, Gore, Milton, Manaia, Riverton, Opotiki, Kawerau, Bluff, Waipukurau, Marton, Westport, Tokoroa, Woodville, Dannevirke, Reefton, Bulls, Pahiatua, Wairoa, Turangi, Taumarunui, Taihape, Raetihi, Mangakino, Patea, Murupara, Waiouru.</p>

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Attachment 13: Comparison of 40<sup>th</sup> percentile AS options with and without co-payment (updated) (Source: MSD)

**Table 1: Summary of AS options**

	40 <sup>th</sup> percentile	40 <sup>th</sup> percentile with co-payment
	2018/19	2018/19
Gross fiscal cost	\$350m	\$416m
Net fiscal cost	\$256m	\$311m
Reduction in TAS	\$94m	\$105m
Winners	136,000	253,000
Average gain p/w	\$36	\$24
Losers	400	800
Average loss p/w	\$1.80	\$1.50
Proportion at maxima (no change - 54%)	24%	27%
Number out of severe housing stress	14,000	19,000
Proportion of those in severe housing stress who gain	50% (70,000)	90% (126,000)

**Table 2: AS options, winners and losers by income quintile, 40<sup>th</sup> percentile in 2018/19**

Income quintile (family taxable income)	Number of families gaining	Average weekly gain for gaining families	Number of families losing	Average weekly loss for losing families
1 (\$0-\$20,000)	66,000	\$29	200	\$1.40
2 (\$20,000 - \$45,000)	61,000	\$41	200	\$2.50
3 (\$45,000 - \$74,000)	9,000	\$57		
4 (\$74,000 - \$119,000)	<1,000	\$28		
5 (\$119,000 +)				
TOTAL	136,000		400	\$1.40

Note that 71,000 of the families gaining in this option do not have children, so will not benefit from the Family Tax Credit changes.

**Table 3: AS options, winners and losers by income quintile, 40<sup>th</sup> percentile with co-payment in 2018/19**

Income quintile (family taxable income)	Number of families gaining	Average weekly gain for gaining families	Number of families losing	Average weekly loss for losing families
1 (\$0-\$20,000)	146,000	\$16	600	\$1.30
2 (\$20,000 - \$45,000)	96,000	\$31	200	\$2.20
3 (\$45,000 - \$74,000)	11,000	\$56		
4 (\$74,000 - \$119,000)	<1,000	\$53		
5 (\$119,000 +)				
<b>TOTAL</b>	<b>253,000</b>	<b>\$24</b>	<b>800</b>	<b>\$1.50</b>

Note that 158,000 of the families gaining in this option do not have children, so will not benefit from the Family Tax Credit changes.

### Descriptions of each option

Both options include a re-allocation of locations into the AS Area that most closely matches their rental costs in 2016.

#### 40<sup>th</sup> percentile

- Increases the maxima to be equal to the 40<sup>th</sup> percentile of 2016 rents in each Area
  - This is close to what would be calculated based on 90% of median rents

#### 40<sup>th</sup> percentile with co-payment

- This option has the same maxima increase as above and reduces the tenant co-payment from 30% to 25% for renters and boarders

### Notes:

- Estimates do not include claw-back, the cost of newly-eligible recipients (around a 6% increase) or operational costs.
- Fiscal cost updated for HYEFU16; previous fiscal costs were based on BEFU16.
- Fiscal costs incurred for 2017/18; i.e. April 2018 to June 2018, are not shown.
- Proportion at maxima refers to clients whose AS entitlement was constrained by the AS maxima. This figure is different from the number paid at the AS maxima since abatement for non-beneficiaries clients can reduce AS entitlement to below the AS maxima.
- Hardship figures are based on client numbers at September 2016. Change in entitlement has been converted from April 2018 and April 2019 terms to September 2016 using forecasted CPI index (HYEFU16).
- Severe hardship is defined as where equivalised residual income is less than \$180 per week (adjusted to September 2016 figures using CPI index).
- Residual income is equivalised using the modified OECD scale.
- Non-beneficiary clients with zero income are excluded from the residual income analysis.

