

# Hon Nicola Willis, Minister of Finance

## Increase to the in-work tax credit – Information Release

April 2026

### List of documents included in this proactive release

#	Reference	Type	Title	Date
01	N/A	Meeting information	One page proposals	17/03/2026
02	BN2026/092	Briefing Note	Information on an in-work tax credit increase	18/03/2026
03	BN2026/100	Briefing Note	Draft Cabinet paper on in-work tax credit	20/03/2026
04	BN2026/101	Briefing Note	Speaking notes for Cabinet	20/03/2026
05	T2026/560	Aide-Memoire	Supporting material for Cabinet discussion on in-work tax credit increase	20/03/2026
06	CAB-26-SUB-0086	Cabinet paper	Increase to the In-work Tax Credit	23/03/2026
07	CAB-26-MIN-0086	Cabinet minute	Increase to the In-work Tax Credit	23/03/2026
08	BN2026/107	Briefing Note	Update on In-work tax credit increase	30/03/2026

### Additional information

The Cabinet paper was considered and confirmed by Cabinet on 23 March 2026. The change was legislated in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026 on 30 March 2026.

### 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

9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions

In Document 04, the covering briefing note is being released but the attached speaking notes are withheld under section 9(2)(g)(i). The key information in the speaking notes is a summary of information in the Cabinet paper (Document 06) and the one page proposals (Document 01) and information provided in the factsheet on the Beehive website <https://www.beehive.govt.nz/release/50-week-lower-income-working-families>.

### **Availability**

This proactive release is available on Inland Revenue's Tax Policy website here: [Publications](#).

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**Proposal to increase the IWTC base rate by \$[50] per week for the 2026/27 tax year**

Current rate: \$97.50 per week

Proposed rate: \$147.50 per week

**Numbers impacted:** Approx. 150,000 families (total WFF population is approx. 330,000).

**Earliest implementation and payment:** Can apply from 1 April 2026, with first payment from Tuesday 7 April (next WFF pay cycle) [need legislation enacted by 1 April 26].

**Rough fiscal estimate:** \$5 pw increase ~ \$33 million per full year. \$50 pw would be \$346 million per year.

**If decisions / legislation not made by 1 April 26:** to apply from a date once decisions made, legislation enacted and system build and testing is completed (roughly 1-2 weeks after approval to begin development). Unable to backdate payments to 1 April due to how the system is designed to work.

**Does it involve third parties (employers, payroll, other agencies):** No

**Administrative costs:** if simple rate increase, costs met from in baseline. As we are servicing these contacts through existing resources, this may result in IR needing to consider trade-offs against performance measures.

**Target group:** families with dependent children who are:

- In paid work, including self-employed
- Not in receipt of a main benefit
- Tax resident

**Income range:** from \$0 family income to ~ \$180,000 family income (for large families there are approximately 100 families with income over \$180,000 receiving IWTC). The small number of families over \$180,000 who qualify may double under a \$50pw increase.

**Other things to note:**

- Make no change to minimum family tax credit – leave at current settings.
- Some families receive the IWTC at the end of the tax year and not through weekly or fortnightly payments (approx. 20% receive end of year).
- Some families have been overpaid or are receiving reduced payments or making debt instalments – the increased rate would likely go to the family unless debt repayment rates are renegotiated.

## **Proposal to increase the Independent Earner Tax Credit by \$[5] per week**

Current rate: \$10 per week

Proposed rate: \$15 per week

**Numbers impacted:** approx. 430,000 individuals

**Earliest implementation date:** Cannot be delivered by 1 April. Payroll providers need at least a 3 months lead-in time (or more).

**Payment from:** Would depend on how quickly payroll companies and employers can update systems. This could take 4 months.

**Rough fiscal estimate:** \$5 pw increase ~ \$230 million per full year.

**Does it involve third parties (employers, payroll, other agencies):** Yes, IR would update tax code tables but payroll companies and employers including Government Agencies and Large employers need to update their systems and apply to weekly, fortnightly, monthly pay cycle.

**Administrative costs:** if simple rate increase, costs met from in baseline. Currently 75% of people get IETC at the back end. If customers want to get this on a weekly basis this will result in contacts to IR and to employers around the changes. As we are servicing these contacts through existing resources, and the contacts are likely to be at the time as our peak period, this may result in IR needing to consider trade-offs against performance measures.

**Target group:** Individuals who are:

- In paid work, on the ME tax code, (at year end based on income levels)
- Not in receipt of a main benefit, New Zealand Superannuation or Working for Families tax credits
- Tax resident

**Income range:** from \$24,000 individual income to \$66,000 income (but that rate is abated at 13 cents per \$ over \$66,000 so the cutoff point will increase from \$70,000 to a higher amount)

**Other things to note:**

- Paid through reduced taxes
- The majority of people (approx. 75%) only receive it at end of tax year through a reduced tax bill or a refund (around June/July 2027)
- Some people may be incorrectly on the ME tax code, receive the increased payment and have an end of year debt

## **Proposal for a temporary payment out to target group**

Previously: \$350 per person spread over three separate payments between August to October (\$116 each).

**If proposed new payment:** Can be paid on a defined frequency (e.g., weekly, fortnightly, monthly).

**Proposed rate:** tbd to be paid to a targeted group who meet pre-determined criteria

### **Potential criteria:**

- Auto-enrolling vs application based TBC
- Tax resident (Customs match to determine who has left the county, if data is available) over 18 years old
- Minimum income threshold of ~\$10,000 individual income
- Maximum Income threshold of ~\$100,000 individual income
- Specific income types: must earn salary/wages in the previous [month]

To apply from: to apply from a set date once decisions made, legislation enacted and system build and testing is completed (Timing TBC).

**Payment from:** Set dates to be agreed

**Does it involve third parties (employers, payroll, other agencies):** Banks, Customs, DIA (deaths registrar)

**Rough fiscal estimate:** depends on targeting criteria. Previous version estimated at \$814 million.

**Administrative costs:** Would likely require consideration across the overall portfolio of work alongside other budget priorities in considering the requirements for administrative funding. Amount dependent on degree of complexity.

**Target group:** Individuals who meet the criteria according to the data we hold.

**Income range:** from \$[10],000 individual income to \$[100],000 income

### **Other things to note:**

- Data we hold may be incorrect or out of date for some people, including bank account information.
- Income threshold may be assessed over a past income year (or two years prior) and not reflect current income situation
- This is a larger deliverable based on criteria to be chosen and delivery needs to be considered against other budget priorities that IR may be asked to deliver.

# Briefing note

Reference BN2026/092

Date 18/03/2026

To Revenue Advisor, Minister of Finance – Carl Harris  
Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Melissa Zhen

From Murray Shadbolt

Subject **Information on an in-work tax credit increase**

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## Purpose

- 1 This note sets out the process for making an increase to the in-work tax credit rate, for a 1 April 2026 implementation date. The note also provides some background information on the in-work tax credit.

