

## **Legislative statement: Taxation (Budget Measures) Bill**

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This legislative statement is presented to the House of Representatives in accordance with Standing Order 272.

### **Overview**

This legislative statement supports all readings of the Taxation (Budget Measures) Bill. The Bill was introduced on 30 May 2024.

The Bill introduces amendments to the following Acts:

- Income Tax Act 2007
- Tax Administration Act 1994
- Student Loan Scheme Act 2011

### **Details of changes in the Bill**

The items in the Bill are set out below. All changes would apply from 31 July 2024 unless otherwise noted.

#### ***Personal income tax thresholds***

The Bill proposes to increase the personal income tax thresholds as shown in the following table:

Table 1: Current and proposed personal income tax thresholds

<b>Current bracket (\$)</b>	<b>New bracket (\$)</b>	<b>Rate</b>
0 – 14,000	0 – 15,600	10.5%
14,001 – 48,000	15,601 – 53,500	17.5%
48,001 – 70,000	53,501 – 78,100	30%
70,001 – 180,000	78,101 – 180,000	33%
180,001+	No change	39%

Because the change takes effect part-way through the tax year, transitional brackets and rates would apply for the 2024–25 tax year.

#### ***Consequential amendments***

The Bill proposes consequential amendments to other tax types and rules that are reliant on the personal income tax system:

- Resident withholding tax (RWT)
- Fringe benefit tax
- Employer superannuation contribution tax
- Retirement scheme contribution tax

- Portfolio investment entity income rules.

The changes to RWT would apply from 31 July 2024. Minor changes will be made to the FBT rules, applying from 1 April 2024, to take account of the personal income tax threshold changes. All other consequential amendments would apply from 1 April 2025 to minimise compliance costs associated with making changes part-way through the tax year.

### ***Independent earner tax credit***

The Bill proposes to increase the upper income limit for eligibility to the independent earner tax credit (IETC) from \$48,000 to \$70,000. This means a person with income between \$24,000 and \$66,000, and who meets the other criteria, would have full entitlement to the IETC of \$520 a year.

The abatement rate will remain 13 cents for every dollar of income over \$66,000. This means there is no remaining entitlement to the IETC when a person's income exceeds \$70,000.

### ***Working for Families tax credits***

#### *Increasing the in-work tax credit rate*

The Bill proposes to increase the in-work tax credit (IWTC) by \$25 a week. This is to address the real value of the IWTC eroding relative to wage growth.

#### *Increasing minimum family tax credit threshold*

The Bill proposes to increase the minimum family tax credit (MFTC) threshold to \$35,308 (after tax) to ensure that MFTC recipients also receive the IWTC increase and benefit from the personal income tax threshold changes.

### ***FamilyBoost tax credit***

The Bill proposes to introduce the FamilyBoost tax credit from 1 July 2024. The FamilyBoost tax credit will reimburse households up to 25 percent of their early childhood education fees incurred after any eligibility for the 20 Hours Free and the Ministry of Social Development Childcare Subsidy have been taken into account.

Inland Revenue would make payments every three months, up to a maximum of \$75 per week. These payments would begin to reduce for households that have incomes over \$140,000 with no remaining entitlement when a household income exceeds \$180,000.

### ***Student loan base interest calculation***

The Bill proposes to increase the overseas-based borrower interest rate by 1% for a period of five years. This would mean that the interest rate charged on overseas-based borrowers' loans would increase by 1%, as would the late payment interest rate charged on unpaid amounts.

This would apply from 1 April 2025.

***Remedial item***

The Bill proposes a remedial amendment to enable Inland Revenue to process claims for the Research and Development Tax Incentive when a business applies for approval under the incorrect name.

This would apply from 1 April 2021.