

The Treasury

Budget 2023 Tax Initiatives Information Release

July 2023

This document has been proactively released by the Treasury, Inland Revenue, Minister of Finance (Hon Grant Robertson) and Minister of Revenue (Hon David Parker) on the Treasury website at:

<https://www.treasury.govt.nz/publications/information-release/budget-2023-tax-initiatives>

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [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
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Costings for variations on the personal income tax options

Table A provides indicative costings for variations on the options in the slide for Personal Income tax, including an increase in the \$48,000 threshold to \$50,000, and different possible options for increasing main benefits and student allowance/loans.

Table A: Costings for a \$10,000 tax-free threshold and increase to \$48,000 threshold

	\$ billions	2023/24	2024/25	2025/26	2026/27	4-Yr Total
A: Main tax changes	\$10,000 tax-free threshold and \$48,000 threshold to \$50,000	(2.8)	(4.7)	(4.9)	(4.5)	(16.9)
B: Additional options	\$10 increase to main benefits	(0.18)	(0.23)	(0.23)	(0.24)	(0.88)
	\$10 increase to student allowance/loan	(0.02)	(0.03)	(0.03)	(0.04)	(0.12)
	Remove IETC	NA	0.12	0.13	0.13	0.39
Total	A + B	(3.0)	(4.9)	(5.0)	(4.6)	(17.5)
Possible variations to total	\$15 for beneficiaries with children	(0.03)	(0.05)	(0.05)	(0.05)	(0.16)
	\$20 for beneficiaries with children	(0.06)	(0.09)	(0.09)	(0.09)	(0.33)
	\$8,500 tax-free threshold	0.4	0.6	0.6	0.6	2.2
	\$7,500 tax-free threshold	0.6	1.0	1.1	1.0	3.6

Table B compares the cost of a \$10,000 tax-free threshold combined with a \$20 pw increase in main benefits with the cost of a \$10,000 tax-free threshold and an increase in the \$48,000 threshold with different options for an increase in main benefits. Figures exclude additional options for increases to student allowances/loans.

Table B: Comparison of \$10,000 tax-free threshold with combined increase to \$48,000 threshold

	\$ billions	2023/24	2024/25	2025/26	2026/27	4-Yr Total
\$10,000 tax-free threshold	with \$20 pw increase to main benefits	(2.8)	(4.6)	(4.7)	(4.3)	(16.3)
\$10,000 tax-free threshold and \$48k threshold to \$50k	with \$10 pw increase to main benefits	(2.9)	(4.9)	(5.1)	(4.7)	(17.7)
	with \$10/\$15 pw increase to main benefits	(3.0)	(5.0)	(5.2)	(4.7)	(17.8)
	with \$10/\$20 pw increase to main benefits	(3.0)	(5.0)	(5.2)	(4.8)	(18.0)
Additional options	Remove IETC		0.1	0.1	0.1	0.4

Notes

- The costings incorporate a combination of Treasury costings from its TAWA model for tax changes, benefit changes, and flow-on impacts, IR costings of tax consequentials, and indicative MOE costings for student allowance/loan increases.
- Within the timeframes, it has not been possible to cross-check Treasury modelling with MSD modelling for the possible variations to the additional options (\$15 or \$20 increase for beneficiaries with children)
- It has also not been possible to cost these possible variations for students (\$15 or \$20 after-tax increase for students with children). Students with children are expected to be a relatively small proportion of total students.
- The increase to student allowance/loans means stopping the flow-through from the tax change and taking a separate decision to provide the same after-tax direct increase as for main benefits.
- Figures have been rounded to the nearest hundred million for the main tax changes, \$10 pw benefit increase, and alternative tax-free threshold amounts. Other figures have been rounded to the nearest ten million.