



**A Fair Economy.  
A Strong Future.**

## Budget 2008 Personal Tax Package

Fact sheet on tax relief for individuals & families

### ***Changes to tax rates and Working for Families***

The government is introducing a \$10.6 billion programme of tax cuts from 1 October 2008, with further changes scheduled to take effect from 1 April 2010 and 1 April 2011:

**Table 1**

Current rates	NEW RATES		
	From 1 October 2008	From 1 April 2010	From 1 April 2011
15% to \$9,500	12.5% to \$14,000	12.5% to \$17,500	12.5% to \$20,000
21% to \$38,000	21% to \$40,000	21% to \$40,000	21% to \$42,500
33% to \$60,000	33% to \$70,000	33% to \$75,000	33% to \$80,000
39% over \$60,000	39% over \$70,000	39% over \$75,000	39% over \$80,000

In addition, the Working for Families Family Tax Credit and the income threshold will increase from 1 October 2008 to take account of inflation, costing \$1.1 billion over four years:

**Table 2**

Weekly rate	Current weekly rates	NEW weekly rates from 1 October 2008
First child if under 16	\$82.00	\$86.29
First child if 16 or over	\$95.00	\$99.96
Subsequent child rate if under 13	\$57.00	\$59.98
Subsequent child rate if 13 to 15	\$65.00	\$68.40
Subsequent child rate if 16 or over	\$85.00	\$89.44
Income threshold	\$35,000	\$36,827

### ***Who will benefit***

All workers will pay less tax as a result of the changes. In particular, the personal tax cuts benefit:

- People on low incomes, mainly part-time workers, and those earning around the minimum wage.

- People on the average wage, and families getting additional support from the Working for Families changes.
- Nearly 300,000 taxpayers who, from 1 April 2011, are projected to no longer face the highest tax rate of 39%.
- Beneficiaries who are in part-time work and Superannuitants.

The table below shows how the tax cuts will affect after-tax income:

**Table 3**

Current annual taxable income (\$)	Weekly after-tax income increase above current (\$)			Annual increase (\$)
	from 1 Oct 2008	from 1 April 2010	from 1 April 2011	1 April 2011
20,000	12	18	22	1,130
30,000	12	18	22	1,130
40,000	16	22	26	1,370
50,000	16	22	32	1,670
60,000	16	22	32	1,670
70,000	28	34	44	2,270
80,000 and above	28	39	55	2,870

The after-tax incomes calculated in this table exclude the ACC levy.

In addition, the changes to Working for Families will give more money in the hand each week to Working for Families recipients.

**Table 4**

	Weekly gain from tax cuts and Working for Families indexation	
	From 1 Oct 2008	From 1 April 2011
Two earner family with two children under 13 earning \$45,000 and \$20,000	\$42.76	\$84.55
One earner family with two children under 13 earning \$45,000	\$30.83	\$62.82
Two earner family with one child under 13 both earning \$20,000	\$35.16	\$67.76
One earner family with one child under 13 earning \$45,000	\$27.85	\$56.42
One earner family with one child under 13 earning \$35,000	\$16.21	\$30.94

***Why are we doing it?***

1. *To provide timely tax relief for taxpayers*

The tax cuts, along with the changes to Working for Families, will provide timely relief to households with stretched budgets due to recent cost increases.

All workers will benefit from these tax cuts, which will see a new low rate of 12.5% for workers on modest incomes and will raise tax thresholds for workers on middle and higher incomes.

## *2. To build on previous tax relief*

In the last four Budgets, this government has reduced taxes benefiting a wide range of New Zealanders. By 2011, this tax relief will total \$4.6bn a year (excluding Working for Families indexation), which has included support for:

- businesses through the Business Tax Reform package
- families through the introduction of Working for Families
- savers and investors through the introduction of KiwiSaver and the introduction of the capped tax rate for portfolio investment entities.

## *3. To simplify the tax system*

New Zealand's tax system is relatively simple and straightforward compared to other countries, and these changes continue that approach. Most taxpayers don't need to do anything to benefit from these tax cuts.