



Factsheet

Tax Relief

Tax relief in Budget 2024 will let hard-working New Zealanders keep more of what they earn. Households with children will benefit by \$78 per fortnight on average. Overall, around 1.9 million households will benefit by \$60 per fortnight on average.

The tax changes apply from 31 July 2024, apart from FamilyBoost which applies from 1 July 2024.

Increasing personal income tax thresholds reduces income tax for people earning more than \$14,000 per annum. This reduction in personal income tax is the first since 2010.

Current brackets \$	New brackets \$	Rate
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%

Extending the income limit for the independent earner tax credit to \$70,000 per annum means an additional 420,000 people (who do not receive other forms of government support, such as Working for Families tax credits, a main benefit or New Zealand Superannuation) are eligible for up to \$20 per fortnight.

Increasing the in-work tax credit means an estimated 160,000 low-to-middle-income working families will get up to \$50 extra per fortnight.

The new FamilyBoost payment will help an estimated 100,000 families with the costs of early childhood education, by up to \$150 per fortnight.¹

For information on how the tax package will benefit you, visit the tax calculator at budget.govt.nz/taxcalculator

¹ Distributional impacts presented in this fact sheet are based on tax year 2027. Impacts on example families are for a full year from 1 Aug 2024 to 31 Jul 2025.

What taxes are changing?

What it is	What it does and who's impacted	What's the change
Personal Income Tax (PIT)	Increases to personal income tax thresholds to reduce the tax for individuals earning income over \$14,000 per annum	Income tax thresholds will increase to \$15,600, \$53,500 and \$78,100 per annum
Independent Earner Tax Credit (IETC)	Tax credit for individuals in paid work who don't receive other forms of government assistance, such as Working for Families tax credits, a main benefit or New Zealand Superannuation	Eligibility extended to those earning up to \$70,000 per annum
In-Work Tax Credit (IWTC)	Tax credit for families normally in paid work who have children ²	Tax credit increases by up to \$50 per fortnight per family
Minimum Family Tax Credit (MFTC)	Tax credit for low-income working families with dependent children (additional to the IWTC)	Threshold increases by \$4 per fortnight
FamilyBoost	Families earning under \$180,000 per annum with children in early childhood education (ECE) can claim refund on fees	25 percent of ECE fees refunded per household earning under \$140,000 per annum, up to a maximum of \$150 per fortnight. Smaller refunds available for households earning \$140,000-\$180,000 per annum

Changes to personal income tax (PIT) thresholds

From 31 July 2024, income tax thresholds will increase.

Increasing PIT thresholds reduces income tax for people receiving over \$14,000 of income per annum. The current thresholds have been the same since 2010 (apart from a new top threshold which took effect in 2021). As wages have grown over time, people have paid more of their incomes in tax. Increasing the income tax thresholds goes some way towards addressing this.

Current bracket	New bracket	Rate
0 – 14,000	0 – 15,600	10.5%
14,001 – 48,000	15,601 – 53,500	17.5%

² A very small number of households, thought to be fewer than 200, could be worse off on average by \$8 fortnight due to an existing and unintended interaction between the Independent Earner Tax Credit and Working for Families tax credits. The Government has sought advice on this issue with a view to ensuring households are not unfairly disadvantaged.

Current bracket	New bracket	Rate
48,001 – 70,000	53,501 – 78,100	30%
70,001 – 180,000	78,101 – 180,000	33%
180,001+	No change	39%

Extending the independent earner tax credit (IETC)

From 31 July 2024, the IETC will be available to eligible individuals earning between \$24,000 and \$70,000 per annum.

The IETC is a tax credit of up to \$20 per fortnight that is currently available to those earning between \$24,000 and \$48,000 per annum. Those eligible can receive the IETC during the year by using an appropriate tax code, or get it all at the end of the year.

To recognise the impact of wage growth, the upper limit of eligibility for the IETC is being extended from \$48,000 to \$70,000 per annum. Those earning \$24,000 to \$66,000 per annum receive the full credit, with entitlements gradually reducing as income increases, up to the limit of \$70,000. After these changes, a total of 725,000 people will receive the IETC.

Increasing the in-work tax credit (IWTC)

From 31 July 2024, the IWTC will increase by up to \$50 per fortnight.

The IWTC is a tax credit for families with dependent children who are normally in paid work. The increase of \$50 per fortnight (which gradually reduces as family income rises) will further support low-to-middle-income families.

The MFTC tops up the after-tax income of around 3,000 eligible low-income working families to a guaranteed minimum amount. This guaranteed minimum will be increased slightly to allow MFTC recipients to benefit from the PIT changes (on top of the full \$50 per fortnight IWTC increase).

Introducing FamilyBoost

FamilyBoost is a new childcare payment that will be available to low-to-middle-income families with children aged 5 and under, to help with the costs of early childhood education (ECE).

From 1 July 2024, parents and caregivers will be eligible for a partial reimbursement of their ECE fees, up to a maximum fortnightly payment of \$150. Reimbursements will be made quarterly, as a lump sum. The first payments will therefore be made from October.

Parents and caregivers can get back up to 25 per cent of their ECE fees, after the 20 Hours ECE and MSD Childcare Subsidy have been taken into account, up to the \$150 maximum.

