

2017
BUDGET

Delivering for New Zealanders

Hon Steven Joyce, Minister of Finance

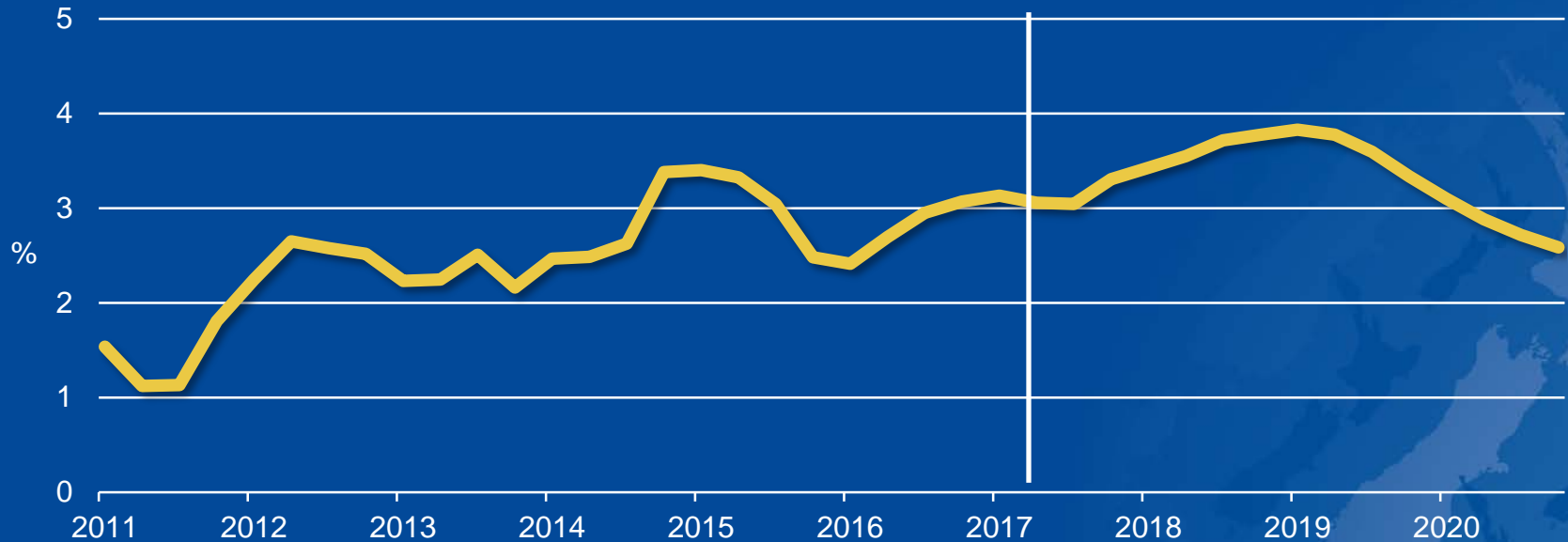
25 MAY 2017

Delivering for New Zealanders

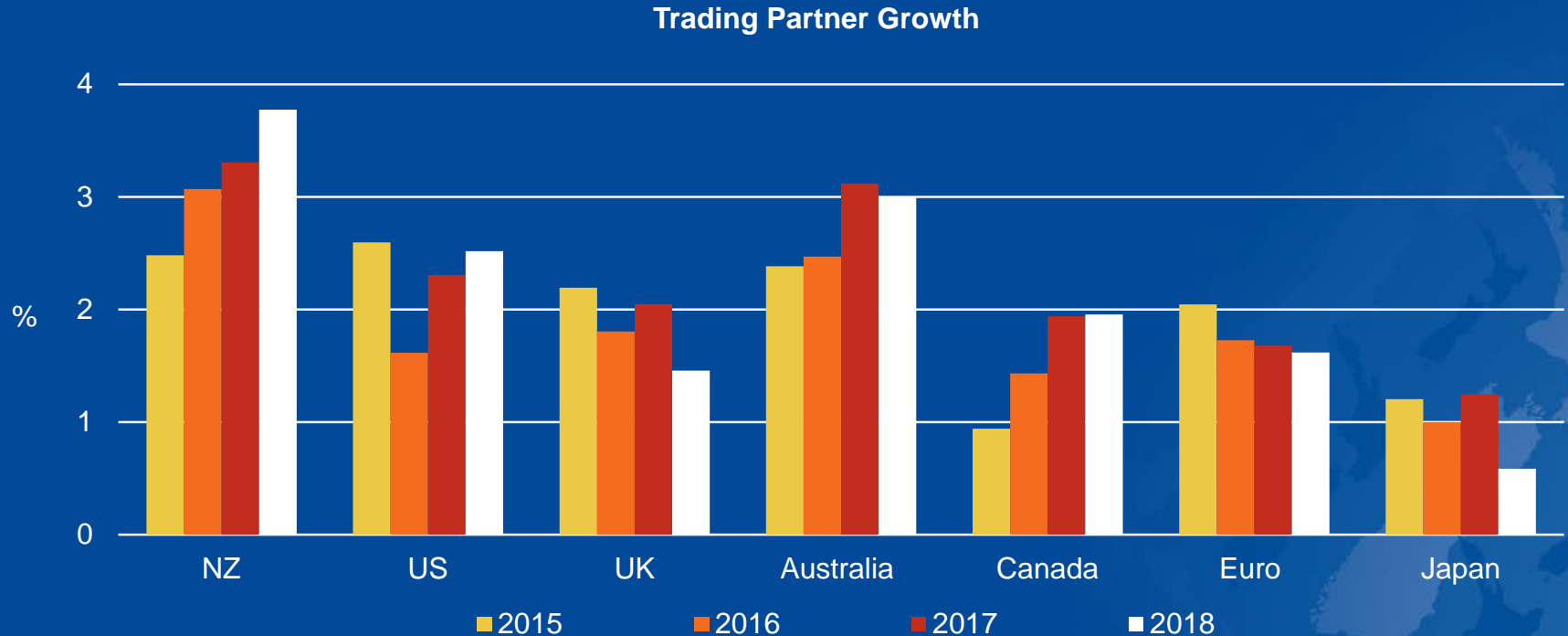
- Strong economic forecast
- Improving fiscal forecast
- Investment in public services and infrastructure for growth
- Reducing net debt as a percentage of GDP
- Family Incomes Package

