

# Hon Simon Watts, Minister of Revenue

## Information Release

### Income Tax (Tax Credit) Order 2025

January 2026

#### Availability

This information release is available on Inland Revenue's tax policy website at:  
<https://taxpolicy.ird.govt.nz/publications/2026/ir-leg-25-sub-0228>

#### Documents in this information release

#	Reference	Type	Title	Date
01	IR2025/427	Report	Draft Cabinet paper – Increasing the Minimum Family Tax Credit threshold and CPI Indexation of Family Tax Credit and Best Start Tax Credit payment rates	22/10/2025
02	LEG-25-SUB-0228	Cabinet Paper	Income Tax (Tax Credit) Order 2025	13/11/2025
03	LEG-25-MIN-0228	Minute	Minute of Decision – Income Tax (Tax Credit) Order 2025	13/11/2025
04	CAB-25-MIN-0412	Cabinet Minute	Minute of Decision – Report of the Cabinet Legislation Committee: Period Ended 14 November 2025	17/11/2025

#### Additional information

The Cabinet paper was considered by the Cabinet Legislation Committee on 13 November 2025 and confirmed by Cabinet on 17 November 2025.

One attachment to the Cabinet paper is not included in this information release as it is publicly available:

1. [Income Tax \(Tax Credit\) Order 2025 \(SL 2025/260\) – New Zealand Legislation](#)

#### 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

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## POLICY

**Tax policy report:** **Draft Cabinet paper – Increasing the Minimum Family Tax Credit threshold and CPI indexation of Family Tax Credit and Best Start Tax Credit payment rates**

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<b>Date:</b>	22 October 2025	<b>Priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2025/427

### Action sought

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	<b>Action sought</b>	<b>Deadline</b>
Minister of Revenue	<b>Agree</b> to recommendations <b>Authorise</b> the lodgement of the attached Cabinet paper	10am Thursday 6 November

### Contact for telephone discussion (if required)

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Murray Shadbolt	Principal Policy Advisor	s 9(2)(a)
Jacob Hawker	Policy Advisor	s 9(2)(a)

22 October 2025

Minister of Revenue

## **Draft Cabinet paper – Increasing the Minimum Family Tax Credit threshold and CPI indexation of Family Tax Credit and Best Start Tax Credit payment rates**

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### **Summary**

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1. This report seeks your agreement to the enclosed draft Cabinet paper for Ministerial consultation and Cabinet lodgement. The Cabinet paper gives effect to decisions Ministers made in IR2025/351 to:
  - 1.1 increase the Family Tax Credit and Best Start Tax Credit in line with cumulative increases to the CPI, as required by the Income Tax Act 2007; and
  - 1.2 increase the Minimum Family Tax Credit threshold in line with the formula agreed by Cabinet.

### ***Family Tax Credit and Best Start Tax Credit***

2. The Family Tax Credit is a payment to support low and middle-income families with children, based on the number of children and total family income. The Best Start Tax Credit is a payment to help with costs of raising a child under three. Budget 2025 expanded the existing income test to also cover the first year of Best Start Tax Credit payments. This change will apply from 1 April 2026.
3. Under the Income Tax Act 2007, the Family Tax Credit and Best Start Tax Credit must be adjusted for inflation once the cumulative value of quarterly increases in the Consumer Price Index (CPI) reaches 5% since the payment rates were last adjusted. This adjustment must be made by Order in Council before 1 December 2025, to come into effect on 1 April 2026.
4. We recently reported to you to draw attention to the possibility that the September CPI figures could result in the 5% threshold being reached (IR2025/351 refers). Ministers agreed that the Family Tax Credit and Best Start Tax Credit be increased to reflect CPI if this occurs.
5. On Monday 20 October, the CPI figures for the September 2025 quarter were released, indicating the cumulative value of quarterly increases in the CPI have exceeded 5% since payment rates were last adjusted. The cumulative CPI figure is 5.27%. This will mean that the:
  - 5.1 Family Tax Credit rate will increase from:
    - 5.1.1 for the eldest child, \$7,524 p.a. to \$7,921 (i.e. from \$144 per week to \$152); and
    - 5.1.2 for a subsequent child, from \$6,130 p.a. to \$6,454 (i.e. from \$117 per week to \$124).
  - 5.2 Best Start Tax Credit rate will increase from \$3,838 p.a. to \$4,041 (i.e. from \$73 per week to \$77).

