

WEBINAR

2024 NEW ZEALAND BUDGET – WHAT IT MEANS FOR PAYROLL



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WHO IS READYTECH?

ReadyTech (ASX:RDY) exists to help communities thrive.

From education and workforce management to local communities, government, justice systems and beyond, we create awesome technology that helps our customers navigate complexity, while also delivering meaningful outcomes.

ReadyTech Workforce solutions have a suite of integrated Payroll and HR solutions designed for the growing and modern workforce. One solution from hire to retire, our configurable selection of products helps businesses hire the right people, for the right job, paying them the right amount, at the right time.

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Thank you for joining us



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General Budget overview



Personal income tax changes



Implications of personal tax changes



Other changes to employment taxes or allowances

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General Budget Overview

Bruce Bernacchi, Partner

Highlights of the NZ 2024 Budget

Taxation

- Personal Tax cuts
 - Consistent with National's 2023 election campaign
- Other personal tax relief
 - In-work tax credit increase
 - Increase in the cap for the IETC
- \$147 million of additional funding for Inland Revenue

Spending

- \$8 billion in increased Health expenditure
- \$3 billion in additional Education funding
- \$650 million in additional Police funding
- \$1.2 billion Regional Infrastructure Fund
- \$2.7 billion in funding for roads, rail and public transport
- Spending cuts amounting to \$6 billion

Implications for the Economy

- Inflation forecast to drop below 3% by the end of 2024
- Unemployment to peak at 5.3% in late 2025
- Return to Budget surplus by the 2027/28 fiscal year (a year later than forecast in 2023)

The Overall Picture

	Budget 2024 Operating Average ¹ \$million	Budget 2024 Operating Total ² \$million	Budget 2024 Capital Total ³ \$million	Budget 2025 Committed Operating Average \$million	Budget 2026 Committed Operating Average \$million
Budget Breakdown					
Tax Relief	3,681	14,725	7	-	-
Savings and Revenue to Fund Tax Relief	(3,712)	(14,848)	(1,360)	-	-
Health*	2,007	8,029	124	1,370	1,370
Education (including Tertiary Education)	1,006	4,025	679	-	-
Law and Order	465	1,859	216	-	-
Social Sector and Disability Services	369	1,476	-	-	-
Transport	220	879	1,809	-	-
Defence and Foreign Affairs	109	436	325	-	-
Other New Spending	1,205	4,821	2,379	-	-
Savings and Revenue to Fund Core Services	(2,146)	(8,583)	(1,779)	-	-
Total Budget 2024	3,205	12,819	2,399	1,370	1,370