Positive economic forecast

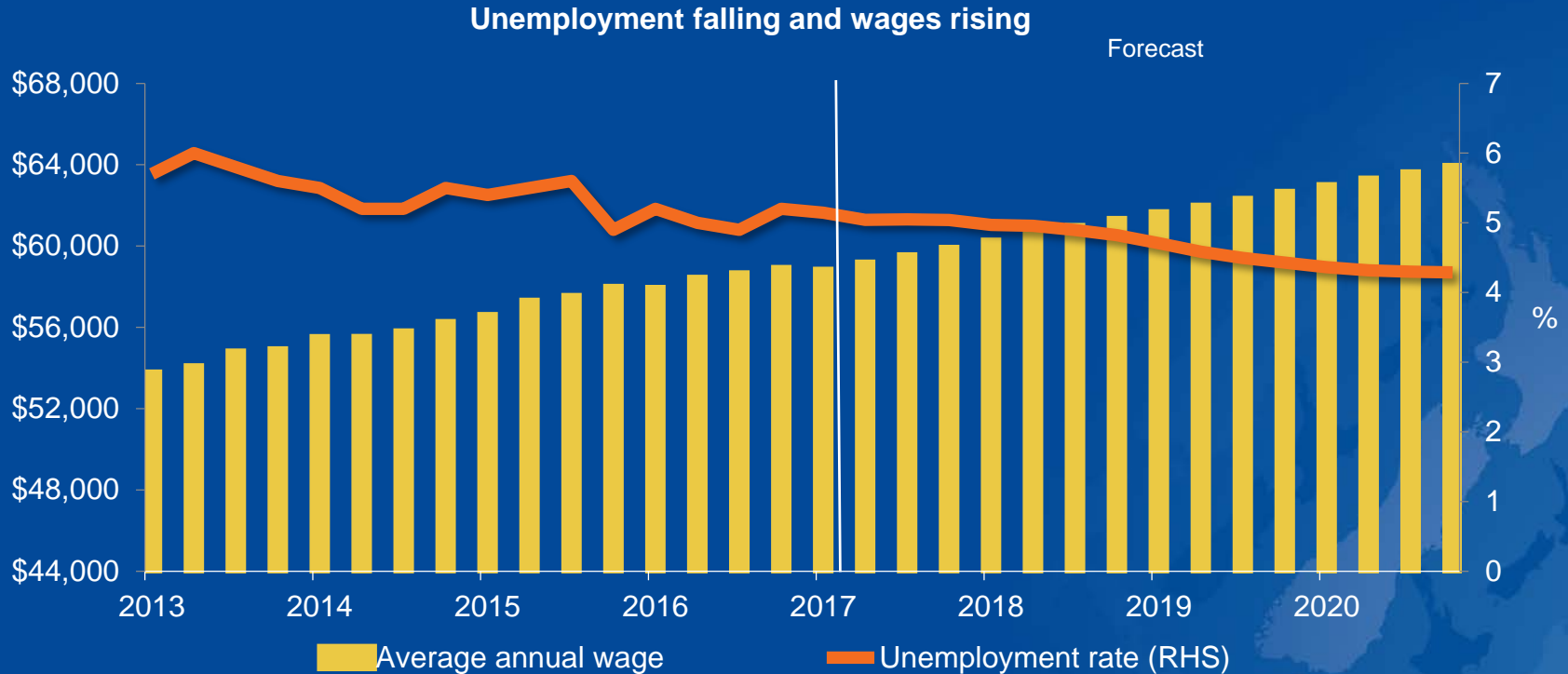
Strong GDP growth continues through forecast period