## Background

- 2 The in-work tax credit is a payment to families aimed at encouraging people to move into paid work or to remain in paid work. Families can choose to be paid throughout the year (i.e., on a weekly or fortnightly basis), or at the end of the tax year. Under current settings, approximately 143,000 families are eligible to receive the in-work tax credit in the 2026/27. 80% of families are typically paid throughout the year, while the remaining 20% choose to be paid at the end of the year. Further information can be found in the Appendix.

## Proposal

- 3 The in-work tax credit is not currently CPI-indexed. The proposal is a temporary increase to the annual rate of in-work tax credit from \$5,070 to \$7,670 (from \$97.50 per week to \$147.50 per week, a \$50 per week increase) for the period 1 April 2026 to 31 March 2027. The rate would return to \$5,070 (\$97.50pw) from 1 April 2027. Ministers could choose an increase of a different size, and the costs would change accordingly.
- 4 This would allow the first increased weekly payment to go out to families on Tuesday 7 April. The first fortnightly payment would go out on 14 April.
- 5 The additional \$15 per week per child rate for families with four or more children would not change. The minimum family tax credit threshold would also not decrease.

## Why 1 April?

- 6 A 1 April date is preferred because this fits within existing mechanisms and calculations so creates minimal disruption for agencies and families (aside from the risks from rapid implementation discussed below). It is the simplest and most cost-effective way to implement the change to legislation and systems with minimal flow-on impacts to the end of year square-up process. As discussed in the section below, it could be achieved through a small amendment to the Tax Bill already in the House.
- 7 If 1 April 2026 is not possible for agreement and enactment, the start date can be **any time later**. For example, the Budget 2024 increase to the in-work tax credit started on

31 July. While a later start date is achievable, it would make the tax credit calculation more complex as it effectively breaks the tax year into two parts instead of one. Further complexity arises if Ministers are interested in a part-year increase only (i.e., one that ends before 31 March 2027). Separate stand-alone legislation would be required to enact the change. We would also recommend that the change apply prospectively. A back-dated “catch up” payment is not possible in the current system without additional configuration and testing, resulting in longer implementation timelines. A later start date may be preferable, though, if Ministers were looking to manage the fiscal costs of the proposal.

**Process for legislation**

8 We have a current Annual Rates Tax Bill before the House: the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill. This provides you with a legislative vehicle for progressing changes to the in-work tax credit base rate if you wished them to apply from 1 April 2026. This would require the following decisions and actions by Ministers and/or Cabinet:

Action	Date
Draft cabinet paper to Ministers	Friday 20 March
Cabinet approval for: <ul style="list-style-type: none"> <li>- Rate increase</li> <li>- Financial recommendations</li> <li>- Amendment Paper release</li> </ul>	Monday 23 March
Minister of Revenue releases amendment paper	By Wednesday 25 March (date scheduled for Committee of the whole House stage of the Annual Rates Tax Bill).
Enactment and Royal Assent	By 31 March 2026.

9 A Regulatory Impact Statement will not be available for Cabinet. § 9(2)(f)(iv)

**Implementation**

10 Inland Revenue would send messages out to families to inform them of the change in rate compared to the notification they received in February 2026. Normal marketing would apply. There will be a higher than usual contact rate as a result, which could put pressure on performance measures around peak times.

11 The higher payment would go out according to the standard payment scheduled for Working for Families payments. The payments are paid as one amount (including Family tax credit and Best Start tax credit if eligible less any abatement due to higher incomes). The tax credits are not listed separately in bank transactions. A breakdown is available on their notice of entitlement letter and myIR. The change will not affect beneficiaries.

12 Other agencies would need to update information on their websites if they mention in-work tax credit. For example DIA include references on the SmartStart website.

- 13 Implementing this change to a compressed timeframe would be faster than is typical for changes of this nature. While Inland Revenue is confident the change is achievable, the shortened delivery window does carry some additional operational risk, including an increased likelihood of implementation errors or the need for post-implementation corrections.

**Fiscal impacts**

- 14 At our meeting with the Minister of Finance on 17 March 2026, we indicated that the rough costs for every \$5 per week increase to the in-work tax credit is approximately \$33 million per year.
- 15 Discussions with Treasury following this meeting suggest the fiscal impact for a \$50 per week increase could be treated as a precommitment against the Budget 2026 operating allowance. The fiscal cost is estimated to be:

Fiscal year \$m	2025/26	2026/27	2027/28	2028/29 & outyears	Total
In work tax credit	79	259	29	0	367
Impairment	0	5	1	0	6
<b>Total</b>	79	264	30	0	373

- 16 Part of the cost falls in the period 1 April 2026 to 30 June 2026. The majority falls in the period 1 July 2026 to 31 March 2027. Some families will need to file tax returns for the 26/27 tax year before they can be paid and have extension of time through tax agents, with payment falling in the 27/28 fiscal year. Impairment costs relate to where payments are made in error or where overpayments are made and debt is not recoverable. A higher rate of in-work tax credit would increase the potential amount of any overpayment and debt, which is not expected to be recoverable.
- 17 The costs outlined above are slightly higher than the rough estimate we provided in the note yesterday. As we have been refining the modelling we are finding the risks are more towards additional families being eligible which may increase costs slightly. We will continue to refine the model and costs.

**Distributional analysis**

- 18 The following table provides the forecast numbers of eligible recipients in the 2026/27 tax year by income band (rounded).

Income Band	Full \$50	Up to \$50
Less than \$40,000	15700	0
\$40,000 to \$50,000	14160	0
\$50,000 to \$60,000	18570	20
\$60,000 to \$70,000	20850	230
\$70,000 to \$80,000	20730	110
\$80,000 to \$90,000	18450	350
\$90,000 to \$100,000	10960	5470
\$100,000 to \$110,000	9720	590
\$110,000 to \$120,000	5960	3850
\$120,000 to \$130,000	3160	970
\$130,000 to \$140,000	2540	1200
\$140,000 to \$150,000	750	680
\$150,000 to \$160,000	650	70
\$160,000 to \$170,000	330	550
\$170,000 to \$180,000	110	10
\$180,000 plus	130	90
<b>All</b>	142770	14190

## **Assumptions**

- 19 Forecasts are based on HYEUFU 2025 forecasts of wage increases for families. Actual income growth between this year and next will vary for individual families from the forecasts.
- 20 We have assumed that there are around 14,000 families on higher income levels who would not qualify in the 26/27 tax year in the absence of this change, but who would be eligible under the \$50 per week increase. They would need to actively apply for Working for Families to receive payment.

