

# Hon Steven Joyce

## Minister of Finance

25 May 2017

### **\$2b Family Incomes Package to lift after-tax incomes**

The Government's \$2 billion per year Family Incomes Package will make changes to tax thresholds, Working for Families and the Accommodation Supplement to help Kiwi families get ahead, Finance Minister Steven Joyce says.

"It is important that Kiwi families directly share in the benefits of New Zealand's economic growth," Mr Joyce says. "The Family Incomes Package is carefully designed to especially assist low and middle income earners with young families and higher housing costs."

The Budget 2017 Family Incomes Package benefits around 1.3 million families in New Zealand by, on average, \$26 per week.

"The measures in this budget are expected to lift 20,000 households above the threshold for severe housing stress, and reduce the number of children living in families receiving less than half of the median income by around 50,000," Mr Joyce says.

From 1 April 2018, the Package:

- Increases the \$14,000 income tax threshold to \$22,000, and the \$48,000 tax threshold to \$52,000.
- Discontinues the Independent Earner Tax Credit.
- Increases the Family Tax Credit rates for young children to the level of those for children aged 16 to 18, while increasing the abatement rate and decreasing the abatement threshold.
- Increases the Accommodation Supplement maximum amounts, and updates the Accommodation Supplement areas to reflect 2016 rents.
- Increases the weekly payments of the Accommodation Benefit for eligible Student Allowance recipients by up to \$20.

These changes mean, for example, a couple with two children under 13 and one partner working earning \$55,000 will gain \$41 per week plus any increase to their Accommodation Supplement.

Mr Joyce says that as wages have risen over the last seven years, people on lower and middle incomes have been faced with higher marginal tax rates.

“The Budget 2017 Family Incomes Package will provide better rewards for hard work by adjusting the bottom two tax thresholds and lowering the marginal tax rates for low and middle income earners,” Mr Joyce says. “At the same time it will start simplifying the tax and transfer system by removing the separate Independent Earner Tax Credit which is claimed during the year by less than one third of those eligible.”

The tax threshold change provides a tax reduction of \$10.77 a week to anyone earning more than \$22,000 per annum, increasing to \$20.38 a week for anyone earning more than \$52,000 per annum.

People who lose the Independent Earner Tax Credit will be compensated in full by the lifting of the lowest income tax threshold from \$14,000 to \$22,000.

“The Family Incomes Package will also help lower income families with young children meet their living costs through changes to the Family Tax Credit, and it will improve the incomes for those with higher housing costs,” Mr Joyce says.

Some of the biggest gains in the Package are for people on lower incomes with young children.

“Family Tax Credit rates increase by \$9.25 a week for the first child under 16, while credits for subsequent children increase by either \$17.75 or \$26.81 per week depending on the age of the child,” Mr Joyce says.

Similarly there are significant increases for people on low incomes with high accommodation costs.

The maximum Accommodation Supplement rate for a two person household increases by between \$25 and \$75 a week, while the maximum for larger households increases by between \$40 and \$80 a week. In addition, changes to the Accommodation Supplement areas will provide further gains for some families.

The Accommodation Benefit, which is paid to Student Allowance recipients who experience housing stress, will also increase by up to \$20 per week.

The Package will have flow-on effects, with around three quarters of a million superannuitants benefiting because of the link between New Zealand Superannuation and after tax wages. The couple rate for superannuitants will increase by \$13.12 per week on 1 April next year in addition to the normal adjustments.

“Budget 2017 is about delivering for New Zealanders. This Family Incomes Package is the first step in allowing Kiwi families to spend more of their own money, so they can make the decisions that are best for them,” Mr Joyce says.

The Family Incomes Package Calculator is available here:  
[www.budget.govt.nz/budget/2017/family-incomes-calculator](http://www.budget.govt.nz/budget/2017/family-incomes-calculator)

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