Positive economic forecast

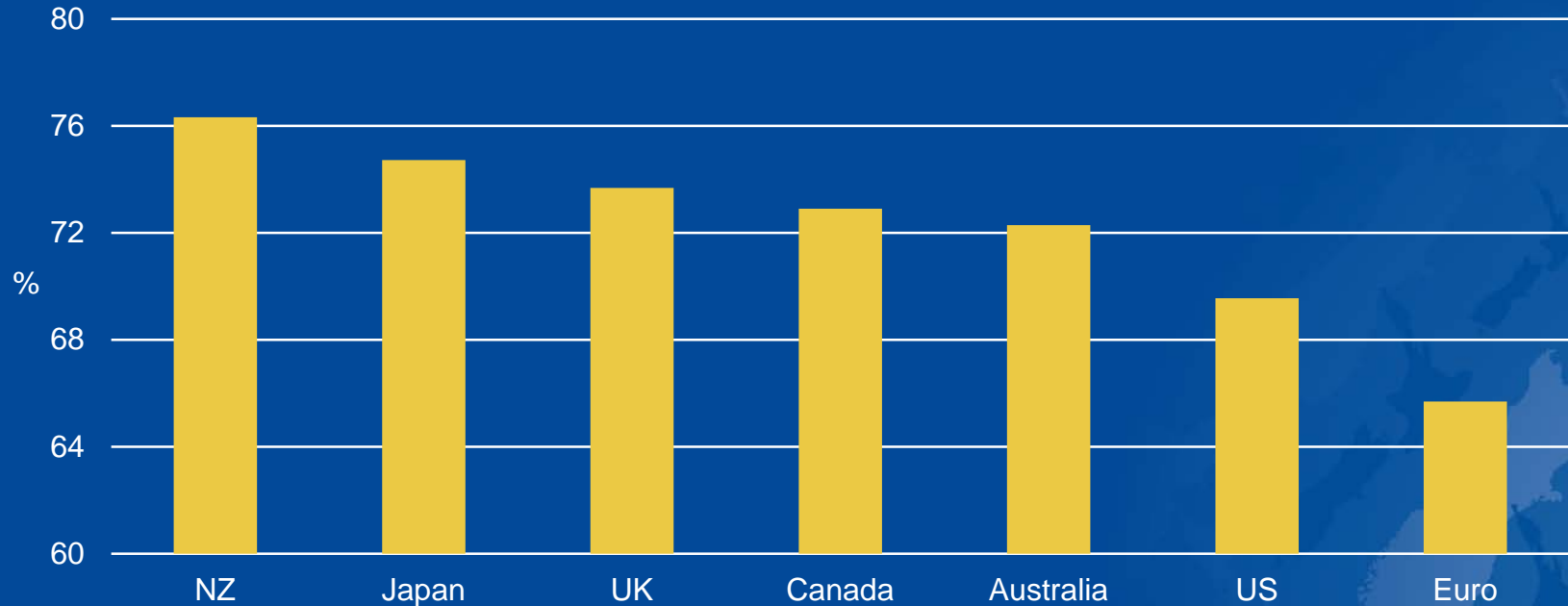


Strong labour market

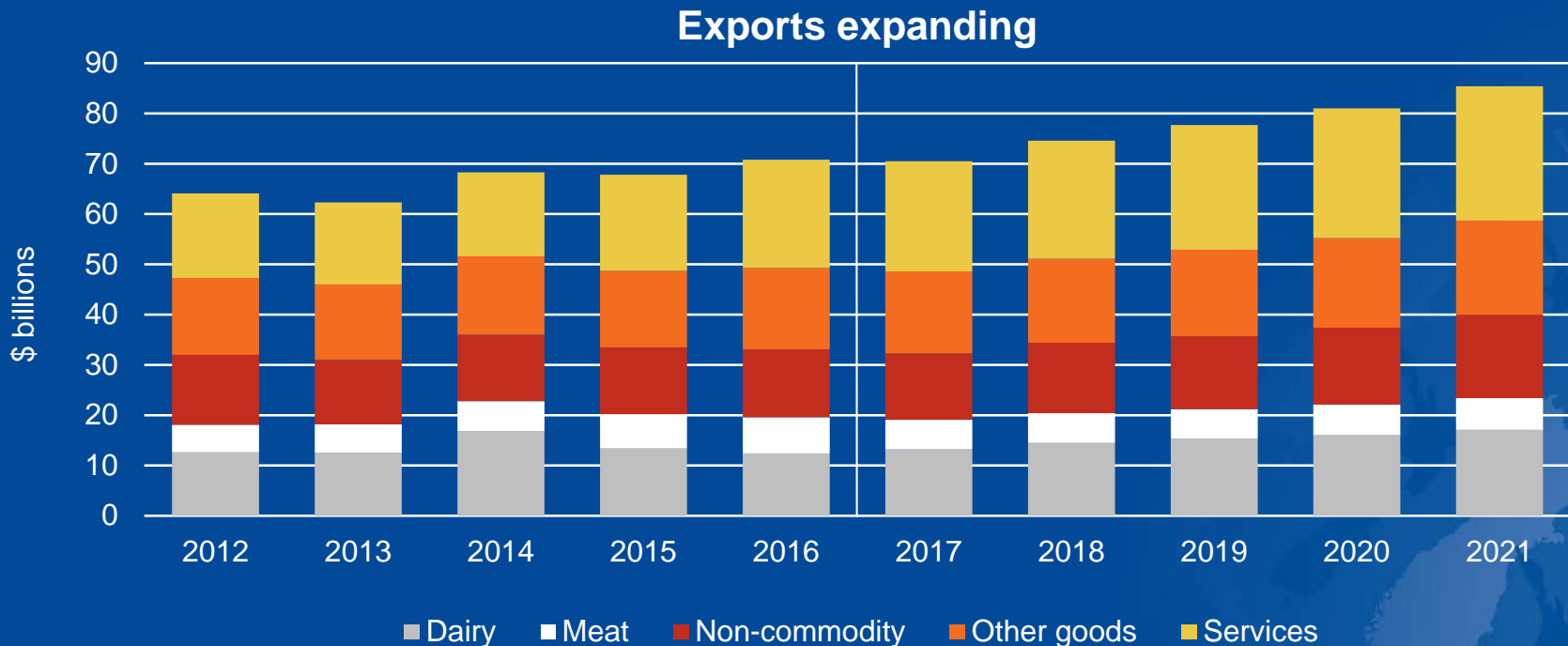


Strong labour market

Employment rate higher than main trading partners

