MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

TE TAI ŌHANGA
THE TREASURY

Inland Revenue
Te Tari Taake

DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Report

Date: 8 October 2021 **Security Level:** BUDGET SENSITIVE

To:

Rt Hon Jacinda Ardern, Prime Minister / Minister for Child Poverty Reduction

Hon Grant Robertson, Minister of Finance

Hon Kelvin Davis, Minister for Children

Hon Carmel Sepuloni, Minister for Social Development and Employment

Hon David Parker, Minister of Revenue

Working for Families Review: further advice on options for Budget 2022

Purpose of the report

1 This report provides further advice on options to increase the Family Tax Credit (FTC) to support low-income families, alongside the planned Consumer Price Index (CPI) adjustment of Working for Families (WFF) payments in April 2022.

Executive summary

This report focuses on further advice on options to increase the Family Tax Credit

2 As requested, this report provides further advice on low-cost options for an FTC increase, which retain a single tier of abatement and have a focus on child poverty reduction. The table below shows options which meet the parameters set by Ministers, and an option to increase the FTC with no abatement change.

Table 1: Summary of FTC options

Option	FTC increase per child		Abatement rate	Cost TY2023	Child poverty		Gains and losses for households (including CPI indexation)			
	Rate change	Total with CPI (eldest & subs. child)			BHC50	AHC50	Winners	Average gain	Losers	Average losses
1	$5	$11.71 and $10.42	25% (No change)	$158m	5,000	9,000	345,000	$20	s	s
2	$5	$11.71 and $10.42	26%	$111m	5,000	9,000	340,000	$18	s	s
3	$5	$11.71 and $10.42	27%	$68m	5,000	8,000	330,000	$16	8,000	-$1
4	$7.50	$14.21 and $12.92	28%	$103m	7,000	10,000	309,000	$20	27,000	-$3

3 The options involve decisions for Ministers on the size of the child poverty impacts, the overall cost and the distributional impacts desired. All options concentrate gains in the families with the lowest incomes, with the magnitude of the gains determined by the size of the FTC increase and the abatement rate. Options with higher abatement rates result in larger numbers of families who are financially disadvantaged. Option 2 does not have noticeable losing families when comparing to pre-CPI adjustment, while Option 3 and 4 will cause a nominal reduction in support for some families (see para 20).

4 The increases to the abatement rates presented are modest and are unlikely to impact labour supply decisions in the aggregate. Some families will be affected more by increases to abatement rates, particularly those with second earners. However, the proposed increases are small and unlikely to have a measurable impact on work incentives.

5 Officials' advice is that these are relatively lower-cost options to support income adequacy and contribute to the Government's child poverty reduction targets. Phase Two of the Review will consider more significant changes to the structure and design of WFF payments and assistance with in-work costs. The more significant the changes are for Budget 2022, the more they could potentially impact on the scope of choices available for Phase Two. These changes will also be pre-empting the public engagement intended for next year.

6 If you agree to an FTC increase, there is an option to pass on any increase to the rates of Orphan's Benefit (OB), Unsupported Child's Benefit (UCB) and Foster Care Allowance (FCA). Increases to the FTC have previously been passed on to OB, UCB and FCA. However, the rationale is less strong this time given the $25 increase to base rates last year, in line with main benefits. Oranga Tamariki recommend passing on the increase to OB, UCB and FCA to support caregivers to care for and meet the needs of children, and enable them to thrive under the protection of whānau, hapū, and iwi, thereby supporting placement stability.

Officials will consider more fundamental changes to WFF through Phase Two

7 Officials have developed the following three workstreams for Phase Two of the Review, s 9(2)(f)(iv) [redacted]:

7.1 Improvements to the structure and design of in-work tax credits

7.2 Improvements to assist with the costs of children in the early years, particularly additional in-work and childcare costs

7.3 Administrative and operational improvements.

8 s 9(2)(f)(iv) [redacted]

Legislative timeframes

9 If Ministers agree to the FTC changes, urgent primary legislation changes will be required by the end of this year to ensure Inland Revenue has sufficient time to make the required system changes. Officials recommend that legislation be introduced around 23 November and passed under urgency by 25 November 2021. Changes would need to be announced prior to introducing this legislation. To meet this timeframe, Ministers' decisions are required by mid-October.

10 This timeline allows for the most efficient legislative process, as it does not require separate Orders in Council to be made for the indexation of FTC and Best Start Tax Credit (BSTC) rates, and the adjustment to the Minimum Family Tax Credit (MFTC) threshold. The recommended timeline also allows a remedial amendment to be made relating to the CPI indexation of FTC and BSTC, and to have that amendment apply to the upcoming indexation of WFF payment rates.

