

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

[www.treasury.govt.nz/publications/informationreleases/budget/2017](http://www.treasury.govt.nz/publications/informationreleases/budget/2017)

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[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)
[36]	to maintain legal professional privilege	9(2)(h)
[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. 10)

<b>Date:</b>	11 May 2017	<b>Report No:</b>	T2017/1046
		<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	None
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. 10)

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

	<b>Date</b>	<b>Title</b>	<b>Notes</b>
1	10/4/2017	Independent Earner Tax Credit decomposition (amended)	Amended version of T2017/918 attachment 8
2	10/4/2017	Distributional analysis – Packages 5a and 6a	
3	10/4/2017	Decomposition of gains for gaining families – Packages 5a and 6a	
4	11/4/2017	Package 6a with 40 <sup>th</sup> percentile AS – breakdown by family type	Refined methodology drove the minimum income in quintile 2 up slightly compared to 2 and 3. This is mainly rounding.
5	18/4/2017	Estimated families disadvantaged by amount lost	
6	18/4/2017	Impacts Table interpretation	Explains the interpretation of recommendation 12 in the Cabinet paper
7	21/4/2017	Transitional fund – key points for discussion	
8	21/4/2017	Budget 2017 Family Incomes Package – key outstanding points	
<b>Accommodation Supplement and Accommodation Benefit</b>			
9	24/4/2017	Further information on Accommodation Supplement and Student Loans	
10	10/4/2017	Alternative AS options to include co-payment within same fiscal envelope as 40 <sup>th</sup> percentile AS option	
11	11/4/2017	Alternative AS options to include co-payment within same fiscal envelope as 40 <sup>th</sup> percentile AS option (updated)	Quintile analysis amended to use the same quintiles as the Treasury version
12	14/4/2017	Providing extra support to students with accommodation costs	

## Other information provided separately

Report number	Date	Description
	13/4/2017	Cabinet Paper: Budget 2017 Family Incomes Package
T2017/1055	21/4/2017	Joint report: Family Incomes Package – transitional arrangements for provisional taxpayers using the uplift method
T2017/1084	21/4/2017	Aide Memoire: Budget 2017 Family Incomes Package Legislation Timetable
T2017/1091	21/4/2017	Costing and distributional analysis of potential changes to the Accommodation Benefit
T2017/1092	21/4/2017	Joint Report: Transitional Assistance Fund for Family Incomes Package
T2017/1094	27/4/2017	Aide Memoire: Potential Design and Interactions of a Tax Package Calculator
T2017/1120	28/4/2017	Final decisions – Family Incomes Package and Budget Package
T2017/1199	4/5/2017	Family Incomes Package - Cabinet paper and draft legislation Attached: draft Cabinet paper, legislation and disclosure statement
T2017/1213	5/5/2017	Aide Memoire: Family Incomes Package - further information on a tax calculator Attached: calculator mock-ups

## Index of information provided to date

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

## Items outstanding following Cabinet meeting of 18 April

In June, you and relevant Ministers will receive advice on the following items as part of the Family Incomes Package:

- [33]
- 
- Drafts of Orders in Council for changes to the Accommodation Supplement and Accommodation Benefit.

## Recommended Action

---

We recommend that you **note** the enclosed information.

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
10/04/2017	T2017/918	Supplementary information about tax and transfers (No. 9)
3/04/2017	T2017/918	Attachment 1: Tax and Transfer Packages 5a and 6a – costs by component
5/04/2017	T2017/918	Attachment 2: Tax and Transfer Packages 5a and 6a – costs by component (updated)



3/04/2017	T2017/918	Attachment 3: Package 5a example families
5/04/2017	T2017/918	Attachment 4: Package 5a example families (updated)
4/04/2017	T2017/918	Attachment 5: Working for Families – abatement charts
5/04/2017	T2017/918	Attachment 6: Distributional analysis for variants of Packages 5a and 6a (updated)
7/04/2017	T2017/918	Attachment 7: Effective Marginal Tax Rate comparison charts
7/04/2017	T2017/918	Attachment 8: Independent Earner Tax Credit decomposition
7/04/2017	T2017/918	Attachment 9: Packages 5a and 6a – cost comparison
10/04/2017	T2017/918	Attachment 10: Combined distributional analysis for variants of Packages 5a and 6a by quintile
4/04/2017	T2017/918	Attachment 11: Adjustment of AS maxima to 40th percentile of 2016 median rents
5/04/2017	T2017/918	Attachment 12: Comparison of 40 <sup>th</sup> percentile AS options with and without co-payment
7/04/2017	T2017/918	Attachment 13: Comparison of 40 <sup>th</sup> percentile AS options with and without co-payment (updated)
7/04/2017	T2017/918	Attachment 14: Advice on an Accommodation Supplement calculator to reflect Budget 2017 changes
12/04/2017	T2017/990	Options for a Budget 2017 tax package calculator
16/04/2017	T2017/1022	Aide Memoire: Further information for Budget 2017 Family Incomes Package Cabinet Paper
21/04/2017	T2017/1084	Aide Memoire: Budget 2017 Family Incomes Package Legislation Timetable
21/04/2017	T2017/1091	Costing and distributional analysis of potential changes to the Accommodation Benefit
21/04/2017	T2017/1092	Joint Report: Transitional Assistance Fund for Family Incomes Package
27/04/2017	T2017/1094	Aide Memoire: Potential design and interactions of a tax package calculator
27/04/2017	T2017/1094	Attachment 1: Tax package calculator mock-up
28/04/2017	T2017/1120	Treasury Report: Final decisions - Family Incomes Package and Budget Package
5/05/2017	T2017/1199	Family Incomes Package - Cabinet paper and draft legislation
4/05/2017	T2017/1199	Attachment 1: draft Cabinet paper
4/05/2017	T2017/1199	Attachment 2: draft disclosure statement
4/05/2017	T2017/1199	Attachment 3: draft legislation
5/05/2017	T2017/1213	Aide Memoire: Family Incomes Package - further information on a tax calculator
5/05/2017	T2017/1213	Attachment 1: Tax calculator mock-ups



