



The Families Package

Hon Grant Robertson, Minister of Finance

The Families Package will:



Boost the incomes of low- and middle-income families with children by increasing the Family Tax Credit and raising the abatement threshold



Reinstate the Independent Earner Tax Credit, which the previous Government had cancelled



Introduce a Best Start payment to help families with costs in a child's early years



Implement the Accommodation Supplement increases announced in Budget 2017



Introduce a Winter Energy Payment to help older New Zealanders and many of our poorest families heat their homes over winter



Repeal the previous Government's \$8 billion tax cuts, in order to pay for the Families Package and other Government priorities



Increase paid parental leave to 26 weeks to ensure that families are provided with vital support at a crucial stage in their children's lives

14 December 2017

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The Families Package



Boosting Working for Families tax credits

Budget 2017 made changes to Working for Families (WFF) tax credits. These changes are being repealed and replaced with higher rates and a higher abatement threshold, effective 1 July 2018.

- The eldest-child rate will increase to \$5,878 per year, and for subsequent children to \$4,745. These rates will apply to all eligible children up to the age of 18.
- If the eldest child is under 16, the payment will increase by \$1,056 per year. If they are aged 16–18, the payment will increase by \$575. All changes are set out in the table below.
- The abatement threshold will increase from \$36,350 to \$42,700, while the abatement rate will increase from 22.5% to 25%.
- In 2018/19, 26,000 more families will be eligible for Working for Families as a result of the changes.
- For very low-income families with children, the Minimum Family Tax Credit threshold amount will increase from \$23,816 to \$26,156 from 1 April 2018. This is to ensure those with children remain better off working full time than receiving a main benefit after the introduction of the Winter Energy Payment.
- The rates of the Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance will increase by \$20.31 a week, reflecting increases in the Family Tax Credit.

Annual rate of Family Tax Credit

	Current	1 July 2018
Eldest child, 16–18	\$5,303	\$5,878
Eldest child, 0–15	\$4,822	
Subsequent child, 16–18	\$4,745	\$4,745
Subsequent child, 13–15	\$3,822	
Subsequent child, 0–12	\$3,351	
WFF abatement rate	22.5%	25%
WFF abatement threshold	\$36,350	\$42,700



Best Start

The Government is introducing a Best Start payment of \$3,120 per year (or \$60 per week) per child to help families with the costs in a child's early years.

- It will be available to all families in the first year of a child's life.
- For the second and third years, support will continue for low- and middle-income families. Best Start payments will be abated at 21% for income above \$79,000.
- The Best Start payment will be made available for children born, or due to be born, on or after 1 July 2018, replacing the Parental Tax Credit.
- For families receiving paid parental leave, Best Start payments will begin after paid parental leave ends.
- There are around 65,000 babies born annually.
- Best Start will be available to caregivers receiving the Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance.



Winter Energy Payment

The Winter Energy Payment (WEP) will support those in receipt of a main benefit, New Zealand Superannuation or a Veteran's Pension to heat their homes in winter by increasing the amount of money available to them over the winter months.

- The WEP is a payment of \$450 a year for single people, and \$700 for couples or those with dependent children.
- The WEP will be implemented on 1 July 2018. In future years, the WEP will be paid from May to September.
- Approximately 1 million people will be eligible for the WEP. Recipients can choose to opt out.

Main benefits include Jobseeker Support, Supported Living Payment, Sole Parent Support, Youth Payment, and Young Parent Payment.

Sole parent with a six-month-old, not in work



Sole Parent Support

+\$112

per week
over winter

+\$80

per week
over rest of year

 **South Auckland**
+ up to \$110 per week more from Accommodation Supplement changes

Couple with a six-month-old and a four-year-old



Household income \$55,000

+\$129

per week

 **Hamilton**
+ up to \$100 per week more from Accommodation Supplement changes


Couple with a six-year-old and a ten-year-old



Household income \$90,000

+\$49

per week

 **Central Auckland**
+ up to \$31 per week more from Accommodation Supplement changes

A retired couple



NZ Superannuation

+\$32

per week
over winter

These are illustrative examples of how the Families Package will impact different families, compared with what they get now. They are based on changes effective 1 July 2018 (and 1 April 2018 for housing support changes). The families with children under three are assumed to be eligible for Best Start. Note that the impact of the Families Package on families will depend on a range of factors, including housing costs.



Increasing paid parental leave

The Government has already legislated to increase paid parental leave from 18 weeks to 22 weeks, effective 1 July 2018.

In 2020 it will be further extended to 26 weeks.



Housing support changes

The Government is retaining changes to the Accommodation Supplement announced in Budget 2017, effective 1 April 2018. An estimated 135,000 households will benefit by an average of \$35 per week. The Government is also retaining increases to the Accommodation Benefit of up to \$20 a week.



Reinstating the Independent Earner Tax Credit

Budget 2017 repealed the Independent Earner Tax Credit (IETC).

The IETC will be retained as it is now, and will continue to benefit eligible individuals earning between \$24,000 and \$48,000 by up to \$520 a year.



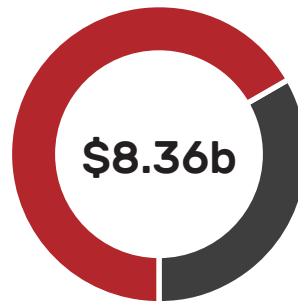
Repealing the Budget 2017 tax cuts

The entire Families Package is paid for by reversing the previous Government's tax cuts.

Even after paying for the Families Package, the savings from reversing those tax cuts leave an extra \$2.84 billion for the Government to invest in other priorities over the next five years.

Fiscal impact

Reversing the previous Government's tax cuts will raise \$8.36 billion over the five-year forecast period (including 2017/18). \$5.53 billion will be used to fund the cost of the Families Package, leaving \$2.84 billion to invest in other Government priorities.



\$5.53b
Families Package
cost

\$2.84b
Other Government
priorities

Fiscal year (\$ millions)

	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	Total
Total revenue impact* (repeal of tax cuts)	(486)	(1,904)	(1,904)	(1,993)	(2,077)	(8,364)
Working for Families	(97)	540	530	520	510	2003
Best Start	-	80	231	373	451	1,135
Winter Energy Payment	-	443	448	455	465	1,811
Other expenses**	17	94	100	177	190	578
Total expenditure impact	(80)	1,157	1,309	1,525	1,616	5,527
Total fiscal impact	(566)	(747)	(595)	(468)	(461)	(2,837)

* Net of reinstatement of Independent Earner Tax Credit and tax impacts from changes to paid parental leave.

** Includes changes to paid parental leave and increases to the Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance.

Impacts on low-income families and child poverty

The Families Package will help reduce child poverty. By 2020/21, the Families Package is projected to reduce the number of children in poverty¹ by 88,000, or a reduction of 48%, when compared to the status quo. This reduction is 39,000 more than was projected under Budget 2017 settings.

Relative to the status quo, an estimated 384,000 families with children will be better off by an average of \$75 per week in 2020/21. Relative to Budget 2017 settings, 365,000 families with children will be better off by an average of \$39 per week in 2020/21.

¹ Defined as households with incomes less than 50% of the median equivalised household income before deducting housing costs.

The Families Package will lift

88,000

children out of poverty¹

384,000

families with dependent children
better off by an average of

\$75
per week



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