

# The Treasury

## Budget 2023 Tax Initiatives Information Release

July 2023

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Reference: T2023/617

Date: 4 April 2023

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

## Aide Memoire: Updated tax package costings

This aide memoire summarises fiscal costs of three tax packages:

### 1. Phased package from 1 April 2024

- a. Tax-free threshold of \$7,500 from 1 April 2024
- b. Tax-free threshold of \$10,000 from 1 April 2025
- c. 1.5% tax on net wealth above \$5m from 31 March 2024
- d. Remove IETC from 1 April 2024

### 2. Phased package from 1 April 2025

- a. Tax-free threshold of \$7,500 from 1 April 2025
- b. Tax-free threshold of \$10,000 from 1 April 2026
- c. 1.5% tax on net wealth above \$5m from 31 March 2025
- d. Remove IETC from 1 April 2025

### 3. Un-phased package from 1 April 2025

- a. Tax-free threshold of \$10,000 from 1 April 2025
- b. 1.5% tax on net wealth above \$5m from 31 March 2025
- c. Remove IETC from 1 April 2025

The tables on page 2 provide a cost breakdown for each package across the forecast period. Note the following caveats:

- The tax package is expected to lead to an increase in private consumption, which flows through to higher tax revenue. The tables include an indicative adjustment for these macroeconomic effects – these are not final and will be adjusted, and may be treated differently in the cabinet paper.
- BEFU forecasts will be adjusted if a decision is taken to progress the tax package, but changes will not be reflected in agency forecasts for Budget.
- The student flow through line assumes full flow through of the tax change to student allowance plus a commensurate increase to the maximum rate of student loan living costs (T2023/575 refers). There will be an additional debt impact from increased student loan borrowing, however this is expected to be broadly fiscally neutral over time and therefore has not been included in the cost of the overall package.
- Within the timeframes, it has not been possible to undertake analysis of the impacts of the personal tax options on Māori and Pacific peoples, and this will not be available ahead of the Cabinet paper.

*Phased package from 1 April 2024*

\$billions	2023/24	2024/25	2025/26	2026/27	4-year total
Net wealth tax	0.0	3.4	3.5	3.7	10.6
Tax-free threshold	-0.5	-2.3	-4.1	-3.7	-10.6
Student flow through	0.0	0.0	-0.1	-0.1	-0.2
Admin costs	0.0	-0.1	0.0	0.0	-0.2
<b>Net</b>	<b>-0.5</b>	<b>1.0</b>	<b>-0.7</b>	<b>-0.1</b>	<b>-0.3</b>
Indicative adjustment for macro effects	0.0	0.4	0.6	0.3	1.3
<b>Adjusted revenue impact</b>	<b>-0.5</b>	<b>1.4</b>	<b>-0.1</b>	<b>0.2</b>	<b>1.0</b>

*Phased package from 1 April 2025*

\$billions	2023/24	2024/25	2025/26	2026/27	4-year total
Net wealth tax	0.0	0.0	3.8	4.0	7.8
Tax-free threshold	0.0	-0.5	-2.3	-4.0	-6.8
Student flow through	0.0	0.0	0.0	-0.1	-0.1
Admin costs	0.0	-0.1	0.0	0.0	-0.2
<b>Net</b>	<b>0.0</b>	<b>-0.6</b>	<b>1.4</b>	<b>-0.1</b>	<b>0.7</b>
Indicative adjustment for macro effects	0.0	0.0	0.4	0.6	1.0
<b>Adjusted revenue impact</b>	<b>0.0</b>	<b>-0.6</b>	<b>1.8</b>	<b>0.5</b>	<b>1.7</b>

*Un-phased package from 1 April 2025*

\$billions	2023/24	2024/25	2025/26	2026/27	4-year total
Net wealth tax	0.0	0.0	3.8	4.0	7.8
Tax-free threshold	0.0	-0.8	-3.1	-4.3	-8.2
Student flow through	0.0	0.0	-0.1	-0.1	-0.1
Admin costs	0.0	-0.1	0.0	0.0	-0.2
<b>Net</b>	<b>0.0</b>	<b>-0.8</b>	<b>0.6</b>	<b>-0.4</b>	<b>-0.7</b>
Indicative adjustment for macro effects	0.0	0.0	0.4	0.6	1.0
<b>Adjusted revenue impact</b>	<b>0.0</b>	<b>-0.8</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>

Note: the costings for a net wealth tax differ for the 2025 implementation package. This is because our costing assumes that the behavioural impact accumulates over time from introduction. Our assessment of the long-run revenue impacts of a wealth tax are unchanged.

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