## Minimum Family Tax Credit

6. The Minimum Family Tax Credit “tops up” a recipient’s after-tax earnings to a minimum level of income. The minimum level of income a recipient receives is set by the Minimum Family Tax Credit threshold. The policy intent of the Minimum Family Tax Credit is to ensure that low-income families remain at least \$1 a week better-off in full-time employment than they would be on a main benefit.<sup>1</sup>
7. Sole parent benefit levels are adjusted every year for annual CPI movements, so an annual adjustment to the threshold is required to maintain the policy objective. You recently confirmed that the Minimum Family Tax Credit threshold should increase in line with Cabinet’s decisions on the matter in 2024. This will mean that the Minimum Family Tax Credit threshold will increase from \$35,316 p.a. to \$36,604 after tax (i.e. from \$41,483 to \$43,044 gross).
8. This adjustment must be made by Order in Council before 1 December 2025, to come into effect on 1 April 2026.

## Timing

9. The attached draft Cabinet paper seeks authorisation for submission to the Executive Council of an Order in Council to increase the rates and thresholds. PCO are drafting the Order now.

Key activity	By proposed date
Ministerial consultation on draft Cabinet paper	~ 22 October – 5 November
Cabinet paper lodged	6 November
LEG meeting for OIC	13 November
Cabinet confirmation	17 November
Gazetted	20 November

## Next steps

10. We understand that there is a Cabinet Legislation Committee meeting on 13 November. We recommend that the Minister of Revenue authorise lodgement of the Cabinet paper and associated Order in Council to this meeting for consideration and approval, in order to meet the statutory deadline.
11. We will provide your Office with a set of speaking notes to assist you at the meeting.

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<sup>1</sup> A “full-time earner” is defined as a single person who is employed for at least 20 hours per week or a couple who are employed for at least 30 hours per week between them.

## Recommended action

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We recommend that you:

1. **agree** the draft Cabinet paper be circulated for Ministerial consultation and **authorise** subsequent Cabinet lodgement on 6 November 2025;

Agreed/Not agreed

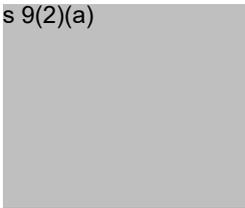
2. **refer** a copy of this report to the Minister of Finance for her information; and

Referred/Not referred

3. **refer** a copy of this report to the Minister for Social Development and Employment for her information.

Referred/Not referred

s 9(2)(a)



**Paul Young**

Policy Lead, Families and Individuals team  
Policy

**Hon Simon Watts**

Minister of Revenue

/ /2025

In Confidence

Office of the Minister of Revenue  
Chair, Cabinet Legislation Committee

## **INCOME TAX (TAX CREDIT) ORDER 2025**

### **Proposal**

- 1 This paper seeks authorisation for a submission to the Executive Council of the Income Tax (Tax Credit) Order 2025 (the Order). This Order sets an increase in certain Working for Families tax credit rates and thresholds.
- 2 Adjustments to the Family Tax Credit and Best Start Tax Credit payment rates, which form part of the Working for Families tax credits, is required to reflect price inflation of 5.27% since rates were last adjusted<sup>1</sup>.
- 3 Additionally, this Order increases the Minimum Family Tax Credit threshold to give effect to Cabinet's decision to resume adjustments to the Minimum Family Tax Credit threshold from the 2026-27 tax year [CAB-24-MIN-0126 refers].

### **Policy**

#### **Family Tax Credit and Best Start Tax Credit**

- 4 The Family Tax Credit is a payment to support low and middle-income families with children, based on the number of children and total family income. The Best Start Tax Credit is an additional payment to help with costs of raising a child under three.
- 5 The Income Tax Act 2007 requires that the Family Tax Credit and Best Start Tax Credit payment rates be adjusted for inflation once the total value of quarterly increases in the CPI reaches 5% since the payment rates were last adjusted.
- 6 The payment rates for the Family Tax Credit and Best Start Tax Credit were last set in November 2023 by Order in Council incorporating inflation from 1 October 2022 to 30 September 2023. The rate of inflation since then means the 5% threshold was exceeded at the end of the September 2025 quarter. The cumulative rate of inflation from 1 October 2023 to 30 September 2025 was 5.27%.

#### **Minimum Family Tax Credit threshold**

- 7 The Minimum Family Tax Credit provides a guaranteed level of after-tax income to households with dependent children who work full-time (defined as 20 hours per week for sole parents and 30 hours per week for couples) and who do not receive a main benefit. The Minimum Family Tax Credit threshold is typically set \$1 a week above the maximum weekly level of income a sole parent beneficiary could receive.