Attachment 2: Distributional analysis – Packages 5a and 6a

---

**Package 5a by quintile**

Family Taxable Quintile	Taxable Income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Average difference in AS for gaining families	Average difference in Tax for gaining families	Average difference in WFF for gaining families	Average difference in IETC for gaining families	Percentage of cost
1	*	299,000	154,000	52%	\$35	\$17	\$2	\$17	\$0	13%
2	\$24000+	298,000	296,000	99%	\$15	\$4	\$11	\$6	\$(6)	11%
3	\$51000+	298,000	297,000	99%	\$29	\$2	\$26	\$3	\$(2)	20%
4	\$84000+	298,000	298,000	100%	\$33	\$0	\$35	\$2	\$(4)	24%
5	\$127000+	298,000	298,000	100%	\$44	\$0	\$46	\$0	\$(1)	32%
<b>Total</b>		<b>1,492,000</b>	<b>1,343,000</b>	<b>90%</b>	<b>\$31</b>	<b>\$5</b>	<b>\$24</b>	<b>\$5</b>	<b>\$(3)</b>	<b>100%</b>

**Package 5a by income band**

Family taxable income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Average difference in AS for gaining families	Average difference in Tax for gaining families	Average difference in WFF for gaining families	Average difference in IETC for gaining families	Percentage of cost
0-\$14,000	150,000	38,000	25%	\$29	\$18	\$0	\$11	\$0	3%
\$14,000-\$31,000	205,000	172,000	84%	\$34	\$15	\$4	\$17	\$(2)	14%
\$31,000-\$48,000	198,000	198,000	100%	\$11	\$2	\$11	\$4	\$(7)	5%
\$48,000-\$60,000	133,000	133,000	100%	\$23	\$2	\$21	\$2	\$(1)	7%
\$60,000-\$70,000	77,000	77,000	100%	\$31	\$3	\$26	\$4	\$(2)	6%
\$70,000-\$100,000	256,000	254,000	99%	\$29	\$1	\$29	\$3	\$(4)	18%
\$100,000-\$125,000	165,000	165,000	100%	\$36	\$0	\$38	\$1	\$(3)	14%
\$125,000-\$150,000	99,000	99,000	100%	\$42	\$0	\$44	\$0	\$(2)	10%
\$150,000+	208,000	208,000	100%	\$45	\$0	\$46	\$0	\$(1)	23%
<b>All</b>	<b>1,492,000</b>	<b>1,343,000</b>	<b>90%</b>	<b>\$31</b>	<b>\$3</b>	<b>\$26</b>	<b>\$4</b>	<b>\$(3)</b>	<b>100%</b>

**Package 6a by quintile**

Family Taxable Quintile	Taxable Income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Average difference in AS for gaining families	Average difference in Tax for gaining families	Average difference in WFF for gaining families	Average difference in IETC for gaining families	Percentage of cost
1	*	299,000	154,000	52%	\$35	\$17	\$2	\$17	\$0	16%
2	\$24000+	298,000	296,000	99%	\$15	\$4	\$11	\$6	\$(6)	13%
3	\$51000+	298,000	296,000	99%	\$24	\$2	\$21	\$3	\$(2)	20%
4	\$84000+	298,000	298,000	100%	\$26	\$0	\$28	\$2	\$(4)	23%
5	\$127000+	298,000	298,000	100%	\$33	\$0	\$35	\$0	\$(1)	29%
<b>Total</b>		<b>1,492,000</b>	<b>1,342,000</b>	<b>90%</b>	<b>\$26</b>	<b>\$5</b>	<b>\$19</b>	<b>\$5</b>	<b>\$(3)</b>	<b>100%</b>

**Package 6a by income band**

Family taxable income	Total number of families	Number of families gaining	Percentage of families gaining	Average weekly gain for gaining families	Average difference in AS for gaining families	Average difference in Tax for gaining families	Average difference in WFF for gaining families	Average difference in IETC for gaining families	Percentage of cost
0-\$14,000	150,000	38,000	25%	\$29	\$18	\$0	\$11	\$0	3%
\$14,000-\$31,000	205,000	172,000	84%	\$34	\$15	\$4	\$17	\$(2)	17%
\$31,000-\$48,000	198,000	198,000	100%	\$11	\$2	\$11	\$4	\$(7)	6%
\$48,000-\$60,000	133,000	133,000	100%	\$20	\$2	\$18	\$2	\$(1)	8%
\$60,000-\$70,000	77,000	77,000	100%	\$26	\$3	\$20	\$4	\$(2)	6%
\$70,000-\$100,000	256,000	254,000	99%	\$24	\$1	\$24	\$3	\$(4)	17%
\$100,000-\$125,000	165,000	165,000	100%	\$28	\$0	\$30	\$1	\$(3)	13%
\$125,000-\$150,000	99,000	99,000	100%	\$31	\$0	\$34	\$0	\$(2)	9%
\$150,000+	208,000	208,000	100%	\$34	\$0	\$35	\$0	\$(1)	20%
<b>All</b>	<b>1,492,000</b>	<b>1,342,000</b>	<b>90%</b>	<b>\$26</b>	<b>\$3</b>	<b>\$21</b>	<b>\$4</b>	<b>\$(3)</b>	<b>100%</b>

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.

