

# A families package that delivers

**Labour's Families Package will deliver more money to the pockets of low and middle income Kiwi families without unaffordable tax cuts for the well-off.**

Labour has designed a Families Package that delivers more money to families with children and reduces child poverty while freeing up more than \$2 billion over four years to contribute to our investments in housing, health, education, and other priorities.

► **Labour will:**

- **Boost Working for Families to all those who currently receive it and extend it to 30,000 more families, in addition to the Working for Families changes announced in Budget 2017.**
- **Introduce a Best Start payment to help families with costs in a child's early years.**
- **Introduce a Winter Energy Payment for people receiving superannuation or a main benefit.**
- **Reinstate the Independent Earners' Tax Credit.**
- **Implement the Accommodation Supplement increases announced in Budget 2017.**

Now is not the time for tax cuts. The top 10 percent of income earners get \$400 million from National's tax cut, which is as much as the bottom 60 percent receive combined. So Labour will eliminate National's tax cuts, saving \$1.5 billion a year. Making this choice provides Labour with the opportunity to reduce inequality and boost family incomes.

Labour's targeted Families Package costs \$890 million in 2018/19, against savings from not implementing National's tax cuts of \$1,522 million. This creates more than \$2 billion over four years of net savings. These savings, together with new spending to be set out in Labour's Fiscal Plan, will be prioritised towards rebuilding New Zealand's social foundations by investing in essential public services and our future infrastructure needs.

Through the introduction of the Best Start scheme, and our increase in Working for Families payments, Labour has targeted money at babies and toddlers, and at low and middle income families. Labour believes that every Kiwi child deserves the best start in life regardless of their background.

Labour will complement our existing Healthy Homes Guarantee and insulation grants policies with a Winter Energy Payment aimed at improving the health of older New Zealanders and our poorest families over winter.

Labour's Families Package will deliver more money than National's to over 70 percent of families with children. Families on middle incomes will receive as much as \$48 a week more, plus Best Start payments for children under three. Unlike National's package, no families will be worse off and the wealthiest households do not get a disproportionate benefit.

This package will replace the Budget 2017 tax and families package, and will come into force on 1 April 2018.

## Working for Families changes

### Labour will:

- Increase the Family Tax Credit base rate for the eldest child to **\$5,878**. This is currently **\$5,303** for eldest children aged 16-18 and **\$4,822** for eldest children aged 0-15 (due to be increased to **\$5,303** according to Budget 2017).
- Adopt the Budget 2017 changes to the Family Tax Credit base rate for subsequent children and new abatement rate.
- Raise the abatement threshold for Working for Families to **\$42,700**, currently **\$36,350** (due to be cut to **\$35,000** according to Budget 2017).

The combination of these changes will increase the amount of Working for Families payments for every family currently receiving them, and increase the number of families receiving Working for Families payments by over 30,000. Labour's Working for Families boost will cost \$370 million in 2018/19.

## Best Start

### Labour will:

- Introduce a Best Start payment of **\$60** a week for each child in the first year after Paid Parental Leave ends, and for low to middle income families up to age three.

Best Start gives nearly 60,000 families a year extra support in the first year of their child's life. For low and middle income earners, that support will continue until their child turns three.

We have focused on these years given how important they are for a child's development, but also because this is the time many families struggle to manage care and often work responsibilities. We want families to have more choice when it comes to the first three years of their child's life.

All families will receive the payment in their baby's first year. For families receiving Paid Parental Leave, Best Start payments will begin after PPL payments end. Best Start will replace the Parental Tax Credit.

For families on low and middle incomes, Best Start will continue until age three. When children are aged one to two, the payment will abate above \$79,000 of household income at a rate of 20.8c/\$1.

If a family has more than one eligible child, it will receive one payment per child. Where household income exceeds the abatement threshold, the Best Start payments for children aged one to two will be abated as a sum, rather than each being abated concurrently.

Best Start will cost \$303 million in 2018/19.

## Some family examples:

### An Auckland family with a six year old and a 10 year old with a single income of \$90,000:

With Labour, this family gets \$49 more a week  
(plus up to \$80 in Accommodation Supplement)

The same family gets only \$22 a week under National  
(plus up to \$80 in Accommodation Supplement)

▶ **\$27 a week better off with Labour compared with National**

### A Christchurch family with a 16 year old on a combined income of \$70,000:

With Labour, this family gets \$25 more a week  
(plus up to \$55 in Accommodation Supplement)

The same family gets a net minus \$1 a week under National  
(plus up to \$55 in Accommodation Supplement)

▶ **\$26 a week better off with Labour compared with National**

### A Hamilton family with a four year old and a baby on an income of \$55,000:

With Labour, this family gets \$129 more a week  
(plus up to \$55 in Accommodation Supplement)

The same family gets only \$39 a week under National  
(plus up to \$55 in Accommodation Supplement)

▶ **\$90 a week better off with Labour compared with National**

### A Wellington sole parent with a two year old and an income of \$45,000:

With Labour, this family gets \$107 more a week  
(plus up to \$55 in Accommodation Supplement)

The same family gets only \$9 a week under National  
(plus up to \$55 in Accommodation Supplement)

