

## Fact sheet – parental tax credit

- Families with a newborn baby can get the parental tax credit (PTC) if they aren't receiving paid parental leave and they are not on a benefit.
- Around 15,000 families each year currently get the PTC, which the National Government introduced in 1999.
- Families can currently get up to \$150 a week for the first eight weeks after the baby is born. Most families getting the PTC receive the full \$1,200 payment.
- Rates of payment for the PTC have not increased since 1999.
- Like other Working for Families payments, the PTC starts reducing when a family's income rises. The income level at which this starts happening depends on the number of children in the family. Above this income level, the PTC reduces by 3.26 cents for each additional dollar of family income.
- More details on current entitlements are available from the Inland Revenue website <http://www.ird.govt.nz/wff-tax-credits/entitlement/what-is-wfftc/ptc/>

### What is changing?

- For babies born on or after 1 April 2015, the Government will increase the PTC from \$150 a week to \$220 a week, and extend the payment period from eight weeks to 10 weeks.
- This increases the maximum payment under the PTC from \$1,200 to \$2,200.
- As a result, up to 1,200 additional lower-income families are expected to claim the PTC, because it will pay them more than they would otherwise get from paid parental leave. (People cannot claim both of these payments).
- In addition, the rate at which the PTC reduces will increase from 3.26 cents to 21.25 cents for each additional dollar of family income, to put it in line with the rest of the Working for Families scheme. This change will better target the PTC towards low-to-middle income families, as shown in the following table.
- As a result, around 400 higher-income families who would qualify for the PTC under the current rules will no longer qualify.

## Parental tax credit for families with a baby born on or after 1 April 2015

	For people having their:		
	First child	Second child	Third child
Families can get the maximum PTC payment (\$2,200) up to this level of family income, after which payments reduce at 21.25 cents in the dollar	\$73,724	\$89,494	\$105,263
PTC payments are reduced to zero at this level of family income	\$84,077	\$99,847	\$115,616

### Costs of the package

(\$millions)	2014/15	2015/16	2016/17	2017/18
Costs of existing parental tax credit	15.0	14.0	13.0	12.0
Additional costs from Budget 2014	3.3	13.0	13.0	13.0
<b>Total</b>	<b>18.3</b>	<b>27.0</b>	<b>26.0</b>	<b>25.0</b>