

# The Treasury

## Budget 2023 Tax Initiatives Information Release

July 2023

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Date: 23 March 2023

To: Minister of Finance (Hon Grant Robertson)

Deadline: None  
(if any)

## Revenue package fiscal tracker

1. This note provides an updated summary of the net fiscal impact of the Budget 2023 tax package and the cost of varying different options. These costings have been updated to reflect final input from the Ministry of Social Development and Ministry of Education.

### *Summary of table*

2. Row 1 is the starting position: it shows the net fiscal impact (referred to as the “fiscal gap”) of a \$10,000 tax-free threshold combined with removal of the IETC and a 1.5% net wealth tax with a \$5m threshold. This includes flow-on impacts of the tax-free threshold, but not any discretionary main benefit increases; and includes an allowance for IR admin funding.
3. Rows 2-4 show the change in the fiscal gap that results from bringing the revenue from other tax policies (trustee rate increase, platform economy, Pillar Two) into the tax package. These are currently in the main Budget package, and you will receive separate analysis of the impact of moving them to the tax package instead.
4. Rows 5-9 show the change in the fiscal gap that results from additional options including raising the \$48,000 threshold and increases to main benefits and student allowances.
5. Rows 10-12 show the change in the fiscal gap of structural changes to the package, including providing a smaller tax-free threshold and increasing the rate of the net wealth tax.
6. Row 13 shows the change in the fiscal gap from phasing the tax-free threshold with the benefit of a \$5,000 threshold introduced from 1 September 2023, a \$7,500 threshold introduced on 1 April 2024, and a \$10,000 threshold from 1 April 2025.
7. Rows A-G show the fiscal gap of some illustrative packages of options that achieve, or are close to, balanced by the end of the forecast period.

### *Next steps*

8. We recommend referring this note to the Minister of Revenue.

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**Table: Revenue package fiscal tracker<sup>1,2</sup>**

\$ billions	2023/24	2024/25	2025/26	2026/27	OFP
<b>1 Fiscal gap: \$10,000 tax-free threshold (TFT)</b>	-2.27	-0.47	-0.46	+0.15	-3.05
<b>Bringing other revenue into tax package</b>					
2 Trustee rate	+0.00	+0.01	+0.77	+0.35	+1.12
3 Platform economy	+0.01	+0.05	+0.05	+0.05	+0.15
4 Pillar Two	0.00	0.00	0.00	+0.03	+0.03
<b>Further tax/benefit options</b>					
5 Increase \$48,000 threshold to \$50,000	-0.37	-0.62	-0.65	-0.61	-2.25
6 \$10 p.w. main bens and students	-0.19	-0.25	-0.26	-0.26	-0.96
7 \$10 p.w. main bens/students + \$15 p.w. for children	-0.21	-0.29	-0.30	-0.30	-1.10
8 \$10 p.w. main bens/students + \$20 p.w. for children	-0.24	-0.32	-0.33	-0.34	-1.24
9 \$20 p.w. main bens and students	-0.39	-0.51	-0.53	-0.54	-1.97
<b>Structural changes to tax package</b>					
10 \$8,500 TFT	+0.35	+0.61	+0.63	+0.59	+2.18
11 \$7,500 TFT	+0.59	+1.01	+1.06	+0.99	+3.64
12 Increase net wealth tax (NWT) rate to 1.6%	+0.00	+0.19	+0.17	+0.15	+0.51
<b>Phasing option for OFP (highly illustrative)</b>					
13 \$5k in Sept 23, \$7.5k in April 24, \$10k in April 25	+0.94	+1.02	+0.13	-0.21	+1.88
<b>Illustrative packages</b>					
A <b>Fiscal gap:</b> \$10k threshold, \$10 p.w. bens and students, trusts in	-2.46	-0.71	+0.04	+0.23	-2.89
B <b>Fiscal gap:</b> \$10k threshold, \$10+\$15 bens, trusts in	-2.49	-0.74	+0.00	+0.19	-3.03
C <b>Fiscal gap:</b> \$10k threshold, \$10+\$20 bens, trusts in	-2.52	-0.78	-0.03	+0.16	-3.17
D <b>Fiscal gap:</b> \$10k threshold, \$10+\$20 bens, trusts in, phasing	-1.58	+0.25	+0.09	-0.06	-1.29
E <b>Fiscal gap:</b> \$10k TFT +\$50k, no bens, trusts in	-2.64	-1.08	-0.35	-0.11	-4.18
F <b>Fiscal gap:</b> \$10k TFT +\$50k, no bens, trusts in, phasing	-1.70	-0.05	-0.22	-0.32	-2.31
G <b>Fiscal gap:</b> \$8.5k TFT +\$50k, \$10+\$20 bens, trusts in, 1.6% NWT	-2.53	-0.61	+0.12	+0.29	-2.73

[1] Rows labelled “fiscal gap” (rows 1 and A-G) show the difference between the revenue raised by the package and the personal income tax cuts. Other rows (2-13) show the change in the fiscal gap from particular policy choices.

[2] These fiscal gaps make an allowance for IR admin funding and debt impairment of c.\$42m p.a.. They do not currently incorporate MSD admin funding costs for changes to main benefits, but these are currently expected to be <\$2m opex OFP.