## **Key stats**

- 21 Based on the modelling, we think just over **90%** of families eligible for the in-work tax credit would receive the full \$50 increase.
- 22 That is, **all 142,770 families** who we forecast would receive the in-work tax credit in the 2026/27 tax year would be eligible for the full \$50 increase. An additional 14,000 families would become newly eligible for an abated amount of payment (less than \$50 per week). As some may qualify for as little as \$1 per week they may not apply or may only apply at the end of the 26/27 tax year.
- 23 There were 330,000 families receiving some type of Working for Families tax credit in the 2023/24 tax year. We will update these numbers over the next few weeks.

## **Caveats**

- 24 Some families will only receive the in-work tax credit for part of the year; they could receive the additional \$50 weekly but not the full \$2,600 for the year. This can include people who move from main benefit into full-time work part way through the year, or families where the dependent child turns 18 years old during the year and is no longer dependent.

## **Who will not receive this increase?**

- 25 There will be some people who are in similar financial circumstances who will not receive the in-work tax credit increase. While this will go to lower-middle income working families with children, it will not go to those who do not receive the in-work tax credit. This includes:
  - A household who is working but gets any main benefit. For example, a sole parent working 25 hours and receiving wages and a part payment of Sole Parent Support. This is because of the "off-benefit" requirement for the in-work tax credit.
  - lower-middle income working families without children but who may have other dependents such as an elder parent
  - lower-middle income families who have adult or independent children living with them (including children who are 16 to 18 years old and working full-time)
  - some families with children who are earning just above the income cut-off point will not qualify
  - individuals without dependent children who have similar incomes.
- 26 We will be providing advice later s 9(2)(f)(iv)

### **Wider Context – upcoming 1 April 2026 Working for Families changes**

27 The Family tax credit rate and the Best Start tax credit rate are CPI indexed and will increase on 1 April 2026:

<b>\$ per child</b>	<b>Current</b>	<b>From 1 April 2026</b>
<b>FTC Eldest child</b>	\$7,524 (\$144.70 per week)	\$7,921 (\$152.30 per week)
<b>FTC Subsequent children</b>	\$6,130 (\$117.90 per week)	\$6,454 (\$124.10 per week)
<b>Best Start</b>	\$3,838.00 (\$73.80 per week)	\$4,041.00 (\$77.70 per week)

28 As part of Budget 2025, the Best Start tax credit is also moving from being universal in the first year to being income tested from 1 April 2026. The second and third year are already income tested.<sup>1</sup>

29 Also as part of Budget 2025, the Working for Families abatement threshold will increase on 1 April 2026 from \$42,700 to \$44,900, increasing payments for families over \$42,700. The abatement rate is also increasing from 27% to 27.5% from 1 April, which will reduce the amount of support families receive where income is over \$44,900. As the changes both increase and reduce support the net impact will vary depending on total family income, number and ages of children.

### **Information we are yet to find or determine in the time available**

30 We do not have good information of the number of families in New Zealand with dependent children in the 26/27 tax year. Census information is dated and uses a variety of different definitions of families and households. Published data indicates the number of families with children in New Zealand are between 569,000 and 757,000 depending on how children are defined. TAWA may be able to model the number of families that match the definition used for this payment.

31 There is also a mismatch between the forecast number of recipients in 2026/27 and the actual number of total Working for Families recipients which is a 2023/24 tax year data, making simple percentage comparisons inaccurate.

32 Subject to other Budget priority costings, information could also be provided by number of children in families expected to be eligible for in-work tax credit.

### **Next steps**

33 Subject to Ministers' confirmation, officials will begin work on a draft paper for Cabinet on 23 March. This is a relatively straight forward legislative amendment and drafting of an Amendment Paper is underway should Ministers progress this proposal. Given the timing of the changes, we have also started testing the changes in our system, so that can be ready for a 1 April 2026 start.

34 An update will be added to the materials we typically provide for the Minister of Revenue to support the passage of the Annual Rates Tax Bill through the House.

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<sup>1</sup> The Best Start tax credit abates at 21% from household income of \$79,000.

***This time next year***

35 If agreed, in a year's time the in-work tax credit rate would revert back to its current levels. There would be additional communication at that time to explain the change. Clear communication now will be required to manage expectation given the planned temporary nature of this increase. Especially as other changes occurring on 1 April 2026 to Family tax credit and KiwiSaver are not temporary.

36 s 9(2)(f)(iv)

**Murray Shadbolt**

Principal Policy Advisor

s 9(2)(a)

## **Appendix: Further background information on the In-work Tax Credit:**

### ***Purpose***

To encourage people to move into paid work or to remain in paid work.

### ***Eligibility***

- Are not in receipt of a main benefit like the Jobseeker Allowance (including not receiving an abated benefit if in part time work).
- Are in paid work for the week.
- Can be an employee or self-employed.
- Tax resident and principal caregiver for a dependent child under 18 (or 18 and completing the school year).

If a sole parent or both in a couple cease to have anyone in paid work for a week they are not eligible that week (however, there is a grace period that will allow payments to continue for up to 2 weeks to allow for times when people may be moving between jobs or in some cases where there are unpaid breaks in work such as school terms breaks).

If a sole parent or a person in a couple starts receiving a main benefit, they cease eligibility.

### ***Association with other tax credits***

Is part of the umbrella group of Working for Families tax credits along with:

- Family tax credit – the main per child payment
- Best Start tax credit – per child payment for child aged 0 – 2 years
- Minimum Family tax credit – to support beneficiaries to move into work by guaranteeing a minimum income level.

Usually, when the in-work tax credit increases the minimum family tax credit decreases by the same amount. Likewise, if the in-work tax credit were to decrease.

### ***Abatement by income level***

Payments are abated for family income over \$44,900 (as of 1 April 2026).

The Family tax credit amount is abated first. Once that has fully abated away then the in-work tax credit will begin to abate.

Abatement is at 27.5 cents per dollar of income (as of 1 April 2026)

The Best Start tax credit is abated separately, from family income levels of over \$79,000 at a rate of 21 cents per dollar. It is possible for some families to have overlapping abatement so that for each dollar earned they lose 27c of In-work tax credit and 21 cents of Best Start tax credit.

Minimum family tax credit is available only to those earning less than \$43,044 gross.

### ***In-work tax credit Payment***

Paid at \$97.50 a week if the family has between 1 and 3 children.

Paid at \$112.50 per week if there are 4 children

Paid at \$127.50 if there are 5 children, etc. An extra \$15 per week per child where a family has 4 or more children.



# Briefing note

Reference BN2026/100  
Date 20/03/2026  
To Revenue Advisor, Minister of Finance – Carl Harris  
Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Melissa Zhen  
From Murray Shadbolt  
Subject **Draft Cabinet paper on in-work tax credit**

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## Purpose

- 1 This briefing note attaches a draft Cabinet paper on an increase to the in-work tax credit, as requested.

## Comment

- 2 We had added an additional option to the paper beyond those that had been requested. This is to allow for an earlier end date if Cabinet decides to go with the option that has a 1 April 2026 start date. This would allow for a less than 12 months option that starts 1 April 2026. We would need to know what date that would be so the formulas could be drafted for the amendment paper, to be lodged on Wednesday.