▶ **\$98 a week better off with Labour compared with National**

## Summary of changes

### Family Tax Credit Base Payment, per annum

|                         | Current | National | Labour  |
|-------------------------|---------|----------|---------|
| Eldest child, 16-18     | \$5,303 | \$5,303  | \$5,878 |
| Eldest child, 0-15      | \$4,822 |          |         |
| Subsequent child, 16-18 | \$4,745 | \$4,745  | \$4,745 |
| Subsequent child, 13-15 | \$3,822 |          |         |
| Subsequent child, 0-12  | \$3,351 |          |         |

### Family Tax Credit Abatement Threshold, per annum

|                  | Current  | National | Labour   |
|------------------|----------|----------|----------|
| Household income | \$36,350 | \$35,000 | \$42,700 |

### Best Start, per annum\*

|                    | Current | National | Labour  |
|--------------------|---------|----------|---------|
| Per child aged 0-2 | \$0     | \$0      | \$3,120 |

\*Begins after the end of Paid Parental Leave payments. If the child is aged 1 or 2, the payment abates at 20.8% when household income passes \$79,000.

### Winter Energy Payment, per winter\*

|   | Current | National | Labour |
|---|---------|----------|--------|
| Superannuitant/main benefit recipient - individual              | \$0     | \$0      | \$450  |
| Superannuitant/main benefit recipient – couple or single parent | \$0     | \$0      | \$700  |

\*will be paid to current recipients in five monthly payments from May to September

## Comparison between Labour and National family packages

Labour's Families Package is better targeted and more affordable. By eliminating National's tax cuts, \$1.5 billion a year is saved. Nearly \$900 million a year of these savings are invested in boosting Working for Families, creating the Best Start payment and the Winter Energy Payment, and lifting the benefit abatement thresholds.

Because Labour's package doesn't give hundreds of millions of dollars to high-income people, more money will be available to invest in priorities for Kiwi families like housing, health, education, and other priorities.

### Fiscal Impact (\$m, 2018/19 fiscal year)

| Budget 2017 package  | National        | Labour                                       |
|--|-----------------|--|
| Tax Cuts and IETC cancellation   | \$ 1,896        | X  |
| Working For Families   | \$ 373          | \$ 373                                       |
| Accommodation Supplement   | \$ 361.60       | \$ 361.60                                    |
| Accommodation Benefit  | \$ 19.50        | \$ 19.50                                     |
| Transitional Fund  | \$ 0.50         | \$ 0.50                                      |
| Consequential Impacts  | -\$ 575.20      | -\$ 200.90                                   |
| <b>Net total</b>   | <b>\$ 2,075</b> | <b>\$ 554</b>                                |
|  |                 |  |
| Net savings from not cutting tax and retaining IETC                              |                 | <b>\$ 1,522</b>                              |
|  |                 |  |
| Working for Families boost   |                 | \$ 370                                       |
| Best Start   |                 | \$ 303                                       |
| Winter Energy Payment  |                 | \$ 374                                       |
| Consequential Impacts  |                 | -\$ 157                                      |
| <b>Total investment in Labour Families Package</b>                               |                 | <b>\$ 890</b>                                |
|  |                 |  |
| Funding freed for investment in housing, health, education, and other priorities |                 | <b>More than \$2 billion over four years</b> |

*\*Consequential impacts are calculated on the same basis as used in Budget 2017*

## Impact by income level of Working for Families changes

Weekly increase with Labour, compared to current payments.

| Annual household income | 1 child | 2 children | 3 children |
|-------------------------|---------|------------|------------|
| \$5,000                 | 20      | 47         | 74         |
| \$10,000                | 20      | 47         | 74         |
| \$15,000                | 20      | 47         | 74         |
| \$20,000                | 20      | 47         | 74         |
| \$25,000                | 20      | 47         | 74         |
| \$30,000                | 20      | 47         | 74         |
| \$35,000                | 20      | 47         | 74         |
| \$40,000                | 36      | 63         | 90         |
| \$45,000                | 47      | 73         | 100        |
| \$50,000                | 44      | 71         | 98         |
| \$55,000                | 42      | 69         | 95         |
| \$60,000                | 39      | 66         | 93         |
| \$65,000                | 37      | 64         | 91         |
| \$70,000                | 35      | 61         | 88         |
| \$75,000                | 30      | 59         | 86         |
| \$80,000                | 6       | 57         | 83         |
| \$85,000                | 0       | 54         | 81         |
| \$90,000                | 0       | 49         | 79         |
| \$95,000                | 0       | 25         | 76         |
| \$100,000               | 0       | 1          | 74         |
| \$105,000               | 0       | 0          | 68         |
| \$110,000               | 0       | 0          | 44         |
| \$115,000               | 0       | 0          | 20         |
| \$120,000               | 0       | 0          | 0          |

*(Assumes In-Work Tax Credit received and children are under 12)*

## Modifiers (add these to the basic result above depending on family circumstances)

|   |     |
|---|-----|
| First Child over 16                                 | -9  |
| Subsequent child 13-15 each                         | -9  |
| Subsequent child 16-18 each                         | -27 |
| Child under 1 each (non-abating)                    | 60  |
| Child 1-2 each (abating over \$79,000 at 20.8c/\$1) | 60  |