

Hon Nicola Willis, Minister of Finance

Information Release

Ensuring FamilyBoost Reaches More Families

September 2025

Availability

This information release is available on Inland Revenue's tax policy website at:
<https://www.taxpolicy.ird.govt.nz/publications/2025/ir-cab-25-sub-0217>

Documents in this information release

#	Reference	Type	Title	Date
01	BN2025/159	Briefing Note	FamilyBoost regional data request	17 April 2025
02	BN2025/184	Briefing Note	FamilyBoost numbers	22 April 2025
03	BN2025/201	Briefing Note	FamilyBoost meeting 1 May 2025: Options discussion	30 April 2025
04	IR2025/199	Report	Options to expand FamilyBoost	28 May 2025
05	BN2025/255	Briefing Note	Supplementary information to report IR2025/199 – Options to expand FamilyBoost	4 June 2025
06	IR2025/267	Report	Draft Cabinet paper: Ensuring FamilyBoost reaches more families	12 June 2025
07	CAB-25-SUB-0217	Cabinet Paper	Ensuring FamilyBoost Reaches More Families	12 June 2025
08	CAB-25-MIN-0217	Cabinet Minute	Minute of Decision – Ensuring FamilyBoost Reaches More Families	30 June 2025
09	IR2025/306	Report	Draft Cabinet paper – Income Tax (FamilyBoost) Amendment Bill – Approval for Introduction	13 August 2025
10	CAB-25-SUB-0181	Cabinet Paper	Income Tax FamilyBoost Amendment Bill – Approval for Introduction	13 August 2025
11	LEG-25-MIN-0181	Minute	Minute of Decision – Income Tax FamilyBoost Amendment Bill – Approval for Introduction	11 September 2025
12	CAB-25-MIN-0311	Cabinet Minute	Minute of Decision – Income Tax FamilyBoost Amendment Bill – Approval for Introduction	15 September 2025

Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

- 9(2)(a) to protect the privacy of natural persons, including deceased people
- 9(2)(f)(iv) to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

Accessibility

Inland Revenue can provide an alternate version of this material if requested. Please cite this document's title, website address, or PDF file name when you email a request to policy.webmaster@ird.govt.nz

Copyright and licensing

Cabinet material and advice to Ministers from the Inland Revenue Department and other agencies are © Crown copyright but are licensed for re-use under the Creative Commons Attribution 4.0 International (CC BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>).





Briefing note

Reference: BN2025/159

Date: 17 April 2025

To: Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Helen Kuy

Copy to: Peter Mersi, Commissioner
James Grayson, Deputy Commissioner, Customer Compliance Services, Individuals
Joanne Petrie, Executive Support Advisor to the Commissioner
Troy Meredith, Business Support to James Grayson
Governance and Ministerial Services

From: Sue Gillies, Customer Segment Leader, Families

Subject: **Family Boost regional data request**

Purpose

1. The purpose of this briefing note is to provide a response to your request for regional Familyboost data. You asked.
 - a) Whether we have any data on estimated eligible families in each region versus the uptake in each region
 - b) For a comprehensive picture on how uptake is tracking in each region.
2. This briefing note provides background on the information included in the initial policy costing, and what we are seeing from our analysis of regional uptake of FamilyBoost.

FamilyBoost Forecast Model inputs

3. There were three sources of information used in the forecasting model for FamilyBoost. These being:
 - the number of children enrolled with ECE providers. This information was sourced from the Ministry of Education 2022 Census data. The 2022 ECE Census had 182,000 children enrolled in ECE care.
 - The number of enrolled children with ECE's for whom a Childcare Subsidy is paid. This information was sourced from MSD and showed 21,000 children.
 - The Best Start Tax Credit applications received in the previous 5 years. This information was used to develop a population of families with children 5 years old and younger.
4. The forecasting model was not designed to be able to provide regional information. It provided an overall projected number of households that may be eligible for

FamilyBoost in the first year. This number was calculated as 100,000 households representing 140,000 Children.

Background and context

5. Inland Revenue created a forecast model predominately to calculate the fiscal estimate for the costs of the FamilyBoost initiative.
6. The model was not designed to provide a regional distribution.
7. At the time of the costing there was no information available in a single source to link children enrolled in Early Childcare Education (ECE), with their families, for which a costing could be developed.
8. There is still no data available on the full ECE population, but data is now available for those that have enrolled in FamilyBoost to date. This will continue to build.
9. As you will be aware FamilyBoost is only partway through the first year of implementation.
10. The number of households registered by 9 April 2025 stands at 72,983 households. This has been gradually rising each quarter. Claims have been paid out to 54,957 households for a value of \$43.3m.
11. In the status report dated 20 February 2025, we provided a regional breakdown of the number of registrations created as well as the number of claims received, approved and the amount paid.

Current uptake tracking underway

12. Information from a DataShare with the Ministry of Education has been used to look at the uptake of FamilyBoost by households based on ECE details. This has included uptake by region and ECE organisation type.
13. This has identified three regions, Northland, Taranaki and Hawkes Bay, where uptake is low. Additionally, it has shown low uptake across Playcentres and Te Kōhanga Reo.
14. Increased marketing to the Northland, Taranaki and Hawkes Bay regions started in mid-March to promote and encourage registration and claims. This is in addition to the ongoing wider marketing across a range of media each month. Our Community Compliance teams are also increasing their face-to-face engagement in these areas.
15. Further work is underway to gather more insights from the MoE and Te Kōhanga Reo to understand why there has been a lower uptake from Playcentres and Kōhanga's. Early indications are that we may not receive claims from households with children attending Playcentres as MoE information indicates parents may pay a donation which they can claim through a donation tax credit, or fees are minimal and covered by subsidies.

s 9(2)(a)

Sue Gillies

Customer Segment Leader, Families

s 9(2)(a)

Briefing note

Reference: BN2025/184

Date: 22 April 2025

To: Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Helen Kuy
Revenue Advisor, Minister of Finance – Emma Grigg

From: Murray Shadbolt

Subject: **FamilyBoost numbers**

Purpose of note

1. This note summarises key FamilyBoost numbers, following media enquiries into how many people are receiving FamilyBoost. In particular, a query asking how many people received the full \$975 a quarter compared to original forecasts.
2. A number of written Parliamentary Questions have been asked on a regular basis tracking FamilyBoost numbers. These are publicly available and currently up to 2 April 2025. The numbers vary depending on the date the questions were asked and answered. The numbers are detailed and cover registrations, applications, payments and distributions by income bands. Not all families who register apply, not all applications are approved and paid.
3. The Minister of Revenue is currently considering further responses to written parliamentary questions with data up to 16 April 2025. You also recently received a briefing note on FamilyBoost regional data which also refers to original forecasts [BN2025/159 refers].

Numbers receiving FamilyBoost

4. The table below sets out the numbers receiving Family Boost as at 16 April 2025. Numbers are at this point in time and can change daily.

	Jul-Sept 2024 (Q3 24)	Oct to Dec 2024 (Q4 24)	Jan to March 2025* (Q1 25)	Total year to date
Households Paid	45,928	43,054	34,367	56,433
Amount paid	\$17,251,540	\$15,370,897	\$12,956,895	\$45,579,332
Households paid full \$975	1,634 in this quarter	1,181 in this quarter	1,096 in this quarter	304 across all three quarters

* Applications for this quarter opened 1 April. To date, 5,434 claims are still being assessed.

5. Households may apply for one or more quarters and might not put in an approved claim in every quarter. Across all three quarters to date there have been 56,433 unique households paid, with 304 households receiving the full \$975 payment in each and every quarter.
6. Some applications have been declined. Up to and including 16 April 2025, Inland Revenue have declined 3,739 claims for the latest quarter (Q1 2025). Since FamilyBoost began, 25,331 claims have been declined.
7. Overall, around 70% of claims were declined were due to income being over the quarterly threshold. The remainder were declined for a range of reasons including issues related to the invoice or due to an income return not being filed. As people become more familiar with the process, fewer are declined due to issues with invoices, and high income becomes a higher percentage of declines.

Original forecasts

8. Leading up to March 2024, Inland Revenue made forecasts of the numbers of families who were expected to receive FamilyBoost over the first fiscal year, based on what limited information Inland Revenue was able to obtain at the time.
9. Inland Revenue forecast that about 100,000 families (consisting of around 140,000 children) would be eligible to be paid FamilyBoost over the year.
 - This does not mean 100,000 families would be eligible in each quarter as circumstances can change over time. Some families who may qualify and be paid in one quarter may not qualify in another. Change in circumstances can include fluctuations in household income within the year and number and age of children.
 - People have up to four years to put in a claim for a FamilyBoost payment. Some self-employed people may wish to determine their annual income fully before making a claim, or decide to put in claims for several quarters in one go.
 - Some families will have children that start early childhood education part way through the year, or leave part way through the year, meaning they do not have children enrolled in every quarter of the fiscal year.
10. Inland Revenue also forecast that 21,000 families would likely have fees for a quarter over \$3,900 (approximately \$300 a week) and an annual household income of less than \$140,000. They would qualify for the full \$975 per quarter assuming their income was earned uniformly throughout the year.
 - If household income is above \$35,000 a quarter, the maximum amount they can claim is abated down until it reaches zero at \$45,000 a quarter, meaning they can never receive the full \$975 a quarter.
 - People can only receive the full \$975 if they submit claims for at least \$3,900 a quarter, so some families who have high weekly fees but only enrol near the end of a quarter would also not receive the full amount.
11. The forecast appropriation for FamilyBoost in Budget 2024 was:

Vote Revenue Minister of Revenue	\$ million increase / (decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
FamilyBoost	-	174.000	171.000	167.000	165.000

*The amount declines in outyears to reflect wage growth pushing more families about the income thresholds.

Why do the forecast appear to be incorrect?

12. The degree to which the forecasts were incorrect is yet to be established as a full year of claims has not yet occurred. There will be some seasonality with lagged claims awaiting certainty of family incomes before entitlement can be calculated. Annual incomes (for self-employed) are for the tax year to end of March and are due to be filed by early July, or later if they have a tax agent. An added factor is that people have up to four years to make their claims.
13. All forecasts have a degree of uncertainty. The key missing information for FamilyBoost was use of early childhood education broken down by distribution of family income, together with how much families actually pay in early childhood education fees after other subsidies have been taken into account. Moreover, how many eligible families were likely to take-up FamilyBoost payments was also unknown.
14. As the main purpose of the forecasts was to set the initial appropriation funding, Inland Revenue assumed a 100% take-up rate. Revised take-up assumptions would be reviewed after the scheme had been in place long enough to settle into a regular seasonal pattern and actual application numbers across quarters could be considered. It is possible that some families who would only receive a small amount of FamilyBoost decide not to apply. They would qualify for a small amount if, for example, their remaining unsubsidised fees were very low, or their income was close to \$45,000 a quarter with FamilyBoost mostly abated away.

Consultation

15. The Treasury and the Ministry of Education were not informed about this briefing note.

Next Steps

16. Because of uncertainties over timing of applications, forecasts of FamilyBoost spending have been left unchanged for Budget 2025 but will be updated for HYEPU 2025 once the seasonal pattern of applications is better understood. Some seasonality is anticipated because eligibility requires knowledge of family incomes which for some people are established annually, particularly for the self-employed.
17. The FamilyBoost marketing and outreach campaign continues through to June 2025. This includes marketing in some targeted regions where applications seem lower than expected. Inland Revenue will continue to advertise to families between July 2025 and June 2026, with activity boosted at the start of each quarter to encourage claims for the previous quarter.
18. Continuing to investigate policy and delivery improvements to FamilyBoost is on the Tax and Social Policy Work Programme on the Inland Revenue website.¹ A report will be prepared after work on Budget priorities concludes looking at a range of possible areas including:
 - whether to shift to a per child payment cap rather than per household cap
 - indexation of payment cap and household income thresholds
 - simplifying some eligibility rules
 - considering alternatives to gathering information from families, such as use of tax agents, intermediaries or data directly from early childhood education providers.

¹ [Government Tax and Social Policy work programme 2024/25](#)

19. Inland Revenue will also be supporting the Ministerial Advisory Group to be set up after Budget to consider the wider government funding of early childhood education. The terms of reference for the review has not been publicly announced as yet. Potential changes to how other education subsidies are paid and the level of subsidy will have flow-on implications for FamilyBoost, as FamilyBoost is based on remaining fees after other subsidies have been taken into account.

20. s 9(2)(f)(iv)

[REDACTED]

[REDACTED]

Murray Shadbolt
Principal Policy Advisor

s 9(2)(a)



**Policy
Taukaea**

55 Featherston Street
PO Box 2198
Wellington 6140
New Zealand

T. 04 890 1500

Briefing note

Reference: BN2025/201

Date: 30 April 2025

To: Revenue Advisor, Minister of Finance – Emma Grigg
Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Helen Kuy

From: Murray Shadbolt, Principal Policy Advisor

Subject: FamilyBoost meeting 1 May 2025: Options discussion

Purpose of the enclosed information

1. The enclosed information is intended to facilitate a discussion with the Minister of Finance on Thursday 1 May at 1pm on FamilyBoost. It summarises some potential options that could be considered to increase take up of the scheme. Work is ongoing, and the below list illustrates the potential suite of options that could be explored. Officials are likely to not recommend progressing some of the options outlined below due to the limited benefit it would provide to families or extensive operational change required.
2. This note discusses some key insights from the data we have to-date on FamilyBoost payments. It also discusses our original forecasting approach.

Key discussion questions for the meeting

3. **What is your objective?** Is the priority about more families receiving payments (expanding the eligibility/population), or currently eligible families being paid more (focusing on the existing target population)?
 - Some options will potentially do both, but some options are more focused on one or the other. We are leaning towards a recommendation to increase the income thresholds significantly and increasing the portion of fees rebated/capped amount moderately (expanding the population).
4. **What is the fiscal envelope?** Is your preference to spend near to the existing appropriation, or just more than currently?
 - We note that forecasting how much more will be spent with expanded eligibility will be difficult, as spending still depends on the take-up rate. Estimating the cost will be easier where options are paying the existing population more.
5. **“Shorter term changes” – timing:** When would you like shorter term options to ‘go live’?

- Changes to the policy settings will require legislative amendment. The earliest that changes can go-live through existing legislative vehicles is 1 April 2026. Therefore, a discrete FamilyBoost omnibus taxation Bill would be required for any policy changes before then.
- A FamilyBoost Bill **may** be able to be passed in time for 1 July 2025 changes. To do this, no options analysis could occur, and we would require your urgent decision to begin drafting the policy Cabinet paper and legislative Cabinet paper. In addition, we would require:
 - the Bill to only contain simple policy changes (i.e., increasing the rebate amount change and/or income threshold),
 - condensed Ministerial consultation (two weeks) prior to Cabinet approval,
 - policy *and* legislative approval from Cabinet to introduce a taxation omnibus bill under urgency through the House from 24 – 26 June, and
 - an attending Minister to take the Bill through the House from 24 – 26 June.