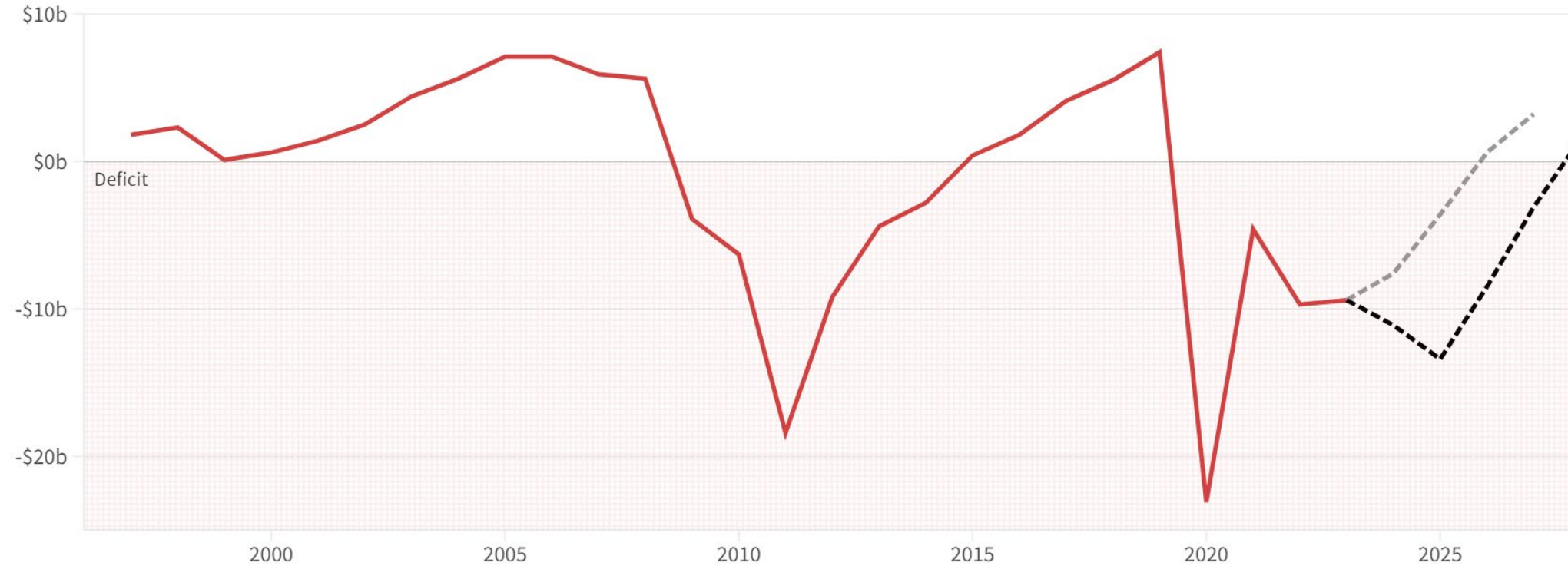
* The Government has committed \$1.4 billion per year against each of the Budget 2025 and 2026 operating allowances for Health cost pressures.

Crown Operating Balance

Crown operating balance (difference between core revenue and spending)

— Actual — Budget 2024 forecast — Budget 2023 forecast

Billions (\$)



Source: Treasury • Chart: RNZ / Kate Newton

Change in GDP

Annual change in gross domestic product (%)