## Attachment 14: Advice on an Accommodation Supplement calculator to reflect Budget 2017 changes (Source: MSD)

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This note recommends an approach to providing a web-based calculator for the public to be able to assess current and future entitlement to the Accommodation Supplement (AS) as a result of the proposed changes in Budget 2017. This calculator will need to be ready for Budget day (25 May 2017). The Ministry of Social Development (MSD) also recommends updating its internal calculator (used by case managers to assess entitlement) to be able to estimate future entitlements.

The public AS calculator will:

- Estimate both recipients' current entitlement and expected entitlement on 1 April 2018 (and 1 April 2019 if the AS changes are phased over two years)
- Estimate entitlement for:
  - Non-beneficiaries, and
  - Recipients of a main benefit.
- Remain based on the Working for Families (WFF) website, with links from the Treasury's Budget 2017 website

Note that, given the time to develop the calculator it will be relatively basic, and will not be able to assess any changes in entitlement due to interactions with Temporary Additional Support (TAS), other hardship assistance or Childcare Assistance – these limits (and others) will be clearly stated on the website. A calculator that would incorporate the interactions with Childcare Assistance could not be developed in time for the 25 May 2017 deadline. We therefore propose developing an updated calculator which would show AS changes from the package only with the appropriate caveats stated.

MSD is scoping the feasibility of estimating entitlement for recipients of New Zealand Superannuation (NZS)/ Veteran's Pension, however creating this functionality will likely be challenging in the time available.

MSD will also update its internal calculator (used by case managers to assess entitlement) to be able to estimate expected entitlements on 1 April 2018. This will be able to provide MSD clients with an estimate of their future entitlement from both the AS and Family Tax Credit components of the Budget package.

The internal calculator will be particularly important for people accessing other forms of assistance from Work and Income, as the external calculator will not be able to cover all interactions. This will also provide a 'back-up' option, should the public AS calculator not be available in time for Budget day, where people can contact Work and Income for this information.

MSD recommends informing Minister Tolley about this work, given the impact on Work and Income.

### Timeframes

MSD will need a final decision on the AS option in the package (and a decision on whether to progress with the public AS calculator) by **Monday 10 April**, in order to be able to deliver it by 25 May 2017. This deadline is driven by the need to have a minimum of 4 weeks to code the calculator, and a minimum of 2 weeks to test the calculator.

In order to be able to deliver on the update of MSD's internal calculator, a final decision on the AS option in the package is needed by **Wednesday 12 April**.

These timeframes are based on implementation in a single year. A phased introduction of AS would add further complexity and would be unlikely to be completed ahead of the 25 May 2017 deadline. Should a phased option be chosen, MSD would scope the work required and report back with updated timeframes for delivery.

## **Cost**

The development of the public AS calculator is expected to cost around \$120,000. The update of the internal calculator is expected to cost around \$15,000. These have been included in the estimates of MSD's operational costs to implement this package.

## **Public AS calculator**

The AS (and Childcare Assistance) calculator is currently on the WFF website (<http://www.workingforfamilies.govt.nz/calculators/>). This website was created to provide non-beneficiaries with information about their entitlements as a result of the Working for Families changes in the mid-2000s. MSD currently maintain this website.

In order to be able to deliver the public calculator for Budget day, it must remain hosted on the WFF website, with links provided from Treasury's Budget 2017 website. The calculator on the WFF website currently calculates current entitlement for both AS and Childcare Assistance for non-beneficiaries. The re-development will enable it to calculate future entitlement for AS, and expand coverage to recipients of main benefits. The calculator will continue to simultaneously assess current entitlement for Childcare Assistance for non-beneficiaries based on current Childcare Assistance rates.

The current AS (and Childcare Assistance) calculator requires people to answer 12 questions in 3 steps (4 questions in each step) – an example of this is provided in the Appendix to this note. The expansion of the calculator is likely to result in an increase in the number of questions asked. All questions are required to determine basic entitlement for AS and Childcare Assistance. Given the relative complexity of the AS and Childcare Assistance calculator, Treasury's website will provide high-level information about the AS (i.e. a table of the new AS maxima and a map of the AS Areas), for people who do not wish to access the calculator.