6. **Is there an appetite for longer term work?**

- i. *On broader childcare assistance* – is there Ministerial appetite for a broader review on childcare assistance and, if so, which agency would be best placed to lead this?
- ii. *On FamilyBoost specifically* – should longer term changes be considered as part of the upcoming Early Childhood Education funding review, led by the Ministry of Education?
 - The Early Childhood Education funding review could be well placed to advise on significant changes to how information is provided from the sector to government and will be consulting with the sector on options.
 - The Terms of Reference have not been announced but suggest that FamilyBoost would remain in place and not be reduced.
- iii. *On a direct data feed from Early Childhood Education providers* – in the December 2023 report, we noted that setting up a direct data feed, as outlined in the original pre-election commitment, would take approximately two to three years to build (IR2023/269 refers). If there is interest in setting this up, this would require consultation with Early Childhood Education services and software providers, along with other government agencies (Ministry of Education and Ministry of Social Development).

Summary table of potential FamilyBoost options for workshop discussion

Option	Expanding eligibility	More money paid	Difficulty to deliver	Indicative delivery timing	Customer impact	Operational impact	Notes/comments
a) Lift the rebate from 25% to a greater % of childcare fees	no	yes	easy	Jul-25	low	low	Potential impact on ECE prices? Education donations rebated at 33%
b) Lift income threshold from \$35K/\$45K to higher income levels (abatement rate remains the same)	yes	yes	easy	Jul-25	low	low	
c) Remove abatement of rebate (everyone under \$45k gets payment)	no	yes	easy	Sep-25	medium	low	Cliff-face issues Touches on the application process which would cause additional contacts.
d) Remove the income cap - no income test	yes	yes	medium	Sep-25	medium	low	Risk of over spending Touches on the application process which would cause additional contacts.
e) Shift from household to individual (applicant) income	yes	yes	medium	Sep-25	low	low	
f) Change \$3900 (\$975 quarter) cap to be \$5000	no	?	easy	Jul-25?	low	low	May not have an impact unless also change income threshold

Option	Expanding eligibility	More money paid	Difficulty to deliver	Indicative delivery timing	Customer impact	Operational impact	Notes/comments
g) Remove requirement for invoices - replace % of actual fees with fixed dollar amount	no	?	large	2027?	low	low	Significant design questions to work through. Some receive more or less than current scheme depending on where fixed payment set. Some receive more than actually paid in ECE.
h) Shift from per household to a per child payment	no	Some more will but not a significant amount	large	2027?	medium	low	Some design questions to work through Invoices may need to be updated
i) Expand to cover before/after school care	yes	yes	large	2027?	medium	medium	High degree of uncertainty about this. Unclear if new providers have software or how they invoice.
j) Direct data from ECE providers	?	?	extra large	2028?	low	medium	Original pre-election commitment. Would require consultation with ECE sector and software providers
k) Allow intermediary linking	no	no			Unable to assess	Unable to assess	Potential integrity risks

**Timing and level of effort required will need to be checked with the Operational teams and will depend on other Budget 2025 deliverables. Changes will require Cabinet approval and legislation. Note also that any shift away from the quarterly assessment model could have significant impact on Early Childhood Education providers' quarterly invoicing, and increase administrative costs.*

Numbers receiving FamilyBoost

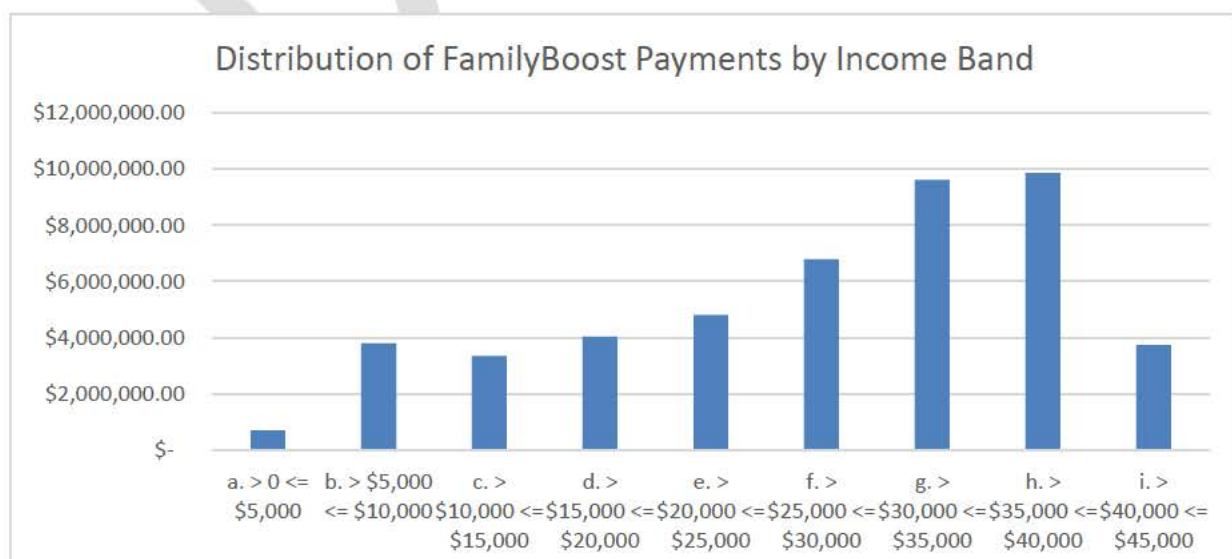
7. The table below sets out the numbers receiving Family Boost as at 16 April 2025.

	Jul-Sept 2024 (Q3 24)	Oct to Dec 2024 (Q4 24)	Jan to March 2025* (Q1 25)	Total year to date
Households Paid	45,928	43,054	34,367	56,433
Amount paid	\$17,251,540	\$15,370,897	\$12,956,895	\$45,579,332
Households paid full \$975	1,634 in this quarter	1,181 in this quarter	1,096 in this quarter	304 across all three quarters

**Applications for this quarter opened 1 April 2025. To date, 5,434 claims are still being assessed.*

Initial observations

8. Not every registered household applies and is paid every quarter. This could be because of changes in their circumstances. Alternatively, it is possible that they have not made their application for that quarter yet.
9. While a large percentage of families are now applying soon after the quarter begins, there are some that are still applying later in the month.
10. A small number of households are also applying for past quarters.
11. We do not have a full year of applications to assess seasonality in applications and payments. In particular, we do not have data from the quarters that line up with the requirements to file annual income assessments, and annual Working for Families tax credit claims process.
12. The amount of money paid out to date reflects the level of fees claimed and the number of households in each income band. In general, the more a household earns the more fees they pay and the more that is paid out. At \$35,000 the income abatement starts to offset the amount that is claimed.



Average payments

13. The average payment is \$368 a quarter. This also varies across income bands.

Family income quarterly band	Average amount paid
0 - \$5,000	\$391
\$5000 - \$10,000	\$251
\$10,000 - \$15000	\$305
\$15,000 - \$20,000	\$343
\$20,000 - \$25,000	\$373
\$25,000 - \$30,000	\$406
\$30,000 - \$35,000	\$469
\$35,000 - \$40,000	\$473
\$40,000 - \$45,000	\$231

*Up to 23 April 2025

Amount distributed by income bands, including those claims declined due to income over the threshold

Family Income Quarterly Band	Disbursed Amt	Transferred Amt	Total Paid Amt	Claims Count
a. > 0 <= \$5,000	682,743.86	0.00	682,743.86	3,970
b. > \$5,000 <= \$10,000	3,683,351.27	2,580.56	3,685,931.83	17,994
c. > \$10,000 <= \$15,000	3,260,254.63	3,330.91	3,263,585.54	12,669
d. > \$15,000 <= \$20,000	3,925,317.12	1,647.71	3,926,964.83	13,338
e. > \$20,000 <= \$25,000	4,682,813.35	2,930.96	4,685,744.31	14,312
f. > \$25,000 <= \$30,000	6,613,784.71	11,017.20	6,624,801.91	18,235
g. > \$30,000 <= \$35,000	9,380,413.33	7,498.86	9,387,912.19	22,079
h. > \$35,000 <= \$40,000	9,634,569.95	7,585.25	9,642,155.20	22,285
i. > \$40,000 <= \$45,000	3,674,942.70	3,087.15	3,678,029.85	17,344
j. > \$45,000 <= \$50,000	0.00	0.00	0.00	8,650
k. > \$50,000 <= \$55,000	0.00	0.00	0.00	4,008
l. > \$55,000	0.00	0.00	0.00	4,967
12 Rows	45,538,190.92	39,678.60	45,577,869.52	159,851

Declined claims

14. Some applications have been declined. Since FamilyBoost began, up to and including 16 April 2025, Inland Revenue have declined 25,331 claims.

15. Overall, around 70% of declined claims were due to income being over the quarterly threshold. The remainder were declined for a range of reasons including issues related to the invoice or due to an income return not being filed. As people become more familiar with the process, fewer are declined due to issues with invoices, and income exceeding the threshold becomes a higher percentage of declines.
16. The snapshot above of the income bands of those applying for FamilyBoost suggest that there are around 12,500 claims (potentially 4,000 households) who might receive a payment if the upper income band was lifted to \$55,000 a quarter. Another 5,000 claims (1,600 households) would qualify if the maximum income band was shifted higher than \$55,000 a quarter or removed entirely.
17. The snapshot above of income bands do not include households who did not submit a claim knowing they were over the maximum income band. Therefore, any increases to the income band may increase the number of eligible households beyond what is stated in the snapshot above.
 - ❖ **This suggests that raising the income band would result in fewer people being declined and more people receiving a payment, as well as more money paid out in total.**

Maximum payment

18. To get the maximum payment of \$975 a quarter, fees for a quarter would need to be \$3,900 or more (approximately \$300 a week) and the quarterly household income would need to be \$35,000 or less. Around 1,000 to 1,600 households are paid the maximum a quarter.
19. This requires fees to be at least 11% of gross household income (and a higher percentage of after-tax take-home income). This is a significant proportion of household budgets.
20. People can only receive the full \$975 if they submit claims for at least \$3,900 a quarter, so some families who have high weekly fees but only enrol near the end of a quarter would also not receive the full amount.
 - ❖ **This suggests that lifting the cap on the amount of fees refundable may not increase the number of eligible families by much and only a small handful would receive more money**
21. If household income is above \$35,000 a quarter, the maximum amount they can claim is abated down until it reaches zero at \$45,000 a quarter, meaning they can never receive the full \$975 a quarter.
 - ❖ **This suggests lifting the income abatement thresholds would increase the amount families receive per claim, and the number of families receiving the full amount. It would not increase the number of eligible families.**

Complaints

22. Inland Revenue records all complaints received by reason. Overall, Inland Revenue 3,746 complaints in total since October 2024 across all products. Only 55 complaints have been received on FamilyBoost since October 2024, with the majority of these (over 60%) concerning the income thresholds or the way income is calculated, rather than the registration or claim processes. Most complaints were received when FamilyBoost started in October 2024 and have fallen since.

Comment on original forecasts

23. Inland Revenue originally forecast that about 100,000 families (consisting of around 140,000 children) would be *eligible* to be paid FamilyBoost over the course of a year.
24. This was based on a 100% take-up rate. While assuming a 100% take-up rate is useful for setting the initial appropriation, in reality this is unattainable. Take-up rates for government assistance are always lower and, at times, significantly lower. For example, a survey of families in 2022 found around 83% of respondents who were potentially eligible for the Family Tax Credit appeared to receive it. Other earlier research estimated around an 87% take-up rate of the Family Tax Credit. Government assistance that requires proof of expenditure, such as the Accommodation Supplement, have reported lower take-up rates.
25. When developing the FamilyBoost fiscal cost estimates and eligible families estimates, there was no information available on families enrolled in ECE providers and the fees they were paying. Therefore, these estimates were modelled using an assumed 100% take-up rate and the following data sources:
 - *Family income data* – this data was sourced from the Best Start applications in the period 2020 to 2023 and covered 211,000 families with 278,000 children aged under 5.
 - *ECE enrolment data* – this data on ECE enrolments was sourced from the MoE 2022 ECE Census. This data was aggregate only, not distributional.
 - *ECE fees* – estimates for the ECE fees were based on the MSD ECE Childcare Subsidy paid for 21,000 children attending ECE providers in October 2023. This data is not comprehensive, resulting in considerable assumptions for estimated ECE fees.
26. This data did not allow us to match the family incomes against their fees paid. Therefore, the modelling had to estimate this using a random allocation by allocating lower income families to lower ECE costs first.
27. The forecast appropriation for FamilyBoost is:

	\$ million increase / (decrease)				
Vote Revenue Minister of Revenue	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
FamilyBoost appropriation (Budget 2024)	-	174.000	171.000	167.000	165.000
FamilyBoost appropriation (Budget 2025)	-	131.000*	171.000	167.000	165.000
Year to date spent (up to 16 April 2025)		45.579			

**Reflects change in accounting treatment for Mar-June quarter 2025 payments*

28. FamilyBoost has not been available for a full year so we are yet to see what a full year of claims looks like. There will be some seasonality with lagged claims awaiting certainty of family incomes before entitlement can be calculated. Annual incomes (for self-employed) are for the tax year to 31 March and are due to be filed by 7 July, or later if they have a tax agent (31 March of the following year). An added factor is that people have up to four years to make their claims. This makes it difficult to determine the appropriate take-up rate assumption to apply to FamilyBoost.
29. If caps or thresholds are raised, a payment will still require a proactive action/application from a family. Inland Revenue has heavily marketed FamilyBoost via ECE services and directly to families, but cannot guarantee eligible families will apply even with wider eligibility settings.

Next steps

30. The FamilyBoost marketing and outreach campaign continues through to June 2025. This includes marketing in some targeted regions where applications seem lower than expected. Inland Revenue will continue to advertise to families between July 2025 and June 2026, with activity boosted at the start of each quarter to encourage claims for the previous quarter.
31. **s 9(2)(f)(iv)**
[Redacted]
[Redacted]
32. Inland Revenue will also be supporting the Ministerial Advisory Group to be set up after Budget to consider the wider government funding of early childhood education. The terms of reference for the review has not been publicly announced as yet.
33. **s 9(2)(f)(iv)**
[Redacted]
[Redacted]
[Redacted]
34. The Review will undertake consultation with the sector and may undertake consultation with parents. This could also provide useful information on why people are not applying for FamilyBoost and what their reasons for not applying are.



POLICY

Tax policy report: Options to expand FamilyBoost

Date:	28 May 2025	Priority:	High
Security level:	In Confidence	Report number:	IR2025/199

Action sought

	Action sought	Deadline
Minister of Finance	Agree to recommendations Refer to the Associate Minister of Education	6 June 2025
Minister of Revenue	Agree to recommendations	6 June 2025

Contact for telephone discussion

Name	Position	Telephone	Suggested first contact
Maraina Hak	Policy Lead	s 9(2)(a)	<input type="checkbox"/>
Murray Shadbolt	Principal Policy Advisor, Inland Revenue	s 9(2)(a)	<input checked="" type="checkbox"/>

28 May 2025

Minister of Finance
Minister of Revenue

Options to expand FamilyBoost

Executive summary

Purpose

1. We seek your decisions by 6 June on which option you would like to progress to increase the number of households receiving the FamilyBoost tax credit, and whether you wish to progress two longer-term options on the Tax and Social Policy Work Programme.