## Next steps

- 3 Speaking notes will be provided shortly.

## Murray Shadbolt

Principal Policy Advisor

s 9(2)(a)



# Briefing note

Reference BN2026/101

Date 20/03/2026

To Revenue Advisor, Minister of Finance – Carl Harris  
Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Melissa Zhen

From Murray Shadbolt

Subject **Speaking notes for Cabinet**

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## Purpose

- 1 Attached are speaking notes for the paper to be considered at Cabinet on 23 March.

## Comment

- 2 The focus in the speaking notes is on the three main options considered and the reasons why two were not timely or targeted but the preferred option is.

## Murray Shadbolt

Principal Policy Advisor

s 9(2)(a)



Reference: T2026/560 SH-3-6-11-M136238

Date: 20 March 2026

To: Minister of Finance (Hon Nicola Willis)

Deadline: 23 March 2026

## **Aide Memoire: supporting material for Cabinet discussion on in-work tax credit increase**

### **Purpose**

You are taking a paper to Cabinet on Monday seeking decisions on a proposal for a temporary \$50 per week increase in the in-work tax credit (IWTC). The paper has options: implementing the increase for one year from 1 April 2026, or delegating authority to the Prime Minister, Minister of Finance and Associate Ministers of Finance to determine a different time period to which the increase would apply. The Cabinet paper was produced at pace. This note is intended to support your discussion with your Cabinet colleagues.

### **Potential trigger points for action**

It is difficult to identify precise trigger points for proceeding with an IWTC increase. Ultimately it will involve a difficult judgement call for Ministers. But the kinds of factors that you would consider include the projected cost of living or economic impacts, including the price of fuel, general price increases and increases in unemployment.

You received initial economic scenarios on 6 March from Treasury that showed the impact of different durations and intensities of the conflict on oil prices, GDP and inflation. You are due to receive updated material on scenarios as part of the all-of-government response to the Middle East conflict next week and the Treasury will continue to assess the impact and feed into Budget 2026 forecasts in the coming weeks. We are modelling the increases to household expenditure that would result from different scenarios.

Ministers have also asked for further advice on what levels would look like under the National Fuel Plan for petrol, diesel and jet fuel, what mitigating measures would apply at each level, and decision making factors or triggers that should inform decisions on moving up levels, to inform further announcements and engagement with industry next week. What the higher levels of the fuel plan look like in practice could have implications for demand for business and household support from government, so you may want to consider the generosity of settings for an IWTC increase with this in mind.

## **The one year \$50 per week IWTC increase is an attractive option, but has a large fiscal cost and reduces optionality**

A one year \$50 per week increase to IWTC is estimated to cost \$373 million. The option has attractive features, including that it can be implemented quickly using an existing legislative mechanism (a Tax Bill that is already in the House). Implementing the increase for one tax year is easier for Inland Revenue to implement in its systems, and it does not involve having to apply composite rates across the tax year, which would involve more complicated calculations and potential confusion for recipients.

However, agreeing to a one year \$50 per week increase from 1 April 2026 commits the government to a large fiscal cost at a time when there is considerable uncertainty about the magnitude and length of the Middle East conflict, and its impacts on New Zealanders. It is also focusing on a specific population (low to middle income working families with children: around 28% of families with children receive IWTC) and might generate pressure to widen the support to a larger group of stakeholders (both individuals and businesses), which would add to the fiscal cost. The situation may prove to be short-lived, in which case a one year increase may be unnecessary.

### **There is option value in waiting**

There would be value in waiting to see how the situation develops. Waiting also gives you more flexibility around how long you want the support to be available for. However, waiting would have the downsides of potentially not providing timely support to those who need it, needing to use composite rates across the tax year, and requiring subsequent stand-alone legislation.

The Cabinet paper proposes that funding would be held in a contingency if Ministers choose to delegate decisions on start date and length of payment. This would then also give you more flexibility to respond to events with smaller fiscal risks (e.g. you could at a later date decide to proceed with a shorter increase period and use the underspends for other measures to respond).

Jean Le Roux, Senior Manager, Social Sector, Communities and Learning, s 9(2)(a)

Office of the Minister of Finance

Cabinet

## **Increase to the in-work tax credit**

### **Proposal**

- 1 This paper seeks agreement to a proposal to help working families with temporary increased costs, through a temporary \$50 per week increase in the in-work tax credit. There are options for when we could implement this proposal:
  - 1.1 from 1 April 2026 for a 12-month period to the end of the tax year (although a shorter time period is possible); or
  - 1.2 delegate to joint Ministers to decide when to implement this proposal and for how long based on specific criteria being met.
- 2 An increase to the in-work tax credit can be delivered quickly, reflecting that fuel costs for getting to work have been significantly increasing. It is temporary and it is income targeted to low- and middle-income working families using existing mechanisms run by Inland Revenue.

### **Relation to government priorities**

- 3 This paper is responding to the impact of international events on the household budgets of New Zealand working families. In doing so, I am mindful of our approach to responsible fiscal management. Therefore, the priority is temporary, targeted and timely interventions that also support our priorities to rebuild the economy, get more people into work and improve the returns from work.

### **Executive Summary**

- 4 This paper seeks agreement to a temporary increase in the in-work tax credit to help working families with children. There are options around how this change is implemented. It can be introduced into a current Bill in the House with effect from 1 April 2026. The simple option is to have the increase apply for a full tax year. Alternatively, Cabinet can decide now on an earlier end date, such as making the payment for a nine-month period. Another option is to start the payment at a later date when certain conditions are met. Delegation for making a later start and end date could be given to joint Ministers to decide. The fiscal cost of the proposal would depend on the options chosen.