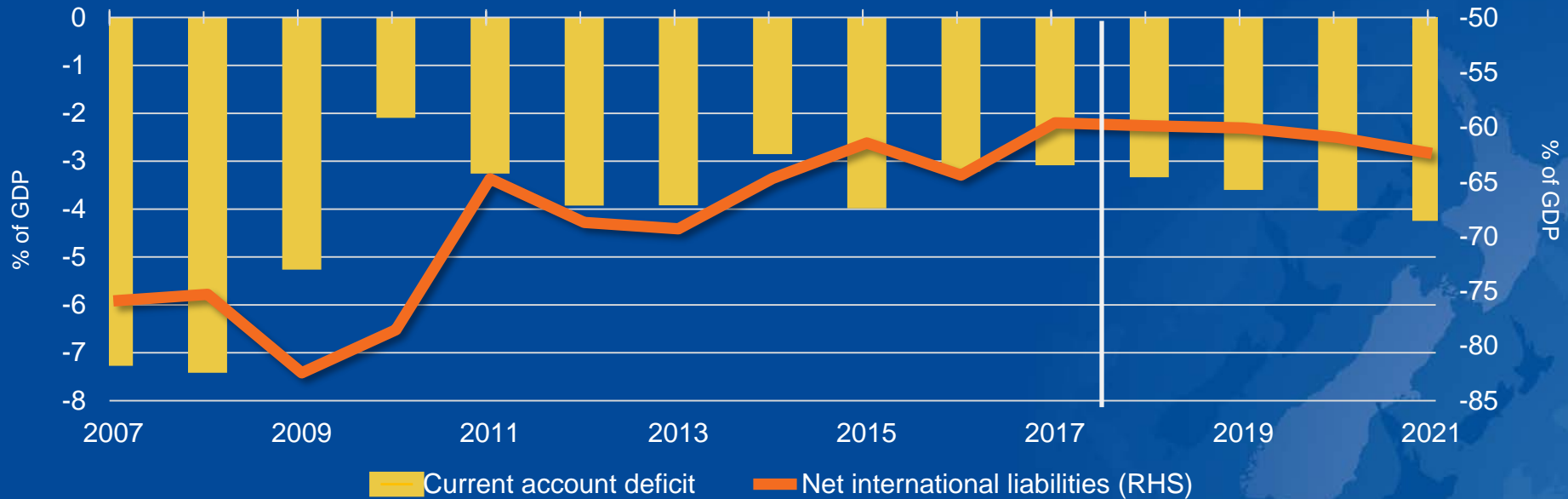


Diversified growth



Stronger external accounts

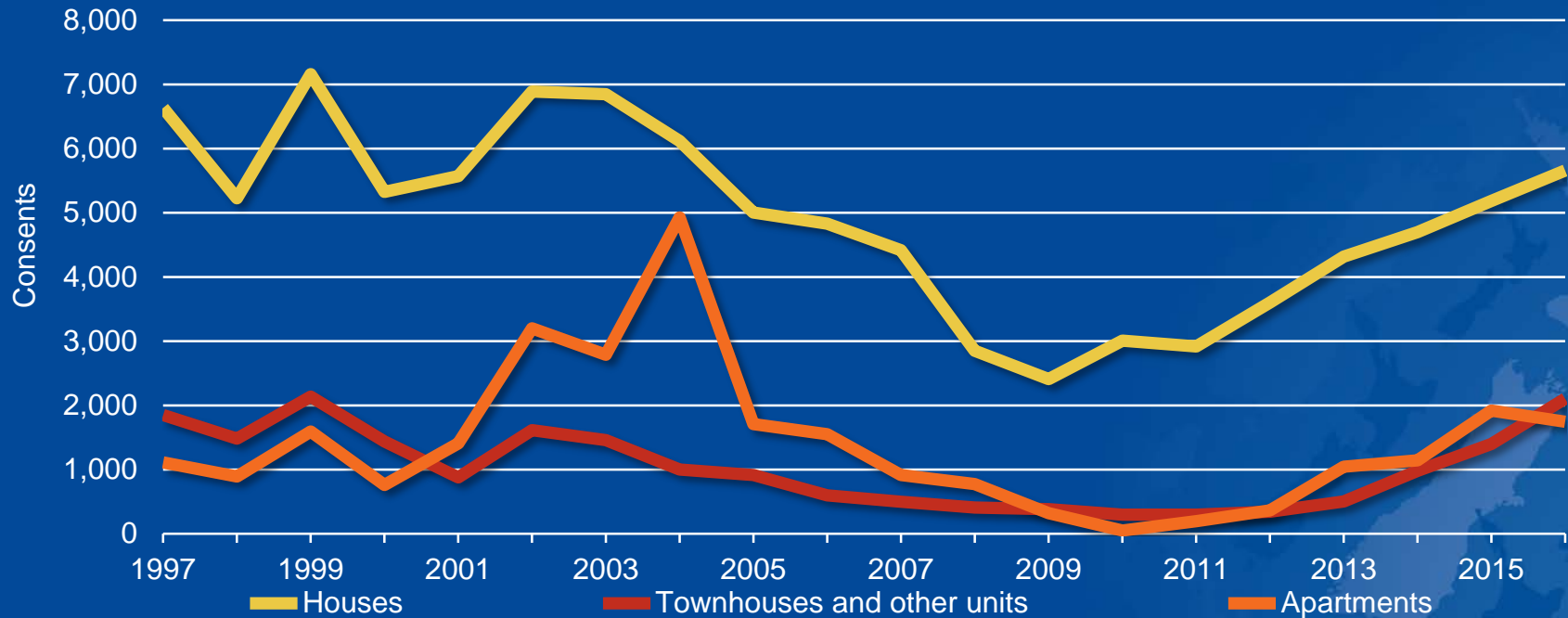
Current account deficit and net international liabilities