Context and background

2. FamilyBoost is a childcare tax credit that provides financial assistance for low-to-middle income families with early childhood education (ECE) fees. Cabinet allocated approximately \$174 million annually to provide cost-of-living support for up to 100,000 eligible families with ECE fees. Since 1 October 2024, about \$50 million has been paid to 59,160 households across the three payments available to date. On 1 May, the Minister of Finance requested advice on increasing uptake to 100,000 households annually. To reach this level, we recommend adjusting the FamilyBoost policy settings to expand eligibility, with implementation by 1 October 2025.

Problem definition

3. We understand your objective is to increase the number of households receiving the FamilyBoost tax credit, with a preference of around 100,000 households paid annually, within the existing funding allocated. There are two potential barriers to achieving this objective: the limited number of families with children enrolled in ECE and lower-than-expected uptake.

Options to address the problem

4. There are three broad options implementable by 1 October 2025 that align with this objective:
 - Option 1 – increase the income cap from \$45,000 per quarter and the rebate rate from 25% to expand eligibility and incentivise current households to apply.
 - Option 2 – Introduce a two-tier rebate rate where eligibility for the payment is universal, but the rate of the rebate is income tested.
 - Option 3 – Introduce a three-tier rebate rate, keeping an upper income cap for eligibility and the rate of rebate is income tested.
5. We note that the current payment settings target low-to-middle income families. These options would broaden eligibility to include higher-income groups, shifting the policy focus to supporting a wider income range of families.

6. We have also outlined two longer-term options that could improve uptake but would require years to implement due to their departure from the current policy design and requirement for private sector changes.
 - Option 4 – Direct data feed from ECE providers to Inland Revenue.
 - Option 5 – Shifting to a per child payment rather than a per household payment.

Officials' recommended option

7. Inland Revenue officials recommend option 1b (increasing the income cap to \$65,000 and rebate rate to 33%) as it:
 - expands the eligible population to include approximately 25,000 additional families,
 - increases the amount everyone currently receives, up to a maximum of \$1,300 per quarter (up to \$325 more per quarter than under the current settings),
 - is provisionally forecast to remain at the funding amount of \$174 million per annum allocated at Budget 2024, if a 68% uptake rate is assumed, and
 - is a modest shift from settings, making it cost-effective for Inland Revenue to deliver and simple to communicate to families.

Consultation

8. Targeted consultation was undertaken with a few key stakeholders to seek ideas they may have for short term improvements to FamilyBoost. They raised a range of options, including some referred to in this report. Targeted marketing and longer-term options were also raised. Treasury was consulted and their recommendations are included in this report.

Next steps

9. For options 1 to 3, a legislative change will be required to adjust the FamilyBoost settings. The earliest this change can be implemented is 1 October 2025 through a standalone taxation bill passed under urgency, with the following timeframes:
 - draft Cabinet paper to Ministers by 12 June 2025, and Cabinet consideration on 30 June 2025 with a post-Cabinet announcement immediately after, and
 - legislative amendments introduced and passed under urgency in September.
10. If you would like us to progress longer term options (options 4 and 5), these will be added to the Tax and Social Policy Work Programme and progressed on a longer timeframe.
11. We recommend you refer a copy of this report to the Associate Minister of Education.

Options to expand FamilyBoost

Background

1. FamilyBoost is a childcare tax credit that provides financial assistance to caregivers with early childhood education (ECE) fees. From 1 July 2024, eligible families can claim up to 25% of their fees every 3-months by uploading their invoices or a quarterly statement to Inland Revenue's online portal; myIR. The maximum quarterly amount is \$975, based on 25% of the maximum claimable fees of \$3,900 a quarter, and is subject to a household income test to support low-to-middle income families. The payment starts to abate at \$35,000 a quarter until households are no longer eligible at \$45,000 a quarter.
2. In March 2024, Cabinet allotted approximately \$174 million annually to provide FamilyBoost to up to 100,000 eligible families. As of 21 May 2025, about \$50 million has been paid out to 59,160 households across the three available FamilyBoost payments to date. On 1 May 2025, the Minister of Finance requested advice on increasing uptake to 100,000 households annually. This report seeks decisions on which short-term options to progress in a Cabinet paper, and also whether to include two longer-term options in the Tax and Social Policy Work Programme.

FamilyBoost modelling

3. For the purposes of this report, we have provisionally updated the original forecast model to include new FamilyBoost and updated Education data (see Table 1), which shows more families in ECE and lower average unsubsidised fees than previously forecast. It accounts for the increase in ECE enrolments, which expands the eligible families.

Table 1: Original forecast versus the provisionally updated forecast

	Original forecast	Provisionally updated forecast
Eligible households	100,000 households eligible	113,000 households eligible
Policy cost at 100% uptake	\$174 million per annum	\$122 million per annum

Eligible households and how this affects uptake

4. The original model included all families who appeared eligible based on their income, even those unlikely to claim due to having little or no unsubsidised fees (mostly families using lower-cost centres such as kindergartens, playcentres, and Kōhanga Reo). Since FamilyBoost excludes subsidised fees, this likely inflated the model's eligible population and understated the uptake rate. The provisional model removes families using playcentres and Kōhanga Reo, who appear to be fully subsidised, and builds in an assumption of reduced uptake from kindergartens (33%) compared to other ECE centres (75%), averaging to an estimated 68% uptake rate.
5. This is lower than the estimated uptake for other Government assistance such as the Family Tax Credit (85% uptake)¹ and the Accommodation Supplement (up to 74% uptake)², which requires proof of expenditure. The assumed 68% uptake rate

¹ A survey and research suggest that the uptake rate for the Family Tax Credit ranges from 83% to 87%.

² Source: Welfare Expert Advisory Group. (2019). *The take-up of income support: Analysis and options*. <https://www.weag.govt.nz/assets/documents/WEAG-report/background-documents/38f35441ff/Take-up-of-Income-Support-010419.pdf>

accounts for the need to provide proof of expenditure and the likelihood that some eligible families will never claim due to the small amounts involved.

6. Given these are assumptions, the figures in this report are indicative only and should not be used in official statements. The model will continue to be refined and reviewed ahead of the Cabinet paper. This also means the final numbers of your preferred option are subject to change when the model is reviewed and updated. If the numbers are substantively different, timing for Cabinet agreement and the post-Cabinet announcement may be affected.
7. While we have tightened up our assumptions around uptake, we note that estimating and measuring uptake is difficult. Any estimates and numbers used in FamilyBoost will continue to have significant levels of uncertainty and standard deviations until the payment has been in place for several years.

Problem definition

8. We understand your objective is to increase the number of households receiving the FamilyBoost tax credit, with a preference of around 100,000 households paid. Two key barriers are the limited number of fee-paying families with children enrolled in ECE and lower-than-expected uptake.

Limited number of families with children enrolled in ECE

9. There are an estimated 162,000 families with 194,600 children enrolled in ECE³. Reaching 100,000 FamilyBoost recipients would require uptake from around 62% of *all* families in ECE. This number includes families whose fees may be fully subsidised and so the actual number of families able to claim FamilyBoost will be lower than this. While enrolments may rise slightly due to incentives like funded childcare, ECE supply is capped in the short-term.

Uptake is potentially lower than expected

10. The current FamilyBoost uptake rate is 52.3%, based on three out of the four quarterly payments. A 'late surge' of claims may occur in the last quarter with the annual tax year filing that push numbers up closer to the assumed 68% uptake. Since families have four years to claim FamilyBoost, final uptake will not be known until then.
11. It is too early to conclude how factors affect uptake, but based on a preliminary assessment of FamilyBoost data, complaints, consultation feedback and experience with other social policy products, the two factors likely influencing uptake are:
 - 11.1 compliance costs may outweigh the benefit, particularly for low fee and/or high-income families (e.g., applicants may feel it is not worthwhile to claim if the payment is low, particularly as parents are generally 'time poor'), and
 - 11.2 lack of awareness or understanding of FamilyBoost (e.g., misconception about going into debt, not understanding how to apply online), or reluctance to apply due to perceived stigma.
12. Inland Revenue has taken steps to reduce compliance costs, such as introducing quarterly statements. This appears effective, with a small number of families reporting that the process is simple and takes under five minutes. A communications plan is also in place to increase policy awareness and understanding. This suggests

³ This figure is based on Ministry of Education enrolment data (ECE Census June 2024) and an average of 1.2 children enrolled per family (FamilyBoost claims data).

that changes to policy settings to increase the benefit for families may be the most effective option to improve uptake among eligible families.

Options analysis

13. This section outlines changes to policy settings that are implementable by 1 October 2025 to expand the eligible population and increase the benefit for families (options 1 to 3) and possible longer-term options to improve uptake (options 4 and 5):
 - 13.1 Option 1 (officials' recommendation): Increase the income cap from \$45,000 and rebate rate from 25%.
 - 13.2 Option 2: Introduce a two-tier rebate rate, making eligibility for the payment universal and means testing the rebate rate based on income.
 - 13.3 Option 3: Introduce a three-tier rebate rate, keeping an upper income cap and means testing the rebate rate based on income.
 - 13.4 Option 4: Direct data feed of fees information with ECE providers.
 - 13.5 Option 5: Per child payment rather than a per household payment.
14. If you choose not to progress any options (retain the status quo), uptake is expected to increase gradually, with ongoing remedial, technical, and operational adjustments continuing as part of the normal policy stewardship and administrative process.

Short-term changes to policy settings – implementable by 1 October 2025

15. Options 1 to 3 adjust the FamilyBoost settings to expand eligibility and increase the payment amount. The changes would cover the fees incurred from 1 July 2025, with families benefiting from the adjusted payments from 1 October 2025.
16. Using the updated provisional forecasting model, we have provided sub-options underneath each option (see Appendix A for a summary of officials' preferred sub-options). Each variation includes the total estimated eligible households and, assuming a 68% uptake, the number of claimants and the related per annum fiscal cost. This is an indicative, not a final, costing. Reaching the assumed 68% annual uptake and related per annum fiscal cost may take time, particularly if changes are introduced mid-fiscal year, as forecasts are based on full-year data.

High-level implications of options 1 to 3

17. FamilyBoost targets low-to-middle income families, but lower-income households often benefit less due to having reduced or subsidised fees. This is reflected in the current distribution of payments and average amounts being skewed towards those earning \$30,000 to \$40,000 quarterly. The proposed options expand eligibility, further skewing payments towards higher-income groups and shifting the policy's focus to supporting a wider income range of families.
18. While making childcare more affordable, the options below are more likely to increase the number of hours children are enrolled, rather than increase overall ECE participation. This may have implications for Ministry of Education demand-based funding. Increasing the amount paid out through FamilyBoost, particularly to higher income levels, heightens the risk of fee increases for services at the higher end of the market (provider capture). This potentially reduces the amount of net benefit to families for any of the proposals, but families are still expected to be better off overall.

Option 1 – Increase household cap and rebate rate (officials’ recommendation)

19. Option 1 raises the quarterly household income cap and the rebate rate to expand the eligible population, and the amount households can receive. This would likely shift the distribution of payments slightly upwards. Under this option, there will still be an abatement rate of 9.75% for the last \$10,000 of household income below the income cap and households can still claim up to \$3,900 of ECE fees.
20. We recommend sub-option 1b as it substantively increases the number of families paid to close to 100,000 families and remains at the funding amount allocated at Budget 24 of \$174 million, if a 68% uptake rate is assumed. It broadens eligibility to include approximately 25,000 additional families and increases the amount people currently receive from 25% to 33% of fees⁴. Only minor changes are required to existing settings, making it the most cost-effective option for Inland Revenue to legislate and deliver, and is simple to communicate to families. It is also the easiest option to make any future settings adjustments to, if required.
21. If your primary objective is to reach 100,000 families, we do not recommend raising the cap further, as the \$65,000 quarterly income (\$260,000 annual household income) threshold already includes most families using ECE and, at that point, a universal approach is more straightforward (see option 2). Over time it is likely that ECE participation will increase, and the higher rebate percentage may improve uptake to above 68%, meaning more families receiving FamilyBoost in outyears.

Table 2: Sub-options to increase the household income cap and rebate rate

Household quarterly income cap, rebate rate and maximum payment	Estimated total households eligible across the year	Estimated household uptake at 68% across the year	Provisional estimated fiscal cost at 68% uptake across the year
Current settings: \$45,000, 25% and \$975	113,000	76,000	\$93 million
1a. \$55,000, 33% and \$1,300	129,000	87,000	\$155 million
1b. \$65,000, 33% and \$1,300	138,000	94,000	\$174 million
1c. \$55,000, 50% and \$1,950	129,000	87,000	\$232 million

Option 2 – Two-tiered rebate rate (no income cap, universal eligibility, income-tested rebate rates)

22. Option 2 removes the household income cap on eligibility, meaning everyone with eligible ECE fees can apply for FamilyBoost. It introduces two different rebate rates based on an income test. Families qualifying under the current scheme benefit from the higher rebate rate. This would increase average payments at the lower bands of incomes and improve uptake. As higher-income families typically pay higher fees, their absolute FamilyBoost payment may still be higher than lower-income families’ – even with a lower rebate percentage. This is an existing feature under the scheme but is exacerbated with no income cap. This option would likely shift the distribution of payments upwards with the small number of higher-income families creating a declining tail, similar to income tax distributions.
23. This option assumes households can still only claim up to \$3,900 of ECE fees, capping the maximum payment per household. Some options are designed without abatement (a stepped approach) or with abatement (a sloped approach)⁵. Option

⁴ Up to a maximum of \$1,300 per quarter (\$325 more per quarter than under the current settings).

⁵ MSD childcare assistance follows a stepped approach – the current FamilyBoost follows a sloped approach.

2's main benefit is that it extends eligibility to all families with ECE fees, potentially helping FamilyBoost reach 100,000 households with an easily understood message.

24. If you choose to remove the income cap for eligibility, we recommend sub-option 2c. Alongside substantively increasing the population, this option abates to avoid the 'cliff-face' effect where some families are financially worse off due to a significantly reduced payment for one dollar extra of income. Abatement would minimise these work disincentives and the complaints that arise from people receiving a significantly reduced FamilyBoost payment for extra pay in a quarter. The trade-off is a forecasted higher fiscal cost than comparable settings with no abatement. The provisional forecast for this sub-option exceeds the original \$174m funding amount allocated at Budget 2024, even with 68% uptake assumed, so presents a greater risk of over-spend if the uptake is larger than 68%.
25. We do not recommend a universal payment with a single rebate rate for everyone (option 2a), as it is inconsistent with the current policy intent to support low-to-middle income households with the cost of living. This option has no means testing and may not improve uptake among the current eligible population, as they will not receive any additional benefit. We note this also differs from the policy direction of other Inland Revenue products, like Best Start, which are becoming more targeted.