## **Risks**

Treasury provided a comprehensive list of risks associated with a calculator in their recent advice (T2017/814) on a calculator for the Budget 2017 tax and transfer changes (excluding AS). Many of these risks are shared with the AS calculator, and are described below.

The calculator may create an expectation of an entitlement that may not take into account all relevant factors, given the simplicity of the calculator. Given the interaction of AS with other forms of Work and Income assistance, such as Temporary Additional Support (TAS) or Childcare Assistance, the calculator may show an increase to their assistance that the client would not in reality receive. Subsequent application to Work and Income may result in a lower entitlement than indicated in the calculator. The existing AS calculator for non-beneficiaries already faces this risk, however this risk may be increased with the calculator being widened to include beneficiary clients (who are more likely to be in receipt of TAS). The risk is currently managed by careful language on the website ("you may be entitled to up to") and a clear description of the limits of the estimation provided. Appropriate caveats and explanations will be added to external facing calculator to manage this risk.

Providing a calculator for beneficiaries as well as non-beneficiaries will increase the number of people accessing the calculator and consequently increase the size of the risks raised. The risk will also be higher because beneficiaries are more likely to have more complex interactions with other parts of the welfare system which a basic calculator will not be able to assess.



MSD's judgement is that these risks can continue to be managed through the current approach of careful language and clear caveats around the calculator. While the calculator will be basic, it will be capable of providing people with a reasonable estimate of the change in entitlement they may receive as a result of the Budget package. With the update of the internal calculator, people will also be able to contact Work and Income to receive a more comprehensive estimate of their future entitlement.

Treasury raised the risk of low value-for-money given the short-term nature of the calculator. This will be true of the added functionality of the AS calculator to estimate future entitlement, but the external AS calculator will expand coverage to beneficiaries as well as non-beneficiaries, which will be of enduring use.

The calculator will also need to be able to handle the peak demand on Budget day. There is a risk of service outage if this demand is larger than expected. Performance testing is included in the estimate of cost, though the tight timeframes may limit what is possible.

Given the tight timeframes, there is also a risk that the public AS calculator will not be ready in time for Budget day. This risk will be partly managed by the update of the internal calculator, which will provide a back-up option for people to be able to contact Work and Income to determine their entitlement. The high-level information about the AS on the Treasury website will also support this.

## Accommodation Supplement and Childcare Assistance Calculator

The assessments provided are only an indication of possible entitlement based on the rates of entitlement on 5 April 2017 and the [information you have entered](#).

### Accommodation Supplement Estimate

You may be able to get **\$131.00 a week**. The rate of Accommodation Supplement you may be able to receive will depend on exactly where you live and the Accommodation Supplement area you are in. Please call us for more information on **0800 774 004**.

### Childcare Assistance Estimate:

You may be able to get up to **\$4.04 an hour** for each child under 14 years in approved childcare [up to 18 years if you qualify under special circumstances]. Childcare Subsidy is payable for up to 50 hours a week and the OSCAR subsidy is payable for up to 20 hours per week during term time, and up to 50 hours during school holidays if you are working or studying or have special circumstances. If you are not in work or study or have special circumstances you can get a Childcare Subsidy for up to nine hours a week. Please call us for more information on **0800 774 004**.

These assessments do not guarantee that you are eligible to receive any income assistance now or in the future, nor do they form any obligation/requirement on the part of Work and Income or its staff or agencies.

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### Summary of your answers

#### Step 1

Do you have a partner?	Yes
Are you or your partner a student?	No
Are you or your partner currently receiving a benefit from Work and Income?	No
Do you rent from or have a mortgage with Housing NZ?	No

#### Step 2

How many dependent children do you care for?	2
What is your and your partner's weekly income before tax?	\$1000
What type of accommodation do you have?	Rent
Which region do you live in?	Auckland

#### Step 3

Which area best describes where you live?	Auckland Central
What is the value of your and your partner's cash assets?	\$500
What is the value of your and your partner's non-cash assets?	\$0
How much rent do you pay for you and your family each week?	\$450