

In-work tax credit fact sheet

What is the in-work tax credit?

The in-work tax credit (IWTC) is a payment to families with dependent children where at least one parent is in paid employment and neither parent receives a main benefit from Work and Income. Recipients can be employees receiving wages or salary, or they can be self-employed.

The IWTC is paid by Inland Revenue to around 143,000 families.

The payment is currently \$97.50 a week, and can be paid weekly, fortnightly or annually as a lump sum. In addition, families with four or more children get an extra \$15 a week for each child after the third.

The IWTC is targeted at low-to-middle-income families. In the current tax year, 2025/26, the cut-off for receiving the IWTC is around \$89,000 of annual family income for a family with one child, \$112,000 for a family with two children and \$135,000 for a family with three children.

Family income is the income from both parents combined (if there are two of them), whether from full-time or part-time work.

What is the Government announcing today?

The Government is temporarily increasing the base rate of the IWTC by \$50 a week, taking it to \$147.50 a week. This will support working families as fuel price rises add pressure to household budgets.

The \$50 a week increase will apply from 1 April 2026. It will run for one year or until the price of 91 octane petrol drops below \$3 for four consecutive weeks, whichever comes first.

This approach focuses support on working families with limited choices, while avoiding large, untargeted measures that would be costly and inflationary. It reflects a judgement about where support can be delivered most quickly and effectively through existing systems.

Using the IWTC allows the Government to target support to working families under pressure, while delivering it quickly, efficiently, and in a way that is fiscally responsible.

How many families will benefit from this increase?

Inland Revenue estimates that around 143,000 families will receive the full \$50 a week increase.

In addition, raising the base rate of IWTC extends eligibility slightly higher up the income scale to families that would not otherwise receive payments. Modelling suggests a further 14,000 families will become newly eligible, but will receive an amount less than \$50 per week as a result of payments abating with income.

The distribution of families that benefit from the increase is shown in more detail in the table below. These are estimates based on modelling.

Family income	Full \$50 a week	Up to \$50 a week
Less than \$40,000	15,700	0
\$40,000 to \$50,000	14,160	0
\$50,000 to \$60,000	18,570	20
\$60,000 to \$70,000	20,850	230
\$70,000 to \$80,000	20,730	110
\$80,000 to \$90,000	18,450	350
\$90,000 to \$100,000	10,960	5,470
\$100,000 to \$110,000	9,720	590
\$110,000 to \$120,000	5,960	3,850
\$120,000 to \$130,000	3,160	970
\$130,000 to \$140,000	2,540	1,200
\$140,000 plus	1,970	1,400
All	142,770	14,190

Note that a family income of \$100,000 a year could be made up, for example, of:

- a sole parent earning \$100,000
- one working partner earning \$100,000 and the other not in paid employment, or
- one working partner earning \$70,000 and another in part-time employment earning \$30,000.

The amount of income a family can earn and still be eligible for the IWTC depends on the number of dependent children they have.

Information on entitlement and an online calculator will be updated after 1 April on the Inland Revenue website <https://www.ird.govt.nz> in the Working for Families section.

What do families need to do to get this extra payment?

Families already receiving the IWTC won't have to do anything – Inland Revenue will automatically deliver the increase. Families paid weekly will see the increase from 7 April 2026, and those paid fortnightly will see it from 14 April 2026.

If people think they may be eligible, or if they wish to change how often they receive their IWTC payments, they will need to contact Inland Revenue through their myIR account or by calling 0800 227 773.

How much does this cost?

The temporary increase is estimated to cost a one-off \$373 million if it runs for the full year and less if it doesn't. There is no ongoing cost in future years because the change is time limited.

The cost will count against the Government's operating allowance for the 2026 Budget so has already been factored into the Treasury's fiscal forecasts. As a result, it will not add to forecast debt or inflationary pressures. It is consistent with the Government's fiscal strategy which seeks to balance the books and bend the debt curve down.

Why not make the increase permanent?

This is a response to a temporary global shock. Making the increase time limited ensures support remains proportionate to the pressure families are facing now.

What about beneficiary families?

Main benefits are automatically increased each year for inflation. The family tax credit, which is paid to both beneficiary and working families, is also adjusted periodically for inflation. These payments will both increase on 1 April this year.

In contrast, the IWTC is one of the few key government support payments that is not automatically linked to inflation.

If a family with dependent children stops receiving a benefit and moves to paid employment, they will likely become eligible for the boosted IWTC (depending on their income).

What about Superannuitants?

New Zealand Superannuation is automatically increased each year for inflation and is also adjusted in accordance with increases in the after-tax average wage.

All Superannuation rates will increase on 1 April this year. For example, a married couple both receiving Superannuation will get \$1,708.16 a fortnight (after tax at the M rate) from 1 April 2026 – an increase of more than \$50. This comes on top of increases totalling \$129 a fortnight over the previous two years.

Why not increase the independent earner tax credit?

The independent earner tax credit (IETC) is a \$10 a week tax credit for people in paid work who don't receive working for families (including the in-work tax credit), main benefits or New Zealand Superannuation, and who earn between \$24,000 and \$70,000 a year.

The IETC is much less targeted than the in-work tax credit, going to around 725,000 individuals, some of whom live in higher-income households that are better able to manage a temporary impact on prices.

It is expensive to increase. A \$10 a week increase in the IETC for one year, for example, would cost around \$560 million.

In addition, an increase to the IETC would not provide timely support to workers. Three-quarters of recipients choose to receive it at the end of the tax year so would not receive an increased payment until sometime in June 2027. To pay those who do receive it during the year, payroll systems would have to be updated which could take up to three months.

Why not cut fuel excise?

Fuel excise cuts are poorly targeted, benefit high-income households the most, and risk encouraging higher fuel use if supply became constrained. The support we are announcing today is targeted to working families who cannot easily avoid higher fuel costs.

How much will this change cost to administer?

The simplicity of this change means no extra funding will be required to administer the policy. Inland Revenue will be able to meet any administrative costs (such as updating its website, changing its system, and providing information to customers) from existing resources.

Further cost-of-living adjustments to take effect from 1 April:

From 1 April around 1.5 million New Zealanders will receive a cost-of-living boost through automatic increases to their government-funded entitlements. These include:

- 964,200 older New Zealanders (through increases to New Zealand Superannuation and Veteran's Pension)
- 436,400 working-age beneficiaries (through increases to main benefits)
- 282,000 Working for Families recipients (through increases to the family tax credit)
- 52,500 students (through increases to student allowances)
- 67,700 non-beneficiaries (through increases to supplementary assistance).

For example:

- a married couple both receiving NZ Superannuation will receive \$1,708.16 a fortnight from 1 April 2026 – an increase of more than \$50 a fortnight
- the family tax credit rate will increase from \$7,524 to \$7,921 a year for the eldest child and from \$6,130 to \$6,454 a year for any subsequent child.
- the Working for Families abatement threshold and rate will also be increased, delivering up to \$23 a fortnight in extra payments to families close to the new threshold
- a single student receiving Student Allowance (24 years or over, not living with a parent and with no children) will receive \$380.43 from 1 April 2026 – an increase of more than \$11 a week
- a couple with children receiving Jobseeker Support will receive \$669.40 per week from 1 April 2026 – an increase of more than \$20 a week
- a sole parent receiving Sole Parent Support will receive \$521.52 from 1 April 2026 – an increase of more than \$15 a week.