Recommended actions

It is recommended that you:

1 **note** that Ministers met on 22 September 2021 to discuss options for WFF changes that could be implemented alongside the scheduled CPI adjustment on 1 April 2022 [refers REP/21/9/1001; DPMC-2021/22-363; IR2021/392; T2021/2382] and requested further advice on low cost options with a single tier abatement threshold

2 **note** that the options in this paper will require a pre-commitment against the Budget 2022 operating allowance

3 **note** that the costings below are for the tax year 2023; the full costings will be updated and finalised for the cabinet paper once the CPI increase is confirmed

4 **agree** to one of the following options:

4.1 Option 1: $5 FTC increase per child, no abatement change, costing $158m in tax year 2023

Yes / No

4.2 Option 2: $5 FTC increase per child, abatement rate of 26%, costing $111m in tax year 2023

Yes / No

4.3 Option 3: $5 FTC increase per child, abatement rate of 27%, costing $68m in tax year 2023

Yes / No

4.4 Option 4: $7.50 FTC increase per child, abatement rate of 28%, costing $103m in tax year 2023

Yes / No

5 **note** that if Ministers agree to changes to the FTC, there is a subsequent choice whether to extend the same increase to rates of OB, UCB and FCA

6 **agree** to pass on the FTC increase amount to the rates of OB, UCB and FCA, costing an average of $8.2m per annum ($32.8m over forecast period) for a $5 increase to rates, or an average of $12.3m per annum ($49.2m over forecast period) for a $7.50 increase to rates **[Oranga Tamariki recommend]**

Yes / No

7 If you agree to an FTC increase:

7.1 **direct** officials to draft a Cabinet Paper seeking policy and legislative agreement to introduce the required legislation by 23 November 2021 to go through all stages under urgency by 25 November 2021

Yes / No

7.2 **agree** to include the CPI measure remedial amendment in the legislation **[Recommended]**

Yes / No

7.3 **agree** to include the required indexation of FTC and BSTC rates in the legislation **[Recommended]**

Yes / No

7.4 **agree** to include the increase to the MFTC threshold in the legislation to reflect the wage indexation of main benefits, in line with the current agreed approach **[Recommended]**

Yes / No

8 **indicate** which Minister will be responsible for taking the relevant Cabinet Paper through Cabinet

9 **note** that the timeline for decisions is as follows:

9.1 Cabinet Paper will need to be considered by SWC on Wednesday 17 November, and be confirmed by Cabinet on Monday 22 November

9.2 public announcement of changes is required either post Cabinet on Monday 22 November or before the legislation is introduced on Tuesday 23 November

9.3 legislation to be introduced and passed under urgency between Tuesday 23 and Thursday 25 November

10 If you do not agree to an FTC increase:

10.1 **agree** that the CPI remedial amendment be included in a subsequent tax bill

Yes / No

11 s 9(2)(f)(iv) [redacted]

Yes / No

s 9(2)(a) [redacted]

Timothy Garlick
Acting Director,
Child Poverty Unit

..... / ...... / ......

s 9(2)(a) [redacted]

Polly Vowles
Manager, Income Support Policy
Ministry of Social Development

..... / ...... / ......

s 9(2)(a)
[redacted]

Daniel White
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s 9(2)(a)
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Rt Hon Jacinda Ardern
Prime Minister
Minister for Child Poverty Reduction

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Hon Grant Robertson
Minister of Finance

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Hon Kelvin Davis
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Hon Carmel Sepuloni
Minister for Social Development and Employment

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Hon David Parker
Minister for Revenue

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Further advice on Budget 2022 options for implementation in April 2022

11 Officials have explored options for a redistributive package of changes to WFF. As noted in previous advice, the scheduled CPI indexation of FTC that will apply from 1 April 2022 provides an opportunity to change abatement rates, while lessening the extent to which families may see payments reduce, and lowering the overall cost of an FTC increase.

12 Ministers considered advice on a redistributive package focused on changes to the FTC at a meeting on 22 September 2021, and have requested further advice on Budget 2022 options which:

- have modest increases to the rate of FTC
- cost around $50 - $100 million per year
- retain a single abatement threshold at the current level of $42,700
- reduce child poverty
- minimise the number of losing families, particularly for those with incomes below $100,000 per year.

13 Options in this paper reflect what is possible for implementation on 1 April 2022 within these parameters. A $5 increase to the FTC, without changes to the abatement rate, is also included, as requested.

14 Table 2 summarises the four options, with further detail in Appendix 1. Consistent with previous advice, options that reduce the incomes of households in poverty on the after-housing-cost measure (AHC50) and/or drop new families into AHC50 poverty have been excluded. Options that do not meet the above parameters have not been included, such as raising the FTC abatement threshold.

15 Note that costings in the paper are produced using the Treasury's micro-simulation model (TAWA), and these costings will be updated once the CPI figure is released, to be used for the related Cabinet paper. Child poverty and distributional impacts are also produced using TAWA.