Attachment 3: Decomposition of gains for gaining families – Packages 5a and 6a

**Package 5a, full abatement, 40<sup>th</sup> percentile AS by quintile**

Quintile	Mean gain	Mean difference in AS	Mean difference tax	Mean difference benefit tax	Mean difference WFF	Mean difference IETC	Minimum income in range
1	\$35.32	\$17.04	\$5.13	(\$3.38)	\$16.63	(\$0.10)	*
2	\$15.11	\$3.81	\$11.07	(\$0.14)	\$6.10	(\$5.73)	\$24,000
3	\$28.62	\$2.14	\$25.89	\$0.00	\$2.91	(\$2.32)	\$51,000
4	\$33.30	\$0.25	\$35.17	\$0.00	\$1.65	(\$3.77)	\$84,000
5	\$44.29	\$0.00	\$45.72	\$0.00	\$0.00	(\$1.43)	\$127,000

**Package 5a, full abatement, 40<sup>th</sup> percentile AS by income band**

Income band	Mean gain	Mean difference in AS	Mean difference tax	Mean difference benefit tax	Mean difference WFF	Mean difference IETC
\$0-\$14,000	\$29.47	\$18.15	\$0.01	(\$0.09)	\$11.40	\$0.00
\$14,000-\$31,000	\$34.48	\$14.59	\$7.57	(\$3.26)	\$17.25	(\$1.68)
\$31,000-\$48,000	\$10.85	\$2.45	\$10.84	\$0.00	\$4.46	(\$6.89)
\$48,000-\$60,000	\$23.38	\$1.61	\$21.02	\$0.00	\$1.74	(\$0.99)
\$60,000-\$70,000	\$31.19	\$3.32	\$25.69	\$0.00	\$4.38	(\$2.20)
\$70,000-\$100,000	\$29.10	\$1.24	\$28.98	\$0.00	\$2.74	(\$3.86)
\$100,000-\$125,000	\$35.78	\$0.00	\$38.08	\$0.00	\$1.09	(\$3.39)
\$125,000-\$150,000	\$41.68	\$0.00	\$43.83	\$0.00	\$0.02	(\$2.17)
more than \$150,000	\$45.30	\$0.00	\$46.47	\$0.00	\$0.01	(\$1.18)

**Package 6a, full abatement, 40<sup>th</sup> percentile AS by quintile**

Quintile	Mean gain	Mean difference in AS	Mean difference tax	Mean difference benefit tax	Mean difference WFF	Mean difference IETC	Minimum income in range
1	\$35.32	\$17.04	\$5.13	(\$3.38)	\$16.63	(\$0.10)	*
2	\$15.11	\$3.81	\$11.07	(\$0.14)	\$6.10	(\$5.73)	\$24,000
3	\$23.69	\$2.14	\$20.90	\$0.00	\$2.98	(\$2.32)	\$51,000
4	\$26.24	\$0.25	\$28.12	\$0.00	\$1.65	(\$3.77)	\$84,000
5	\$33.22	\$0.00	\$34.65	\$0.00	\$0.00	(\$1.43)	\$127,000

**Package 6a, full abatement, 40<sup>th</sup> percentile AS by income band**

<b>Income band</b>	<b>Mean gain</b>	<b>Mean difference in AS</b>	<b>Mean difference tax</b>	<b>Mean difference benefit tax</b>	<b>Mean difference WFF</b>	<b>Mean difference IETC</b>
\$0-\$14,000	\$29.47	\$18.15	\$0.01	(\$0.09)	\$11.40	\$0.00
\$14,000-\$31,000	\$34.48	\$14.59	\$7.57	(\$3.26)	\$17.25	(\$1.68)
\$31,000-\$48,000	\$10.85	\$2.45	\$10.84	\$0.00	\$4.46	(\$6.89)
\$48,000-\$60,000	\$20.43	\$1.61	\$18.07	\$0.00	\$1.74	(\$0.99)
\$60,000-\$70,000	\$25.84	\$3.32	\$20.34	\$0.00	\$4.38	(\$2.20)
\$70,000-\$100,000	\$23.69	\$1.25	\$23.50	\$0.00	\$2.82	(\$3.87)
\$100,000-\$125,000	\$27.91	\$0.00	\$30.21	\$0.00	\$1.09	(\$3.39)
\$125,000-\$150,000	\$31.42	\$0.00	\$33.57	\$0.00	\$0.02	(\$2.17)
more than \$150,000	\$33.90	\$0.00	\$35.07	\$0.00	\$0.01	(\$1.18)

All tables present differences only for families who gain.

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.