Table 3: Sub-options for the two-tiered rebate rate and universal payment

Rebate rates by quarterly income	Estimated total households eligible across the year	Estimated household uptake at 68% across the year	Provisional estimated fiscal cost at 68% uptake across the year
Current settings	113,000	76,000	\$93 million
2a. Universal 25% payment (no income cap and not means tested)	151,000	103,000	\$151 million
2b. Two tiers (33%, 25%), no abatement Less than \$35,000 = 33% More than \$35,000 = 25%	151,000	103,000	\$174 million
2c. Two tiers (33%, 25%), abatement Less than \$35,000 = 33% More than \$45,000 = 25%	151,000	103,000	\$179 million
2d. Two tiers (50%, 25%), no abatement Less than \$35,000 = 50% More than \$35,000 = 25%	151,000	103,000	\$219 million
2e. Two tiers (50%, 25%), abatement Less than \$35,000 = 50% More than \$45,000 = 25%	151,000	103,000	\$236 million

Example of abatement for option 2c

26. The payment amount would abate in a smooth line at a rate of 3.25 cents per dollar of income from \$35,000 to \$45,000:

Table 4: Example abatement for option 2c

Income	Rebate rate	Maximum payment amount
\$35,000 and below	33%	\$1,300
\$37,500	31%	\$1,218.75
\$40,000	29%	\$1,137.50
\$42,500	27%	\$1,056.25
\$45,000 and above	25%	\$975

Option 3 – Three-tiered rebate rate (includes income cap)

27. Option 3 mirrors option 2 but includes an income cap so higher-income families with eligible fees cannot claim the payment. In other words, it is a three-tiered rebate with the third rate being 0%. This reduces the fiscal cost when compared to option 2 and builds in targeting to low-to-middle income households.
28. We do not recommend option 3, as it is harder to explain to families than option 1 but offers similar benefits. However, if a tiered approach is preferred, option 3b is recommended. It broadens eligibility, the provisional forecast fits within the \$174 million Budget 2024 allocation, and it avoids the 'cliff-face' effect between the 33% tier and 25% tier by abating. While a 'cliff-face' remains at the \$55,000 mark, where payments drop from 25% to 0%, this is unlikely to significantly influence higher-income families' ECE decisions compared with a cliff-face at lower income levels. Some risk of complaints remains.

Table 5: Sub-options for the three-tiered rebate rate with an income cap

Rebate rates by quarterly household income	Estimated total households eligible across the year	Estimated household uptake at 68% across the year	Provisional estimated fiscal cost at 68% uptake across the year
Current settings	113,000	76,000	\$93 million
3a. Three tiers (33%, 25%, 0%), no abatement Less than \$35,000 = 33% Between \$35,001 - \$55,000 = 25% More than \$55,000 = 0%	128,000	87,000	\$144 million
3b. Three tiers (33%, 25%, 0%), abatement Less than \$35,000 = 33% Between \$35,001 - \$55,000 = 33% to 25% More than \$55,000 = 0%	129,000	88,000	\$154 million
3c. Three tiers (50%, 25%, 0%), no abatement Less than \$35,000 = 50% Between \$35,001 - \$55,000 = 25% More than \$55,000 = 0%	128,000	87,000	\$190 million
3d. Three tiers (50%, 25%, 0%), abatement Less than \$35,000 = 50% Between \$35,001 - \$55,000 = 50% to 25% More than \$55,000 = 0%	129,000	88,000	\$220 million

Long-term options to improve FamilyBoost

29. The two options outlined below would move FamilyBoost away from the current design, require consultation and systems changes by both Inland Revenue and private sector firms, and therefore would take a number of years to implement. We ask whether you would like to include these options on the Tax and Social Policy Work Programme to progress on a longer timeframe.

Option 4 – Direct data feed of fees information from ECE providers to Inland Revenue

30. Option 4 aligns with the policy outlined in the National pre-election manifesto document. This option creates a new system where fees information is provided directly by ECE providers to Inland Revenue. This option seeks to reduce the compliance costs for families by removing the requirement to upload invoices, but

increases administrative costs for Inland Revenue and the sector. If you would like us to progress this option, we will begin work to determine the feasibility, timeframes, and the costs and benefits of implementing this approach.

31. Some preliminary considerations include:

31.1 s 9(2)(f)(iv)

[Redacted text block]

31.2 *Some compliance costs would remain for families:* Families would still need to notify Inland Revenue of their household make-up when they register and if their family circumstances changes, such as their relationship status.

31.3 s 9(2)(f)(iv)

[Redacted text block]

31.4 *Multi-year process to implement:* A direct data feed requires extensive discussions with, and process changes from, student management system vendors, early childhood education providers, Inland Revenue, and agencies.

Option 5: Shifting to a per child payment rather than a per household payment

32. In 2024, we indicated we would revisit the option of a per child payment, as current settings may disadvantage families with multiple children. Claims data shows around 1 in 5 households claim for more than one child, but few are reaching the fees cap (379 households across all three quarters and up to 1,600 in any one quarter). This means there may only be a small population who benefit from this change (although further analysis is required) and the impact would depend on future policy changes.

33. This option may increase the benefit received by larger families but has a corresponding fiscal cost that would need to be considered through future Budgets. It also requires process changes from Inland Revenue and the sector, due to necessary changes to quarterly statements and the claims process. We anticipate that the costs are likely to outweigh the benefits of this change (at least in the initial years), but we can provide further analysis if you would like to progress this option.

Conclusion

34. We require your decisions by 6 June on which FamilyBoost policy adjustments (options 1 to 3) to progress in the Cabinet paper. While officials prefer option 1b, we can provide the full departmental and non-departmental financial and administrative implications of your selected policy option in the draft Cabinet paper.

35. If you would like to progress the long-term changes (options 4 and 5), they will be added to the Tax and Social Policy Work Programme, with advice to be provided.

Preliminary financial implications

36. The non-departmental financial implications of options 1 to 3 are yet to be quantified for the current and out years. The options analysis section of the report provides a preliminary estimate of the annual cost of each option, assuming we reach 68% uptake. The 2025-26 fiscal year cost would capture three quarters of payments at the new settings, with the 2026-27 being the first full year at the new settings.
37. The payments for this initiative are charged to the non-departmental FamilyBoost Tax Credit payments appropriation. This appropriation is categorised as a Permanent Legislative Authority (PLA). A PLA means that there is permanent uncapped authority to incur expenditure, and future expenditure forecast changes (against current policy settings) impact fiscal forecasts but are not charged against allowances. We anticipate including a recommendation to reduce forecast expenditure for 2025/26 and outyears based on current policy settings in the Cabinet paper. The Cabinet paper will also include financial recommendations for the fiscal implications of your chosen policy setting, which should be charged against allowances.
38. The financial implications for option 4 have not been quantified at this time, but assuming this option significantly increases FamilyBoost uptake (given the process may be largely automated for parents), there is a risk that there will be a corresponding large increased fiscal cost beyond the funding amount allocated at Budget 2024, especially when combined with settings changes.
39. Regardless of the option you choose, there is a risk that you spend over the appropriation if uptake is higher than the assumed 68%, and a risk that you underspend if uptake is low. Future forecasts for this appropriation will be reviewed and updated through the standard baseline update process, which takes account of population, price, and income growth. There is also a future risk that any reductions in wider ECE funding will result in proportionally more unsubsidised fees, which indirectly increases the FamilyBoost cost.

Preliminary administrative implications

40. The departmental operating and capital costs of policy options 1 to 3 are relatively small based on initial costings. Inland Revenue would manage these additional administrative costs from funding already provided for FamilyBoost.
41. The cost of option 4 is estimated at up to \$4 million capital and \$4 million operating over the forecast period. If this option is progressed, Inland Revenue would report back to you on funding options.

Consultation

Sector consultation

42. We undertook targeted consultation with key stakeholders in the ECE sector for ideas on short term improvements. They had short and long term suggestions, including changes to the income threshold, increasing the level of rebate (particularly for low-income families), and changes to marketing and application processes. The quarterly time-period for income was also raised as an area to explore. Most suggestions had a focus on encouraging uptake through making the processes easier or more accommodating for families. These included wider process changes such as accessing a RealMe ID verification, and changes that are outside the FamilyBoost model such as making payments directly to centres.

43. The consultation also offered suggestions for analysing the data we are collecting and the data providers hold, to find where uptake is lower than average in order to focus efforts for the greatest gain.

Treasury comment

44. *The Treasury recommends keeping the existing settings of FamilyBoost for now and waiting until the upcoming ECE funding review has been completed, noting the funding review may increase uptake of the FamilyBoost rebate.*

While Cabinet chose to remove FamilyBoost from the scope of the funding review, there are inherent interdependencies between the rest of the ECE funding system and FamilyBoost. The outcomes of the funding review will likely have flow-on implications to FamilyBoost and could result in increased uptake without a need to significantly change eligibility settings - for example, if changes to other ECE grants and subsidies mean families can claim back more from FamilyBoost. Making short term changes to increase eligibility and rebate thresholds now will be very difficult to unwind down the line and, depending on the outcome of the ECE funding review, the fiscal cost of FamilyBoost could become materially different than what is currently estimated. The settings may also become out of step with the rest of the ECE funding system. From an economic perspective, evidence shows that children from lower income families stand to gain the most from participation in ECE (assuming the service they attend is high-quality) while the policy options outlined in this report would (to varying degrees) skew the distribution of payments towards higher income families.

45. *We understand you have signalled your priority to increase the uptake of FamilyBoost to 100,000 families quickly. If speed of change remains the priority notwithstanding the above, then we support Inland Revenue's recommendation to progress Option 1 (increasing eligibility and the rebate rate).*

This is on the basis that it is easy to implement and communicate to families/the sector, and retains some targeting compared to the universal option. Inland Revenue's preferred option (1b) just fits within the funding amount allocated at Budget 2024 for FamilyBoost but could end up being materially higher or lower cost depending on what happens to ECE participation (which has been increasing over the last year), and if take-up is more or less than the 68% assumed. The status quo and option 1a are preferable from a fiscal cost perspective but decrease your chances of getting to 100,000 households paid, which we understand is the priority.

46. *There is inherent cost and policy outcome uncertainty that comes with changing the FamilyBoost policy settings when payments have only been available for eight months.*

Progressing setting changes now means the chances of take-up and fiscal costs being materially different to what Inland Revenue has assumed/forecast is greater than if changes were made after at least a full year of the scheme being in effect. There may also be indirect fiscal implications to Vote Education ECE subsidies if the FamilyBoost changes encourage increased ECE participation. Note the Treasury's engagement in the costings has been limited to discussing the high-level assumptions with Inland Revenue.

47. *As outlined in the financial implications section, there are costs associated with all of the policy options this paper presents compared to the status quo.*

In line with Treasury best practice, these costs should be managed against Budget allowances to allow Ministers to make the explicit trade-offs of these policy changes versus improving the OBEGALx position and/or using this headroom for other priorities. Treasury will provide further advice on the fiscal implications as part of the Cabinet paper process.

Next steps

48. If you agree to implementing any policy changes (options 1-3) by 1 October 2025, a legislative change will be required via a standalone FamilyBoost Bill. We recommend the FamilyBoost Bill be introduced in September 2025 to take effect for fees from 1 July 2025. This means families would benefit from the changes when they receive their payments from 1 October 2025 onwards. You will need to discuss this with the Leader of the House's office so that it is added to the legislative agenda.
49. We do not recommend applying these changes to fees before 1 July 2025. This would involve policy changes to determine if and how income will be reassessed, significant implementation and administrative effort (including potential manual reassessment and review of claims, and targeted and wider communications to customers), and could risk claimants falling into debt. There is also increased customer and sector burden to provide and re-submit older invoices for these past periods.

Table 6: Proposed timeline to implement FamilyBoost changes by 1 October 2025

Deliverable	Provisional timeframe
Policy report (IR2025/199) to Ministers and approval	28 May - 6 June
Draft Cabinet paper to Ministers, ministerial consultation and approval	12 June - 24 June
Cabinet paper lodged directly to Cabinet (does not go to ECO)	25 June
Cabinet policy approval and post-Cabinet announcement	30 June
Draft LEG paper to Ministers, ministerial consultation and approval	8 August - 22 August
Draft Bill provided to Ministry of Justice for BoRA review	Mid-August
LEG paper lodged to LEG Committee	4 September
LEG Committee	11 September
Cabinet Committee	15 September
Bill to be introduced and passed under urgency	16-18 September
Bill enacted (with retrospective effect to 1 July 2025)	18 September
FamilyBoost payments to include changes	1 October onwards

50. The alternative to a standalone bill is to include the changes in the August Tax Bill, with enactment around March 2026, to apply to fees from 1 January 2026 and effect payments from 1 April 2026 onwards. For similar reasons outlined above, we do not recommend applying these changes to fees earlier than 1 January 2026.
51. We have proposed a change in a separate Tax Policy report⁶ to allow for future FamilyBoost setting adjustments via an Order in Council, to be included in the August omnibus taxation Bill and effective from enactment in March 2026.
52. If Ministers agree to further advice on the long-term changes (options 4 and 5), we will include this on the Tax and Social Policy Work Programme.
53. We recommend that a copy of this report is referred to the Associate Minister of Education. Inland Revenue and Treasury will discuss with the Ministry of Education if the changes are likely to impact the Ministry of Education's demand-driven spending on early childhood education through greater demand for services.

⁶ IR2025/187: Cabinet paper: Policy measures for inclusion in the August 2025 omnibus taxation Bill

<i>Minister of Revenue</i>

5. **note** that the full departmental and non-departmental financial implications of the selected policy option from recommendation 1, will be quantified and provided in the draft Cabinet paper;

Noted
Minister of Finance

Noted
Minister of Revenue

Options 4 to 5 (long-term options)

6. **agree** to progressing one or more of the following long-term options on the Tax and Social Policy Work Programme with advice provided in a subsequent report:

option 4 – direct data feed of fees information with ECE providers

Agreed/Not agreed
Minister of Finance

Agreed/Not agreed
Minister of Revenue

AND/OR

option 5 – shifting to a per child payment rather than a per household payment

Agreed/Not agreed
Minister of Finance

Agreed/Not agreed
Minister of Revenue

7. **refer** a copy of this report to the Associate Minister of Education for their information;

Referred/Not referred
Minister of Finance

s 9(2)(a)

Maraina Hak
Policy Lead
Inland Revenue

Hon Nicola Willis
Minister of Finance
/ /2025

Hon Simon Watts
Minister of Revenue
/ /2025

Appendix A – Summary of officials’ recommendations for options 1 to 3

Option	Estimated total eligible households across the year	Estimated household uptake at 68% across the year	Maximum quarterly payment (by quarterly income)	Provisional estimated fiscal cost at 68% uptake across the year	Comments
Current settings	113,000	76,000	Up to \$975 (for income under \$45,000)	\$93 million	Distribution of payments skewed towards those earning \$30,000 to \$40,000 quarterly. Any increases to income thresholds would shift the distribution of payments upwards.
Option 1b	138,000	94,000	Up to \$1300 (for income under \$65,000)	\$174 million	Officials’ recommended option Easy to communicate with the public: most like current FamilyBoost settings Cost-effective to deliver
Option 2c	151,000	103,000	Up to \$1300 (for income under \$35,000) Up to \$975 (for income over \$45,000)	\$179 million	All households with ECE costs are eligible Abatement avoids ‘cliff-face’ from increasing income Highest fiscal cost
Option 3b	129,000	88,000	Up to \$1300 (for income under \$35,000) Variable of up to \$975 and \$1300 (for income between \$35,000 and \$55,000) No payment over \$55,000	\$154 million	Means-tested like option 2c, but with an income cap so it is more targeted Abatement avoids ‘cliff-face’ from increasing income Lowest fiscal cost Complicated for families to understand

Briefing note

Reference: BN2025/255

Date: 4 June 2025

To: Revenue Advisor, Minister of Finance – Emma Grigg
Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Helen Kuy

From: Murray Shadbolt, Principal Policy Advisor

Subject: Supplementary information to report IR2025/199 - Options to expand FamilyBoost

Purpose of the enclosed information

1. This information supplements the report IR2025/199 (Options to expand FamilyBoost) by providing refined options to achieve Ministers' objectives. In particular, the Minister of Finance has asked for an option that retains abatement, uses a 50%/25% split to target the rebate by income (i.e. lower-income households receive a 50% rebate, higher-income households receive 25%) and retains an upper income cutoff (i.e. is not universal). This fits with the option 3 group in the report, with option 3e modelled with income thresholds suggested by the Minister of Finance.
2. For comparison, we have also included new sub-options 1d to 1f, which have similar estimated uptake but a single rebate and single abatement rate. Option 1 smooths the abatement over a broader income range, unlike option 3's tiered approach with two distinct steps.