This maximum payment slowly reduces for family incomes over \$140,000 per annum. Families with incomes over \$180,000 per annum are not eligible for FamilyBoost.

What could this mean for me?

Below are some examples of how people and families benefit from the Government's tax changes.

To find out more about how much you or your family could be better off from these changes, a tax calculator is available at budget.govt.nz/taxcalculator

<p>Couple with four children, two in ECE</p> <p>Couple with two school-aged children and two children in ECE, with one parent earning \$80,000 per annum and the other earning \$60,000 per annum, for an annual household income of \$140,000, spending \$600 per fortnight on childcare.</p> <p>Total annual gain: \$7,042 PIT: \$1,842 IWTC: \$1,300 FamilyBoost: \$3,900</p>	<p>Better off by around \$271 per fortnight</p>
<p>Average income household with two children in ECE</p> <p>Couple earning \$62,500 each per annum, with two children in ECE. They spend \$600 per fortnight on childcare. Their combined income of \$125,000 matches the New Zealand average household income.</p> <p>Total annual gain: \$6,539 PIT: \$1,599 IETC: \$1,040 FamilyBoost: \$3,900</p>	<p>Better off by around \$252 per fortnight</p>
<p>Average income household with two children</p> <p>Couple earning \$62,500 each per annum, with two school-aged children.</p> <p>Total annual gain: \$2,639 PIT: \$1,599 IETC: \$1,040</p>	<p>Better off by around \$102 per fortnight</p>
<p>Couple with a child in ECE</p> <p>Couple with a three-year old child, with each adult earning \$75,000 per annum for an annual household income of \$150,000 and spending \$400 per fortnight on childcare.</p> <p>Total annual gain: \$4,499 PIT: \$1,899 FamilyBoost: \$2,600</p>	<p>Better off by around \$173 per fortnight</p>
<p>Sole parent with two children</p> <p>Sole parent earning \$80,000 per annum, with two children aged 16 and 13.</p> <p>Total annual gain: \$2,343 PIT: \$1,043 IWTC: \$1,300</p>	<p>Better off by around \$90 per fortnight</p>

<p>Working couple Two adults both earning \$150,000 per annum. Total annual gain: PIT: \$2,085</p>	<p>Better off by around \$80 per fortnight</p>
<p>Single adult Single adult earning \$55,000 per annum. Total annual gain: \$1,320 PIT: \$800 IETC: \$520</p>	<p>Better off by around \$51 per fortnight</p>
<p>Minimum wage earner Single adult earner working 40 hours per week on minimum wage, earning \$48,152 per annum. Total annual gain: \$651 PIT: \$131 IETC: \$520</p>	<p>Better off by around \$25 per fortnight</p>
<p>Retired couple Retired couple receiving NZ Superannuation with no other income. Total annual gain: PIT: \$224 *This couple will initially be better off by around \$9 per fortnight, rising to around \$18 per fortnight from 1 April 2025 and \$26 per fortnight from 1 April 2026 due to the Annual General Adjustment process. These estimates are based on Budget 2024 forecasts.</p>	<p>Better off by around \$9 per fortnight – rising to around \$26 per fortnight*</p>

To find out more about how much you or your family could be better off from the Government's tax changes, visit budget.govt.nz/taxcalculator

Tax relief is fully funded

Tax relief in Budget 2024 puts \$3.7 billion a year back into the pockets of New Zealanders. Tax relief is fully funded from savings and revenue initiatives, so the Government is not borrowing to fund this tax relief and it won't add to inflation pressure.

Budget 2024 tax package	Annual average cost/(saving) \$billion
Tax relief	
Personal income tax thresholds and independent earner tax credit	2.57
In-work tax credit increase	0.15
FamilyBoost payment for early childhood education costs	0.18
Restoring interest deductibility for residential rental property	0.73
Brightline test adjustment	0.05
Total	3.68
Savings and revenue to fund tax relief	
Baseline savings not reprioritised to frontline agencies ³	(1.22)
Closing Labour programmes ⁴	(0.78)
Climate dividend ⁵	(0.60)
Commercial buildings depreciation	(0.58)
Taxing online casino operators	(0.05)
Revenue from immigration levies	(0.13)
Fees Free – replacing first-year with final-year fees free	(0.22)
Investment in tax compliance activities	(0.15)
Total	(3.71)

Note the savings and revenue components do not sum to this total due to rounding. All individual savings initiatives are listed in the Summary of Initiatives.

³ For breakdown of agency-by-agency baseline savings see the table in the “Summary of Initiatives”

⁴ This includes the full impact of savings achieved through decisions previously announced at the Government’s “Mini Budget” in December including: Stop work notices on Industry Transformation Plans, Lake Onslow, Fair Pay Agreements, the New Zealand Income Insurance Scheme, the Clean Car Discount, Resource Management Reforms, Let’s Get Wellington Moving, reversing the community connect extension for 5-24 year olds and 20 hours free ECE for 2 year olds.

⁵ This includes returning uncommitted funding from the Climate Emergency Response Fund (CERF) along with stopping initiatives intended to be funded with revenue raised by the Emissions Trading Scheme, including the Government Investment in Decarbonising Industry Fund (GIDI). For initiatives that were partially funded from the CERF, the non-CERF funding component is also included.