Attachment 4: Package 6a with 40<sup>th</sup> percentile AS – breakdown by family type

**By quintile:**

Quintile	Total number of families	Percentage of single, no children families	Percentage of single with children families	Percentage of couple, no children families	Percentage of couple with children families	Percentage of IETC recipient families	Percentage of core benefit families	Percentage of accommodation supplement families	Number of families gaining	Average weekly gain for gaining families	Number of families disadvantaged	Average weekly loss for losing families	Minimum income in range
1	299,000	68%	20%	6%	7%	*	60%	55%	154,000	\$ 35	*	*	*
2	298,000	67%	11%	12%	10%	65%	11%	12%	296,000	\$ 15	*	*	\$ 25,000
3	298,000	44%	4%	27%	25%	15%	*	*	296,000	\$ 24	*	*	\$ 51,000
4	298,000	13%	2%	46%	39%	40%	*	*	297,000	\$ 27	*	*	\$ 84,000
5	298,000	6%	*	45%	48%	17%	*	*	298,000	\$ 33	*	*	\$127,000
All	1,492,000	40%	7%	27%	26%	27%	14%	14%	1,342,000	\$ 26	6,000	\$ (3)	

**By income bracket:**

Family taxable income	Total number of families	Percentage of single, no children families	Percentage of single with children families	Percentage of couple, no children families	Percentage of couple with children families	Percentage of IETC recipient families	Percentage of core benefit families	Percentage of accommodation supplement families	Number of families gaining	Average weekly gain for gaining families	Number of families disadvantaged	Average weekly loss for losing families
0 - \$ 14,000	150,000	83%	3%	6%	8%	*	40%	40%	38,000	\$ 29	*	*
\$ 14,000 - \$ 31,000	205,000	51%	32%	8%	8%	14%	70%	62%	172,000	\$ 34	*	*
\$ 31,000 - \$ 48,000	198,000	73%	9%	10%	8%	81%	4%	7%	198,000	\$ 11	*	*
\$ 48,000 - \$ 60,000	133,000	64%	4%	21%	10%	7%	*	*	132,000	\$ 20	*	*
\$ 60,000 - \$ 70,000	77,000	44%	*	23%	31%	13%	*	*	77,000	\$ 26	*	*
\$ 70,000 - \$ 100,000	256,000	25%	4%	37%	34%	31%	*	*	253,000	\$ 24	*	*
\$ 100,000 - \$ 125,000	164,000	9%	*	50%	39%	39%	*	*	164,000	\$ 28	*	*
\$ 125,000 - \$ 150,000	99,000	7%	*	47%	46%	25%	*	*	99,000	\$ 31	*	*
\$ 150,000 +	209,000	5%	*	44%	49%	14%	*	*	209,000	\$ 34	*	*
All	1,492,000	40%	7%	27%	26%	27%	14%	14%	1,342,000	\$ 26	6,000	\$ (3)

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.

\*Suppressed for confidentiality, values must have more than 3000 counts (weighted) and 10 or more sample units

Notes:

- We recommend that this analysis be used with caution. The results presented are not directly comparable with earlier advice prior to reweighting for Accommodation Supplement take-up.
- To ensure the sample is representative of the New Zealand population we use sample weights, which have been altered to match the administrative characteristics of AS recipients. This has been done as an aggregate level adjustment. This forces adjustments to other weights which mean that disaggregate results do not appropriately reflect the underlying population characteristics.
- Temporary Additional Support (TAS) cannot be modelled in Taxwell, and isn't included in the results presented. This may overestimate the gains for certain families, typically those with low family income.
- Accommodation Supplement (AS) area changes have been included at the Urban Area (2001) level, however subsequent changes have been made to the AS boundaries at the Area Unit level. Area Unit data is not available in Taxwell, so these changes have not been included, which may underestimate the amount of AS received by households within these Area Units.
- Taxwell does not include data for the full set of eligibility criteria for AS, in particular the cash asset test is not included. This may overestimate the gains for certain families.
- Taxwell assumes full take-up of AS for newly eligible recipients, which is unlikely to be the case and is inconsistent with the MSD assumption of additional take-up. This may overestimate the gains for certain families.
- Independent Earner Tax Credit (IETC) assumes full take-up, which may underestimate the gains for those eligible but not receiving IETC.
- Families with NZS recipients and non-dependent students have been excluded from the distributional analysis.

## Attachment 5: Estimated families disadvantaged by amount lost

---

[26]

### Notes:

- Treasury analysis using IRD data on Working for Families recipients.
- The modelling includes FTC, IWTC and the tax threshold changes, assuming no change in family circumstance during the year.
- Non-wage income has been attributed to the higher income earning caregiver for the purposes of assessing the impact of tax changes.
- Complicated interactions used to assess Working for Families entitlements, such as child support and shared custody arrangements, have been ignored in the modelling.
- Accommodation Supplement impacts can't be modelled using IRD data, and have been excluded from the analysis.

## Attachment 6: Impacts Table interpretation

---

### **Impacts Table**

We have kept this in the standard format and have treated the reduction in tax revenue as analogous to an increase in expenditure for the purposes of interpretation.

### **Total**

This line represents the total change in expenditure arising from the decisions in the paper.

This is then decomposed into:

- *Operating balance impact.* This is the total impact on OBEGAL as a result of the decisions in the paper and corresponds to the costs we have provided in previous reports. It is the cost to the Government of approving the package.
- *Debt impact.* This is the total impact on the Government's debt position as a result of the decisions in the paper. The Family Incomes Package does not comprise capital expenditure so this line is zero.
- *No impact.* This is the change in expenditure that has no impact on the operating balance or debt. In this case, it is because benefit expenses decrease due to the grossing up process, but this is matched by a decrease in tax revenue resulting in no impact on the operating balance. However, the change in expenditure is recorded for completeness.