16 *Table 2: FTC increase options*

Option	FTC increase		Abatement rate	Cost TY2023	2023 cost including increases to OB/UCB/FCA	Child poverty[1]		Gains and losses for households[2]			
	Rate change	Total with CPI (eldest & subs. child)				BHC50	AHC50	Winners	Av. gain	Losers[3]	Av. losses
1	$5	$11.71 and $10.42	25% (No change)	$158m	$165m	5,000	9,000	345,000	$20	s*	s*
2	$5	$11.71 and $10.42	26%	$111m	$118m	5,000	9,000	340,000	$18	S*	s*
3	$5	$11.71 and $10.42	27%	$68m	$75m	5,000	8,000	330,000	$16	8,000	-$1
4	$7.50	$14.21 and $12.92	28%	$103m	$114m	7,000	10,000	309,000	$20	27,000	-$3

[1] Excluding any child poverty impacts due to CPI indexation. Note there is significant statistical uncertainty in the child poverty reduction estimates (see Appendix 1)
[2] Compared to pre-CPI indexation, to show what families will actually experience in April 2022. Comparisons to post-CPI indexation are provided in Appendix 1, which isolate the gains and losses to the policy change
[3] s* is used where numbers have been suppressed, due to being less than 3,000

Assessing the impacts of options

The options provide a meaningful reduction in child poverty, but may not be enough to reach your next targets

17 The Government has ambitious three-year child poverty targets, and Cabinet has noted that the WFF review will be the primary vehicle for achieving the reductions required to meet these targets. Based on current projections, officials estimate a further reduction of the number of children in poverty by 20,00-25,000, on each measure, is required to reach these three-year targets. To have full impact, any policy changes need to be implemented quickly through Budget 2022.

18 The FTC options in this paper make meaningful progress towards reducing child poverty and are cost effective, but modelling indicates they are not likely to be enough to address the shortfall estimated for your next three-year targets. As noted in previous advice, there is considerable uncertainty associated with the modelled projections on which this assessment is based.

Higher rates of abatement reduce costs by concentrating increases in families with the lowest incomes, but have more losing families[4]

19 Across all options gains are concentrated in households with the lowest incomes. Figure 1 below, shows how much more, or less, families of different sizes on different taxable family incomes would receive under each option. **Option 4** has the greater gains for families on the lowest incomes (under $50,000), due to the $7.50 increase.

20 Increasing abatement rates reduces the cost of an FTC increase, while still maintaining broadly the same child poverty impacts (i.e. increasing the abatement rate by 2% - **option 3** – reduces the cost of a $5 per child FTC increase by an estimated $90m p.a.). However, the number of families losing, and the magnitude of losses, increase as abatement rates increase. Appendix 2 shows gaining and losing families by family income.

21 There are no noticeable losing families compared to pre-CPI indexation under **option one** (no abatement rate change) and **option 2** (26%). Some families will see a nominal reduction in their income under **options 3 and 4**, which have higher abatement rates (27% and 28%). Losing families are concentrated in families with taxable incomes between $70,000 and $80,000. The magnitude of gains and losses are greater under **option 4**, due to the higher FTC increase and abatement rate (28%).

22 Compared to pre-CPI indexation settings (i.e. what families currently receive):

22.1 under **option 3**, 9,000 families would be worse off by an average of $1 per week, with family taxable incomes predominately between $70,000 and $80,000

22.2 under **option 4**, 29,000 families would be worse off by an average of $3 per week, with family taxable incomes predominately between $60,000 and $100,000

23 Appendix 1 provides the comparison to the post- CPI indexation settings. This shows that there are a number of families under **options 2-4** that would be better off with CPI indexation only (i.e. no policy change). Making changes to the rate and abatement settings for the FTC alongside the scheduled CPI adjustment effectively

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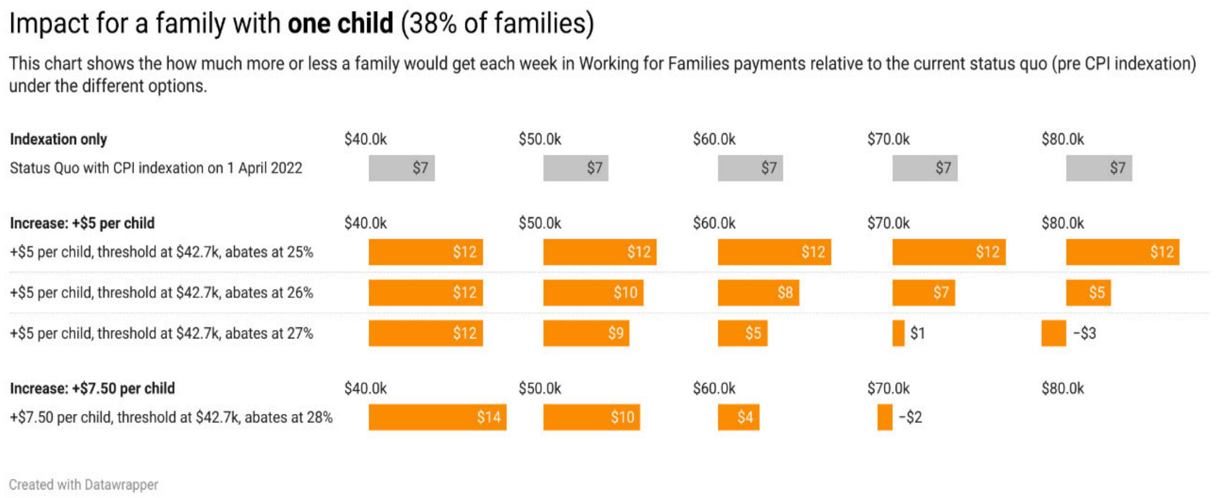
[4] There are two approaches used in this paper to compare gains and losses. **Pre-CPI indexation:** this shows the number of households that will gain or lose in nominal terms compared to what they *currently* receive in support via Working for Families. **Post-CPI indexation:** this shows the number of households that will be better or worse off compared to what they would receive if *the CPI indexation when ahead on 1 April 2022 without any other policy changes.*