— Actual — Budget 2024 forecast — Budget 2023 forecast

Change

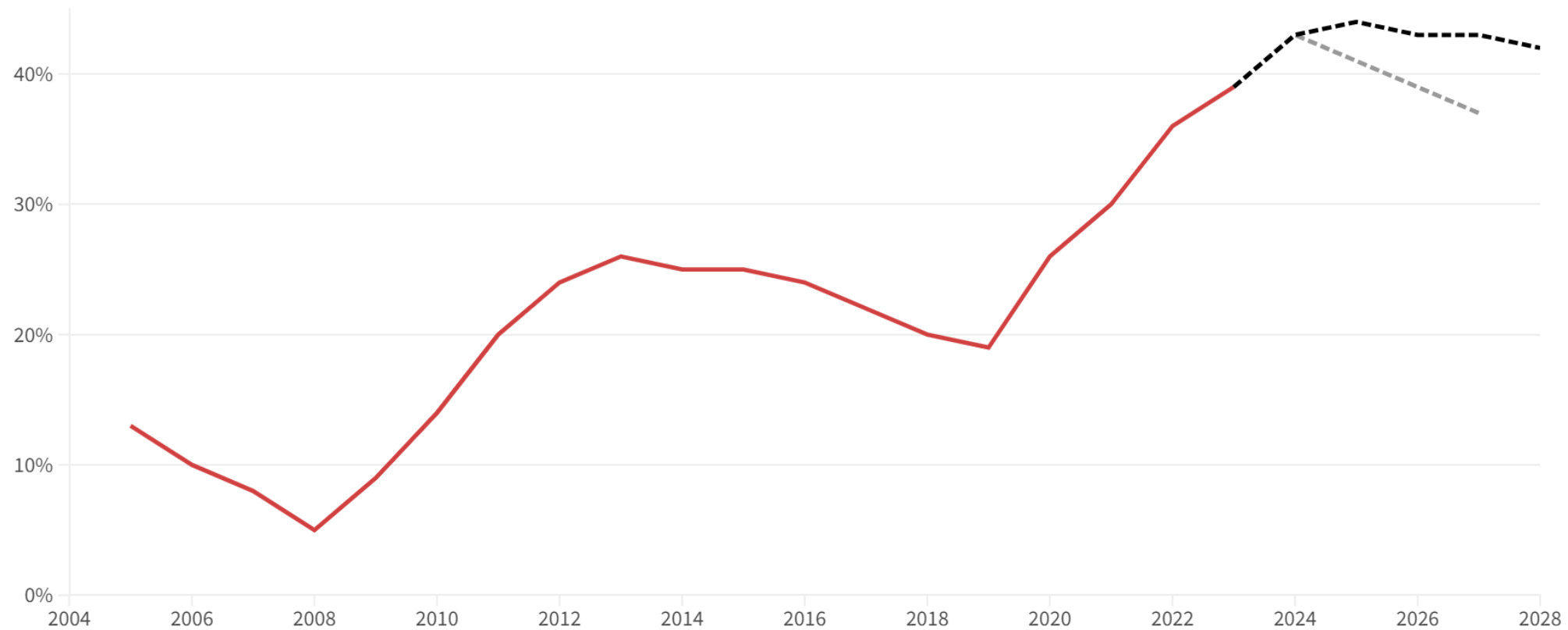


Source: Treasury • Chart: RNZ / Kate Newton

Core Crown Debt

As a % of gross domestic product

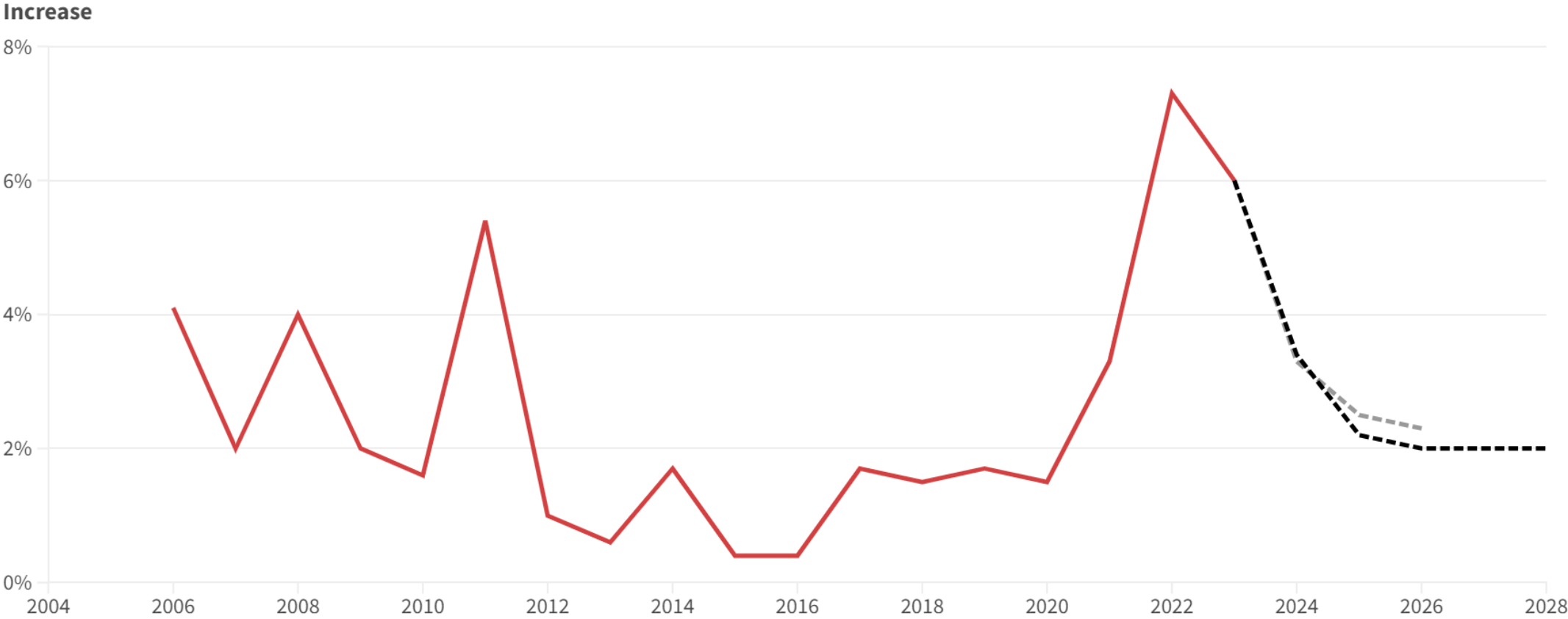
— Actual — Budget 2024 forecast — Budget 2023 forecast