## Attachment 7: Transitional fund – key points for discussion

---

### Transitional fund key points

The most recent estimates suggest that there are approximately 3,000 individuals and families who will lose out across four groups:

- Group 1- Approximately 1,630 Ministry of Social Development (MSD) clients are expected to lose a maximum of \$3 per week from an increase to the Accommodation Supplement (AS) entry thresholds
- Group 2 - Approximately 180 MSD clients are expected to lose less than \$1 per week from interactions between the AS and Temporary Additional Support (TAS)
- Group 3 - Approximately 75 MSD clients are expected to lose an average of \$7 per week across the package as a whole where these clients lose eligibility to the TAS disability allowance exception and benefits from other parts of the package do not outweigh these losses
- Group 4 - Approximately 1,120 Inland Revenue (IRD) clients are expected to lose an average of \$1.70 per week as a result of interactions in the tax system with approximately 120 of these clients losing more than \$3 per week (up to an absolute maximum loss of \$15 per week).

We propose that these four groups should be treated in the following way:

- Group 1 – no compensation as very small losses which may be offset by other changes such as Annual General Adjustment of benefit rates
- Group 2 – no compensation as very small losses which may be offset by other changes such as Annual General Adjustment of benefit rates
- Group 3 – yes, compensated for average loss of \$7 per week
- Group 4 – 120 clients losing over \$3 per week could be offered compensation but there are issues to consider with this – IRD does not recommend compensating this group as:
  - any loss will only be known about 16 months after the package comes into effect when income for the year is finalised
  - the group who will be financially disadvantaged has relatively high household incomes of above \$76k per annum
  - some of these losses would have occurred in 2019 under the existing legislation.

If Ministers did want to try to compensate those in Group 4 losing more than \$3 per week then the following approach is suggested:

- Information about the compensation offer could be made available by IRD. Clients who considered they met the threshold for compensation (i.e. were disadvantaged by more than \$3 per week) would complete an application form provided by IRD which would

then be passed to MSD. MSD would then check the relevant information on its systems and with IRD before administering the payment.

- Given that it would be impossible to know which of these clients who claim WFF at the end of the year would be disadvantaged, officials suggest that any self-identification approach only applies to those who receive WFF weekly or fortnightly.

[26]

## Attachment 8: Budget 2017 Family Incomes Package – key outstanding points

### 1. Accommodation Benefit changes for students

- Four potential options to change AB rates:

Table 1: Additional cost of each AB proposal

\$m	2017/18	2018/19	2019/20	2020/21
<b>A - \$10 increase to all</b>	<b>4.3</b>	<b>13.1</b>	<b>13.1</b>	<b>13.3</b>
B - \$10 maximum increase	3.8	11.5	11.6	11.8
<b>C - \$20 increase to all</b>	<b>8.5</b>	<b>26.2</b>	<b>26.3</b>	<b>26.6</b>
D - \$20 maximum increase	6.3	19.5	19.5	19.8

Table 2: Estimated number of people impacted for Options A and C

2017/18	2018/19	2019/20	2020/21
45,270	44,740	44,350	44,350

Table 3: Age profile of recipients

Under 20	16.5%
20-24	42.0%
25-29	21.1%
over 30	20.4%

### 2. Working for Families indexation (emerged issue)

- Restarting the inflation clock on 1 April 2018 (as proposed in the Cabinet paper), the forecast for the next round of indexation will take place 1 April 2021
- ¼ of the fiscal cost will fall into the forecast period (2020/21), about \$45m
- Options are to keep as is, or to defer indexation to 1 April 2019.

### 3. Transitional Fund

- Proposal is to compensate families who lose more than \$3 per week taking into account all interactions within the package (tax, IETC, FTC, AS), and no compensation for those losing less than \$3 per week.
- See attached one-pager for further detail including issues with compensating those who lose more than \$3 per week from tax interactions.

### 4. Provisional Tax

- Options to use the statutory rate of 105%, or decrease to 103%, or 100%.
- On balance, officials prefer 105% (the status quo) as the other options lead to large underpayments by high income earners with only modest benefits for low and middle income earners and administrative costs are minimised.

### 5. Calculator

- Just met with developers; we will provide a slide deck of how the calculator would look and function on the Budget website.

## Attachment 9: Further information on Accommodation Supplement and Student Loans

---

The Minister has asked whether students who do not receive the student allowance are able to receive the accommodation supplement. The Accommodation Supplement eligibility criteria mean full-time students who are ineligible for a student allowance because they fail the financial criteria (i.e. the personal, partner, or parental income test) are not eligible for the Accommodation Supplement.

MSD data\* indicates that in 2015, around 12,000 students received the Accommodation Supplement and a student loan (and no student allowance). These students are ineligible for student allowance because of non-financial reasons, including:

- Postgraduate study - Postgraduate courses do not attract student allowances ( these are courses listed at level 8 or above in the New Zealand Qualifications Framework)
- 200 week lifetime entitlement – people may hold allowances for a maximum of 200 weeks in their lifetime. (120 weeks for those age 40 and over)
- Academic eligibility – to maintain eligibility for allowances, a student must pass more than half his/her course load while supported by allowances.
- Beneficiary status – a person may not receive a student allowance while concurrently receiving a benefit – such as a Domestic Purposes Benefit, a widows benefit or invalids benefit.