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<sup>1</sup> Rates were last adjusted with effect from 1 April 2024 based on CPI movement up until 30 September 2023.

- 8 In 2004, Cabinet agreed to increase the amount of the Minimum Family Tax Credit threshold and to adjust the amount annually from 1 April 2006 to ensure that the incentive to move into work is maintained, relative to the movement in benefit rates [CAB Min (04) 13/4 refers].
- 9 The annual adjustment to the Minimum Family Tax Credit threshold was paused following the Budget 2024 package as the threshold had been set higher than strictly necessary. Cabinet also decided in December 2024 to resume adjustments to the Minimum Family Tax Credit threshold from the 2026-27 tax year, by applying the same percentage increase as would be applied when setting the threshold in line with the formula agreed in CAB-21-MIN-0116.33 [CBC-24-MIN-0126 refers].
- 10 Therefore, I am adjusting the Minimum Family Tax Credit threshold from \$35,316 per annum to \$36,604 (after tax) for the 2026-27 tax year. This increase reflects the anticipated increase in the Sole Parent Support benefit rate that would apply on 1 April 2026 and other changes agreed in Budget 2025. The increase is now necessary to ensure the policy intent of the Minimum Family Tax Credit is maintained, encouraging sole parents into work.

#### **Rate and threshold changes**

- 11 In summary, from 1 April 2026, the Order would see the:
- 11.1 Family Tax Credit rates increase:
- 11.1.1 for the eldest child, from \$7,524 to \$7,921 a year (i.e. from \$144 per week to \$152);
  - 11.1.2 for a subsequent child, from \$6,130 to \$6,454 a year (i.e. from \$117 per week to \$124);
- 11.2 Best Start Tax Credit rate increase from \$3,838 to \$4,041 a year (i.e. from \$73 per week to \$77); and
- 11.3 Minimum Family Tax Credit threshold increases from \$35,316 a year to \$36,604 after tax (i.e. from \$41,483 gross to \$43,044).

#### **Financial Implications**

- 12 A 1 April 2026 inflation increase to the Best Start Tax Credit and Family Tax Credit will have a fiscal cost of approximately \$245 million over the forecast period. At the time of the 2025 Budget Economic and Fiscal Update, an inflation increase was not forecast to apply until 1 April 2027. As such, having the increase apply a year earlier, from 1 April 2026, will have a one-off fiscal cost. As this is a forecasting change, it does not count against Budget allowances.
- 13 There are no financial implications associated with adjusting the Minimum Family Tax Credit threshold for inflation as the forecast expenditure of an additional \$2 million per year from increasing the threshold is already included in appropriation baselines.

## **Timing and 28-day rule**

- 14 The Income Tax Act 2007 requires the Order to be made and published no later than 1 December and to come into effect and apply from 1 April following that date. The Order therefore is in accordance with the rule that regulations must not come into force until at least 28 days after they have been notified in the New Zealand Gazette.

## **Compliance**

- 15 The Order complies, where applicable, with:
- 15.1 the principles of the Treaty of Waitangi;
  - 15.2 advice from the Treaty Provisions Officials Group on any Treaty of Waitangi provisions;
  - 15.3 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
  - 15.4 the principles and guidelines set out in the Privacy Act 2020;
  - 15.5 relevant international standards and obligations;
  - 15.6 the Legislation Guidelines (2021 edition).

## **Regulations review committee**

- 16 Officials consider there are no grounds for the Regulations Review Committee to draw the Order to the attention of the House under Standing Order 327.

## **Certification by Parliamentary Counsel**

- 17 The Order is certified by Parliamentary Counsel Office as being in order for submission to Cabinet.

## **Impact Analysis**

- 18 The Ministry for Regulation has determined that this proposal is exempt from providing a Regulatory Impact Statement on the grounds that it has no or only minor economic, social or environmental impacts.

## **Publicity**

- 19 I will issue a media statement regarding the increase in the amount of the tax credits, at an appropriate time after the Order in Council is made by the Executive Council.
- 20 The Order will be published in the New Zealand Gazette. Inland Revenue will publish an article about these changes on its Tax Policy website. Existing recipients will be contacted in February 2026 with an updated estimate of their Working for Families tax credit entitlements for the tax year beginning 1 April 2026.

## Proactive release

- 21 I propose to proactively release this Cabinet paper, associated minutes, and key advice papers within 30 working days of Cabinet making final decisions.

## Consultation

- 22 Treasury and the Ministry of Social Development were consulted.

