



A Fair Economy.
A Strong Future.

Hon Dr Michael Cullen
Minister of Finance

Tax cuts for all workers on 1 October

The government will deliver a three-year programme of personal tax cuts to all workers starting on 1 October this year, Finance Minister Michael Cullen announced today.

Budget 2008 delivers a three year programme of tax cuts costing \$10.6 billion, and boosts to Working for Families Family Tax Credits to take account of inflation costing a further \$1.1 billion over four years, both starting from 1 October.

The programme will see a couple on the current average household income of \$72,000 (split two thirds/one third) with two children aged 11 and 8 better off by \$2223 a year (\$43 a week) from 1 October rising to \$4397 a year (\$85 a week) from 1 April 2011.

The tax cuts are designed to be as fair as possible to all workers, with the greatest impact on average take home pay being felt for workers on low incomes.

At full implementation, the programme will cut personal tax by roughly one quarter at the current level of the full-time minimum wage (\$1130 per year), one sixth at the current level of the full-time average wage (\$1670 per year) and one eighth at \$80,000 a year (\$2870 per year).

“Since 2000, the New Zealand workforce has driven the longest period of economic expansion since World War II,” Dr Cullen said. “Over that time, substantial tax relief has been delivered to families, to savers, and to businesses.

“This year we have seen households around the world come under considerable pressure, as all nations cope with rising food and petrol prices and higher mortgage repayments driven up by the credit crunch.

“The government’s strong fiscal management means we can deliver timely tax relief for workers who are struggling to make ends meet.”

The tax cut programme will deliver:

- A new low tax rate of 12.5 per cent
- A lifting of the 21 per cent threshold by \$10,500 to \$20,000
- A lifting of the 33 per cent threshold by \$4,500 to \$42,500
- A lifting of the 39 per cent threshold by \$20,000 to \$80,000
- A boost to the Family Tax Credit and an increase to the Working for Families Tax Credit income threshold from 1 October, worth \$14 per week for a family with two young children on the average wage.
- A further expected increase to the Family Tax Credit and income threshold from 1 April 2011, worth an additional \$16 per week for this same family.

“This tax cut programme should hopefully provide some relief from the current increases in the cost of living, although for many families they will not compensate for them totally.

“The tax cut programme has also been designed responsibly and meets the four design tests I put in place last year. It builds on the \$4.6 billion (excluding indexation) in tax cuts the government was already delivering to families, businesses, and savers from 2012.”

Attached: Full details on the government’s personal and family tax cut programme, including Questions and Answers scenarios, and background information.