



POLICY AND REGULATORY STEWARDSHIP

Tax policy report: Final amounts - CPI indexation of Family Tax Credit, Best Start Tax Credit and adjustment of Minimum Family Tax Credit

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|------------------------|------------------|-----------------------|------------|
| Date: | 10 November 2022 | Priority: | Medium |
| Security level: | In Confidence | Report number: | IR2022/501 |

Action sought

| | Action sought | Deadline |
|---------------------|--|------------------|
| Minister of Revenue | Note the updated figures Agree to lodge goatskin with Cabinet and attend Executive Council on 14 November | 11 November 2022 |

Contact for telephone discussion (if required)

| Name | Position | Telephone |
|-------------|-----------------------|------------------|
| Mariana Hak | Policy Lead | s 9(2)(a) |
| Josh Fowler | Senior Policy Advisor | |

10 November 2022

Minister of Revenue

Final amounts - CPI indexation of Family Tax Credit, Best Start Tax Credit and adjustment of Minimum Family Tax Credit

Background

1. On 20 October 2022, we provided you with a report (IR2022/470 refers) which advised you on the indexation of the Family Tax Credit (FTC), Best Start Credit (BSTC), and the adjustment of the Minimum Family Tax Credit (MFTC). The MFTC amount was based on provisional Half Year Economic and Fiscal Update (HYEFU) forecasts.
2. A Cabinet paper was considered by the Social Wellbeing Committee on 26 October 2022 (SWC-22-MIN-0190) and confirmed by Cabinet on 31 October 2022 (CAB-22-MIN-0469). The Cabinet paper sought authority to allow you to finalise the amount of the MFTC and submit the Order in Council to the Executive Council once the confirmed HYEFU figures were available after 9 November 2022.
3. On Sunday 6 November the Prime Minister announced these increases to the Family Tax Credit and Best Start Tax Credit as part of the Government's Cost of Living Package. The adjustment of the Minimum Family Tax Credit threshold has yet to be announced.

Final amounts

4. The confirmed HYEFU figures are now available. These do affect the previously indicated adjustment to the MFTC, increasing the amount from the provisional 34,164 to the finalised 34,216.
5. Accordingly, the final adjustments to the Working for Families Tax Credits are as follows:

| Tax credit payment (annualised) | From (\$) | To (\$) | Change (\$) | Fiscal cost (\$m) |
|--|----------------------------|--------------------------|------------------------------|------------------------------------|
| Family Tax Credit | | | | |
| Eldest child rate | 6,642 | 7,121 | 479 | 249 |
| Subsequent child rate | 5,412 | 5,802 | 390 | |
| Best Start Tax Credit | 3,388 | 3,632 | 244 | 23 |
| Minimum Family Tax Credit threshold | 32,864 | 34,216 | 1,352 | 5 |
| In-work Tax Credit* | 3,770 | 3,770 | n/a | 19 |

* The in-work tax credit cost increase is due to higher FTC payments.

6. These adjustments are reflected in the drafting of the Order in Council (OIC) which Parliamentary Counsel Office (PCO) will provide to Cabinet Office. The title of this OIC is the **Income Tax (Tax Credit) Order 2022**.
7. A copy of the "goatskin" which accompanies the OIC will need to be provided to the Cabinet Office by 11 November 2022.
8. This, along with the OIC, will be present at Executive Council at its meeting at 4:00 p.m. on 14 November 2022.

Consultation

9. The Ministry of Social Development and the Treasury were informed of the content of this report.

Next steps

10. Finalising the above adjustments will require you to attend the Executive Council meeting of 14 November 2022, at 4:00 p.m.

Recommended action

We recommend that you:

11. **Note** that Cabinet agreed that you would finalise the Minimum Family Tax Credit (MFTC) amount and submit the Order in Council once the confirmed Half Year Economic and Fiscal Update forecasts were ready.

Noted
12. **Note** the updated MFTC amount from the finalised Half Year Economic and Fiscal Update forecasts is now \$34,216.

Noted
13. **Note** that the Order in Council will be at the Executive Council meeting at 4:00 p.m. on 14 November 2022.

s 9(2)(a)

Maraina Hak

Policy Lead

Policy and Regulatory Stewardship

Hon David Parker

Minister of Revenue

/ /2022