## Recommendations

I recommend that the Cabinet Legislative Committee:

- 1 **Note** the Income Tax Act 2007 requires the Family Tax Credit and Best Start Tax Credit payment rates to be adjusted for inflation once the total value of quarterly increases in the CPI reaches 5% since the payment rates were last adjusted;
- 2 **Note** the cumulative CPI to 30 September 2025, since the last adjustment, is 5.27%;
- 3 **Note** that on 9 December 2024 Cabinet agreed [CBC-24-MIN-0126 refers] to resume adjustments to the Minimum Family Tax Credit threshold from the 2026-27 tax year, by applying the same percentage increase as would be applied when setting the threshold in line with the formula agreed in CAB-21-MIN-0116.33;
- 4 **Note** the Income Tax (Tax Credit) Order 2025 will give effect to the decisions referred in paragraph 1 and 3 above;
- 5 **Note** the Income Tax Act 2007 requires the Order in Council be made and published no later than 1 December and come into effect and apply from the 1 April following;
- 6 **Note** that the Family Tax Credit rate will increase from \$7,524 to \$7,921 a year for the eldest child and from \$6,130 to \$6,454 a year for any subsequent child;
- 7 **Note** that the Best Start Tax Credit rate will increase from \$3,838 to \$4,041 a year;
- 8 **Note** that the annual threshold amount of the Minimum Family Tax Credit will increase from \$35,316 to \$36,604 a year after tax (i.e. from \$41,483 to \$43,044 gross);
- 9 **Authorise** the submission to the Executive Council of the Income Tax (Tax Credit) Order 2025;
- 10 **Note** that the Income Tax (Tax Credit) Order 2025 comes into force on 1 April 2026 and will apply for the tax year beginning 1 April 2026 and subsequent tax years.

Authorised for lodgement

Hon Simon Watts

Minister of Revenue



# Cabinet Legislation Committee

## Minute of Decision

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### Income Tax (Tax Credit) Order 2025

#### Portfolio                      Revenue

On 13 November 2025, the Cabinet Legislation Committee:

- 1        **noted** that the Income Tax Act 2007 requires the Family Tax Credit and Best Start Tax Credit payment rates to be adjusted for inflation once the total value of quarterly increases in the Consumers Price Index (CPI) reaches 5 percent since the payment rates were last adjusted;
- 2        **noted** that the cumulative CPI to 30 September 2025, since the last adjustment, is 5.27 percent;
- 3        **noted** that in December 2024, the Cabinet Business Committee agreed to resume adjustments to the Minimum Family Tax Credit threshold from the 2026-27 tax year, by applying the same percentage increase as would be applied when setting the threshold in line with the formula agreed in CAB-21-MIN-0116.33 [CBC-24-MIN-0126];
- 4        **noted** that the Income Tax (Tax Credit) Order 2025 will give effect to the decisions in paragraph 1 and 3 above;
- 5        **noted** that the Income Tax Act 2007 requires the Order in Council to be made and published no later than 1 December and come into effect and apply from 1 April the following year;
- 6        **noted** that the Family Tax Credit rate will increase from \$7,524 to \$7,921 a year for the eldest child and from \$6,130 to \$6,454 a year for any subsequent child;
- 7        **noted** that the Best Start Tax Credit rate will increase from \$3,838 to \$4,041 a year;
- 8        **noted** that the annual threshold amount of the Minimum Family Tax Credit will increase from \$35,316 to \$36,604 a year after tax (i.e. from \$41,483 to \$43,044 gross);
- 9        **authorised** the submission to the Executive Council of the Income Tax (Tax Credit) Order 2025 [PCO 28482/4.0];
- 10       **noted** that the Income Tax (Tax Credit) Order 2025 comes into force on 1 April 2026 and will apply for the tax year beginning 1 April 2026 and subsequent tax years.

Tom Kelly  
Committee Secretary

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**Attendance: (See over)**

**Present:**

Hon David Seymour (Chair)  
Hon Shane Jones  
Hon Tama Potaka  
Hon Simon Watts  
Hon James Meager  
Jamie Arbuckle MP

**Officials present from:**

Officials Committee for LEG  
Office of the Leader of the House



# Cabinet

## Minute of Decision

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### Report of the Cabinet Legislation Committee: Period Ended 14 November 2025

On 17 November 2025, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 14 November 2025:

Not in scope



LEG-25-MIN-0228

**Income Tax (Tax Credit) Order 2025**  
Portfolio: Revenue

CONFIRMED

Not in scope



Not in scope



Rachel Hayward  
Secretary of the Cabinet