Option 1: Single rebate amount and single abatement

3. Table 1 outlines the officials' recommended option 1b (from the report) and four new sub-options (1d to 1f). The new options have a \$65,000 per quarter (\$260,000 per annum) household income cap and provide the same or higher rebate rate to increase the amount families receive. The payment abates sooner but more gradually from \$35,000 to \$65,000 of income, improving targeting. They reach the same number of families but at differing levels of fiscal cost.

Table 1: Sub-options to increase the household income cap and rebate rate

Rebate rates by quarterly household income	Estimated total households eligible across the year	Estimated household uptake at 68% across the year	Provisional estimated fiscal cost at 68% uptake across the year
Current settings	113,000	76,000	\$93 million
1b. Less than \$55,000 = 33% Between \$55,001 - \$65,000 = 33% to 0% More than \$65,000 = 0%	138,000	94,000	\$174 million

1d. Less than \$35,000 = 50% Between \$35,001 - \$65,000 = 50% to 0% More than \$65,000 = 0%	138,000	94,000	\$244 million
1e. Less than \$35,000 = 40% Between \$35,001 - \$65,000 = 40% to 0% More than \$65,000 = 0%	138,000	94,000	\$195 million
1f. Less than \$35,000 = 33% Between \$35,001 - \$65,000 = 33% to 0% More than \$65,000 = 0%	138,000	94,000	\$163 million

Option 3: Three-tiered rebate rate (includes income cap)

4. Table 2 includes three new options (3e-3g) for your consideration. The new options build in the income-related two tiers of rebate percentages, with a \$65,000 per quarter (\$260,000 per annum) household income cap. There are two different points of abatement to avoid any 'cliff-face' effect. The different level of rebate for the first step drives the overall fiscal cost.

Table 2: Sub-options for the three-tiered rebate rate with an income cap

Rebate rates by quarterly household income	Estimated total households eligible across the year	Estimated household uptake at 68% across the year	Provisional estimated fiscal cost at 68% uptake across the year
Current settings	113,000	76,000	\$93 million
3e. Three tiers (50%, 25%, 0%), abatement x2 Less than \$35,000 = 50% Between \$35,001 - \$45,000 = 50% to 25% Between \$45,000 and \$55,000 = 25% Between \$55,000 and \$65,000 = 25% to 0% More than \$65,000 = 0% (Minister's requested option to be modelled)	138,000	94,000	\$214 million
3f. Three tiers (40%, 25%, 0%), abatement x2 Less than \$35,000 = 40% Between \$35,001 - \$45,000 = 40% to 25% Between \$45,000 and \$55,000 = 25% Between \$55,000 and \$65,000 = 25% to 0%	138,000	94,000	\$179 million
3g. Three tiers (33%, 25%, 0%), abatement x2 Less than \$35,000 = 33% Between \$35,001 - \$45,000 = 33% to 25% Between \$45,000 and \$55,000 = 25% Between \$55,000 and \$65,000 = 25% to 0%	138,000	94,000	\$156 million

High level considerations between options 1 and 3:

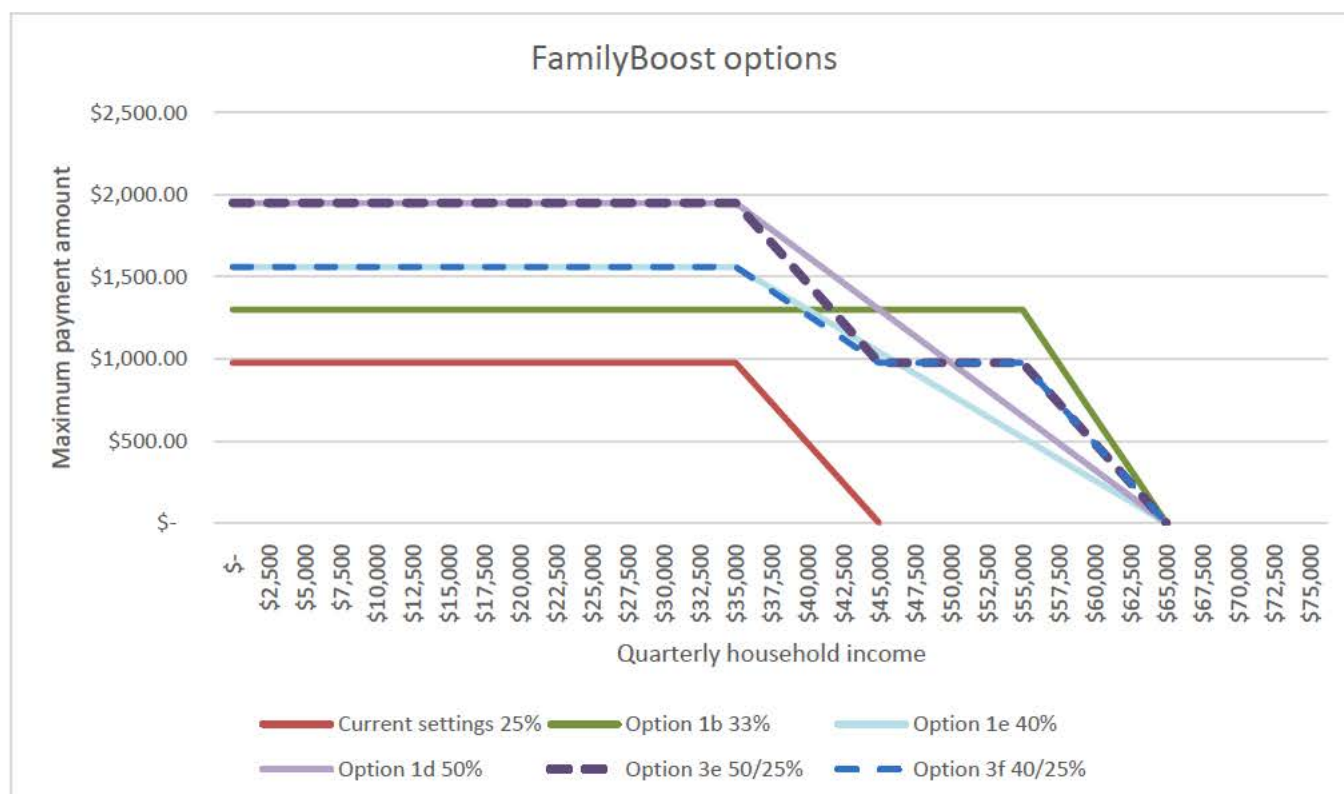
5. *A \$65,000 quarterly household income cap is necessary for reach* – To achieve the reach of around 100,000 families, the upper income needs to be around \$65,000 a quarter. This applies regardless of the number of tiers or level of rebate. This is assuming a 68% uptake by eligible families. In theory, a higher rebate percentage could increase uptake among families with lower fees, as the return from applying would be greater than currently.
6. *Option 1 is slightly more targeted to lower-income households than option 3* – option 1 smooths out the abatement across the \$35,000 to \$65,000 income range. This means households with income near \$35,000 gain more, while those near \$65,000 receive less under option 1 compared to option 3 (see graph below). Also, the new options under 1 and 3 more effectively targets support to lower-income households than the officials' originally recommended option (1b), particularly for households below the \$40,000 income range (\$160,000 annual income).
7. *A 50% rebate rate remains fiscally costly*– Any option which has a 50% rebate rate for households with income below \$35,000 significantly lifts the overall cost up. These costs still have a significant degree of uncertainty, especially around the uptake rate. All options which increase the rebate rate above 33% are more

expensive than officials' recommended option (1b) and exceed the funding amount allocated at Budget 24 of \$174 million, if a 68% uptake rate is assumed.

8. *Option 1 is easier to communicate as it only has a single rebate amount and abatement* – Although option 3's tiers appear simple, they involve two levels and abatement points, making payment calculations harder to explain to families.

Summarised graph of options by income and rebate rate:

9. The below graph illustrates the payment amount by income band for the key options.



Fiscal considerations of new options

10. As with the options outlined in the report, the figures in this briefing note are indicative only. The model will continue to be refined and reviewed ahead of the Cabinet paper. This also means the final numbers of your preferred option are subject to change when the model is reviewed and updated
11. These options also depart from the status quo and will have fiscal costs. In line with Treasury best practice, these costs should be managed against Budget allowances to allow Ministers to make the explicit trade-offs of these policy changes. Treasury will provide further advice on the fiscal implications as part of the Cabinet paper process.

Planning for uncertainty

12. Officials will monitor claims for the quarter ending June 2025 for late surges that may affect annual uptake assumptions, and lead to higher costings. Annual returns of income are due by 7 July (unless an extension is allowed) and could trigger more FamilyBoost claims for the previous year, during July. If this did occur and costings became higher than desired, the settings can be adjusted by Cabinet before the bill is considered by the LEG Committee in September.
13. We will update spending forecasts at each economic and fiscal update based on the most recent data. This will include uptake, the number of enrolments in early

childhood education, income trends, changes in wider government support and unsubsidised fees.

14. These uncertainties may affect what the Minister of Finance wishes to announce in June.

Consultation with the Treasury

15. The Treasury was informed about this briefing note but has not been engaged in the detail of updated options and costings.

Murray Shadbolt

Principal Policy Advisor

s 9(2)(a)



POLICY

Tax policy report: **Draft Cabinet paper: Ensuring FamilyBoost reaches more families**

Date:	12 June 2025	Priority:	High
Security level:	In Confidence	Report number:	IR2025/267

Action sought

	Action sought	Deadline
Minister of Finance	Agree to recommendations Lodge the attached Cabinet paper	Lodge by 26 June 2025
Minister of Revenue	Agree to recommendations Lodge the attached Cabinet paper	Lodge by 26 June 2025

Contact for telephone discussion

Name	Position	Telephone	Suggested first contact
Maraina Hak	Policy Lead	s 9(2)(a)	<input type="checkbox"/>
Murray Shadbolt	Principal Policy Advisor, Inland Revenue	s 9(2)(a)	<input checked="" type="checkbox"/>

12 June 2025

Minister of Finance
Minister of Revenue

Draft Cabinet paper: Ensuring FamilyBoost reaches more families

Purpose and background

1. On 9 June 2025, you instructed officials to prepare a Cabinet paper seeking agreement to adjust the FamilyBoost tax credit settings to ensure Cabinet's original intention is achieved.
2. This report seeks your feedback and agreement on the attached draft Cabinet paper for ministerial consultation and lodgement on 26 June for the Cabinet meeting on 30 June. The paper proposes that Cabinet:
 - 2.1 agrees to adjust the FamilyBoost policy settings by increasing the rebate percentage from 25% to 40%, and lowering the abatement rate from 9.75% to 7%, which has the effect of raising the income cap from \$180,000 a year to \$229,100 a year, to apply to fees from 1 July 2025 and affect payments from 1 October 2025;
 - 2.2 agrees to introduce a standalone FamilyBoost taxation Bill under urgency in September 2025; and
 - 2.3 agrees to the Minister of Finance making a post-Cabinet announcement on the proposed FamilyBoost changes.

Financial implications and impact

Non-departmental – FamilyBoost payments

3. The original Budget 2024 funding (funding envelope) for FamilyBoost payments was \$677 million over the forecast period (\$170 million average per annum). The net impact of the proposed changes is within this \$677 million funding envelope.
4. The financial changes since Budget 2024 and including the proposed change are as follows.

	\$ million increase / (decrease)					
	2023/24	2024/25	2025/26	2026/27	2027/28& outyears	Total
FamilyBoost payments Funding envelope						
Budget 2024	-	174	171	167	165	677
Accounting timing change	-	(43)	-	-	-	(43)
Forecast underspend in 24/25	-	(79)	-	-	-	(79)
Forecast change	-	-	(93)	(91)	(91)	(275)
Proposed changes	-	-	68	92	92	252
Appropriation (forecast)	-	52	146	168	166	532
Accounting timing change						43
Residual funding envelope						102

5. The financial changes for the Cabinet paper across the current forecast period would be represented as follows: (excluding the 2024/25 forecast change as forecast changes for this year are now locked):

	\$ million increase / (decrease)					
FamilyBoost Tax Credit payments (PLA)	2024/25	2025/26	2026/27	2027/28	2028/29& outyears	Total
BEFU 2025	131	171	167	165	163	797
Forecast change	-	(93)	(91)	(91)	(91)	(366)
Proposed changes	-	68	92	92	91	343
Net change	-	(25)	1	1	-	(23)
HYEFU 2025	131	146	168	166	163	774

6. The non-departmental FamilyBoost Tax Credit payment appropriation is a permanent legislative authority (PLA). The standard processes for this type of appropriation are:
- forecasts changes, reflecting existing legislative settings and demand, are made in baseline updates, with no Cabinet or ministerial approval required; and
 - Cabinet policy changes are separately captured and managed against allowances.
7. The Treasury therefore recommends that the forecast changes (\$366 million decrease) and Cabinet policy changes (\$343 million increase) be recorded separately, with the policy changes managed against the Budget 2026 operating allowance.
8. We have instead reflected in the attached draft Cabinet paper your preference to treat the forecast and policy changes collectively, with a net reduction in the FamilyBoost appropriation of \$23 million over the forecast period. The reduction relates to the policy change impacting only 3 of the 4 quarters in the 25/26 fiscal year.
9. For your information, the previous report [IR2025/199] provided costings for options applying an assumed 68% uptake rate. For the final proposal in the draft Cabinet paper we have assessed a behavioural response and increased the uptake rate to an average of 71%.
10. As further data comes in with each quarter, Inland Revenue will continue to refine the forecasting model and continue to update forecast costs at each economic update round.

Departmental – implementation and delivery costs

11. The Budget 2024 funding for Inland Revenue, the Ministry of Education and the Ministry of Social Development to implement and deliver FamilyBoost over the forecast period was \$49.487 million operating and \$5.550 million capital.
12. The additional cost of the proposed changes is relatively small based on initial costings. Inland Revenue will manage these additional costs from funding already provided or self-fund.
13. Officials will report back on the cost of longer-term improvements. Depending on design decisions it may be possible to fund some or all these costs from funding already provided to the three agencies.