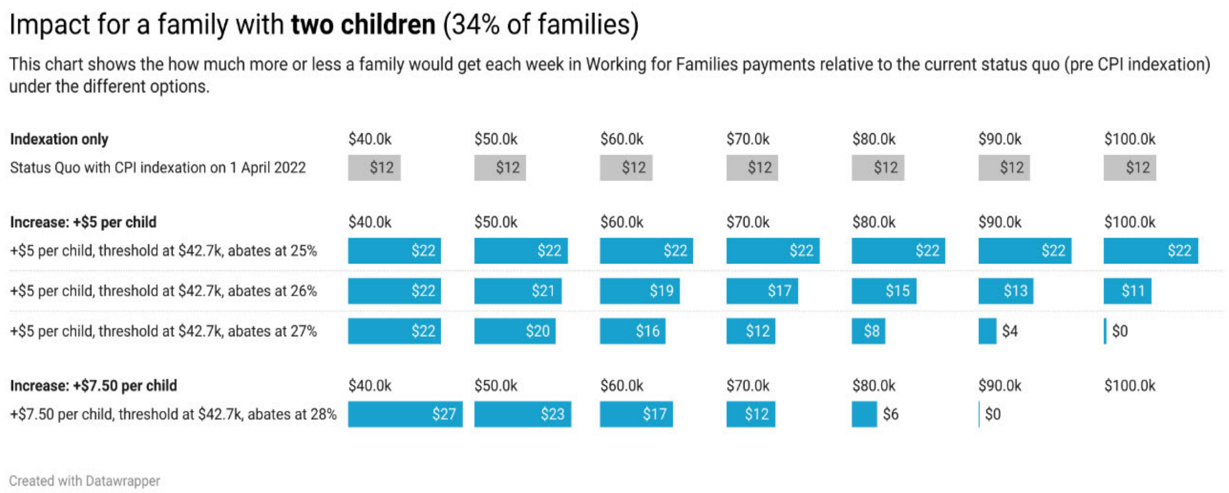
reduces the number of families who will see a nominal reduction in their payments under the proposed options.

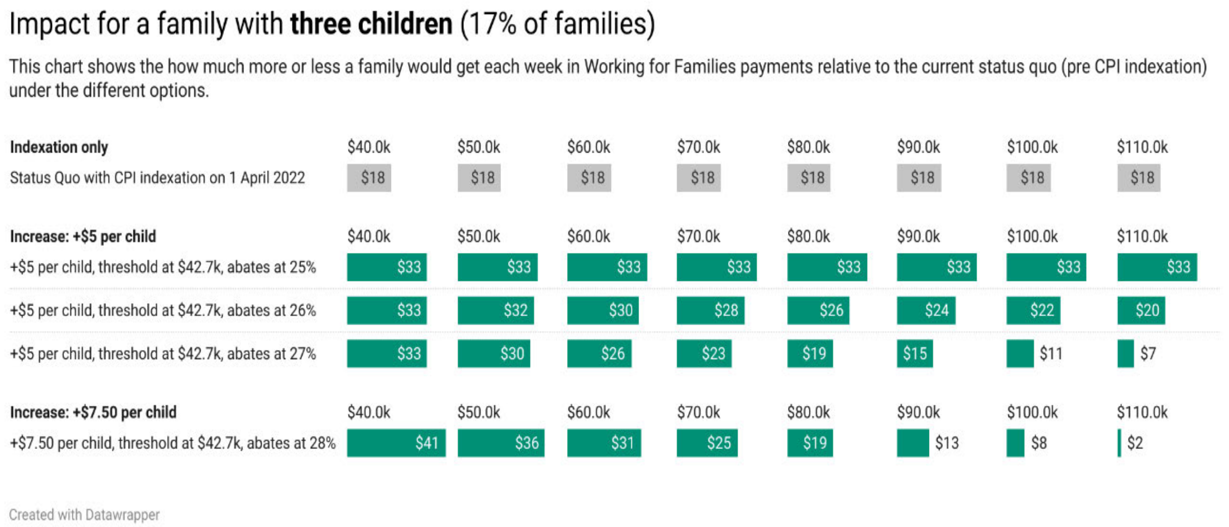
24 MSD is exploring flow-ons to other assistance, such as Accommodation Supplement, but these are likely to be very minor given the relative size of the FTC increases proposed.