## Background

- 5 The economic situation is evolving rapidly as conflict in the Middle East has led to a sharp increase in fuel prices and wider prices. There is significant uncertainty about the future economic developments which depend on the length and intensity of the closure of the Strait of Hormuz and any damage to energy infrastructure. Initial Treasury scenarios suggest that impact is likely to mean higher inflation and lower growth concentrated in the near-term.
- 6 The Government response to the crisis will:
- Anticipate and mitigate impacts on supply chains to ensure resilience of the New Zealand economy,
  - Anticipate and mitigate disruption to key logistics channels, and
  - Anticipate and mitigate impacts on our economy and households.
- 7 To anticipate and mitigate the cost of living impact on households, the options canvassed in the Cabinet papers have been carefully designed to provide targeted temporary and timely support to households that are exposed to higher inflation.
- 8 Economic growth had begun to increase over the latter half of 2025 and, prior to the conflict, was expected to gain momentum over 2026. Macroeconomic policy settings remain supportive of an economic recovery. The official cash rate (OCR) is well below neutral and supports growth in the near-term. Given the large structural fiscal deficit, it remains important to maintain momentum on our fiscal strategy, to return the books to surplus and bend the debt curve down.
- 9 Treasury has advised that any measures to alleviate cost of living pressures are timely, temporary and tightly targeted to address the impact of higher prices. The recent release of the Royal Commission of Inquiry into COVID-19 Lessons has highlighted the need to ensure that support measures are timely, can be adapted quickly and provide a clear exit strategy.
- 10 Last week I told the public we were working on a package of targeted financial support measures for families worst hit by high fuel costs. We have seen that the increase in fuel prices is having an immediate impact on those workers who are required to travel for work.
- 11 Since the conflict in the Middle East began, oil prices have risen significantly. This has flowed into prices at the pump for New Zealanders. In the week prior to the conflict, the national average for one litre of 91 octane petrol was \$2.53. On 20 March the national average is around \$3.16, roughly a 25 percent increase. For a family filling a 60 litre fuel tank once per week, this price increase translates into a \$38 weekly increase in expenses. The increase in the price of diesel has been almost double. Oil prices have spiked over USD\$110 a barrel, suggesting even higher fuel prices are likely to occur sometime in the future. As the conflict continues, oil prices are at risk of rising

further, which will also drive higher prices for many critical goods and services, notably food.

- 12 These price increases will impact every New Zealander but it will not be possible to financially support everyone. I have been exploring methods of support that are very timely, temporary and targeted to those households that will be most affected by increasing prices and who are not able to avoid them.
- 13 I am particularly concerned for workers with children who are likely to experience the most pressure on their household budgets.

14 s 9(2)(f)(iv)



### **Proposal: increased support for working families**

- 15 In order to provide timely support, I propose leveraging existing systems rather than designing anything new. By using the existing in-work tax credit system we utilise the existing targeting and payment mechanism behind it.

#### **In-work tax credit**

- 16 The in-work tax credit is specifically targeted to those families that have at least one parent in paid work and neither parent is receiving an inflation-adjusted main benefit. The working parent could be working as an employee or self-employed. They must be a tax resident, meet other residency rules and be the principal caregiver of a child who is dependent on them. This can include children in shared care.
- 17 The payment has a base rate of \$97.50 per week and an additional \$15 per week per child rate that is paid to larger working families for their fourth and subsequent children. There is no minimum hours of work required, rather they must be off benefit and in paid work each week. The combined Working for Families payments are targeted based on family income, reducing as income is earned at 27.5 cents in the dollar for family incomes over \$44,900<sup>1</sup>. For a family with one child they would cease to be eligible at around \$90,000. A family with two children would no longer receive payments around \$115,000<sup>2</sup>. The in-work tax credit is not automatically indexed for inflation.
- 18 Under current settings, approximately 143,000 families are eligible to receive the in-work tax credit for the 2026-27 tax year. 80% of these families are typically paid throughout the year (on a weekly or fortnightly basis), while the remaining 20% choose to be paid at the end of the year. All payments are

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<sup>1</sup> From 1 April 2026.

<sup>2</sup> The family tax credit and the in-work tax credit abate in sequence, with the family tax credit abating first and only once that has fully abated away does the in-work tax credit begin to abate. However, the amount of family tax credit that a family receives depends on the number of children in their care. This can mean that large families do not fully abate out of family tax credit until on relatively high incomes.

made by Inland Revenue directly to a family's bank account. There are also 2,000 families who get the minimum family tax credit alongside the in-work tax credit. A decision on the treatment of the minimum family tax credit is set out later in this paper.

### Proposal for a \$50 per week increase

19 I propose a temporary increase to the in-work tax credit of \$50 per week, from the current \$97.50 per week to \$147.50 per week<sup>3</sup>.

#### *Time period of temporary increased payment*

20 The support should be temporary, which means that we need to be clear for what time period it will last. There are two options available. Either:

- **Option 1:** from 1 April 2026, for a set time period. This could be:
  - for 12 months, to the end of the tax year (31 March 2027) **[simplest option]**; or
  - for period of less than 12 month (ending before 31 March 2027)
- **Option 2:** from a date depending on whether certain conditions are met, with decisions delegated to joint Ministers as to when and how long the increase in in-work tax credit would be.

21 Once the time period ends, the rate would revert to the current rate of \$97.50 per week<sup>s 9(2)(f)(iv)</sup>

22 All the existing rules and issues with the in-work tax credit would continue as they do now, in terms of families having to estimate their income for the year and notify Inland Revenue of any changes in circumstances.

23 We do not anticipate a significant inflationary impact.

#### *Who would benefit*

24 Based on the modelling, Inland Revenue estimates that all families currently eligible for the in-work tax credit (around 143,000 families) would receive the full \$50 increase, as long as they continue to qualify for the payment. Modelling suggests a further 14,000 families would become newly eligible for an amount less than \$50 per week as a result of this change. They would need to register for the Working for Families scheme through Inland Revenue if they are not already enrolled.

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<sup>3</sup> From an annual rate of \$5,070 to \$7,670. Payments can be made weekly, fortnightly or as a lump sum at the end of the tax year.

<sup>4</sup> The additional rate of an extra \$15 per week per child for 4<sup>th</sup> and subsequent children will not be affected by this change. Likewise the minimum family tax credit would remain unchanged.

25 Importantly, if beneficiary families find full-time work, this increase in rate will provide a significant boost to help with those increased work-related costs; families who are close to being able to move off the benefit could be incentivised by this higher payment to do so. However, those who are working limited hours and remain on a part-benefit will not be eligible, as is currently the case. If more people move off benefit there would be a resulting savings in the benefit system. More impacts are discussed in the population impacts section.

#### *Other considerations*

26 A usual consequence of an increase in the in-work tax credit is to adjust down the threshold for the minimum family tax credit. The minimum family tax credit is a payment designed to guarantee a minimum level of after-tax income to working families with children who are not on a main benefit. If this adjustment was made, approximately 2,000 low-income families who receive the minimum family tax credit would be no better or worse off as a result of the change to the in-work tax credit<sup>5</sup>. However, they too face increased fuel costs to work. To achieve the purpose of the proposal, I recommend that the minimum family tax credit threshold remain unchanged, meaning that the temporary increased in-work tax credit will be paid to these families as well.

27 I have considered other Inland Revenue-delivered mechanisms that might help working households who do not have dependent children with the increased cost pressures. There are a number of issues with these other mechanisms that mean the support would not be timely or targeted to the degree required<sup>s 9(2)(f)(iv)</sup>

### **Implementation dates**

#### **Implementation from 1 April 2026**

28 A temporary 12-month increase to the in-work tax credit applying from 1 April 2026 to 31 March 2027 is the simplest option. It has the benefit of fitting within existing mechanisms and calculations. It creates minimal disruptions for families and has minimal flow on impacts to the end of year square-up process in Inland Revenue's system.

29 This change can be made through an Amendment Paper to the Annual Rates Tax Bill which is currently before the House and is expected to be enacted by 31 March 2026.