Construction sector



Housing market response

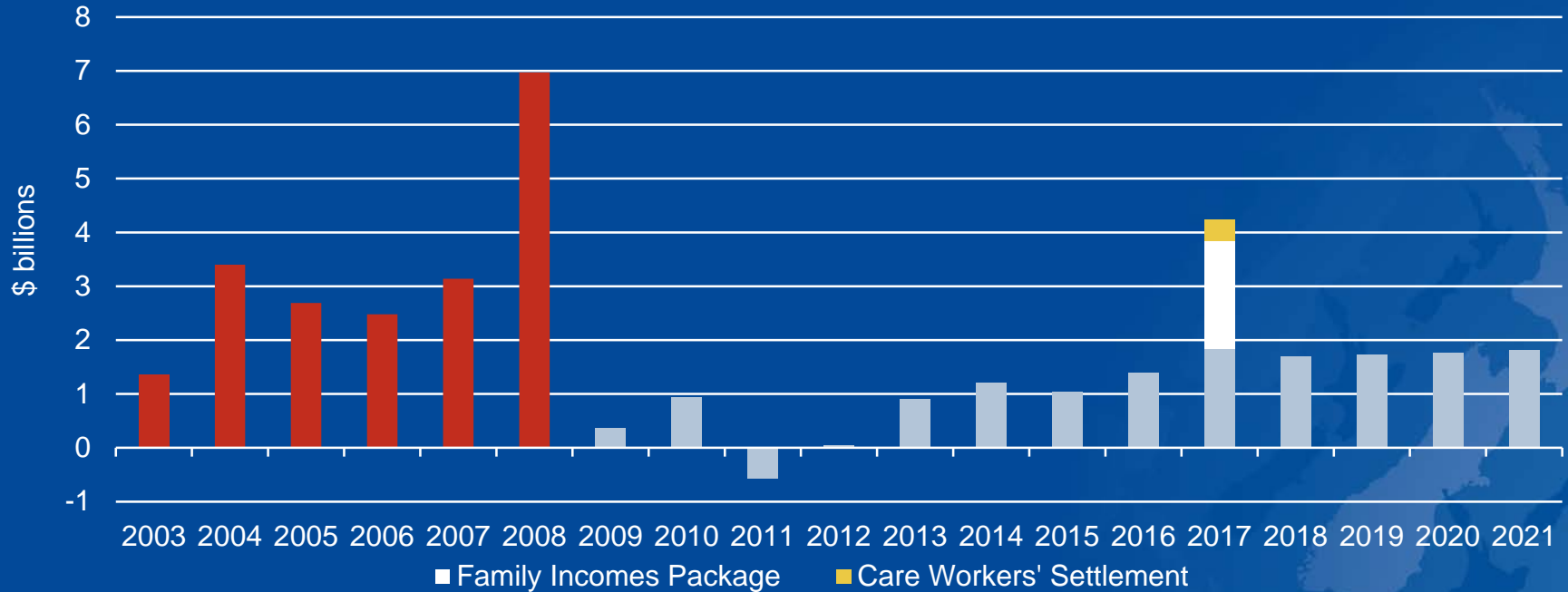


Budget 2017 fiscal priorities

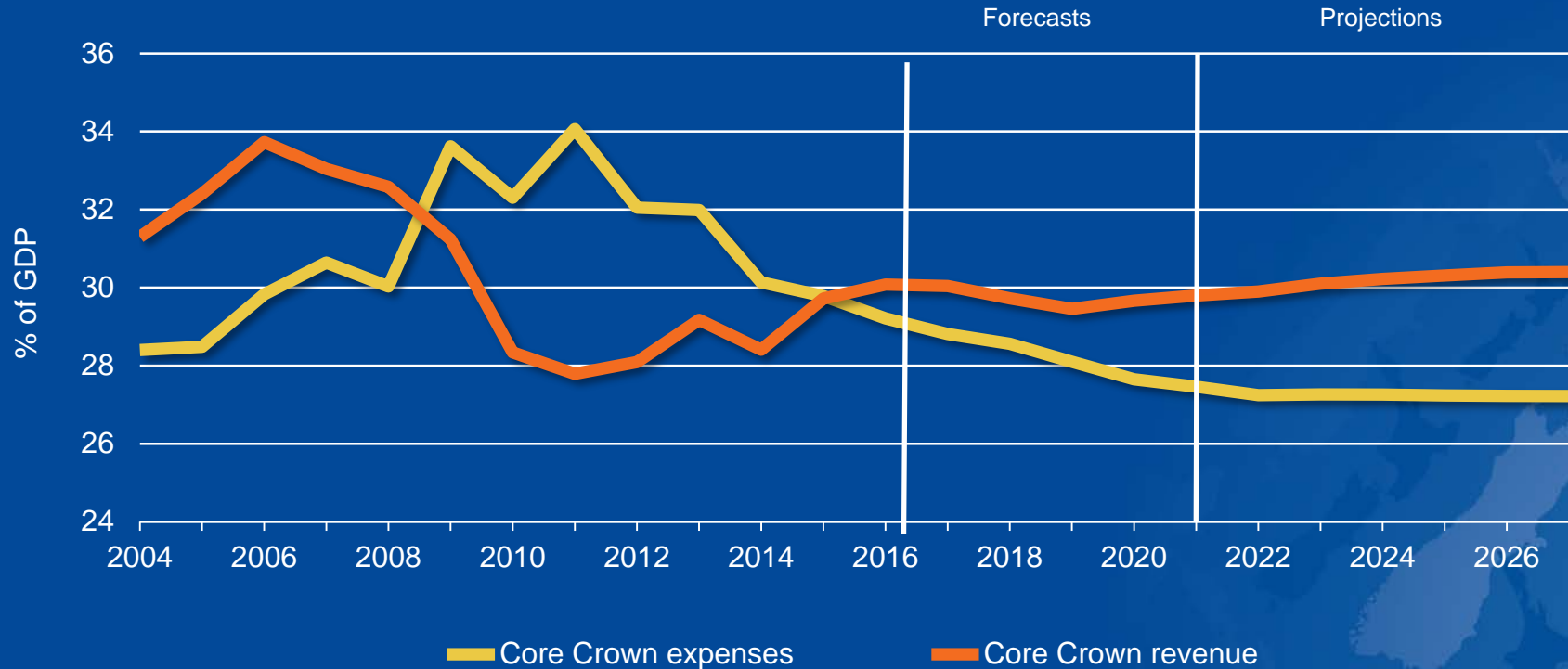
Budget 2017 delivers for New Zealanders

- Delivering better public services for a growing country
- Building the infrastructure we need in a growing modern economy
- Further reducing debt as a percentage of GDP
- Reducing the tax burden on low and middle income families