Figure 1: Impact of each option for families with one, two and three children

Based on 2020 data for families receiving FTC, 38% had one child, 34% had two children, 17% had three children, and 12% had four or more children. Figures show gains and losses by family taxable incomes.







Higher abatement rates increase effective marginal tax rates (EMTRs), which may reduce work incentives

25 The options presented are unlikely to have a significant impact on labour supply decisions in the aggregate. The combination of the increase in FTC payments and a one or two percentage point increase in the abatement rate may have some small or modest impacts on financial incentives to work for sole parent families, or families with a second earner (particularly those considering entering work) with incomes above $42,700 p.a.. A higher increase to the abatement rate, such as a three-percentage point increase, would have a commensurate impact on work incentives.

26 The incentives for a second earner to enter work/increase hours are already relatively weak for many low-income families. However, we note that decisions to work are also influenced by factors other than financial incentives (e.g. availability/suitability of childcare).

27 EMTRs for some low-income families are already relatively high, particularly if they are in receipt of the Accommodation Supplement (25c in the dollar), are receiving Best Start and earn over $79,000 (21c in the dollar), have a student loan (12c), and/or receive Childcare Assistance (tiered income thresholds).

28 Consideration should also be given to the accumulation of such changes over time. For example, as part of the Families Package changes in 2018, the WFF abatement rate increased from 22.5% to its current 25% setting, and the abatement threshold increased from $36,350 to its current $42,700 setting (as well as increases to the FTC payments). When WFF was first introduced, the abatement rate was 20%.

29 It is worth noting that the more significant the changes are for Budget 2022 (for example, a higher FTC abatement rate), the more these changes could potentially limit the range of options available in Phase Two of the review.

Ministers can choose to pass on any increase to other caregiver payments

30 Ministers also have the option to pass on any increases to the FTC to rates of Orphan's Benefit (OB), Unsupported Childs Benefit (UCB) and Foster Care Allowance (FCA). There are around 24,000 tamariki being cared for by around 15,000 caregivers, both inside and outside of the State care system. Caregivers are largely whānau and family members of the child, who have stepped up to care for tamariki who are unable to be cared for by their parents. The largest proportion of the caregiving cohort are caring for tamariki outside of the State care system and have a critical role in preventing the need for escalation of tamariki into the State care system.

31 Caregivers receiving OB, UCB and FCA cannot receive the FTC in respect of the same child, which has led to increases to the FTC also being applied to the rates of OB, UCB and FCA in 2005, 2007 and 2018. However, most recently OB, UCB and FCA rates were increased in July 2020 by $25 per week, in line with increases to main benefits, to support caregivers against the impacts of COVID-19 and support placement stability. This has widened the gap between FTC and OB, UCB and FCA. Rates of OB and UCB will increase further on 1 April 2022 to remove the remaining disparity in standardised payments available to FCA and OB/UCB caregivers[5].

[5] Changes to the rates of the OB, UCB, and FCA in April 2022 are to reflect the increasing cost of nappies and remove disparities between payments and will not apply equally to all age groups of children supported by the payments. Rates will increase by between $10 and $34.84 depending on the age of the child.

32 Currently rates of OB, UCB and FCA are between $89 and $152 higher than the eldest child rate of FTC. This reflects the higher levels of support provided to caregivers who are caring for children when their parents are unable to, and reflects that caregivers receiving OB, UCB and FCA do not have access to some of the same supplementary assistance as other families, such as the dependent child rate of Accommodation Supplement. In 2019, Cabinet agreed that the State should provide additional support to caregivers, beyond the support generally available to parents, where they have taken responsibility for providing the day-to-day care of a child due to the child's natural or adoptive parents being unable to care for them [SWC-19-MIN-0199; CAB-19-MIN-0672 refer].

33 The cost of increasing rates by $5 is $7 million for the 2022/23 year, or by $7.50 is $11 million for the 2022/23 year. A comparison of FTC and OB, UCB and FCA rates and full 5-year costs are in Appendix 3.

Table 4: 5-year costs for passing on increase to the rates of OB, UCB and FCA

INCREASED BASE PAYMENT ($,000s)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Forecast period Total	Average per annum
Increase off $5	$1,730	$7,224	$7,605	$7,933	$8,302	$32,794	$8,199
Increase of $7.50	$2,595	$10,836	$11,408	$11,899	$12,453	$49,191	$12,298

Related policy decisions

34 In addition to the FTC options in this report, officials also seek decisions from Ministers on two related policy questions.