Timing for Cabinet lodgement and post-Cabinet announcements

14. Following ministerial consultation, the Cabinet paper should be authorised and lodged with Cabinet office by 10am, 26 June 2025 so that it may be considered by Cabinet on 30 June 2025. A paper direct to Cabinet would require permission from the Prime Minister as chair of Cabinet. Alternatively, the Cabinet paper could be considered at the Cabinet Business Committee (CBC) meeting on 30 June 2025 and then at the next Cabinet meeting following that. Table 1 outlines two possible timelines.
15. Deferring Cabinet's consideration of this paper would delay the announcement Ministers intend to make until mid-July. If you do not want to delay the announcement, we recommend the attached paper be discussed at Cabinet on 30 June.

Table 1: Proposed timelines to announce FamilyBoost changes

Deliverable	Timeline for June announcement	Timeline for July announcement
Draft Cabinet paper to Ministers, ministerial consultation and approval	12 June - 24 June	12 June - 24 June
Cabinet paper lodged to CBC	N/A	26 June
CBC meeting	N/A	30 June
Cabinet paper lodged to Cabinet	26 June	N/A
Cabinet meeting and confirmation and post-Cabinet announcement	30 June	14 July (<i>note: no Cabinet scheduled on 7 July</i>)

Proactive release

16. The Cabinet paper and associated documents would be proactively released when the FamilyBoost legislation is introduced into Parliament, rather than 30 days after consideration. The expected introduction date is in September 2025.

Consultation

17. The Treasury, Ministry of Education, and Ministry of Social Development have been consulted on the draft of the Cabinet paper. Their comments have been incorporated where possible, other comments have been noted and may be included in the regulatory impact statement.

Next steps

18. A regulatory impact assessment will be attached to the Cabinet paper when it is lodged - it is still undergoing internal panel review and editing. The regulatory impact statement considers the range of options covered in our earlier advice, including the option to defer decisions. We will provide a near final draft to your offices shortly. The section of the draft Cabinet paper on the regulatory impact assessment will be updated with the final wording from the review panel on whether or not it meets requirements closer to lodging on the 26 June.
19. Speaking notes will be sent to your offices for your use at Cabinet on 30 June, or at the Cabinet Business Committee meeting. We can support your offices in preparing any material needed for your announcement.

20. Subject to Cabinet approval, officials will begin preparing, and will report back on 8 August with, the draft LEG paper and draft bill containing the FamilyBoost changes.

Deliverable	Provisional timeframe
Cabinet policy approval and post-Cabinet announcement	30 June
Draft LEG paper to Ministers, ministerial consultation and approval	8 August - 22 August
Draft Bill provided to Ministry of Justice for BoRA review	Mid-August
LEG paper lodged to LEG Committee	4 September
LEG Committee	11 September
Cabinet	15 September
Bill to be introduced and passed under urgency	16-18 September
Bill enacted (with retrospective effect to 1 July 2025)	18 September
FamilyBoost payments to include changes	1 October onwards

21. In August-September officials will prepare the Legislative statement, disclosure statements and a Bill pack for assisting the bill through the House.

Recommended action

We recommend that you:

1.

Agree to undertake Ministerial consultation on the attached Cabinet paper;

Agreed/Not Agreed

Minister of Finance

Agreed/Not Agreed

Minister of Revenue
2.

Confirm that the Cabinet paper will be considered at:

Either

2.1

Cabinet at its meeting on 30 June 2025 with a post-Cabinet announcement to follow;

Yes/No

Minister of Finance

Yes/No

Minister of Revenue

OR

2.2

Cabinet Business Committee at its meeting on 30 June 2025, followed by Cabinet on the 14 July 2025 with an announcement to follow;

Yes/No

Minister of Finance

Yes/No

Minister of Revenue

3.

note that if you decide to take the paper directly to Cabinet, you will need to seek permission from the Prime Minister; and

Noted

Minister of Finance

Noted

Minister of Revenue

4.

note that a regulatory impact assessment will be completed and attached to the Cabinet paper when lodged.

Noted

Minister of Finance

Noted

Minister of Revenue
- s 9(2)(a)

Maraina Hak

Policy Lead

Inland Revenue
- Hon Nicola Willis

Minister of Finance

/ /2025
- Hon Simon Watts

Minister of Revenue

/ /2025
- IR2025/267: Draft Cabinet paper: Ensuring FamilyBoost reaches more families

Page 5 of 5

In Confidence

Office of the Minister of Finance

Office of the Minister of Revenue

Chair, Cabinet

ENSURING FAMILYBOOST REACHES MORE FAMILIES

Proposal

- 1 This paper seeks Cabinet's agreement to adjust the FamilyBoost tax credit settings to ensure the financial assistance Cabinet intended to provide to families with early childhood education (ECE) fees is achieved.

Relation to Government priorities

- 2 Last year, in March 2024, Cabinet agreed to implement FamilyBoost to address the increasing childcare costs faced by families. The proposal in this Cabinet paper maintains the core parameters of the FamilyBoost scheme but adjusts the policy settings to ensure that the overall quantum of assistance Cabinet intended to provide to families is achieved.

Executive summary

Background

- 3 FamilyBoost is a childcare tax credit administered by Inland Revenue that provides financial assistance for low-to-middle income families with ECE fees.
- 4 In March 2024, Cabinet agreed to introduce FamilyBoost to provide approximately \$174 million annually to up to 100,000 eligible families [CAB-24-MIN-0089]. Since the payment went live on 1 October 2024 (applying to fees paid from 1 July 2024), about \$50 million has been paid out to 59,747 families across the three available FamilyBoost payments to date. This suggests the current settings may not achieve Cabinet's intended outcomes, with fewer families reached and reduced payment amounts delivered.

Decisions sought

- 5 This paper seeks approval to adjust the FamilyBoost policy settings, with implementation by 1 October 2025 (for fees paid from 1 July 2025), to boost both the number of recipients and payment amounts to align more closely with Cabinet's understanding of the original fiscal envelope.
- 6 We also seek approval to include FamilyBoost in the Early Childhood Education funding review as well as develop a longer-term proposal to build a direct data feed of fees information with ECE providers to simplify the claims process for families.

Next steps

- 7 We propose to make a post-Cabinet announcement outlining the key components of the FamilyBoost adjustments, following its approval at this Cabinet meeting.
- 8 Implementing the FamilyBoost adjustments require amending the Income Tax Act 2007. If approved, we propose including the legislative changes in an Income Tax (FamilyBoost) Amendment Bill, to be considered by the Cabinet Legislation Committee and scheduled for introduction and passing through all stages under urgency, in September 2025.

Background

- 9 FamilyBoost is a childcare tax credit administered by Inland Revenue that provides financial assistance for low-to-middle income families with ECE fees.
- 10 In March 2024, Cabinet agreed to implement the FamilyBoost tax credit to address the increasing childcare costs faced by families to be implemented by 1 October 2024. The payment was targeted – refunding only a portion of families’ childcare costs. The payment was also intended to be complementary to other Government childcare support, such as the Ministry for Social Development’s Childcare Subsidy, and therefore FamilyBoost only applies to unsubsidised fees.
- 11 Cabinet agreed to the scheme with the understanding that it would reach up to 100,000 eligible families, with a fiscal cost of \$174 million for 2024/25, reducing in outyears [CAB-24-MIN-0089]. This costing was based on an assumed 100% uptake rate. The forecast cost for the 2024/25 year has since been reduced to \$131 million to reflect that three FamilyBoost payments were available to be paid in that fiscal year (the payment for the fourth quarter is not available until the 2025/26 fiscal year). It should be noted that families have four years to claim FamilyBoost, and so the final uptake will not be known until then. However, based on the three available FamilyBoost payments to date, it appears that fewer families are claiming the payment than Cabinet had envisaged, with about \$50 million paid out to 59,747 families, indicating a 52.8% uptake rate so far. These reduced figures may be a result of initial forecast assumptions and factors influencing uptake.

Initial forecast assumptions

- 12 When FamilyBoost was originally developed, the government lacked comprehensive data on families’ use of ECE services, household incomes, incurred ECE costs and likely uptake. Therefore, Budget 2024 included a conservative estimate of the fiscal costs which was based on an assumed 100% uptake throughout the year.

- 13 There are an estimated 162,000 families with 194,600 children enrolled in ECE¹. The original modelling assumed 100,000 families would be eligible for the scheme based on their income. Officials have since found that uptake from these groups has been lower than assumed, particularly from families with small amounts of or no unsubsidised fees (mostly families using lower-cost centres such as kindergartens, playcentres and Kōhanga Reo). The average weekly ECE costs have also been lower than forecast partially due to the larger-than-expected amount of subsidised fees. Therefore, the actual number of families likely to claim FamilyBoost will be lower than the original estimate. While enrolments may rise slightly due to incentives like funded childcare, ECE supply is fixed in the short-term. In practice, full uptake is unlikely due to behavioural and contextual factors, for instance, many families do not enrol their children in ECE year-round.

Factors influencing uptake

- 14 Based on a preliminary assessment by officials of FamilyBoost data, complaints, consultation feedback and experience with other social policy products, the two factors likely influencing uptake are:
- 14.1 lack of awareness or understanding of FamilyBoost (e.g., misconception about going into debt, not understanding how to apply online), or reluctance to apply due to perceived stigma; and
 - 14.2 perceived compliance costs which may outweigh the benefit, particularly for low fee and/or high-income families.
- 15 Despite Inland Revenue's efforts to reduce compliance costs and increase policy awareness, adjusting the policy settings to expand eligibility and increase the benefit for families may be the most effective way to improve uptake.

The proposal

- 16 The proposal in this Cabinet paper maintains the core parameters of the FamilyBoost scheme but adjusts the policy settings to ensure that the overall quantum of assistance Cabinet intended to provide to families is achieved, with more families able to receive the payment, and lower income families eligible for an increased payment amount. It does not change any settings for assistance administered by the Ministry of Social Development.

¹ This figure is based on Ministry of Education enrolment data (ECE Census June 2024) and an average of 1.2 children enrolled per family (FamilyBoost claims data).

Analysis

Current settings

- 17 The current FamilyBoost settings allow eligible families to claim up to 25% of their ECE fees every 3 months by uploading invoices or a quarterly statement to Inland Revenue's online portal, myIR. The maximum payment is \$975 per quarter (\$75 per week), based on 25% of the maximum claimable fees of \$3,900 a quarter (\$300 per week), and is subject to a quarterly household income test. The payment abates at \$35,000 a quarter (\$140,000 a year) at a rate of 9.75% until households are no longer eligible at \$45,000 a quarter (\$180,000 a year).

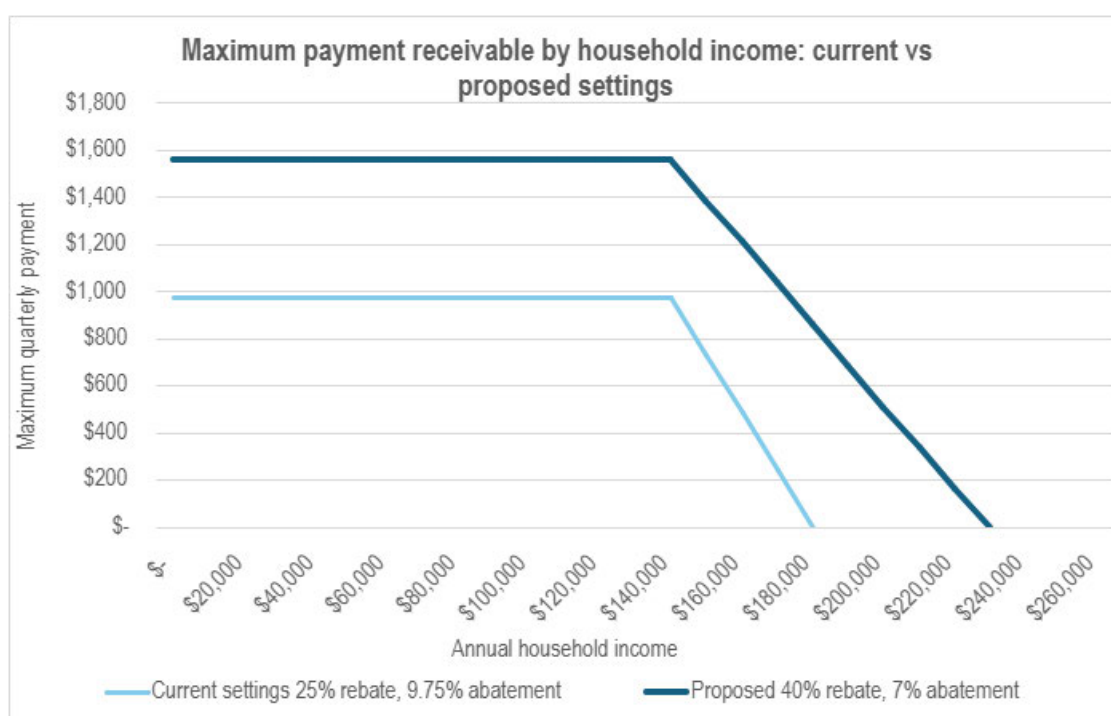
Proposed settings

- 18 We propose adjusting the FamilyBoost settings to increase the payment amounts and the number of families eligible for the payment by:
- 18.1 increasing the rebate amount from 25% to 40% of the maximum claimable ECE fees of \$3,900 per quarter, which raises the maximum payment amount from \$975 to \$1,560 per quarter; and
- 18.2 reducing the abatement rate from 9.75% to 7%, which raises the quarterly household income cap from \$45,000 to \$57,286.

Table 1: Summary of proposed changes

	Current settings	Proposal
Max. claimable fees per quarter	\$3,900 (\$300 per week, \$15,600 per annum)	\$3,900 (\$300 per week, \$15,600 per annum)
Rebate	25%	40%
Max. quarterly payment	\$975 (\$75 per week)	\$1,560 (\$120 per week)
Abatement threshold per quarter	\$35,000 (\$140,000 per annum)	\$35,000 (\$140,000 per annum)
Abatement rate	9.75 cents in the dollar	7 cents in the dollar
Payments cut out at per quarter	\$45,000 (\$180,000 per annum)	\$57,286 (\$229,100 per annum)
Est. annual households at 71% uptake	76,000 households	92,000 households
Est. annual cost at 71% uptake	\$93 million	\$170 million
Est. annual households at 100% uptake	106,000 households	127,000 households

Figure one: Maximum payment receivable by household income: current vs proposed settings



- 19 Other variations of this proposal were considered with differing income caps and rebate amounts. However, we consider this proposal best aligns with the objectives of expanding access to more families, maximising the financial benefit provided, and maintaining the scheme within the appropriated costs.
- 20 This proposal is estimated to reach an additional 16,000 eligible families and to increase their maximum payment by up to \$585 per quarter (up to \$45 per week). Under the current scheme some families have had applications declined due to income being above the current cut-off. These claims, and data from Best Start payments, provides a basis for the likely impact of extending the settings under the proposal. As with any forecast, some uncertainty remains (see risk section below). With only minor changes required to existing settings, this proposal is the simplest and most cost-effective option for Inland Revenue to deliver and communicate to families. It also allows for the simplest implementation of any future policy adjustments, if required.

