



J.17

Taxation (Budget 2021 and Remedial Measures) Bill: First reading

Legislative Statement

Presented to the House in accordance with Standing Order 272

Overview

The Bill contains amendments to the Income Tax Act 2007 and the Child Support Act 1991. The amendments to the Income Tax Act 2007 relate to an increase to the Minimum Family Tax Credit threshold. The amendments to Child Support Act 1991 correct a small drafting error relating to the application date of late payment penalty changes made in the Child Support Amendment Act 2021.

Minimum Family Tax credit

As a consequence of the benefit rate increase announced as part of Budget 2021, the threshold for the Minimum Family Tax Credit (MFTC) is also being increased to ensure that, on an annual basis, eligible low-income families continue to be better off in work and receiving the MFTC, than they would on the benefit.

The Bill proposes to increase the MFTC threshold from \$30,576 per annum (after tax) to \$31,096 per annum (after tax) from 1 July 2021. Because this threshold change would occur part way through the 2021/2022 income year, the Bill also includes two provisions that provide for the calculation of MFTC instalment payments for the period 1 April 2021 to 30 June 2021, and the period 1 July 2021 to 31 March 2022.

Child Support Amendment Act 2021 drafting error correction

The Bill also includes amendments to the Child Support Act 1991, correcting the application date for two late payment penalty changes made by the Child Support Amendment Act 2021.

The Child Support Amendment Act 2021 incorrectly provided that the change to the timing for imposition of the second stage of late payment penalties, and the change removing the rule requiring a late payment penalty to be at least \$5, both applied from 1 April 2021. Instead, these changes were always intended to apply from 1 April 2022, or an earlier date as set by Order in Council. The Bill corrects this application date drafting error. If not corrected, the drafting error would have sizeable system ramifications for Inland Revenue.