This means there are approximately 170,000 students (those eligible for a student loan who do not receive a student allowance and do not receive the Accommodation Supplement), who are unlikely to gain from the Family Incomes package (unless they earn over \$14,000 per year).

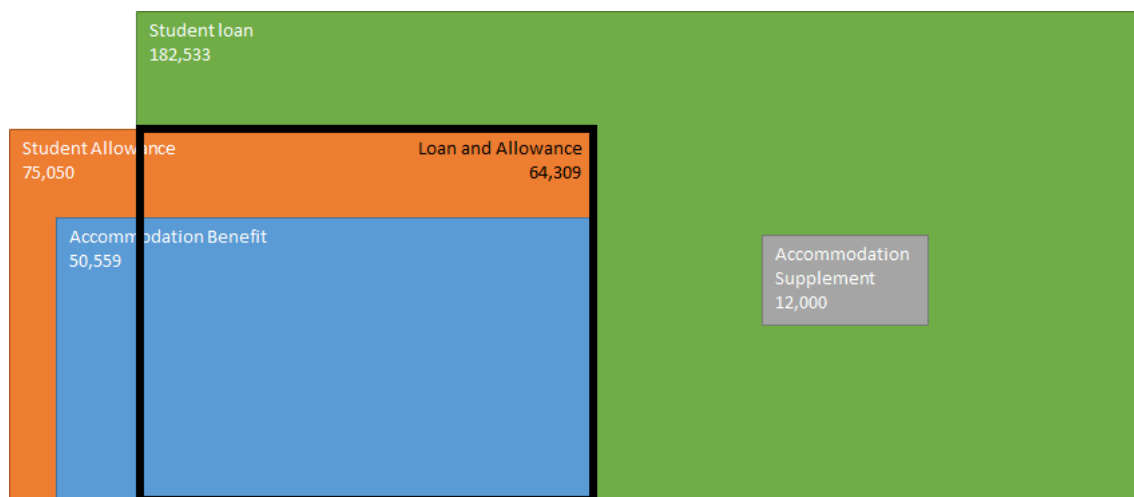
Additional information on student support payments:

	Accommodation Benefit	Student Allowance	Student allowance (without loan)	Student loan and allowance	Student loan only	Student loan and Accommodation Supplement	Total Student loan	Eligible for student loan	Student Loan uptake rate
2012	67,510	96,908	12,901	84,009	103,630	13,542	201,181	277,188	73%
2013	58,972	85,094	11,540	73,559	103,948	14,743	192,250	260,462	74%
2014	54,921	79,670	11,188	68,484	103,039	14,942	186,465	257,673	72%
2015	50,559	75,050	10,742	64,309	106,072	12,152	182,533	255,808	71%

\*This is a best estimate given the time available.



2015 student support recipients:



## Attachment 10: Alternative AS options to include co-payment within same fiscal envelope as 40<sup>th</sup> percentile AS option (Source: MSD)

---

Following the discussion on Friday 7 April, MSD has investigated alternative AS options that include the change to the tenant co-payment within the same approximate fiscal cost as the previous AS option which updated the AS areas and increased the AS maxima based on 40<sup>th</sup> percentile of 2016 rents (Option 1).

While it is possible to include the co-payment change within the fiscal envelope of approximately \$250 million this does raise some issues relating to the distribution of gains.

Updating the regions and reducing the co-payment for renters and boarders to 25% from 30% costs approximately \$170 million. This leaves approximately \$80 million for increases to the AS maxima.

MSD has investigated options for best allocating the remaining \$80 million to the AS maxima – Option 2 bases the maxima increase on the 25<sup>th</sup> percentile rent. However, the consequence of Option 2 is that some AS recipients currently at the maxima would benefit by less than other AS recipients in the same area with lower housing costs.

MSD has therefore developed a third option which includes the co-payment change but also ensures that AS recipients at the maxima benefit by at least as much as AS recipients with lower housing costs who are not at the maxima. This option (Option 3) costs \$249 million.

The three options outlined in this note are:

- **Option 1** – updates AS areas and increases the maxima to the 40<sup>th</sup> percentile of 2016 rents in each AS area (this is the option presented last week)
- **Option 2** – updates AS areas, reduces the co-payment from 30% to 25% for renters and boarders, and bases the maxima increase on the 25<sup>th</sup> percentile rent rather than the 40<sup>th</sup> percentile
- **Option 3** – updates AS areas, reduces the co-payment from 30% to 25% for renters and boarders, and updates the maxima to ensure that AS recipients at the maxima benefit by at least as much as AS recipients with lower housing costs. Funding is then allocated across the twelve region/household configurations with the goal of minimising the proportion of AS recipients at the maxima for each region/household configuration.

Both Option 2 and Option 3 have significantly more winners than Option 1 (approximately 250,000 compared to 136,000) but provide lower average weekly gains (approximately \$20 per week compared to \$36 per week). Options 2 and 3 would move more AS recipients out of housing stress (16,000 compared to 14,000) and provide support to a greater proportion of those in housing stress than Option 1 (approximately 90% as opposed to 51%).

The three options are summarised in Table 1 below.