Other options considered

- 21 Other options were considered but ruled out as they either covered fewer families than Cabinet intended, exceeded the current appropriation, or extended payments to higher-income families which would undermine the policy's targeted intent. We also considered whether to propose changing the settings from a per household payment to a per child payment, as signalled in an earlier Cabinet report back. However, this policy change does not appear to provide a significant benefit for the costs involved in making this change and is not considered a priority at this time.

Supporting work

- 22 We propose that FamilyBoost be included in the Early Childhood Education funding review. We have also asked officials to continue work on longer term improvements. We intend to include on the Tax and Social Policy Work Programme an investigation of ways to simplify the process for families by having fees information provided directly to Inland Revenue by ECE providers. Other non-legislative solutions to make the FamilyBoost process simpler for families will be included as part of this work.

Risks and mitigation strategies for the proposal

- 23 ***Forecasting assumptions and limitations*** – The original FamilyBoost costing was based on an assumed 100% uptake rate across the full year due to the limited data available to inform a more accurate estimate. Based on the claims received to date, the actual uptake rate is estimated at 52.8% across the first three of four quarterly payments.
- 24 Accounting for a likely gradual increase in uptake over time, as well as observed uptake for other Government assistance, it is now assumed that FamilyBoost will reach an annual uptake rate of 71%. This revised assumption excludes ECE centres that appear to be fully subsidised (playcentres) and incorporates a lower uptake from kindergartens and Kōhanga Reo. This adjustment reflects the expectation that families with minimal or no unsubsidised fees are less likely to apply.
- 25 While the assumptions around uptake have been tightened and informed by the data collected in the last eight months, officials have advised that estimating and measuring uptake remains difficult. Any estimates and numbers used in FamilyBoost will continue to have significant levels of uncertainty until the payment has been in place for several years. Reaching the assumed 71% annual uptake and related per annum fiscal cost may take a while, given these changes will only impact three payments recognised in the 2025/26 year, and the forecasts are based on full-year data. There is also a risk of over-spend if the uptake is larger than 71%, or if average fees claimed are significantly higher than to date.
- 26 Identifying the appropriate settings to achieve Cabinet's intent for this policy has proven challenging and reflects the lack of information readily available to the government on the details of households with young children, particularly for household with incomes over \$100,000. As it is unclear how households will respond to the proposal, further policy adjustments may be necessary in the future. Inland Revenue will continue to monitor and report to both the Ministers of Finance and Revenue on the number and dollar amount of claims against the risk of unexpected spending.

- 27 ***Distribution of payments will further shift towards high-income groups*** – The current payment settings targets low-to-middle income families, but lower-income households often benefit less due to having reduced or subsidised fees. This proposal expands the eligible income range, further skewing payments towards higher-income groups and shifting the policy’s focus to supporting a wider income range of families. This reflects that FamilyBoost is the last of a line of government support to help families with the cost of ECE fees, with some support already targeted at lower income households.
- 28 ***Potential for reduced benefit due to provider capture*** – as with any form of government support for costs, increasing the amount paid out through FamilyBoost heightens the risk of fee increases, particularly at the higher end of the market (provider capture). This may gradually reduce the net benefit to families over time, but families are still expected to be better off overall.
- 29 ***Wider ECE funding fiscal implications*** – this proposal is more likely to increase the number of hours children are enrolled, rather than increase overall ECE participation. This may have implications for Ministry of Education demand-based funding, but it is difficult to predict or isolate the increased demand or resulting implications.

Financial implications

Non-departmental financial implications - FamilyBoost payments

- 30 The original Budget 2024 funding for FamilyBoost payments was \$677 million over the forecast period (\$170 million average per annum).
- 31 The current Budget 2025 funding is \$797 million. This change includes a \$43m decrease in 2024/25 for an accounting timing adjustment and a \$163 million increase in 2028/29 for the addition of another financial year to the forecast period.

	\$ million increase / (decrease)					
FamilyBoost Tax Credit payments appropriation (PLA)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Budget 2024 forecast period	174.000	171.000	167.000	165.000	-	677.000
Budget 2025 forecast period	131.000	171.000	167.000	165.000	163.000	797.000
Change	(43.000)	-	-	-	163.000	120.000

- 32 The following table shows the net forecast changes to FamilyBoost payments over the forecast period based on current settings (a \$366 million reduction) and the proposed setting changes (a \$343 million increase).

	\$ million increase / (decrease)					
FamilyBoost Tax Credit payments – forecast changes	2024/25	2025/26	2026/27	2027/28	2028/29& outyears	Total
Current settings	-	(93.000)	(91.000)	(91.000)	(91.000)	(366.000)
Proposed setting changes	-	68.000	92.000	92.000	92.000	343.000
Net forecast changes	-	(25.000)	1.000	1.000	-	(23.000)

- 33 The following table shows the revised forecasts across the forecast period. The appropriation for 2024/25 is \$131 million but the actual outturn is estimated at \$52 million, based on current settings and an accounting timing adjustment which recognises only three quarterly payments in the first year. The forecast of \$146 million for 2025/26 reflects the transition into the proposed new settings. The forecast of \$168 million in 2026/27 reflects the full transition to the proposed new settings. The small forecast decreases in outyears reflect household incomes increasing above the abatement levels over time.

	\$ million increase / (decrease)					
FamilyBoost Tax Credit payments – forecast changes	2024/25	2025/26	2026/27	2027/28	2028/29& outyears	Total
Budget 2025 appropriation	131.000	171.000	167.000	165.000	163.000	797.000
Net forecast changes	-	(25.000)	1.000	1.000	-	(23.000)
Revised appropriation	131.000	146.000	168.000	166.000	163.000	774.000
Forecast underspend in 24/25	(79.000)	-	-	-	-	(79.000)
Forecast outturn	52.000	146.000	168.000	166.000	163.000	695.000

Departmental financial implications – implementation and delivery

- 34 The Budget 2024 funding for Inland Revenue, the Ministry of Education and the Ministry of Social Development to implement and deliver FamilyBoost over the forecast period was \$49.487 million operating and \$5.550 million capital.

	\$ million increase / (decrease)					
FamilyBoost departmental Budget 2024 forecast period	2023/24	2024/25	2025/26	2026/27	2027/28& outyears	Total
Revenue	-	13.900	11.100	9.100	9.100	43.200
Education	-	0.175	0.100	0.100	0.100	0.475
Social Development	0.242	1.604	1.322	1.322	1.322	5.812
<i>Total operating</i>	0.242	15.679	12.522	10.522	10.522	49.487
Social Development	1.854	3.696	-	-	-	5.550
<i>Total capital</i>	1.854	3.696	-	-	-	5.550

- 35 The additional cost of the proposed changes is relatively small based on initial costings. Inland Revenue will manage these additional costs from funding already provided or self-fund.

- 36 Officials will report back on the cost of longer-term improvements. Depending on design decisions it may be possible to fund some or all these costs from funding already provided to the three agencies.

Legislative Implications

- 37 Implementing these proposals requires changes to the Income Tax Act 2007. If approved, we recommend including the legislative changes resulting from this proposal in the Income Tax (FamilyBoost) Amendment Bill, to be considered by the Cabinet Legislation Committee, scheduled for introduction and passing through all stages under urgency in September 2025. We propose that the bill holds a category 2 priority on the 2025 Legislative Programme (to be passed by the end of 2025). We propose that it be enacted by 1 October 2025.

Impact Analysis

Regulatory impact assessment

- 38 The panel considers that the information and analysis in the Regulatory Impact Statement (RIS) “partially meets” the quality assurance criteria and expectations for regulatory impact analysis.
- 39 The panel acknowledges the limitations and constraints on the analysis, including a focus on short-term options only, and the constrained consultation period with a limited group of stakeholders. These constraints, which are well documented in the RIS, have prevented the authors from considering a fuller suite of options that could have also addressed the problem definition. It will therefore be important that the payment’s ongoing monitoring is reported on to determine whether further action is required to meet the proposal’s objectives.

Climate implications of Policy assessment

- 40 A Climate Implications of Policy Assessment is not required for this proposal.

Population implications

- 41 Generally, the ECE participation rates for Māori and Pacific children remain lower than those of other groups. Since FamilyBoost operates as a rebate model, requiring fees to be paid upfront, it is uncertain whether this proposal will increase ECE participation among these communities.
- 42 The specific implications from this proposal suggest that lower-income households (including those over-represented in this group such as Māori, Pacific and some disabled people) would benefit from higher FamilyBoost payments. However, they often use low-cost or fully subsidised ECE services, such as kindergartens, playcentres, and Kōhanga Reo. As a result, these households may be less likely to have material amounts of fees to claim for FamilyBoost. This is reflected in the scheme’s notably low uptake among families using kindergartens, playcentres, and Kōhanga Reo. In contrast, higher-income families with greater unsubsidised fees are more likely to apply and receive higher FamilyBoost payments.

Human rights

- 43 The proposal does not appear to have any implications in relation to human rights. A Bill of Rights check will be undertaken when legislation is drafted.

Consultation

- 44 The Treasury, the Ministry of Education, and the Ministry for Social Development (including the Child Wellbeing and Poverty Reduction Group) were consulted on the contents of this Cabinet paper.

Communications

- 45 Subject to Cabinet's approval, the Minister of Finance will make a post-Cabinet announcement on the proposal's key components following this Cabinet meeting.
- 46 Inland Revenue will continue to promote the policy changes through its active Change and Communications Plan to ensure people are fully aware of the payment and to assist uptake.
- 47 Officials will also work with our offices to prepare material for when the Bill is introduced. Inland Revenue will publish details of the new legislation in an Act commentary released on the Tax Policy website after the Bill is enacted.

Proactive release

- 48 I propose to delay the proactive release of this Cabinet paper, associated minutes, and key advice papers with appropriate redactions until the FamilyBoost Bill is introduced. The expected introduction date for this Bill is September 2025.

Recommendations

The Ministers of Finance and Revenue recommend that the Cabinet:

- 1 **note** that on 20 March 2024 Cabinet agreed to progress the basic refund model of FamilyBoost and approved \$677 million over the forecast period for non-departmental costs [ECO-24-MIN-0033 refers];
- 2 **note** that while Cabinet did not specifically agree the detailed policy settings in the minute, the basic refund model outlined in the submission under ECO-24-SUB-0033 included a \$3,900 maximum fees cap, a 25% rebate percentage, maximum payment of \$975 a quarter (\$75 a week) abating from \$35,000 to \$45,000 a quarter (\$140,000 to \$180,000 a year) at a 9.75% abatement rate;
- 3 **note** that to date spending is tracking below the amount that Cabinet approved, with fewer families submitting claims and average payments lower than expected;
- 4 **agree** to adjust the FamilyBoost policy settings by:

- 4.1 increasing the rebate percentage from 25% to 40%; and
- 4.2 reducing the abatement rate from 9.75% to 7%;
- 5 **agree** that the changes in recommendation 4 apply to fees from 1 July 2025 and affect payments from 1 October 2025;
- 6 **note** that the fees cap will remain at \$3,900 a quarter and the abatement rate will continue to apply from \$35,000 a quarter (\$140,000 a year), that the maximum payment will increase from \$975 a quarter to \$1,560 a quarter and the point at which families no longer qualify will increase from \$45,000 to \$57,286 a quarter (\$180,000 to \$229,100 household annual income);
- 7 **note** that these changes are forecast to reach 92,000 families across a full year, with the cost remaining within the appropriation set at Budget 2024;
- 8 **note** that there are no changes to the income and cash assets exemption in respect of financial assistance administered by the Ministry of Social Development;
- 9 **agree** to delegate further technical, minor policy and administrative FamilyBoost policy setting decisions to the Ministers of Finance and Revenue;
- 10 **note** the fiscal impact of the revised forecast changes and the proposed changes in recommendation 4 is within the original funding envelope approved in Budget 2024;
- 11 **note** the following forecast changes to the FamilyBoost Tax Credit PLA appropriation as a result of revising forecast uptake under current settings and the proposed changes in recommendation 4, with a corresponding impact on the operating balance and/or net core Crown debt;

	\$ million increase / (decrease)			
Vote Revenue	2025/26	2026/27	2027/28	2028/29 & outyears
Minister of Revenue				
Non-departmental appropriations:				
FamilyBoost Tax Credit PLA	(25.000)	1.000	1.000	-
Total Operating	(25.000)	1.000	1.000	-

- 12 **note** that the departmental operating and capital costs of the proposed changes in recommendation 4 will be managed from within baselines;
- 13 **agree** to legislate the required changes to the Income Tax Act 2007 through introducing an Income Tax (FamilyBoost) Amendment Bill under urgency in September 2025;
- 14 **approve** the inclusion of the Income Tax (FamilyBoost) Amendment Bill in the 2025 Legislation Programme, with a priority of category 2 (must be passed by the end of 2025);

- 15 **agree** that FamilyBoost will be included in the Early Childhood Education funding review;
- 16 **agree** that the Minister of Finance will make a post-Cabinet announcement on the proposed FamilyBoost changes; and
- 17 **note** that the Minister of Finance and Minister of Revenue intend to include work on longer term improvements to FamilyBoost on the Tax and Social Policy Work Programme, including building a direct data feed of fees information with ECE providers.

Authorised for lodgement

Hon Nicola Willis

Minister of Finance

Hon Simon Watts

Minister of Revenue



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Ensuring FamilyBoost Reaches More Families

Portfolios

Finance / Revenue

On 30 June 2025, Cabinet:

Background

- 1 **noted** that in March 2024, Cabinet agreed to progress the basic refund model of FamilyBoost, and approved \$677 million over the forecast period for non-departmental costs [ECO-24-MIN-0033];
- 2 **noted** that while Cabinet did not specifically agree to the detailed policy settings, the basic refund model considered by Cabinet in March 2024 included a \$3,900 maximum fees cap, a 25 percent rebate percentage, and a maximum payment of \$975 a quarter (\$75 a week) abating from \$35,000 to \$45,000 a quarter (\$140,000 to \$180,000 a year) at a 9.75 percent abatement rate;
- 3 **noted** that, to date, spending is tracking below the amount that Cabinet approved, with fewer families submitting claims and average payments lower than expected;

Adjustment to policy settings

- 4 **agreed** to adjust the FamilyBoost policy settings by:
 - 4.1 increasing the rebate percentage from 25 percent to 40 percent; and
 - 4.2 reducing the abatement rate from 9.75 percent to 7 percent;
- 5 **agreed** that the changes in paragraph 4 above will apply to fees from 1 July 2025, and will affect payments from 1 October 2025;
- 6 **noted** that:
 - 6.1 the fees cap will remain at \$3,900 a quarter;
 - 6.2 the abatement rate will continue to apply from \$35,000 a quarter (\$140,000 a year);
 - 6.3 the maximum payment will increase from \$975 a quarter to \$1,560 a quarter;
 - 6.4 the point at which families no longer qualify will increase from \$45,000 to \$57,286 a quarter (\$180,000 to \$229,100 household annual income);

- 7 **noted** that the above changes are forecast to reach 92,000 families across a full year, with the cost remaining within the appropriation set at Budget 2024;
- 8 **noted** that there are no changes to the income and cash assets exemption in respect of financial assistance administered by the Ministry of Social Development;
- 9 **authorised** the Minister of Finance and the Minister of Revenue to make any further technical or minor policy and administrative FamilyBoost policy setting decisions that may be required;

Financial implications

- 10 **noted** that the fiscal impact of the revised forecast changes and the changes outlined in paragraph 4 above is within the original funding envelope approved in Budget 2024;
- 11 **noted** the following forecast changes to the FamilyBoost Tax Credit PLA appropriation as a result of revising forecast uptake under current settings and the changes outlined in paragraph 4 above, with a corresponding impact on the operating balance and/or net core Crown debt:

	\$ million increase / (decrease)			
Vote Revenue Minister of Revenue	2025/26	2026/27	2027/28	2028/29 & outyears
Non-departmental appropriations:				
FamilyBoost Tax Credit PLA	(25.000)	1.000	1.000	-
Total Operating	(25.000)	1.000	1.000	-

- 12 **noted** that the departmental operating and capital costs of the changes in paragraph 4 above will be managed from within baselines;

Legislative implications

- 13 **agreed** that the required changes to the Income Tax Act 2007 be implemented through an Income Tax (FamilyBoost) Amendment Bill, to be introduced under urgency in September 2025;
- 14 **approved** the inclusion of the Income Tax (FamilyBoost) Amendment Bill on the 2025 Legislation Programme, with a category 2 priority (must be passed by the end of 2025);

General

- 15 **agreed** that FamilyBoost be included in the Early Childhood Education Funding Review;
- 16 **agreed** that the Minister of Finance make a post-Cabinet announcement on the FamilyBoost changes outlined above;
- 17 **noted** that the Minister of Finance and the Minister of Revenue intend to include work on longer term improvements to FamilyBoost on the Tax and Social Policy Work Programme, including building a direct data feed of fees information with ECE providers.

