Income Tax (FamilyBoost) Amendment Bill

Government Bill

Explanatory note

General policy statement

This Bill introduces amendments to the FamilyBoost provisions within the Income Tax Act 2007.

FamilyBoost is a tax credit available to families who incur early childhood education fees after accounting for other government childcare support. FamilyBoost is assessed and paid on a household and quarterly basis. The maximum payment is $975 per quarter, based on 25% of the maximum claimable fees of $3,900 a quarter. Eligibility is subject to a quarterly household income test, with payments beginning to abate at a household income of $35,000 per quarter (equivalent to $140,000 a year). The abatement rate is 9.75%, and families become ineligible once quarterly income reaches $45,000 (equivalent to $180,000 a year).

The Bill's primary objective is to increase the level of assistance available through the FamilyBoost tax credit by raising the credit amount and expanding the eligibility criteria. Specifically, the Bill proposes to:

- increase the percentage of early childhood education expenses claimable from 25% to 40%, raising the maximum quarterly tax credit payment from $975 to $1,560; and
- reduce the abatement rate from 9.75% to 7%, increasing the quarterly maximum household income cap from $45,000 to $57,286.

These amendments would apply to eligible early childhood education fees incurred on or after 1 July 2025. The first payments to be processed under the revised settings would begin in October 2025.

Tax credit payments for fees incurred between 1 July 2024 and 30 June 2025 would not be affected by these proposed changes and would continue to be administered under the current FamilyBoost settings.

A commentary on the Bill is available at https://www.taxpolicy.ird.govt.nz/publications/2025/commentary-familyboost-tax-bill.

Departmental disclosure statement

The Inland Revenue Department is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2025&no=203

Regulatory impact statement

The Inland Revenue Department produced a regulatory impact statement on 25 June 2025 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of this regulatory impact statement can be found at—

- https://www.taxpolicy.ird.govt.nz/publications/2025/ria-familyboost-tax-bill
- https://www.regulation.govt.nz/our-work/regulatory-impact-statements/

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 states that the Bill comes into force on 1 July 2025.

Clause 3 states that the Bill amends the Income Tax Act 2007.

Clause 4 amends section MH 3. *Subclause (1)* increases the percentage of licensed early childhood service fees able to be claimed as a FamilyBoost tax credit. *Subclause (2)* increases the maximum tax credit amount.

Clause 5 amends section MH 5. *Subclause (1)* reduces the abatement rate. *Subclause (2)* increases the upper threshold for a person’s tax credit income in a tax credit quarter and increases the abatement amount.

Hon Nicola Willis

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Contents

The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Income Tax (FamilyBoost) Amendment Act **2025**.

2 Commencement

This Act comes into force on 1 July 2025.

3 Principal Act

This Act amends the Income Tax Act 2007.

4 Section MH 3 amended (FamilyBoost tax credit)

(1) In section MH 3(2), replace "25%" with "40%", and replace "$975" with "$1,560".

(2) In section MH 3(3)(b), replace "$975" with "$1,560".

(3) **Subsections (1) and (2)** apply to tax credit quarters commencing on or after 1 July 2025.

5 Section MH 5 amended (FamilyBoost tax credit abatement)

(1) In section MH 5(2), replace “9.75” with “7”.

(2) In section MH 5(3), replace “$45,000” with “$57,286”, and replace “$975” with “$1,560”.

(3) **Subsections (1) and (2)** apply to tax credit quarters commencing on or after 1 July 2025.

Wellington, New Zealand:

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