35 If Minsters decide to progress any of the FTC options in this report, urgent primary legislation (the Bill) will be required. This provides a convenient opportunity to include several additional, relatively minor items that would otherwise require an alternative legislative vehicle or Orders in Council to be progressed.

36 Officials recommend including the following additional items in the Bill:

36.1 CPI indexation increases for FTC and BSTC rates to apply from 1 April 2022: Current legislation requires these CPI increases to be made by Order in Council no later than 1 December 2021, with the new rates needing to apply from 1 April 2022. However, if these increases were to be included in the Bill (enacted before 1 December 2021), indexation could be done based on an updated CPI measure (see CPI remedial item immediately below). Orders in Council would also no longer be required.

36.2 CPI remedial amendment: Legislation currently requires FTC and BSTC rates to be increased in line with cumulative increases to all groups of the CPI excluding tobacco and cigarette products (CPIX). However, Cabinet only intended the exclusion of tobacco to last the duration of the 10% annual increases to tobacco excise taxes, the last of which took place in 2020 (CAB-16-MIN-0189). Therefore, this remedial amendment to the Income Tax Act 2007 would return FTC and BSTC indexation to CPI (all groups) from quarter 1 2021. Although increases measured by CPI (all groups) are slightly higher than under CPIX, the remedial amendment is not expected to materially increase the fiscal impact of the FTC and BSTC indexation increases. It is noted that CPI (all groups) is the CPI measure agencies will apply when forecasting CPI indexation of these rates.

36.3 Increase to the Minimum Family Tax Credit threshold from 1 April 2022: Although the MFTC threshold would not need to be adjusted as a result of an increase to FTC rates, it will need to be adjusted in line with the increases to main benefits coming into effect on 1 April 2022. The increase would follow the same approach as agreed by Ministers in REP/21/3/318; T2021/814;

IR2021/144[6]. If the MFTC threshold is not included in the Bill, it would need to be set separately by Order in Council by 1 December 2021.

37 If Ministers choose not to proceed with any of the options in this paper, then officials recommend that the CPIX amendment be included in the next available tax bill and separate Orders in Council are done for the FTC and BSTC indexation and the MFTC threshold increase by 1 December 2021.

Legislative timelines

38 As noted above, if Minsters decide to progress any of the FTC options in this report, urgent primary legislation (the Bill) will be required to allow Inland Revenue sufficient time to implement the required system changes before 1 April 2022.

39 Officials recommend that the Bill be introduced and passed under urgency between 23 November and 25 November. This timeline would require decisions from Ministers by mid-October and final Cabinet agreement on Monday 22 November. A public announcement of changes would therefore be required either post Cabinet on Monday 22 November or before the legislation is introduced on Tuesday 23 November.

40 As noted above, the next round of CPI indexation for FTC and BSTC rates is required to occur by 1 December 2021. Therefore, the recommended legislative timeline ensures the CPI remedial amendment would be made before 1 December, allowing the CPI (all groups) rate to be used for the upcoming CPI indexation round.

41 Officials note that if Ministers required more time to make final decisions on the options in this report, introducing and passing the Bill through all stages under urgency between 7-9 December would allow Ministers an additional two weeks (approximately) to make final decisions. Again, this timeline is not recommended because it would involve a more complex legislative process and would not easily allow the CPI remedial amendment to apply to the 1 December CPI indexation of FTC and BSTC.

s 9(2)(f)(iv) [redacted]

42 s 9(2)(f)(iv) [redacted]

Outline of Phase Two advice

43 **Phase two** will consider more fundamental changes to the structure and design of WFF payments. The following workstreams have been developed s 9(2)(f)(iv) [redacted]

43.1 *Improvements to the structure and design of in-work tax credits* – s 9(2)(f)(iv) [redacted]

43.2 *Improvements to assist with the costs of children in the early years, particularly additional in-work and childcare costs* s 9(2)(f)(iv) [redacted]

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[6] The MFTC threshold for 1 April 2022 is calculated at $32,864.00. This is based on MSD's sole-parent benefit rates for 2022, and five months of Winter Energy Payments spread over 12 months (flat-rate WEP option).

s 9(2)(f)(iv) [redacted]

43.3 *Administrative and operational improvements* s 9(2)(f)(iv) [redacted]

44 Officials will provide Ministers with a progress update on Phase Two of the Review early next year.

Next steps

45 If you wish to proceed with an FTC increase, with or without changes to the abatement rate, decisions are required by mid-October to meet the recommended earlier legislative timeline, or the end of October to meet the later timeframe.

46 Officials will prepare a Cabinet paper confirming agreement to the preferred option, seek a pre-Budget commitment against the Budget 2022 operating allowance and agreement to introduce and pass the required legislation.

47 As noted above, a public announcement of the changes will need to be made prior to legislation being introduced, either post Cabinet on Monday 22 November or before the legislation is introduced on Tuesday 23 November. Officials will work with your Offices on the details for any announcement.