Source: Treasury • Chart: RNZ / Kate Newton

Inflation

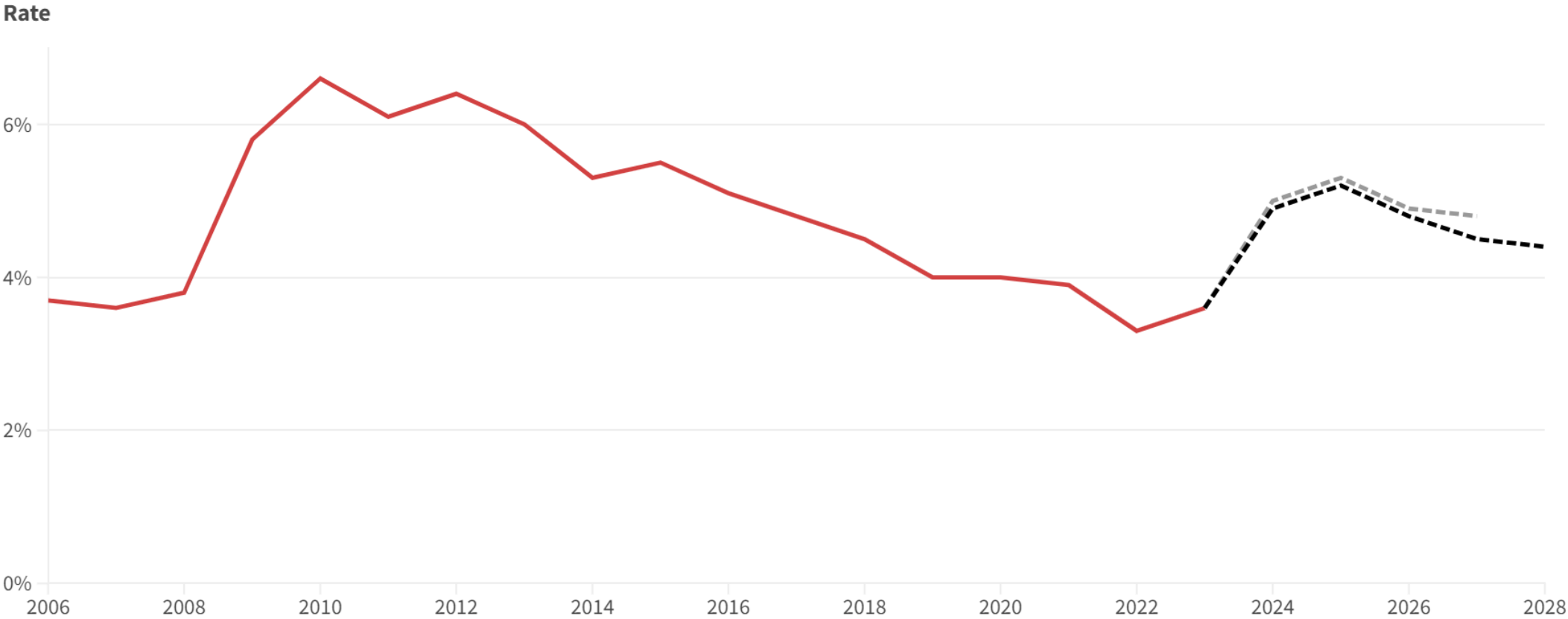
Actual Budget 2024 forecast Budget 2023 forecast



Source: Treasury • Chart: RNZ / Kate Newton

Unemployment

Actual Budget 2024 forecast Budget 2023 forecast



Source: Treasury • Chart: RNZ / Kate Newton



Personal income tax changes

Increase in personal income tax thresholds

- Effective 31 July 2024 (not 1 July 2024)
- First increase in tax thresholds since 2010

