

Budget Talk 2015

No Surprises Budget—well, mostly

The big tax headlines were made late last week, with pre-Budget announcements extending the tax rules for residential property sales.

Budget 2015 sees some additional, albeit minor, tax measures announced:

- repeal of the \$1,000 KiwiSaver incentive payment
- reductions in ACC levies
- an increase of the Working for Families in-work tax credit and the abatement rate
- more flexibility in dealing with penalties for child support debt, and "modest" tax cuts are signalled for 2017 "should fiscal and economic conditions allow".
- Another \$74 million over 5 years would be allocated to Inland Revenue's investigations activity.

Repeal of \$1,000 KiwiSaver incentive

Effective immediately (ie from 2pm on 21 May 2015), the \$1,000 kick-start incentive for people newly enrolling in KiwiSaver has been removed.

Reductions in ACC levies

ACC levy cuts of \$375 million are forecast for 2016 and an additional \$120 million in 2017. If cut as forecast, the average ACC motor vehicle levy could fall to around \$120 in 2016.

Working for Families scheme

Both the Working for Families (WFF) in-work tax credit and the WFF tax credit abatement rate will be increased:

- Low-income working families earning \$36,350 or less a year, before tax, will get \$12.50 extra a week from Working for Families, and some very low-income families will get \$24.50 extra.
- Working families earning more than \$36,350 will get extra from WFF, but it will be less than \$12.50 a week, with the exact amount dependent on their family income.
- Families earning more than \$88,000 a year will get slightly lower WFF payments, with the average reduction being around \$3 a week.

These changes take effect from 1 April 2016.

More flexibility for child support debt

Inland Revenue is adopting a more flexible approach to liable parents with child support debt – with the aim of ultimately achieving greater compliance. From 1 April 2016, the ability to write off monthly incremental penalties will be extended to more parents, and the test for writing off penalties will be changed to a more pragmatic "fair and reasonable" test.

Extra funding for tax compliance

Thursday's budget included a further Budget allocation of \$74m over five years for Inland Revenue's investigations activity. The Minister stated that \$29m of the extra funding will be used to target property speculation while the remainder of the funding, some \$45m, will be devoted to tackling the hidden economy (\$25.4m) and aggressive tax planning strategies (\$19.6m).