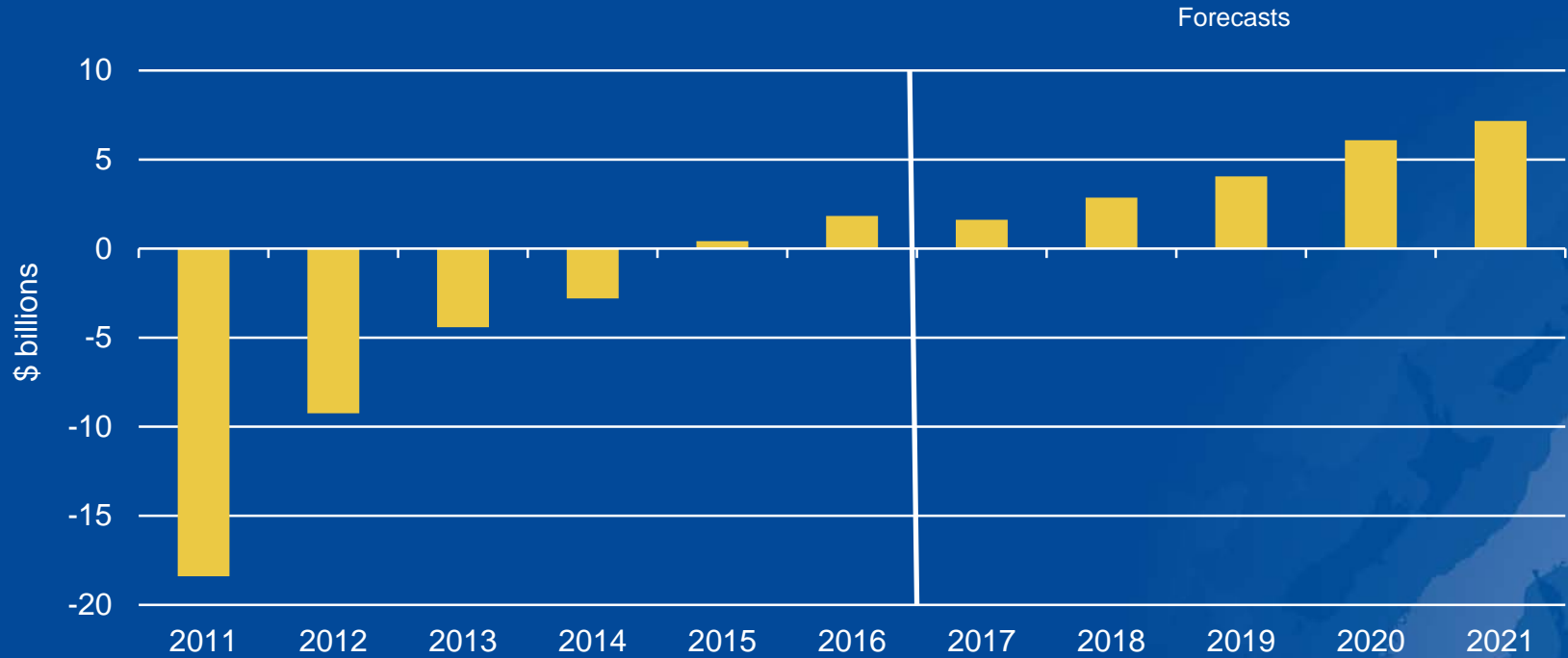
Operating allowance



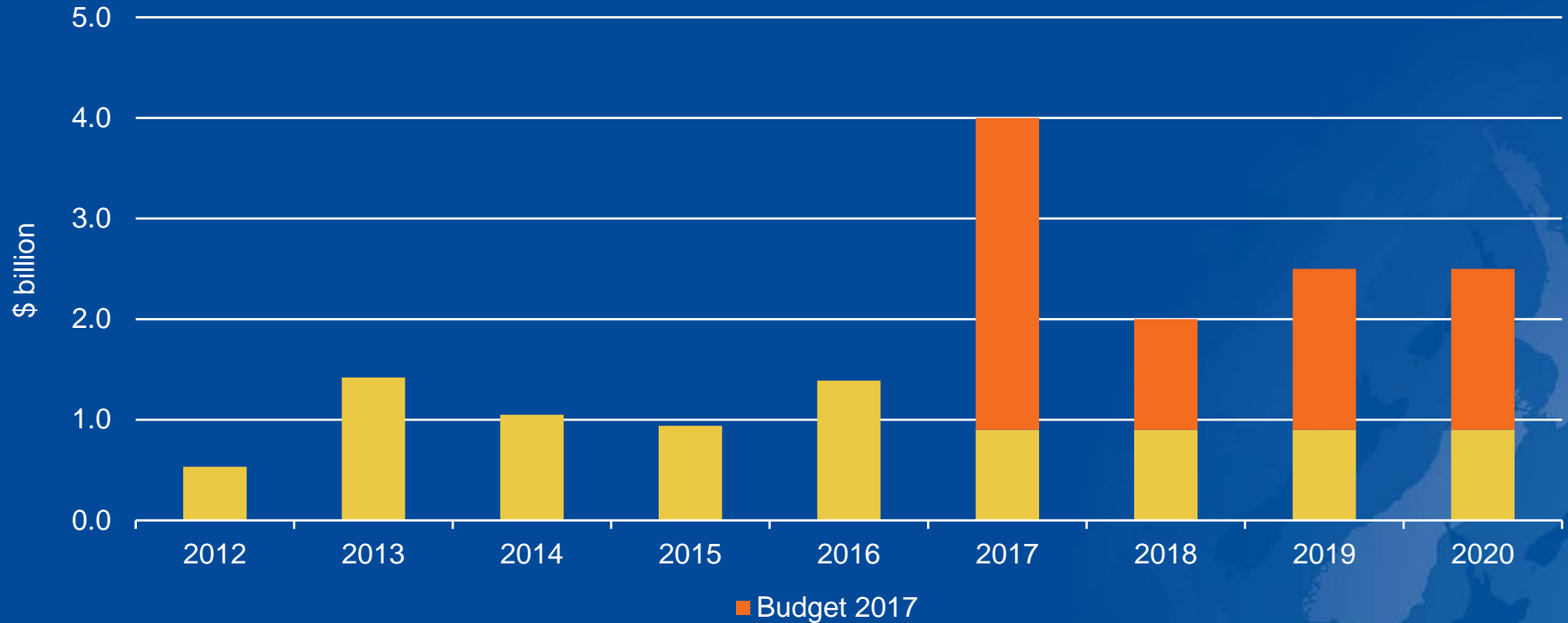
Core Crown revenue & expenses



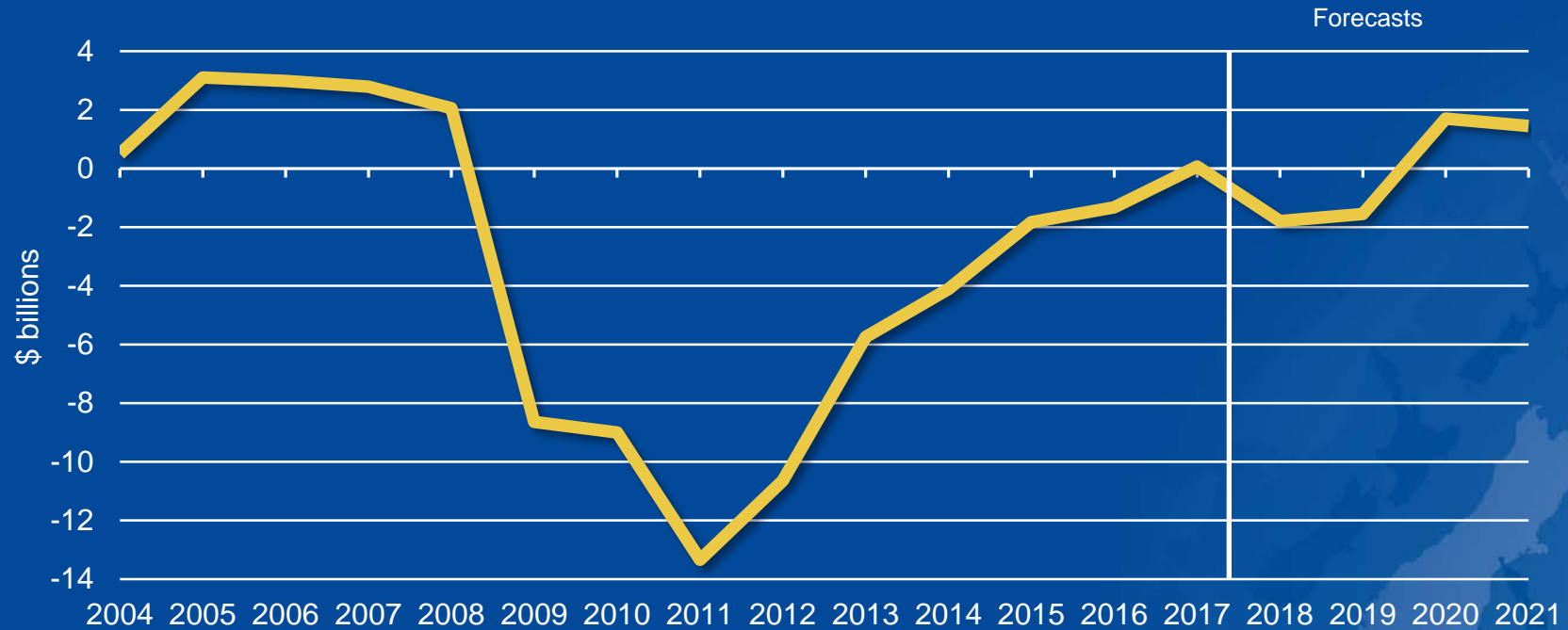
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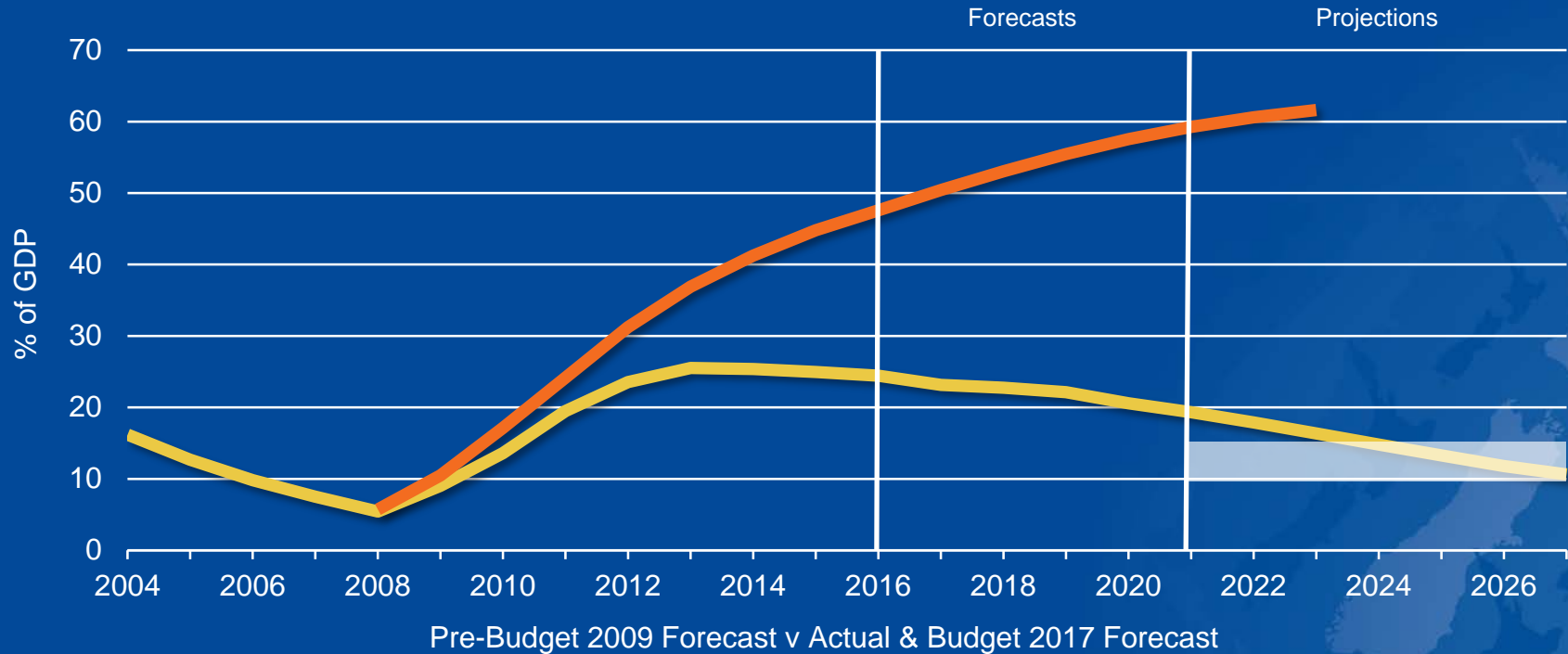
New capital allowance



Residual cash



Net debt and resilience



Business Growth Agenda

\$1 billion over four years including:

- Innovative NZ: \$373 million to help diversify the economy
- Trade Agenda 2030: \$134 million to forge new trade opportunities
- Tourism: \$188 million for tourism infrastructure in the regions
- Film industry: \$222 million for the international Screen Grant

Better Public Services

\$7 billion over four years:

- Education: \$1.1 billion to increase operational grants funding, roll growth, and ECE centres
- Justice: \$1.2 billion for 10% more police, burglary prevention, reduce youth offending and support at-risk prisoners
- Oranga Tamariki: \$424 million to support vulnerable children
- Social housing: \$185 million for social housing
- Health.....

Health Services

\$3.9 billion over four years:

- District Health Boards: \$1.76 billion
- Disability Support Services: \$205 million
- Pharmac: \$60 million
- Ambulance services: \$52 million
- Bowel screening programme roll-out: \$39 million
- + 55,000 care and disability support workers' wage increase: \$1.5 b

Social Investment

\$321 million over four years to improve lives of most vulnerable

- \$73 million to help kids have a better start in life
- \$79 million to reduce re-offending
- \$54 million to reduce barriers to employment and independence