Current Bracket (\$)	New Bracket (\$)	Tax Rate
0 – 14,000	0 – 15,600	10.5%
14,000 – 48,000	15,601 – 53,500	17.5%
48,001 – 70,000	53,501 – 78,100	30%
70,001 – 180,000	78,101 – 180,000	33%
180,001 +	No change	39%

IETC, IWTC and Family Boost

Independent Earner Tax Credit (IETC)

- The IETC is a tax credit of up to \$20 per fortnight.
- Currently available to those earning between \$24,000 and \$48,000*. Those eligible can receive the IETC during the year by using an appropriate tax code, or get it all at the end of the year.
- Upper limit of eligibility for the IETC is being extended from \$48,000 to \$70,000. Those earning \$24,000 to \$66,000 per annum receive the full credit, with entitlements gradually reducing as income increases, up to the limit of \$70,000.

* You cannot get the IETC if:

- you or your partner are entitled to Working for Families Tax Credits
- you receive an income-tested benefit
- you receive New Zealand Superannuation
- you receive a Veteran's Pension
- you receive an overseas equivalent of any of the above.

In-Work Tax Credit (IWTC)

- The IWTC is a tax credit for families with dependent children who are normally in paid work. It pays \$72.50 a week for families with 1 to 3 children (with an extra \$15 a week for each fourth and following child).
- This will increase by up to \$50 per fortnight.

Family Boost

- From 1 July 2024, parents and caregivers will be eligible for a partial reimbursement of their ECE fees, up to a maximum fortnightly payment of \$150. Reimbursements will be made quarterly, as a lump sum. The first payments will be made from October.
- This maximum payment slowly reduces for family incomes over \$140,000 per annum. Families with incomes over \$180,000 per annum are not eligible for Family Boost.



Implications of personal tax changes

Example tax savings

Example 1: Couple with four children, two in ECE. One parent earns \$80K and one earns \$60K. \$600 per fortnight spent on ECE.

- Annual saving = \$7,042
- Made up of personal taxes \$1,842, IWTC \$1,300 and Family Boost \$3,900

Example 3: Solo parent earning \$80K with two school-aged children.

- Annual saving = \$2,343
- Made up of personal taxes \$1,043 and IWTC \$1,300

Example 2: Average household income with two school-aged children. Each parent earns \$62,500.

- Annual saving = \$2,639
- Made up of personal taxes \$1,599 and IETC \$1,040

Example 4: Working couple, both adults earn \$150K.