30 The increased payment would be included in the next weekly payment on 7 April and the next fortnightly payment on 14 April. Some families wait until the end of a tax year to claim Working for Families payments and so would not

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<sup>5</sup> The minimum family tax credit requires families to be working at least 20 hours a week if a sole parents or 30 hours a week for a couple. If their hours drop they lose entitlement to the payment.

see an immediate cash increase. However, these families can contact Inland Revenue and request a change to weekly or fortnightly payments if they wish.

- 31 It is possible for the temporary increased rate to apply from 1 April and end at an earlier date (for example, 1 October 2026). This would lower the fiscal cost of the proposal but would come with additional complexity and risk. It is similar to what happened in Budget 2024 when tax relief was delivered with a 31 July start date, creating two calculation periods within the same tax year.
- 32 There is a risk that temporary increases become permanent. Clear communications will be required to help to explain this and ensure expectations are appropriately set.

**At a later date, delegated to joint Ministers, decided by certain criteria**

- 33 Alternatively, Cabinet could delegate decisions to the Prime Minister, the Minister of Finance and the Associate Finance Ministers (Joint Ministers) to decide when the appropriate time to increase the in-work tax credit rate would be, and for what duration. The decisions would be in accordance with Cabinet's agreement on the size of the increase, with Joint Ministers determining the start date and the duration. This will impact the fiscal cost and Joint Ministers would also confirm the financial implications.
- 34 This would require providing Inland Revenue with some advance notice to build the increase into its system and test it, to draft the legislation required to implement the decision and prepare staff and recipients for the change in rate. House time would also be required to pass urgent legislation to implement the change.
- 35 A mid tax year change in rate is feasible, but more complex, and requires some adjustment to the existing tax credit formula to make it work. Inland Revenue estimates it would take 2 to 3 weeks to build and test the change and then require further build and test work for the end year square up process<sup>6</sup>. Drafting of legislation could also be done in this time.
- 36 The change would apply prospectively. A back-dated "catch up" payment is not possible in the current system without additional configuration and testing, resulting in longer implementation times.

*Trigger points*

- 37 If implementation of a date later than 1 April is preferred, we will need to balance the projected cost of living or economic impacts, including the price of fuel, general price increases and job losses. I have asked Treasury for further advice on the mix of potential trigger points as required.

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<sup>6</sup> Could take longer if the proposed change occurs during a public holiday period or planned system shutdown.

## Cost-of-living Implications

- 38 The proposal will help low- and middle-income working families with the increased cost of living impacts of higher fuel prices. The financial support is temporary and reflects the expectation that the cost pressure from supply issues will also be temporary.

## Financial Implications

- 39 We want to ensure we keep coherence with our fiscal strategy. The temporary nature of the increase will help with this, as will targeting the payment to a specific group.
- 40 On the assumption that the change occurs on 1 April 2026 and applies for 12 months, the proposal will have a fiscal cost of \$373 million over the forecast period. There is no cost in outyears, reflecting this is a temporary increase. There is a cost for impairment reflecting the risk of overpayments during the year as family incomes fluctuate and that debt is not recoverable. Administrative costs can be met through the reprioritisation of existing resources and Vote Revenue baseline funding.
- 41 While some of the cost will fall in the current 2025/26 fiscal year, most will be in the 2026/27 fiscal year. Some families who claim payments at the end of the tax year and who have tax agents with extensions of time to file will not receive payment until the 2027/28 fiscal year.
- 42 The following table outlines the costs of the proposal.

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2020/30 & Outyears
<b>Non-Departmental Benefits or Expenses:</b>					
In-Work Tax Credit PLA	79.000	259.000	29.000	-	-
<b>Non-Departmental Other Expenses:</b>					
Impairment of Debt and Debt Write-Offs	-	5.000	1.000	-	-
<b>Total Operating</b>	<b>79.000</b>	<b>264.000</b>	<b>30.000</b>	-	-

- 43 The option to delegate decisions would require Cabinet to establish a tagged operating contingency associated with the Revenue portfolio.

## Legislative Implications

- 44 Implementing this proposal requires changes to the Income Tax Act 2007.
- 45 The Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill is currently before the House and is due to progress through remaining stages and receive Royal assent before 1 April 2026. This

provides a legislative vehicle to implement the proposal in this paper, if Cabinet decides to apply the increased payment from 1 April 2026. If approved, I propose including the change in an Amendment Paper to the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill at the Committee of the Whole House stage scheduled for Wednesday 25 March.

- 46 The proposal would come into effect on 1 April 2026 and apply for the 2026-27 tax year only. On 1 April 2027 the rate of in-work tax credit would revert back to its current rate of \$97.50 per week for the 2027-28 and later tax years.
- 47 If Cabinet decides on a 1 April start date and an earlier end date, this amendment can also be included in an Amendment Paper to the current Annual Rates Tax Bill before the House.
- 48 If Cabinet agrees with the delegation option, Joint Ministers will determine the appropriate time for the increase and instruct Inland Revenue to draft legislation and approve the introduction of a Bill in the House of Representatives, which would need to be passed under urgency.

## **Impact Analysis**

### **Regulatory Impact Statement**

- 49 A Regulatory Impact Statement is not available given the urgency with which decisions are being made.
- 50 I was advised by Inland Revenue and Treasury on a range of alternative mechanisms and the advantages, disadvantages and risks associated with different options. This has informed my decision on what would be a temporary, targeted and timely proposal to present to Cabinet.

### **Population Implications**

- 51 This proposal targets low- and middle-income working families with dependent children who are not in receipt of a main benefit. They could be employees receiving wages or salary, or they could be self-employed.
- 52 The following table provides the forecast numbers of eligible recipients in the 2026-27 tax year by income band (rounded). It indicates how many families would receive the full \$50 per week increase and how many are newly eligible for a smaller amount if they apply to Inland Revenue.