Rachel Hayward
Secretary of the Cabinet



POLICY

Tax policy report: **Draft Cabinet paper – Income Tax (FamilyBoost)
Amendment Bill: Approval for introduction**

Date:	13 August 2025	Priority:	Medium
Security level:	In Confidence	Report number:	IR2025/306

Action sought

	Action sought	Deadline
Minister of Finance	Agree to recommendations	29 August 2025
Minister of Revenue	Agree to recommendations	29 August 2025
	Authorise the lodgement of the attached Cabinet paper (following Ministerial consultation)	By 10am, Thursday 4 September 2025

Contact for telephone discussion

Name	Position	Telephone	Suggested first contact
Maraina Hak	Policy Lead	s 9(2)(a)	<input type="checkbox"/>
Murray Shadbolt	Principal Policy Advisor, Inland Revenue	s 9(2)(a)	<input checked="" type="checkbox"/>

13 August 2025

Minister of Finance
Minister of Revenue

Draft Cabinet paper – Income Tax (FamilyBoost) Amendment Bill: Approval for introduction

Purpose

1. This report seeks your agreement to circulate the draft Cabinet paper for ministerial consultation and, subject to the outcome of consultation, asks you to authorise the lodgement of the attached draft Cabinet paper and draft departmental disclosure statement with the Cabinet Office by 10am, Thursday 4 September 2025. This will be considered at the Cabinet Legislation Committee (LEG) meeting on Thursday 11 September 2025.

Cabinet paper and departmental disclosure statement

2. The Cabinet paper seeks agreement to the Income Tax (FamilyBoost) Amendment Bill being introduced on 16 September 2025 and passed through all stages under urgency. The Bill contains only one policy item that was previously agreed to by Cabinet – the FamilyBoost tax credit setting changes [CAB-25-MIN-021].
3. A draft departmental disclosure statement is attached and must be lodged with the Cabinet Paper in accordance with Cabinet guidelines. It must be finalised by Inland Revenue and sent to the Parliamentary Counsel Office two working days before the introduction of the Bill. It will be publicly available when the Bill is introduced.

New Zealand Bill of Rights Act 1990 and Treaty analysis

4. We consider the provisions in the Bill are consistent with the rights and freedoms affirmed by the New Zealand Bill of Rights Act 1990 (BoRA). The Ministry of Justice will soon be undertaking the required BoRA vetting of the Bill. Although not expected, we will advise if any issues arise from this process.
5. We consider the Bill is likely to be consistent with the principles of the Treaty of Waitangi, but an in-depth analysis has not been undertaken on this Bill.

Proactive release

6. We propose that the Cabinet paper, Cabinet minutes and key advice papers be proactively released when the Bill is introduced. This proactive release would include all documents such as the policy reports and briefing notes relevant to the Bill including the Cabinet paper, Regulatory Impact Statement and minute that agreed to the policy changes. A number of OIA requests have been received for these documents and have been refused on the grounds they will shortly be released.

Next steps

7. In accordance with the timeline below, the Cabinet paper and the departmental disclosure statement must be lodged with the Cabinet Office by 10am on Thursday 4 September 2025, for consideration at the LEG meeting on 11 September 2025. Please advise of any changes to the draft Cabinet paper from ministerial consultation before the lodgement date.
8. We will provide you with a copy of the draft Bill and speaking notes ahead of this lodgement date and will liaise with your office to arrange publicity for the introduction of the Bill.

Table 1: Proposed timeline to implement FamilyBoost changes by 1 October 2025

Deliverable	Provisional timeframe
Draft Cabinet paper to Ministers, ministerial consultation and approval	13 August - 29 August
Draft Bill provided to Ministry of Justice for BoRA review	22 August
Cabinet paper and associated documents lodged with the Cabinet Office	4 September
LEG Committee	11 September
Cabinet	15 September
Bill to be introduced and passed under urgency	16 September
Proactive release	16 September (approx.)
Bill enacted (with retrospective effect to fees from 1 July 2025)	18 September (approx.)
FamilyBoost payments to be processed under proposed settings	1 October onwards

Recommended action

We recommend that you:

1. **note** the contents of this report, attached draft Cabinet paper, and draft departmental disclosure statement;

Noted
Minister of Finance

Noted
Minister of Revenue
2. **agree** to undertake Ministerial consultation on the attached Cabinet paper;

Agreed/Not Agreed
Minister of Finance

Agreed/Not Agreed
Minister of Revenue
3. **note** that a copy of the draft Bill will be provided ahead of lodgement on 4 September 2025;

Noted
Minister of Finance

Noted
Minister of Revenue
4. **agree** to the proactive release of the Cabinet paper, Cabinet minutes and key advice papers (with appropriate redactions) when the Bill is introduced;


Agreed/Not agreed
Minister of Finance

Agreed/Not agreed
Minister of Revenue

5. **authorise** the lodgement of the attached Cabinet paper and associated documents with the Cabinet Office by **10am Thursday 4 September 2025** (following Ministerial consultation).

Authorised/Not authorised
Minister of Revenue

s 9(2)(a)



Maraina Hak
Policy Lead
Inland Revenue

Hon Nicola Willis
Minister of Finance
/ /2025

Hon Simon Watts
Minister of Revenue
/ /2025

In Confidence

Office of the Minister of Finance

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

INCOME TAX (FAMILYBOOST) AMENDMENT BILL: APPROVAL FOR INTRODUCTION

Proposal

- 1 This paper seeks the Cabinet Legislation Committee's agreement to the Income Tax (FamilyBoost) Amendment Bill being introduced on 16 September 2025 and passed through all stages under urgency. The Bill amends the Income Tax Act 2007 by adjusting the FamilyBoost setting changes to ensure the financial assistance Cabinet intended to provide to families with early childhood education fees is achieved.
- 2 The Income Tax (FamilyBoost) Amendment Bill holds a category 2 priority on the 2025 Legislative Programme (must be passed by the end of 2025). It is intended to be enacted before 1 October 2025, to ensure that FamilyBoost claims can be processed in accordance with the revised settings from that date.

Policy

- 3 The Bill will implement the FamilyBoost setting changes outlined below. A Bill is necessary as the amendment to the Income Tax Act 2007 is required to implement the proposed changes.
- 4 We note that Cabinet has recently approved a separate FamilyBoost amendment in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill, introduced on 26 August 2025. The amendment would allow further recipient-friendly changes to the FamilyBoost settings by Order in Council following this Bill's anticipated enactment in March 2026.

FamilyBoost tax credit policy setting changes (CAB-25-MIN-021; 30 June 2025)

- 5 The Bill changes the FamilyBoost settings by:
 - 5.1 increasing the rebate percentage from 25 percent to 40 percent, which raises the maximum payment amount from \$975 to \$1,560 per quarter; and
 - 5.2 reducing the abatement rate from 9.75 percent to 7 percent, which raises the quarterly maximum household income cap from \$45,000 to \$57,286.
- 6 These changes will apply to eligible early childhood education fees from 1 July 2025, and will affect FamilyBoost payments from 1 October 2025.

Impact analysis

- 7 A regulatory impact assessment was prepared for the FamilyBoost tax credit setting changes in the Bill. This was submitted at the time that Cabinet approval for the policy item was sought.

Compliance

- 8 The Bill complies with:
- 8.1 the disclosure statement requirements (the draft disclosure statement is attached);
 - 8.2 the principles and guidelines set out in the Privacy Act 2020;
 - 8.3 relevant international standards and obligations;
 - 8.4 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.
- 9 Officials consider the Bill is likely to be consistent with the principles of the Treaty of Waitangi, but an in-depth analysis has not been undertaken on this Bill.
- 10 The Ministry of Justice will provide advice to the Attorney-General on consistency of the Bill with the New Zealand Bill of Rights Act 1990 prior to introduction. Following introduction this advice will be made publicly available on the Ministry's website.

Consultation

- 11 Officials undertook a brief consultation period with a limited group of public and private sector stakeholders on ways to improve FamilyBoost, with a focus on quick implementation options. These informed the regulatory analysis and policy Cabinet paper (CAB-25-MIN-0217 refers).

Relevant Government Departments or Other Public Bodies

- 12 The Treasury originally recommended maintaining the current settings for a longer period to allow for better evaluation of the policy before considering changes. However, it acknowledged that the changes outlined in the Bill are likely the most effective short-term way to expand the policy's reach and support delivered.
- 13 The Ministry of Education, and the Ministry for Social Development (including the Child Wellbeing and Poverty Reduction Group) were also consulted on the original policy Cabinet paper.
- 14 Departments had no specific comment on this Cabinet paper.

Relevant Private Sector Organisations and Public Consultation Processes

- 15 Inland Revenue undertook targeted consultation with key stakeholders in the early childhood education sector on recommendations for short-term improvements to FamilyBoost. Feedback from these stakeholders was considered in finalising the policy

proposal and will also inform the assessment of other short and longer-term options to improve the scheme.

Binding on the Crown

- 16 The Income Tax Act 2007 is binding on the Crown. The amendments will follow the position of the principal Act.
- 17 The legislation will not create a new agency.
- 18 The legislation will not amend the existing coverage of the Ombudsman Act 1975, the Official Information Act 1982, or the Local Government Official Information and Meetings Act 1987.

Allocation of decision-making powers

- 19 The draft legislation does not involve the allocation of decision-making powers between the executive, the courts, and tribunals.

Definition of Minister/Department

- 20 The Bill does not contain a definition of Minister, department, or chief executive.

Commencement of legislation

- 21 Each provision of the Bill comes into force retrospectively on 1 July 2025.

Parliamentary stages

- 22 The Bill should be introduced on 16 September 2025 and passed as soon as possible under urgency.
- 23 As the Bill contains changes that apply to eligible early childhood education fees from 1 July 2025, and affect FamilyBoost payments from 1 October 2025, the Bill should be enacted before 1 October 2025.

Communications

- 24 The Minister of Finance announced the proposals in the Bill on 30 June 2025 following its approval by Cabinet. When the Bill is introduced, a Bill commentary and Regulatory Impact Statement will be released on the Tax Policy website. Following enactment, Inland Revenue will publish details of the new legislation in an Act commentary on its Tax Policy website and update the FamilyBoost website. A marketing campaign has been implemented to inform and raise awareness about FamilyBoost, including communicating these proposed changes to the public after enactment.

Proactive release

- 25 We propose proactively releasing this Cabinet paper, associated minutes, and key advice papers, alongside the earlier Cabinet policy approval paper, with the appropriate redactions, at the time the Income Tax (FamilyBoost) Amendment Bill is introduced or shortly after.

Recommendations

We recommend that the Committee:

- 1 **note** that the Income Tax (FamilyBoost) Amendment Bill holds a category 2 priority on the 2025 Legislative Programme (must be passed by the end of 2025);
- 2 **note** that the Bill gives effect to decisions Cabinet has already made to change the FamilyBoost settings from 1 July 2025 [CAB-25-MIN-0217 refers];
- 3 **note** that the Bill makes amendments to the Income Tax Act 2007;
- 4 **approve** the Income Tax (FamilyBoost) Amendment Bill for introduction, subject to the final approval of the Government caucus and sufficient support in the House of Representatives;
- 5 **agree** that the Bill be introduced on 16 September 2025 and passed under urgency as soon as possible;
- 6 **agree** that the Government propose that the Bill be enacted before 1 October 2025;
- 7 **note** that Cabinet has approved a separate FamilyBoost amendment in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill, introduced on 26 August 2025, to allow further changes to the FamilyBoost settings by Order in Council following this Bill's enactment.

Authorised for lodgement

Hon Nicola Willis

Minister of Finance

Hon Simon Watts

Minister of Revenue



Cabinet Legislation Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Income Tax (FamilyBoost) Amendment Bill: Approval for Introduction

Portfolios **Finance / Revenue**

On 11 September 2025, the Cabinet Legislation Committee:

- 1 **noted** that the Income Tax (FamilyBoost) Amendment Bill (the Bill) holds a category 2 priority on the 2025 Legislation Programme (must be passed by the end of 2025);
- 2 **noted** that the Bill gives effect to Cabinet decisions to change the FamilyBoost settings from 1 July 2025 [CAB-25-MIN-0217];
- 3 **noted** that the Bill makes amendments to the Income Tax Act 2007;
- 4 **approved** the Income Tax (FamilyBoost) Amendment Bill [IRD 28119/4.0] for introduction;
- 5 **agreed** that the Bill be introduced on 16 September 2025 and passed under urgency as soon as possible;
- 6 **agreed** that the Government propose that the Bill be enacted before 1 October 2025;
- 7 **noted** that Cabinet has approved a separate FamilyBoost amendment in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill, introduced on 26 August 2025, to allow further changes to the FamilyBoost settings by Order in Council following this Bill's enactment.

Tom Kelly
Committee Secretary

Present:

Hon David Seymour
Rt Hon Winston Peters
Hon Louise Upston (Chair)
Hon Brooke van Velden
Hon Shane Jones
Hon Simon Watts
Hon Nicole McKee
Hon Scott Simpson
Hon James Meager
Todd Stephenson, MP
Jamie Arbuckle, MP

Officials present from:

Officials Committee for LEG
Office of the Leader of the House
Office of the Minister of Revenue



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Legislation Committee: Period Ended 12 September 2025

On 15 September 2025, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 12 September 2025:

Not in scope		
LEG-25-MIN-0181	Income Tax (Family Boost) Amendment Bill: Approval for Introduction Portfolios: Finance / Revenue	CONFIRMED
Not in scope		

Not in scope

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Rachel Hayward
Secretary of the Cabinet