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Order in Council – Income Tax (Tax Credit) Order 2023

Issued: 1 December 2023

SL 2023/288

This special report provides early information on the changes to the Family Tax Credit and Best Start Tax Credit rates ahead of an upcoming edition of the *Tax Information Bulletin*.

Order in Council – Income Tax (Tax Credit) Order 2023

Section MF 7 of the Income Tax Act 2007

Order

The Income Tax (Tax Credit) Order 2023, made on 29 November 2023, increases the Family Tax Credit (FTC) and Best Start Tax Credit (BSTC) amounts in line with inflation. This will take effect from 1 April 2024.

Background

Under the Income Tax Act 2007, the FTC and BSTC payment rates must be adjusted for inflation once the cumulative value of quarterly increases in the Consumer Price Index (CPI) reaches 5%. These inflation-indexed increases ensure FTC and BSTC maintain their real value over time.

The cumulative CPI threshold released on 17 October 2023 was 5.65% from 1 October 2022 to 30 September 2023, which will automatically trigger a higher rate of WFF payment rates from 1 April 2024.

Key features

The FTC and BSTC have been increased under section MF 7 of the Income Tax Act 2007. The tax credit amounts per year before and after are provided in the table below:

Tax Credit	Current amount	New amount
Family Tax Credit		
Eldest child	\$7,121	\$7,524
Subsequent child	\$5,802	\$6,130
Best Start Tax Credit	\$3,632	\$3,838

The FTC amounts for the first and subsequent child in sections MD 3(4)(a) and (b) have been increased for inflation in accordance with section MF 7(1)(a) of the Income Tax Act 2007. The BSTC amount has also been adjusted for inflation under section MF 7(1)(a).

Effective date

The new prescribed tax credit amounts will apply for the 2024–25 and later tax years.

Further information

The new regulations can be found at:

<https://www.legislation.govt.nz/regulation/public/2023/0288/5.0/whole.html#LMS924514>

About this document

Special reports are published shortly after new legislation is enacted or Orders in Council are made, to help affected taxpayers and their advisors understand the consequences of the changes. These are published in advance of an article in the *Tax Information Bulletin*.