

Fact Sheet 3 – Changes to Working for Families

Summary

From 1 April 2018:

- The Family Tax Credit rates will be updated so they are the same regardless of age. There will be one rate for the eldest child, \$101.98 a week, and one rate for all subsequent children, \$91.25 a week.
- Low to middle income families with an eldest child aged under 16 will get up to \$9.25 more a week in Working for Families, depending on their income, and up to \$26.81 a week more for subsequent children, depending on their income and age of child.
- Around 310,000 families will benefit from the changes to the Family Tax Credit.
- The abatement rate for Working for Families Tax Credits will be increased from 22.5 cents to 25 cents in the dollar. The abatement threshold will decrease from \$36,350 a year to \$35,000 a year. This brings forward changes already planned to progressively occur by 2025 based on expected movements in the Consumers Price Index.

What is changing?

From 1 April 2018, two elements of Working for Families will change:

1. The Family Tax Credit rates for children aged under 16 are increasing, so that they align with the rates for children aged 16 to 18 years.

Annual Rate	Current	1 April 2018
Eldest child, 16-18	\$5,303	\$5,303
Eldest child, 0-15	\$4,822	
Subsequent child, 16-18	\$4,745	
Subsequent child, 13-15	\$3,822	\$4,745
Subsequent child, 0-12	\$3,351	

The base rate of the Family Tax Credit for the eldest child aged under 16 will increase from \$92.73 to \$101.98 a week – an increase of \$9.25 a week, or around 10 per cent.

The base rate of the Family Tax Credit for a subsequent child aged under 13 will increase from \$64.44 to \$91.25 a week – an increase of \$26.81 a week, or around 42 per cent.

The base rate of the Family Tax Credit for a subsequent child aged 13 to 15 will increase from \$73.50 to \$91.25 a week – an increase of \$17.75 a week, or around 24 per cent.

2. The abatement rate for Working for Families will increase and the abatement threshold will decrease.

The abatement rate for Working for Families Tax Credits will be increased from 22.5 cents to 25 cents in the dollar. The abatement threshold will decrease from \$36,350 a year to \$35,000 a year. This brings forward changes already planned to progressively occur by 2025 based on expected movements in the Consumers Price Index.

Most Working for Families payments start reducing (abating) when a family's income exceeds the abatement threshold. Payments currently reduce by 22.5 cents for each dollar earned over \$36,350 of family scheme income (gross income with some adjustments).

Why are changes being made?

The Government wants to help lower income families with young children to meet their living costs. The Family Tax Credit rates for young children have not been increased since 1 April 2012.

The Government also wants to start simplifying the rules for payments to families to make them easier to understand. Currently there are five different Family Tax Credit rates for children. If a child changes from one age band to another during the year, the family is paid a composite rate based on when in the year the child's birthday was. Removing the age bands will start to simplify the system.

Raising the abatement rate to 25 cents in the dollar and lowering the abatement threshold to \$35,000 means that assistance is better targeted to lower income families.

How do these changes affect people's incomes?

As a result of these changes to Working for Families:

- Families with one child aged under 16 and a family income less than \$35,000 a year, including beneficiaries, will get \$9.25 extra a week per child.
- Families with one child aged under 16 and another child aged under 13 with a family income less than \$35,000 will get \$36.06 extra a week.
- Families that only have children aged 16 to 18 years, earning less than \$35,000 a year in family scheme income, including beneficiaries, will see no change in Family Tax Credit payments.
- Higher income families or families earning more than \$35,000 who only have children aged 16 to 18 years will receive slightly less from Working for Families. Nearly all of those changes are compensated for through other elements in the Family Incomes Package.

Examples of Family Tax Credit changes

Table 1: Examples of Family Tax Credit annual payment rates as incomes increase

Annual family income \$	One child family			Two child family			Two child family		
	Child aged under 16			Eldest child over 16 and youngest under 13			Eldest child under 16 and youngest under 13		
	Current settings	From 1 April 2018	Total change	Current settings	From 1 April 2018	Total change	Current settings	From 1 April 2018	Total change
<30,000	4,822	5,303	481	8,654	10,048	1,394	8,173	10,048	1,875
35,000	4,822	5,303	481	8,654	10,048	1,394	8,173	10,048	1,875
40,000	4,001	4,053	52	7,833	8,798	965	7,352	8,798	1,446
45,000	2,876	2,803	-73	6,708	7,548	840	6,227	7,548	1,321
50,000	1,751	1,553	-198	5,583	6,298	715	5,102	6,298	1,196
55,000	626	303	-323	4458	5048	590	3,977	5048	1,071
60,000	0	0	0	3333	3798	465	2,852	3798	946
65,000				2208	2548	340	1,727	2548	821
70,000				1083	1298	215	602	1298	696
75,000				0	48	48	0	48	48
80,000				0	0	0	0	0	0

Table 1 only shows changes to Family Tax Credits. Families will benefit from the changes to the income tax thresholds and some will also benefit from increases to the Accommodation Supplement. Transitional financial assistance will be available to the small number of households who may see overall losses of more than \$3 a week as a result of the changes across the Family Incomes Package.

More information

Inland Revenue and Work and Income will contact Working for Families recipients in February 2018 to inform them of their likely entitlement for the 2018-19 tax year.