

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
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[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2017/630 SH-13-5-2-3

Date: 16 March 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Simon Bridges)
Associate Minister of Finance (Hon Amy Adams)

Deadline: None

Aide Memoire: Further tax and transfer package options – variability of gains

On Monday 13 March we provided the fiscal cost and distributional impacts for the three tax and transfer packages presented in Table 1 (T2017/595 refers). This note provides the variability of gains by family taxable income for those packages.

Table 1: Packages for consideration

	Package 4	Package 5a	Package 6a
Tax thresholds	Increase the \$14,000 threshold to \$18,000, and the \$48,000 to \$52,000.	Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$55,000.	Increase the \$14,000 threshold to \$22,000, and the \$48,000 to \$52,000.
Independent Earner Tax Credit (IETC)	Maintain the existing IETC.	Remove the IETC.	
Family Tax Credit (FTC)	Align the FTC rates to the eldest child rates, increase abatement rate to 23.75% and reduce the abatement threshold to \$35,900.		
Accommodation Supplement	Update the maxima to reflect 2016 median rents, while re-allocating areas to reflect rental costs.		
Fiscal cost¹ (including clawback)	\$2,000 m	\$2,800 m	\$2,350 m

¹ Rounded to the nearest \$50 million.

Variability of gains by family taxable income

Tables 2 to 4 present the variability of gains for the packages without the Accommodation Supplement (AS) component. Table 5 presents the variability of gains for the AS component. The separate presentation of these results is because neither Treasury nor MSD models can appropriately capture all of the interactions between the various components of the packages.

Table 2: Package 4 variability of gains by family taxable income

Family taxable income	\$0 to \$10 per week	\$10 to \$20 per week	\$20 to \$30 per week	\$30 to \$40 per week	\$40 to \$50 per week	More than \$50 per week
0 - \$14,000	6,000	*	*	5,000	*	5,000
\$14,000 - \$31,000	143,000	10,000	*	22,000	6,000	21,000
\$31,000 - \$48,000	176,000	20,000	*	8,000	5,000	10,000
\$48,000 - \$60,000	30,000	87,000	*	5,000	7,000	6,000
\$60,000 - \$70,000	*	61,000	*	4,000	6,000	4,000
\$70,000 - \$100,000	5,000	142,000	55,000	15,000	7,000	16,000
\$100,000 - \$125,000	*	39,000	98,000	*	*	4,000
\$125,000 - \$150,000	*	19,000	68,000	*	*	*
\$150,000 +	*	32,000	153,000	*	*	*

Table 3: Package 5a variability of gains by family taxable income

Family taxable income	\$0 to \$10 per week	\$10 to \$20 per week	\$20 to \$30 per week	\$30 to \$40 per week	\$40 to \$50 per week	More than \$50 per week
0 - \$14,000	6,000	*	*	5,000	*	5,000
\$14,000 - \$31,000	126,000	28,000	*	21,000	8,000	21,000
\$31,000 - \$48,000	165,000	30,000	*	*	13,000	10,000
\$48,000 - \$60,000	13,000	45,000	59,000	3,000	6,000	10,000
\$60,000 - \$70,000	10,000	7,000	47,000	*	4,000	9,000
\$70,000 - \$100,000	22,000	17,000	142,000	20,000	8,000	32,000
\$100,000 - \$125,000	*	*	78,000	30,000	12,000	23,000
\$125,000 - \$150,000	*	*	36,000	8,000	8,000	36,000
\$150,000 +	*	*	53,000	15,000	9,000	109,000

Table 4: Package 6a variability of gains by family taxable income

Family taxable income	\$0 to \$10 per week	\$10 to \$20 per week	\$20 to \$30 per week	\$30 to \$40 per week	\$40 to \$50 per week	More than \$50 per week
0 - \$14,000	6,000	*	*	5,000	*	5,000
\$14,000 - \$31,000	126,000	28,000	*	21,000	8,000	21,000
\$31,000 - \$48,000	165,000	30,000	*	*	13,000	10,000
\$48,000 - \$60,000	13,000	45,000	59,000	*	8,000	8,000
\$60,000 - \$70,000	10,000	8,000	46,000	*	7,000	4,000
\$70,000 - \$100,000	25,000	19,000	148,000	10,000	18,000	21,000
\$100,000 - \$125,000	*	*	97,000	19,000	21,000	5,000
\$125,000 - \$150,000	*	*	43,000	7,000	37,000	*
\$150,000 +	*	*	61,000	15,000	110,000	*

The results in Tables 2 to 4 are sourced from Taxwell (Treasury’s microsimulation model of the tax and transfer system). Taxwell results based on small samples (less than 10 sample units) or small values (less than 3000 counts) are suppressed (*) for confidentiality, as is required for the handling of micro-level data supplied by Statistics New Zealand.² The results for the AS component in table 5 are based off MSD administrative data.

Table 5: Variability of gains for the Accommodation Supplement component of Packages 4, 5a and 6a³

Family taxable income	\$0 to \$10 per week	\$10 to \$20 per week	\$20 to \$30 per week	\$30 to \$40 per week	\$40 to \$50 per week	More than \$50 per week
0 - \$14,000	9,000	4,000	4,000	4,000	3,000	3,000
\$14,000 - \$31,000	15,000	13,000	11,000	12,000	9,000	17,000
\$31,000 - \$48,000	2,000	2,000	2,000	4,000	2,000	9,000
\$48,000 - \$60,000	400	400	400	400	400	2,000
\$60,000 - \$70,000	70	70	70	80	60	400
\$70,000 +	20	20	20	20	20	90

We are working with MSD to provide further analysis of the variability of gains. MSD will model a breakdown of weekly gains in \$10 increments up to \$100 per week for the AS component of the package. Modelling \$10 increments beyond \$50 in Taxwell will give suppressed results and will make results difficult to interpret for gains more than \$50 per week. Further breakdown of weekly gains for non-beneficiaries could, to some extent, be modelled by Inland Revenue using administrative data.

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Analyst, Tax Strategy, [39]

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² Access to the Household Economic Survey data was provided by Statistics New Zealand under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented here are the work of the Treasury, not Statistics New Zealand.

³ This analysis does not include any newly-eligible recipients as a result of the change. Recipient numbers are rounded to the nearest 1000, 100 or 10. No behavioural impacts are included.