- Annual saving = \$2,085, all from personal tax savings

Consequential changes

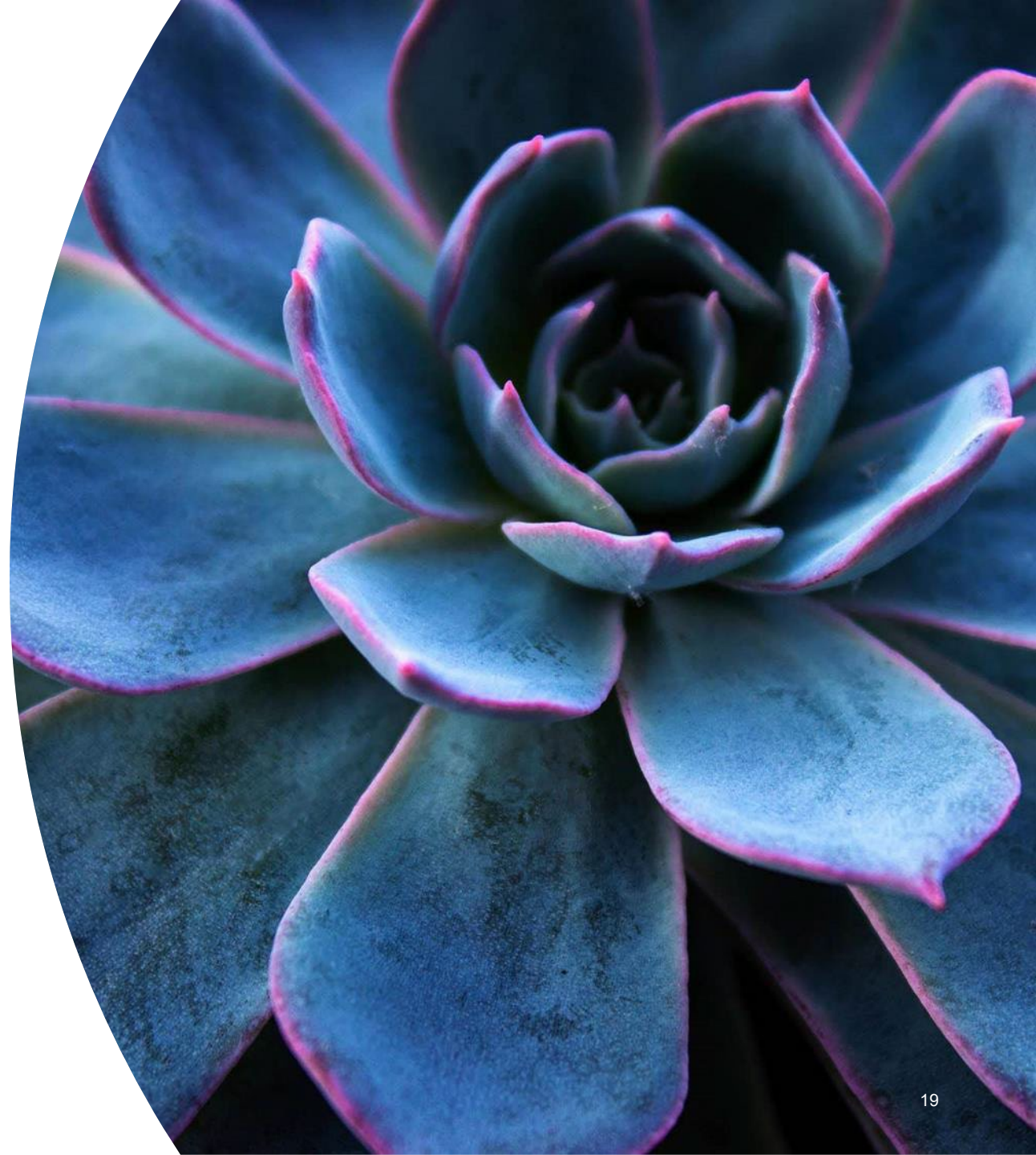
- Personal tax changes take effect four months into the tax year. This means there will be ‘composite’ rates in place for the 31 March 2025 tax year.
- New tax rates will take full annual effect from 1 April 2025.

Composite tax thresholds	Composite tax rates
0 – 14,000	10.5%
14,001 – 15,600	12.82%
15,601 – 48,000	17.5%
48,001 – 53,500	21.64%
53,501 – 70,000	30%
70,001 – 78,100	30.99%
78,101 – 180,000	33%
180,001 +	39%

Consequential changes

New legislation will:

- Introduce the new composite tax rates that will apply to the 2024/25 tax year with effect from 1 April 2024
- Changes effective 31 July 2024
 - PAYE M and ML and secondary tax codes from 31 July 2024
 - new RWT rates
- Changes effective 1 April 2025
 - New FBT thresholds
 - ESCT rates
 - PIR rates for PIE investments





Other changes to employment taxes or allowances

Mileage rates

- No other changes to employment taxes or allowance announced in the Budget.
- However, on the same day Inland Revenue approved new mileage rates for motor vehicles, as follows:

The table of rates for the 2024 income year

The Tier two rate is for running costs only. Use the Tier two rate for the business portion of any travel over 14,000 kms in a year.

Vehicle Type	Tier One Rate	Tier Two Rate
Petrol or Diesel	\$1.04	35 cents
Petrol Hybrid	\$1.04	21 cents
Electric	\$1.04	12 cents

The background of the slide is a dense, repeating pattern of purple leaves. The leaves are oriented in various directions, creating a textured, organic feel. The color is a consistent shade of purple, with some subtle variations in tone due to the overlapping and shading of the leaves.

Questions?

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Thank you



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