

The Treasury

Budget 2023 Tax Initiatives Information Release

July 2023

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [36] 9(2)(h) - to maintain legal professional privilege
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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Annotated agenda: tax & welfare interactions at Budget 2023

1. Main benefit interaction and MSD

Previous advice has noted that Ministers have a decision on whether to increase main benefit rates (which are set net of income tax) so that beneficiaries receive the benefit of the income tax change.

That would come with a cost which would mean lower headline personal income tax changes, but would improve the progressivity of the package and its impact on child poverty. For example, a \$10 p.w. increase would cost around \$200 m p.a.

Key points to discuss:

- a. Are you minded to pass on the benefits (whether fully or partially) of PIT changes to beneficiaries?
- b. Do you want officials to discuss the possibility of mid-year benefit increase alongside PIT changes, or would making any adjustment at a later date (e.g. at April 2024) be acceptable?
- c. Can we discuss the work with MSD so that they can provide implementation advice?

[33]

3. IETC options and interactions

You are going to receive further information on the IETC today. Treasury's recommendation would be to remove the IETC. If you are not minded to remove it, we would not recommend any further changes.

This is because it is poorly targeted and any change to thresholds or abatement rates would come with a fiscal cost. In addition, any change would likely mean pushing the abatement rate – which cuts out at \$48,000 currently – further up the tax brackets, which could come with efficiency costs.

Key points to discuss:

- a. Do you want any further advice on amendments to the IETC rather than just advice on abolishment?

Annex – timeline of planned advice

Week commencing	Milestone
27-Feb	Further Personal Income Tax information
6-Mar	Budget Ministers 3
13-Mar	[33] Personal Income Tax advice
20-Mar	Budget Ministers 4 Near final [33] Scooter decisions
27-Mar	Budget Ministers 5 Final decisions
3-Apr	Budget Cabinet paper lodged + Scooter cabinet paper
10-Apr	Cabinet approves final Budget 2023 package