Family Income	Full \$50		Up to \$50	
	Number of families	% of eligible families	Number of families	% of eligible families
Less than \$40,000	15,700	10.0%	0	0.0%
\$40,000 to \$50,000	14,160	9.0%	0	0.0%
\$50,000 to \$60,000	18,570	11.8%	20	0.0%
\$60,000 to \$70,000	20,850	13.3%	230	0.1%
\$70,000 to \$80,000	20,730	13.2%	110	0.1%
\$80,000 to \$90,000	18,450	11.8%	350	0.2%
\$90,000 to \$100,000	10,960	7.0%	5,470	3.5%
\$100,000 to \$110,000	9,720	6.2%	590	0.4%
\$110,000 to \$120,000	5,960	3.8%	3,850	2.5%
\$120,000 to \$130,000	3,160	2.0%	970	0.6%
\$130,000 to \$140,000	2,540	1.6%	1,200	0.8%
\$140,000 to \$150,000	750	0.5%	680	0.4%
\$150,000 to \$160,000	650	0.4%	70	0.0%
\$160,000 to \$170,000	330	0.2%	550	0.4%
\$170,000 to \$180,000	110	0.1%	10	0.0%
\$180,000 plus	130	0.1%	90	0.1%
<b>All</b>	<b>142,770</b>	<b>91.0%</b>	<b>14,190</b>	<b>9.0%</b>

- 53 Some families will only receive the in-work tax credit for part of the year; they could receive the additional \$50 weekly but not the full \$2,600 for the year. This can include people who move from main benefit into full-time work part way through the year, or families where the dependent child turns 18 years old during the year and is no longer dependent.
- 54 Women, particularly working sole parents, and children are more likely to benefit from this proposal. Māori and Pacific peoples also have higher rates of families with dependent children within the income bands that are eligible for the in-work tax credit.
- 55 Some population groups such as Māori, seniors, disabled people, and Pacific peoples have higher proportional rates of main benefit receipt, which makes them ineligible for the in-work tax credit. Main benefits are indexed to inflation.
- 56 Other groups who may be in a similar situation, but would not be eligible include:
- A sole parent working 25 hours a week but who continues to receive an abated Sole Parent benefit payment;
  - Low- and middle-income families who do not have dependent children but who may have independent children (working full-time), adult children or other adult dependents living with them;
  - Families who work and earn income just above the cut-off point for eligibility;

- Working individuals without children.

57 This payment is designed to be targeted, to allow price pressures to moderate demand for fuel and thus avoid distorting the market. This population group is seen as an appropriate target group because it includes many people who work shifts or travel for work and who might otherwise be prevented from working, and people who would be disproportionately impacted by increased costs of living associated with fuel (such as food costs). This includes detrimentally impacting children, who have limited other choices to increase their income.

## **Human Rights**

58 As this proposal is using an existing mechanism, and similar changes were done in Budget 2024, no inconsistency with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993 is expected. Given the urgency and this type of proposal has not raised concerns previously, the Ministry of Justice has not been consulted on the legislative change.

## **Administrative Impacts**

59 Inland Revenue will implement and administer the temporary rate change, which will require system changes, updating website information, increased customer contacts, and debt collection activities. The associated departmental cost, based on a simple full tax year increase, is estimated at \$0.250 million over the forecast period. Additional complexity would add to the cost. Based on the simple design option, the cost will be met through the reprioritisation of existing resources and Vote Revenue baseline funding.

## **Consultation**

60 Inland Revenue and the Treasury were consulted.

61 Inland Revenue has advised that implementing the proposal in a compressed timeframe would be faster than is typical for changes of this nature. While Inland Revenue is confident the change is achievable, the shortened delivery window does carry some additional operational risk, including an increased likelihood of implementation errors or the need for post-implementation corrections. Implementing this change will also divert resources from other customer-facing, systems and change activities, which may limit Inland Revenue's flexibility to accommodate other Government changes over the same period.

## **Communications**

62 The Prime Minister and I will decide on an appropriate time to announce Cabinet's decisions, reflecting the decisions Cabinet make on which option for implementation is chosen.

- 63 Inland Revenue will update material on its website, send messages to recipients and undertake usual marketing. Other agencies may also need to update their website material.

### Proactive Release

- 64 This paper and associated key documents will be proactively released with appropriate redactions within 30 business days of decisions being confirmed by Cabinet.

### Recommendations

I recommend that the Cabinet:

- 1 **note** the economic pressures on the country from global fuel prices and particularly the pressure on low- and middle-income working families who have limited ability to quickly adjust their budgets to manage cost pressures but are required to travel for work;

### EITHER (RECOMMENDATIONS 2 TO 11 BELOW):

- 2 **agree** that the rate of in-work tax credit be increased from an annual rate of \$5,070 to \$7,670 (an increase from \$97.50 per week to \$147.50 per week), with a consequential increase in expenses;
- 3 **agree** that the change applies for the 2026-27 tax year (that is from 1 April 2026 to 31 March 2027);
- 4 **note** that the increase is temporary and the in-work tax credit rate will revert back to its current rate from 1 April 2027;
- 5 **agree** that the minimum family tax credit threshold remain at the level previously agreed by Cabinet, which is \$36,604 net (\$43,044 gross);
- 6 **note** the following changes to appropriations in accordance with section 185 of the Tax Administration Act 1994, reflecting the increased expenses described in recommendation 2 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				2020/30 & Outyears
	2025/26	2026/27	2027/28	2028/29	
Non-Departmental Benefits or related expenses:					
In-Work Tax Credit PLA	79.000	259.000	29.000	-	-

- 7 **note** that the changes to appropriations for 2025/26 above will be reported and disclosed in the 2025/26 Supplementary Estimates;

- 8 **approve** the following changes to appropriations for debt impairment and write-offs associated with the policy decisions in recommendations 2 to 4 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2020/30 & Outyears
Non-Departmental Other Expenses: Impairment of Debt and Debt Write-Offs	-	5.000	1.000	-	-

- 9 **note** that the proposal will be given effect through an Amendment Paper to the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill, which is at the second reading stage in Parliament and must be passed by 31 March 2026;
- 10 **authorise** the Minister of Revenue to release an Amendment Paper to the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill at the Committee of the Whole House stage giving effect to recommendation 2, subject to the final approval of the government caucus and sufficient support in the House of Representatives;
- 11 **authorise** the Minister of Finance and the Minister of Revenue to agree to any minor policy or technical changes in order to implement this proposal;

**OR (RECOMMENDATIONS 12 TO 18 BELOW):**

- 12 **authorise** the Prime Minister, the Minister of Finance and Associate Ministers of Finance to take decisions on the dates when the increase in the in-work tax credit to \$147.50 per week would start and cease and revert to the current rate of \$97.50 per week, with a consequential increase in expenses;
- 13 **agree** that the minimum family tax credit threshold remain at the level previously agreed by Cabinet, which is \$36,604 net (\$43,044 gross);
- 14 **agree** to establish a tagged operating contingency associated with the Revenue portfolio of up to the following amounts to provide for the decisions in recommendations 12 to 13 above:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2020/30 & Outyears
Temporary increase to In-Work Tax Credit – Tagged Operating Contingency	79.000	264.000	30.000	-	-

- 15 **authorise** the Ministers of Finance and Revenue jointly to draw down the tagged operating contingency funding in recommendation 14 above (establishing any new appropriations as necessary) and authorise the Ministers of Finance and Revenue to agree any change to the funding profile necessary to give effect to the start and end date of the increase agreed by the Prime Minister, the Minister of Finance and Associate Ministers of Finance, provided this is fiscally neutral;
- 16 **agree** that the expiry date of the tagged operating contingency established in recommendation 14 above is 1 March 2027;
- 17 **authorise** the Ministers of Finance and Revenue jointly to agree the treatment of funding that may not be required because of changes to the start and end date, which could include returning funding to the Budget 2026 allowance, returning funding to the centre, or keeping the tagged contingency in place;
- 18 **note** that the proposal will be given effect through a new legislative vehicle, with House time needing to be set aside for urgent enactment.

