

The Treasury

Budget 2023 Tax Initiatives Information Release

July 2023

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Budget 2023 Proposed Tax Switch Summary

Personal Tax Changes

Tax-free threshold

- Introduce an annual \$10,000 tax-free threshold. This will reduce an individual's tax bill by up to around **\$20 per week**. The tax change will apply from 1 September 2023, and the first full year of the whole tax-free threshold applying will begin on 1 April 2024.

Additional changes

- Considering a corresponding increase to main benefits of **\$10 per week**, with an **additional** \$10 per week for main benefit recipients with children.
- Plan to remove the Independent Earner Tax Credit from 1 April 2024. No current recipients will be net losers. This will save around \$130m per annum.
- Also considering an increase to the bottom threshold of the 30% personal tax rate from \$48,000 to \$50,000. This would cost an additional \$600m per annum.

Revenue Positive Items

Net Wealth Tax

- The net wealth tax will require around 46,000 individual New Zealanders with net worth (assets less liabilities) of **more than \$5m** to pay a **1.5%** tax on their net wealth.
- Taxpayers will only be taxed on their wealth that is **above** the \$5m threshold. Applies on an individual basis so a couple will have \$10m before having to pay.
- Will apply to all assets owned by high wealth taxpayers, **except for** the family home (and some other exemptions, such as personal assets e.g. cars, boats).
- Forecast to collect **\$3.4b** in 2024/25, increasing to **\$3.7b** in 2026/27.

Trustee tax rate increase

- Align the trustee tax rate with the top personal tax rate of 39%. Will apply from 1 April 2024 for most trusts (exceptions for trusts for disabled persons). Expected to collect revenue of around **\$350m** per annum from 2024/25 onwards.

Fiscal impact of tax changes (\$ billion)

	2023/24	2024/25	2025/26	2026/27	Total
Net Wealth Tax	0	3.4	3.5	3.7	10.6
Trustee tax rate increase	0	0	0.8	0.3	1.1
Tax-free threshold	(2.2)	(3.9)	(4.1)	(3.6)	(13.8)
\$10 per week main benefit increase, with additional \$10 per week for recipients with children	(0.2)	(0.3)	(0.3)	(0.3)	(1.2)
Removal of IETC	0	0.1	0.1	0.1	0.4
Net revenue	(2.5)	(0.8)	0	0.2	(3.2)

The net revenue calculation includes expected administrative costs of around \$40m per annum.