Table 5: Timeline for remainder of 2021

Timeline	**Deliverable**
Mid-October	Final decisions from Ministers required
11 November	Cabinet paper to be lodged
17 November	Cabinet paper considered by SWC
22 November	Decisions confirmed by Cabinet
22 or 23 November	Public announcement
23 – 25 November	Legislation introduced and passed under urgency

File ref: REP/21/10/1093; T2021/2540; DPMC-2021/22-513; IR2021/463

Appendix 1: Further modelling on options[7]

Option	FTC increase		Abatement rate	TY2023 Cost	2023 cost including increase to OB/UCB/FCA	Child poverty[8]		Gains and losses for households (pre-CPI) *This shows the number of households that will gain or lose in nominal terms compared to what they currently receive in support via Working for Families.*				Gains and losses for households (post-CPI) *This shows the number of households that will be better or worse off compared to if the CPI indexation went ahead without any other policy changes*			
	Rate change	Total with CPI (eldest & subs. child)				BHC50	AHC50	Winners	Average gain	Losers[9]	Average losses	Winners	Average gain	Losers	Average losses
1	$5	$11.71 and $10.42	25% (No change)	$158m	$165m	5,000 (± 4,000)	9,000 (± 6,000)	345,000	$20	s*	s*	316,000	$10	S*	S*
2	$5	$11.71 and $10.42	26%	$111m	$118m	5,000 (± 4,000)	9,000 (± 6,000)	340,000	$18	s*	s*	287,000	$8	26,000	-$1
3	$5	$11.71 and $10.42	27%	$68m	$75m	5,000 (± 3,000)	8,000 (± 6,000)	330,000	$16	8,000	-$1	223,000	$8	89,000	-$6
4	$7.50	$14.21 and $12.92	28%	$103m	$114m	7,000 (± 5,000)	10,000 (± 6,000)	309,000	$20	27,000	-$3	223,000	$12	89,000	-$8

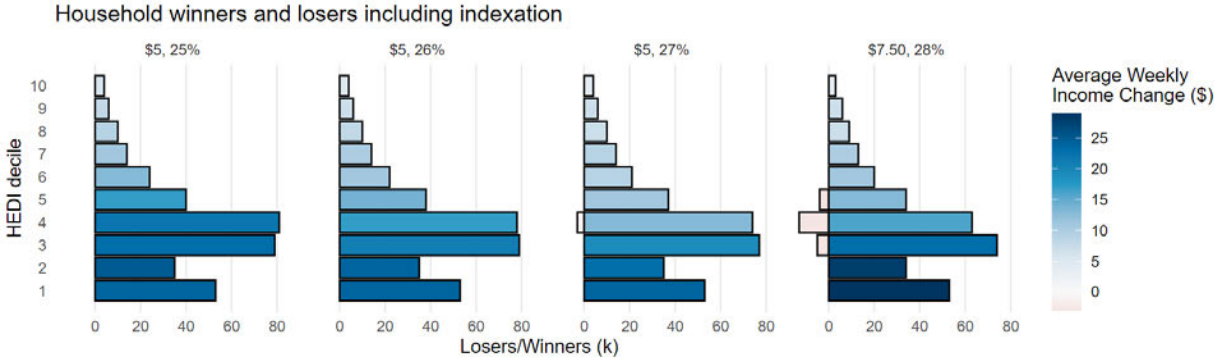
[7] These TAWA modelling results use data from the IDI, which was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results are the work of the author, not Stats NZ or individual data suppliers.

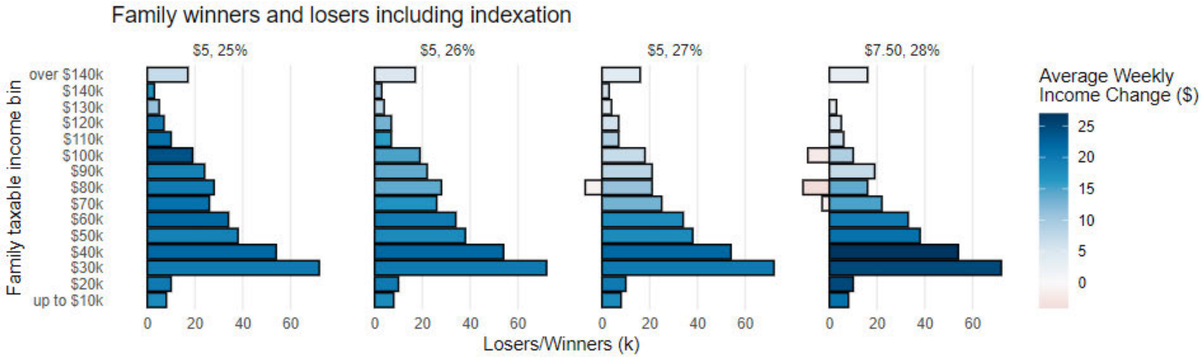
[8] Excluding any child poverty impact from CPI indexation