**Table 1: Summary of AS options**

	Option 1 (update AS areas and increase maxima by 40 <sup>th</sup> percentile)	NEW OPTIONS	
		Option 2 (update AS areas, reduce co-payment to 25% and increase maxima by 25th percentile)	Option 3 (update AS areas, reduce co-payment to 25% and increase maxima to minimise proportion at maxima for each region/household split while ensuring AS recipients at the maxima benefit by as much as those with lower housing costs)
	2018/19	2018/19	2018/19
Gross fiscal cost	\$350m	\$354m	\$351m
Net fiscal cost	\$256m (\$250m with FTC offset)	\$267m (\$253m with FTC offset)	\$264m (\$249m with FTC offset)
Reduction in TAS	\$94m	\$86m	\$88m
Winners	136,000	248,000	252,000
Average gain p/w	\$36	\$21	\$20
Losers	400	800	800
Average loss p/w	\$1.80	\$1.60	\$1.60
Proportion at maxima (no change - 54%)	24%	35%	34%
Number out of severe housing stress	14,000	16,000	16,000
Proportion of those in severe housing stress who gain	51% (68,000)	88% (118,000)	90% (120,000)

Note that the winners and losers in the table above relate to the interaction between AS and TAS only. Work is underway to quantify the winners and losers when the interactions between different elements of the package are considered.

Including the co-payment is likely to reduce the overall number of losers as it will reduce the number of AS recipients who are disadvantaged by an increase in the AS entry threshold caused by the FTC increase (expected average loss of approximately \$2 per week) and who do not benefit from other parts of the package.

**Table 2: AS options, winners and losers by income quintile, Option 1 (40<sup>th</sup> percentile in 2018/19)**

<b>Income quintile (family taxable income)</b>	<b>Number of families gaining</b>	<b>Average weekly gain for gaining families</b>	<b>Number of families losing</b>	<b>Average weekly loss for losing families</b>
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 +)				
<b>TOTAL</b>	<b>136,000</b>	<b>\$36</b>	<b>400</b>	<b>\$1.80</b>

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, Option 2 (25<sup>th</sup> percentile in 2018/19)**

<b>Income quintile (family taxable income)</b>	<b>Number of families gaining</b>	<b>Average weekly gain for gaining families</b>	<b>Number of families losing</b>	<b>Average weekly loss for losing families</b>
1 (\$0-\$20,000)	143,000	\$14	600	\$1.30
2 (\$20,000 - \$45,000)	94,000	\$27	200	\$2.30
3 (\$45,000 - \$74,000)	11,000	\$50	<10	\$0.30
4 (\$74,000 - \$119,000)	<1,000	\$45	-	-
5 (\$119,000 +)	-	-	-	-
<b>TOTAL</b>	<b>248,000</b>	<b>\$21</b>	<b>800</b>	<b>\$1.60</b>

Note that 150,000 of the families gaining in this option do not have children, so will not benefit from the Family Tax Credit changes.

**Table 4: AS options, winners and losers by income quintile, Option 3 (minimise proportion at AS maxima for each region/household configuration while ensuring AS recipients at the maxima benefit by as much as those with lower housing costs)**

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)	145,000	\$15	600	\$1.40
2 (\$20,000 - \$45,000)	95,000	\$26	200	\$2.20
3 (\$45,000 - \$74,000)	11,000	\$41		
4 (\$74,000 - \$119,000)	<1,000	\$29		
5 (\$119,000 +)				
TOTAL	252,000		800	\$1.60

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.

**AS maximas (current)**

	1 person	2 persons	3+ persons
Region 1	145	160	225
Region 2	100	125	165
Region 3	65	75	120
Region 4	45	55	75

**AS maximas for revised regions (Option 1 - 40th percentile)**

	1 person	2 persons	3+ persons
Region 1	165	235	305
Region 2	105	155	220
Region 3	80	105	160
Region 4	70	80	120

**AS maximas for revised regions (Option 2 - 25th percentile)**

	1 person	2 persons	3+ persons
Region 1	150	220	285
Region 2	100	145	205
Region 3	70	95	140
Region 4	55	65	100

**AS maximas for revised regions (Option 3 - optimize percentage at AS maxima while ensuring AS recipients at the maxima benefit by as much as those with lower housing costs)**

	1 person	2 persons	3+ persons
Region 1	$145 + 10 = 155$	$160 + 30 = 190$	$225 + 30 = 255$
Region 2	$100 + 10 = 110$	$125 + 25 = 150$	$165 + 25 = 190$
Region 3	$65 + 10 = 75$	$75 + 35 = 110$	$120 + 25 = 145$
Region 4	$45 + 15 = 60$	$55 + 30 = 85$	$75 + 30 = 105$

**Notes:**

- Estimates do not include claw-back, the fiscal impact on special benefit, 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 11: Alternative AS options to include co-payment within same fiscal envelope as 40<sup>th</sup> percentile AS option (updated) (Source: MSD)

The two options outlined in this note are:

- **Option 1** – updates AS areas and increases the maxima to the 40th percentile of 2016 rents in each AS area (this is the option presented last week)
- **Option 2** – updates AS areas, reduces the co-payment from 30% to 25% for renters and boarders, and bases the maxima increase on the 25th percentile rent rather than the 40th percentile

The distributional analysis presented yesterday only accounted for the interactions between AS and TAS. The analysis presented in this note now includes the effects of other parts of the package on AS clients with the exception of the removal of the IETC which we are unable to model. Package 6a has been used to model these effects as it is understood that this is the preferred package.