Authorised for lodgement

Hon Nicola Willis

Minister of Finance



# 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.*

### Increase to the In-work Tax Credit

Portfolio                      Finance

On 23 March 2026, Cabinet:

- 1        **noted** the economic pressures on the country from global fuel prices, and particularly the pressure on low- and middle-income working families who have limited ability to quickly adjust their budgets to manage cost pressures but are required to travel for work;
- 2        **agreed** that the rate of in-work tax credit be increased from an annual rate of \$5,070 to \$7,670 (an increase from \$97.50 per week to \$147.50 per week), with a consequential increase in expenses;
- 3        **agreed** that the change applies from 1 April 2026 and ends at the earliest of:
  - 3.1      31 March 2027; or
  - 3.2      a date set by Order in Council, as soon as practicable after 91 octane petrol is below \$3 per litre for four consecutive weeks, as measured by MBIE;
- 4        **noted** that the increase in paragraph 2 above is temporary and will revert to its current rate on the date referred to in paragraph 3;
- 5        **agreed** that the minimum family tax credit threshold remain at the level agreed by Cabinet in November 2025 [LEG-25-MIN-0228], which is \$36,604 net (\$43,044 gross);
- 6        **noted** the following changes to appropriations in accordance with section 185 of the Tax Administration Act 1994, reflecting the increased expenses described in paragraph 2 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				2020/30 & Outyears
	2025/26	2026/27	2027/28	2028/29	
Non-Departmental Benefits or related expenses:					
In-Work Tax Credit PLA	79.000	259.000	29.000	-	-

- 7        **noted** that the changes to appropriations for 2025/26 above will be reported and disclosed in the 2025/26 Supplementary Estimates;

- 8 **approved** the following changes to appropriations for debt impairment and write-offs associated with the policy decisions in paragraphs 2 to 4 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				2020/30 & Outyears
	2025/26	2026/27	2027/28	2028/29	
Non-Departmental Other Expenses: Impairment of Debt and Debt Write-Offs	-	5.000	1.000	-	-

- 9 **agreed** that the expenses incurred under paragraphs 6 and 8 above be charged as a pre-commitment against the Budget 2026 operating allowance;
- 10 **noted** that the above proposal will be given effect through an Amendment Paper to the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill, which is at the second reading stage in Parliament and must be passed by 31 March 2026;
- 11 **authorised** the Minister of Revenue to release an Amendment Paper to the Taxation (Annual Rates for 2025-26, Compliance Simplification, and Remedial Measures) Bill at the Committee of the Whole House stage giving effect to paragraphs 2 and 3 above;
- 12 **authorised** the Minister of Finance and the Minister of Revenue to agree to any minor policy or technical changes in order to implement the above proposal.

Rachel Hayward  
Secretary of the Cabinet



# Briefing note

Reference BN2026/107

Date 30/03/2026

To Revenue Advisor, Minister of Finance – Carl Harris  
Revenue Advisor, Minister of Revenue – Angela Graham  
Private Secretary, Minister of Revenue – Melissa Zhen

From Maraina Hak

Subject **Update on In-work tax credit increase**

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## Background and purpose

- 1 Last week the Government announced a \$50 per week increase to the In-work tax credit rate as a temporary, targeted measure to assist working families as conflict in the Middle East is driving up fuel prices and adding pressure to household budgets.
- 2 The In-work tax credit base rate has been increased from \$97.50 per week to \$147.50 per week from 1 April 2026. The increase is temporary until 31 April 2027 or until the price of 91 octane petrol drops below \$3 per litre for four consecutive weeks. We estimated that approximately 143,000 families are eligible to receive the in-work tax credit in 2026/27.
- 3 This note provides a brief update on customer response following the announcement on 24 March 2026 of the temporary increase.

## Update on response to In-work tax credit rate increase announcement

- 4 We note that demand has been high across all customer interaction channels since the announcement. Most customer enquiries are focused on:
  - eligibility for the increase,
  - how much they will receive,
  - requests to move from end of year payment to receiving Working for Families tax credits weekly or fortnightly.
- 5 The number of customer requests to move to regular weekly or fortnightly payments have been significant, when compared to previous years.
- 6 Inland Revenue frontline staff have reported that many customers have expressed a real need for this payment given cost pressures.
- 7 Due to the start of the new tax year, Inland Revenue typically has a high volume of work during April. However, we are prioritising this work and remain on track to have updates completed by Thursday (2 April).
- 8 This will ensure customers receive the correct entitlement, including the increased amount, in time for the first payment date on 7 April (for customers with weekly payment frequency). Inland Revenue's online entitlement calculator shares the same code as the core system, so they will be updated from 1 April to reflect the new temporary rate.

## Key messages

- The increase in customer contacts suggest that families see the \$50 increase as a material amount, driving contact with Inland Revenue.
- Families are telling Inland Revenue that there is a real need for this payment given cost pressures, and the number of calls querying moving from end of year to weekly or fortnightly payments reflect this.
- Customers who get their payments weekly will start receiving the higher amount from 7 April, and those who get fortnightly payments will start from 14 April. Before the payments change, they will be issued a notice of entitlement confirming their new payment amount.

## Data

### ***Increases to website traffic***

9 As at 4pm 26 March 2026, Inland Revenue has recorded significant numbers of users accessing the updates page on their website. The main In-work tax credit page had a large increase in people visiting the site since the announcement: this page is usually visited by 50-100 users per day; over 24-25 March there have been 14,757 sessions by 13,234 unique users.

### ***Customer contacts***

10 This table compares customer contacts this week to contacts last week. For the sake of a more accurate comparison, only four days from the week prior are compared.

11 These contacts refer to Working for Families contacts generally; it is not possible to specify which calls, messages or account modifications relate directly to the In-work tax credit increase.

	<b>Phone calls (attempted)</b>	<b>Web messages</b>	<b>Modifications</b>	<b>Registrations</b>
16 – 19 March	5,516	2,402	3,807	588
23 – 26 March <i>(announcement: 24 March)</i>	8,702	2,965	5,887	1,828
<i>% increase</i>	<i>57.7% increase</i>	<i>23.4% increase</i>	<i>54.6% increase</i>	<i>210.9% increase</i>

- "Phone calls" measures calls made to the Working for Families tax credit line (all components)
- Attempted call covers abandoned, capped and answered calls, call backs and voice mails
- Modifications means the customer has logged into myIR to make a change to their Working for Families record (includes payment frequency changes, changes relating to income, children etc).

## Next steps

12 We can report to you again in a few weeks with a more comprehensive update after 1 April 2026.

**Maraina Hak**

Acting policy director

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