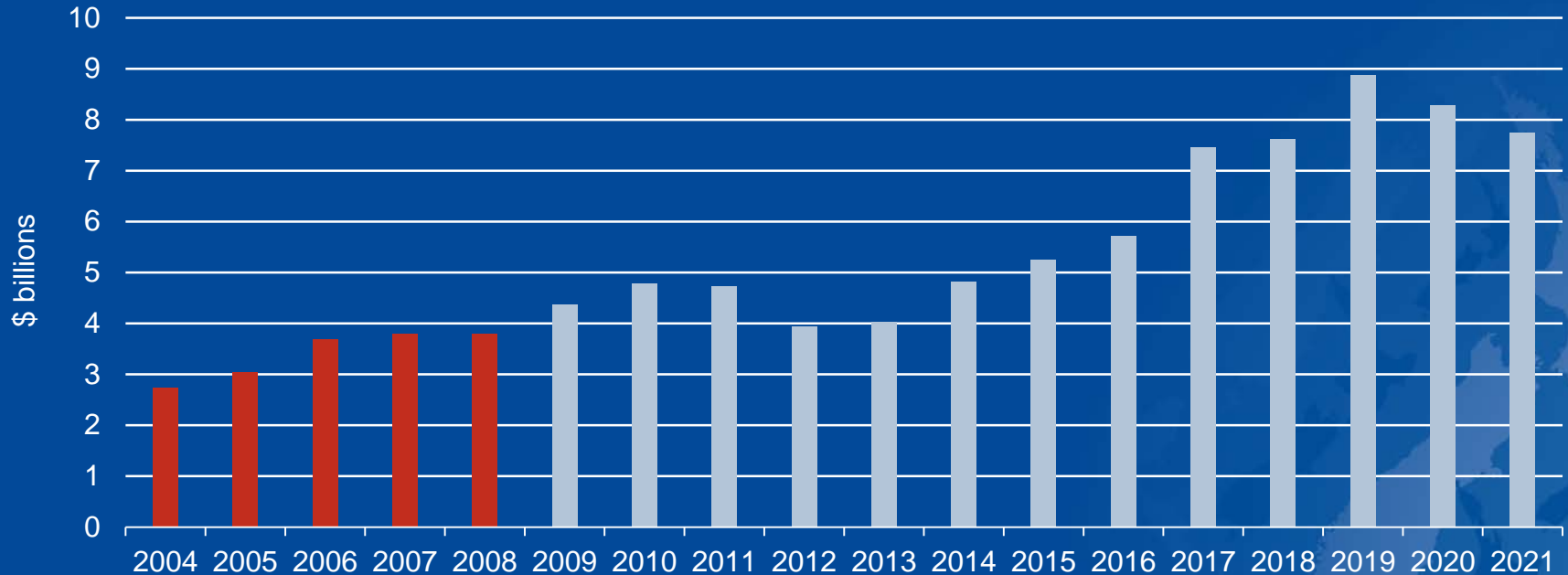
- \$116 million for new approach to mental health needs
- This means \$224 million total new spend on mental health services

Infrastructure for a growing economy

\$4 billion in new capital expenditure in Budget 2017

- Roads: \$812 million to reinstate SH1 north and south of Kaikoura
- Education: \$392 million for more new schools and classrooms
- Health: \$150 million for health facilities
- Housing: \$120 million to free up more Government land for housing
- Rail: \$984 million, including \$436 million for Auckland's CRL project
- Defence: \$576 million for new capabilities and modernisation
- Justice: \$786 million for additional capacity and resilience

Total capital spend



\$2b Family Incomes Package

Personal income tax thresholds increases

Current	From 1 April 2018	Rate
Under \$14,000	Under \$22,000	10.5%
\$14,001 - \$48,000	\$22,001 - \$52,000	17.5%
\$48,001 - \$70,000	\$52,001 - \$70,000	30%
Over \$70,001	Over \$70,001	33%

- \$11 a week to anyone earning more than \$22,000 per year
- \$20 a week to anyone earning more than \$52,000 per year

Family Incomes Package

Independent Earner Tax Credit removed

- To simplify tax system and reduce compliance burden
- It is only claimed by 32% of eligible recipients during the tax year.
- People who lose this credit will be compensated in full by the lifting of the lowest income tax threshold from \$14,000 to \$22,000.

Family Incomes Package

Working for Families increases

Weekly rate	Current	From 1 April 2018
Eldest child, 16-18	\$102	\$102
Eldest child, 0-15	\$93	
Subsequent child, 16-18	\$91	\$91
Subsequent child, 13-15	\$74	
Subsequent child, 0-12	\$64	

- Rates for first child under 16 increase \$9 a week
- Rates for subsequent children increase by \$18 or \$27 a week
- Abatement threshold reduced to \$35,000; rate up to 25%

Family Incomes Package

Accommodation Supplement maximum payments will increase and make-up of areas will be updated

Area	Family size	Maximum weekly increase
Area 1	2 person	\$75
	3+ person	\$80
Area 2	2 person	\$30
	3+ person	\$55
Area 3	2 person	\$30
	3+ person	\$40
Area 4	2 person	\$25
	3+ person	\$45

Family Incomes Package

Impacts of Accommodation Supplement changes

75,000 Households	receiving a benefit will see an average increase of	\$30 per week
46,000 Low income	working people and families not receiving a main benefit will see an average increase of	\$48 per week
15,000 Superannuitants	will see an average increase of	\$29 per week

Family Incomes Package

Impact on example families from Family Incomes Package

Family size	Primary income	Secondary income	Tax reduction (weekly)	IETC loss (weekly)	WFF change (weekly)	Total tax & WFF change (weekly)	Maximum AS change (weekly)
Two adults Children: 3 & 5	\$55,000	-	\$20	-	\$21	\$41	Up to \$80
Two adults	\$55,000	\$55,000	\$41	-	-	\$41	-
Adult Child: aged 14	\$33,000	-	\$11	-	\$9	\$20	Up to \$75
Two adults	\$55,000	\$33,000	\$31	(\$10)	-	\$21	-
Adult	\$80,000	-	\$20	-	-	\$20	-
Two adults Children: 16, 14, & 12	\$33,000	\$33,000	\$21	-	\$24	\$45	Up to \$80

Family Incomes Package

Impact on superannuitants and students

- 750,000 superannuitants benefit through link between NZ Super and after-tax wages
- Couple rate for NZ Super increases by \$13 a week, in addition to normal adjustments because of wage indexation
- Accommodation Benefit, paid to eligible Student Allowance recipients, will increase by up to \$20 per week

Family Incomes Package

Quintile analysis for working families

Quintile	Population	Families who gain	Percentage	Average gain per week
1	299,000	154,000	52%	\$35
2	298,000	296,000	99%	\$15
3	298,000	296,000	99%	\$24
4	298,000	297,000	100%	\$27
5	298,000	298,000	100%	\$33
Total	1,492,000	1,342,000	90%	\$26

Beyond Budget 2017

Continuing progress over next four years

- Strong economic plan underpins rising wages and continued employment growth
- Additional social investment to improve lives of New Zealanders
- Responsible expenditure management produces rising surpluses
- Debt starting to fall in nominal terms to provide resilience in case of economic shock or natural disaster
- Intention to continue adjusting tax and transfer settings as fiscal conditions allow

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Hon Steven Joyce, Minister of Finance

www.budget.govt.nz/budget/2017/family-incomes-calculator