**Table 1: Summary of AS options**

	<b>Option 1 (update AS areas and increase maxima by 40<sup>th</sup> percentile)</b>	<b>Option 2 (update AS areas, reduce co-payment to 25% and increase maxima by lower quartile rent (25th percentile))</b>
	2018/19	2018/19
Gross fiscal cost	\$341m	\$345m
Net fiscal cost	\$241m	\$254m
Reduction in TAS	\$100m	\$91m
Winners (AS clients)	205,000	269,000
Average gain p/w	\$42	\$32
Losers (AS clients)	2,000	1,400
Average loss p/w	\$1.90	\$1.80
Proportion at maxima (no change - 54%)	23%	34%
Number out of severe housing stress (AS clients)	20,000	22,000
Proportion of those in severe housing stress who gain	54% (73,000)	89% (120,000)

Note that the net fiscal cost of Option 1 has reduced to \$241 million from the \$250 million previously advised – this was due to changing the modelling from package 5 to package 6, and correcting a minor error in the previous model.

## BUDGET-SENSITIVE

The number of winners has increased for both options because the analysis now includes those AS recipients who may not benefit from the AS changes but do benefit from other parts of the package (e.g. tax changes or FTC changes). Similarly the average gain has also increased because it now includes the gains that AS recipients will see from other parts of the package as well as the gains they will see from the AS changes.

Including the co-payment reduces the overall number of losers as it will reduce the number of AS recipients who are disadvantaged by an increase in the AS entry threshold caused by the FTC increase and who do not benefit from other parts of the package.

**Table 2: AS options, winners and losers by income quintile, Option 1 (40<sup>th</sup> percentile)**

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-\$24,000)	135,000	\$33	1,400	\$1.80
2 (\$24,000 - \$51,000)	63,000	\$57	600	\$2.30
3 (\$51,000 - \$84,000)	6,000	\$93	<100	\$1.70
4 (\$84,000 - \$127,000)				
5 (\$127,000 +)				
<b>TOTAL</b>	<b>205,000</b>	<b>\$42</b>	<b>2,000</b>	<b>\$1.90</b>

Note that 100,000 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, Option 2 (co-payment and lower quartile rent (25<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-\$24,000)	199,000	\$23	1,000	\$1.60
2 (\$24,000 - \$51,000)	65,000	\$56	300	\$2.40
3 (\$51,000 - \$84,000)	6,000	\$94	<100	\$1.90
4 (\$84,000 - \$127,000)				
5 (\$127,000 +)				
<b>TOTAL</b>	<b>269,000</b>	<b>\$32</b>	<b>1,400</b>	<b>\$1.80</b>

Note that 164,000 of the families gaining in this option do not have children, so will not benefit from the Family Tax Credit changes.



## BUDGET-SENSITIVE

### AS maximas (current)

	1 person	2 persons	3+ persons
Region 1	145	160	225
Region 2	100	125	165
Region 3	65	75	120
Region 4	45	55	75

### AS maximas for revised regions (Option 1 - 40th percentile)

	1 person	2 persons	3+ persons
Region 1	165	235	305
Region 2	105	155	220
Region 3	80	105	160
Region 4	70	80	120

### AS maximas for revised regions (Option 2 – co-payment and lower quartile rent (25th percentile))

	1 person	2 persons	3+ persons
Region 1	150	220	285
Region 2	100	145	205
Region 3	70	95	140
Region 4	55	65	100

#### Notes:

- Estimates do not include claw-back, the fiscal impact on special benefit, the cost of newly-eligible recipients (around a 6% increase) or operational costs.
- 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 12: Providing extra support to students with accommodation costs (Source: MSD)

---

Students in receipt of a Student Allowance may also be eligible for support with accommodation costs via the Accommodation Benefit (AB).

Under the current Family Incomes package:

- students who are sole parents will receive additional support with their housing costs if they are at the maxima as the AB rates for sole parents is the same as the Accommodation Supplement (AS) rates and will increase as a result of the AS changes<sup>1</sup> – there are approximately 3,500 sole parent students.
- students who are not sole parents will not see an increase in support with housing costs as their rate of AB is not linked to AS and therefore will not increase as a result of the proposed AS changes. In 2016 approximately 48,000 students received AB at some point over the course of the year.

AB thresholds are set regionally with the maximum threshold set at \$40 per week. The AB thresholds could be increased to provide extra support for students with high housing costs. There is a fiscal cost of \$1.4 million per year for every \$1 increase to the threshold (e.g. increasing the threshold by \$5 per week would cost \$7 million per year).

The AB is administered by MSD on behalf of the Ministry of Education. Changing the AB thresholds would incur additional IT and implementation costs for MSD in addition to the \$4 million implementation costs that MSD is funding from existing baselines for the Family Incomes package.

The maximum weekly AB amounts are set out in Schedule 3 of the Student Allowances Regulations 1998. These regulations would need to be amended to increase the amounts that could be paid. These regulations are administered by MSD but the policy responsibility for these regulations sits with the Ministry of Education. The Ministry of Education policy team has not been consulted on this proposal because of the short timeframes and the need for Budget secrecy.

### **Increasing Student Allowance rates**

As indicated in the Family Incomes package Cabinet paper (para 91), student allowances are set on a gross basis. The changes under the package would, without action, increase net payments for some individuals, and MSD have a policy to keep the net payments in line with the Jobseeker Support net payments.

---

<sup>1</sup> Those who are not at the maxima will receive slightly less AS since the AS entry threshold will increase but this is likely to be outweighed by the increase in FTC.