[9] An s* is used where numbers have been supressed, due to being below 3,000

Appendix 2: Winners and losers (including CPI indexation): Families by Taxable Income

	$5, 25%				$5, 26%				$5, 27%				$7.50, 28%			
Taxable Income Band	Families that gain	Average gain	Families that lose	Average loss	Families that gain	Average gain	Families that lose	Average loss	Families that gain	Average gain	Families that lose	Average loss	Families	Average gain	Families that lose	Average loss
< $10k	8,000	$18	S*	S*	8,000	$18	S*	S*	8,000	$18	S*	S*	8,000	$21	S*	S*
$10-20k	10,000	$20	S*	S*	10,000	$20	S*	S*	10,000	$20	S*	S*	10,000	$25	S*	S*
$20-30k	72,000	$20	S*	S*	72,000	$20	S*	S*	72,000	$20	S*	S*	72,000	$25	S*	S*
$30-40k	54,000	$22	S*	S*	54,000	$22	S*	S*	54,000	$22	S*	S*	54,000	$27	S*	S*
$40-50k	38,000	$19	S*	S*	38,000	$18	S*	S*	38,000	$18	S*	S*	38,000	$21	S*	S*
$50-60k	34,000	$22	S*	S*	34,000	$20	S*	S*	34,000	$18	S*	S*	33,000	$20	S*	S*
$60-70k	26,000	$21	S*	S*	26,000	$17	S*	S*	25,000	$13	S*	S*	22,000	$15	3,000	-$1
$70-80k	28,000	$20	S*	S*	28,000	$14	S*	S*	21,000	$11	7,000	-$1	16,000	$14	11,000	-$4
$80-90k	24,000	$19	S*	S*	22,000	$14	S*	S*	21,000	$8	S*	S*	19,000	$7	S*	S*
$90-100k	19,000	$24	S*	S*	19,000	$15	S*	S*	18,000	$7	S*	S*	10,000	$9	9,000	-$2
$100-110k	10,000	$21	S*	S*	7,000	$16	S*	S*	7,000	$9	S*	S*	6,000	$7	S*	S*
$110-120k	7,000	$20	S*	S*	7,000	$13	S*	S*	7,000	$6	S*	S*	5,000	$5	S*	S*
$120-130k	5,000	$11	S*	S*	4,000	$8	S*	S*	4,000	$4	S*	S*	3,000	$3	S*	S*
$130-140k	3,000	$17	S*	S*	3,000	$11	S*	S*	3,000	$6	S*	S*	S*	S*	S*	S*
>=$140k	17,000	$7	S*	S*	17,000	$5	S*	S*	16,000	$4	S*	S*	16,000	$3	S*	S*
All	354,000	$20	S*	S*	348,000	$18	28,000	-$1	338,000	$16	9,000	-$1	229,000	$19	29,000	-$3


Household winners and losers including indexation
$5, 25%
$5, 26%
$5, 27%
$7.50, 28%
HEDI decile
Losers/Winners (k)
Average Weekly Income Change ($)


Family winners and losers including indexation
$5, 25%
$5, 26%
$5, 27%
$7.50, 28%
Family taxable income bin
over $140k
$140k
$130k
$120k
$110k
$100k
$90k
$80k
$70k
$60k
$50k
$40k
$30k
$20k
up to $10k
Losers/Winners (k)
Average Weekly Income Change ($)

Appendix 3: Further detail on OB/UCB/FCA rates and 5-year costs

Comparison of FTC eldest child rate and OB/UCB/FCA rates (these vary by age)

	FTC (eldest child rate)	OB/UCB/FCA*
Current	$113	Between $203 to $265
Estimated 1 April with no change	$124	Between $242 to $281
Estimated 1 April with $5 increase	$129	Between $247 and $286

* Higher rates of the FCA can be paid for children or young people with higher needs through the Higher Foster Care Allowance. Additional financial assistance is also available to caregivers in receipt of the FCA on a discretionary basis, which is not available to OB or UCB caregivers, e.g. for health, education, and legal costs relating to the child.

5-year costings: Passing on $5 or $7.50 increase

INCREASED BASE PAYMENT $5.00	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	5 Year Total
MSD. Payment Changes	$1,478	$6,215	$6,593	$6,923	$7,293	$28,503
OT. Payment Changes	$252	$1,009	$1,012	$1,009	$1,009	$4,291
TOTAL	**$1,730**	**$7,224**	**$7,605**	**$7,933**	**$8,302**	**$32,794**

INCREASED BASE PAYMENT $7.50	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	5 Year Total
MSD. Payment Changes	$2,217	$9,323	$9,890	$10,385	$10,939	$42,754
OT. Payment Changes	$377	$1,514	$1,518	$1,514	$1,514	$6,437
TOTAL	**$2,595**	**$10,836**	**$11,408**	**$11,899**	**$12,453**	**$49,191**