The Treasury

Budget 2026 Information Release

September 2026

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[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

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[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

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[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

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Inland Revenue
Te Tari Taake

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

TE TAI ŌHANGA
THE TREASURY

Tax policy report: Working for Families options for Budget 2026

Date:	12 November 2025	**Priority:**	High
Security level:	Sensitive - Budget	**Report number:**	IR2025/420 T2025/2839 REP/25/11/871

Action sought

	Action sought	Deadline
Minister of Finance	**Agree** to recommendations	20 November 2025
Minister for Social Development and Employment/Minister for Child Poverty Reduction	**Agree** to recommendations	20 November 2025
Minister of Revenue	**Agree** to recommendations	20 November 2025

Contact for telephone discussion (if required)

Name	Position	Telephone	Suggested first contact
Paul Young	Acting Policy Lead, Inland Revenue	[39]	☒
Samantha Aldridge	Principal Policy Advisor, Inland Revenue		☐
Alex Harrington	Principal Advisor, Social Sector, Communities and Learning, The Treasury		☒
Alana Roughan	Principal Analyst, Ministry of Social Development (Social Development and Employment)		☒
Deborah Tucker	Principal Analyst, Ministry of Social Development (Child Wellbeing and Poverty Reduction)		☐

12 November 2025

Minister of Finance
Minister for Social Development and Employment
Minister for Child Poverty Reduction
Minister of Revenue

Working for Families options for Budget 2026

Executive Summary

1. This report seeks your decisions on Working for Families options to develop further as part of the welfare reform package for Budget 2026 and beyond. The package objectives are to incentivise people into work, including shifting people from welfare into work, while keeping fiscal targets in mind. We also understand Ministers are particularly interested in options that do not reduce entitlements for families.

2. Options are summarised in the table below with more detail in Appendix 1.[1] As one option could offset savings from another, the total savings over the forecast period depends on final package and design choices. [33]
[33]
[33] . All other options assume a 1 April 2027 implementation date.

[33]

[1] Fiscal costs are based on Inland Revenue's and the Ministry of Social Development's BEFU25 forecasts. Annual costs (and savings) are the average annual cost over the forecast period, i.e. the total cost divided by four. Distributional analysis is from the Tax and Welfare Analysis modelling (TAWA) provided by the Treasury, based on the 2027/28 tax year, as well as Inland Revenue administrative data based on the 2027/28 financial year (marked with an asterisk).

3. [34]

4. [33]

5.

6.

7. All things being equal, people have an incentive to earn more through working if their household income is lower (for example, if they receive less government support). However, financial incentives to work are one component of a larger system of incentives and the actual impact of a lowered household income on work incentives will depend on the availability of jobs, the size of any financial change and other factors that impact on their ability to work, including childcare and transport, and personal preferences.

8. If Ministers wish to proceed with any of these options for Budget 2026, officials will prepare bids [33]
[33]
[33]
[33]

Background and objectives

9. Following the 29 September joint Ministers[2] meeting, officials have prepared advice on Working for Families options for Budget 2026.

10. As noted in the follow-up commissioning report on welfare reform [T2025/2558, IR2025/407, REP/25/10/774 refers], joint Ministers identified a target of [33] welfare reform, including Working for Families. However, Ministers made clear that this fiscal target should not come at the expense of the primary objective to incentivise people into work, and to shift people from welfare into work. We understand that Ministers are also interested in options that will not result in decreased entitlements for families.

[2] Minister of Finance, Minister for Social Development and Employment / Minister for Child Poverty Reduction and Minister of Revenue

11. This report focuses on options that could achieve one or two of these objectives. No individual option achieves all three due to the challenges [33] while balancing work incentives and income adequacy.

12. Changes to Working for Families only impact families with children rather than the wider population, but could be implemented relatively quickly. The true impact of work incentives of such changes will depend on broader factors such as the availability of jobs, access to childcare and transport, health and disability, caring responsibilities, as well as personal preferences and other government supports.

13. Any Working for Families options progressed through Budget 2026 could be considered alongsid [33]
[33] Working for Families tax credits are designed to work in tandem with main benefits – combining changes could provide more options; however, this would take time to design and implement.

Working for Families options

[33]

[33]

[33]

[33]

[33]

Opportunities and risks

45. Implementing multiple changes simultaneously has advantages from economies of scale while also carrying some risk. It is easier for recipients when changes are rolled up into the start of a tax year so that their entitlements are clear to them from a 1 April start date. This can also help prevent the confusion of successive small changes to entitlements and rates. However, Inland Revenue may face a business risk due to the cumulative impact of making several changes at one time.

46. Ministers may wish to consider making a pre-Budget announcement to prepare recipient families for potential changes.

[33]

Administrative implications

47. To implement and administer several options, Inland Revenue estimates it would require up to [33] of new funding over the forecast period.[8] The Ministry of Social Development will also have implementation impacts and these will be assessed across the range on initiatives being considered for the Welfare Reform Budget 2026 package. Agencies' ability to implement proposals by 1 April 2027 will also depend on the scale of change. Once the options are narrowed down and confirmed we will be able to provide updated costings and timeframes.

Fiscal implications

48. Options have been costed individually and do not account for the potential for interactions between options. [33]
[33]
[33]

49. If Ministers want to progress a package of options, we expect the total amount of savings to change and we can update this accordingly.

	Fiscal cost/(saving) over forecast period ($m)				
Option	2026/27	2027/28	2028/29	2029/30	**Total**

[33]

[33]

Ministers are also considering broader changes to Working for Families

52. [33]

53. As noted in the commissioning report, officials will also provide advice on [33] [33] a shorter period of assessment.

Next steps

54. Officials request that Ministers indicate which initiatives they want to progress for Budget 2026. Agencies will be preparing Budget bids for submission by mid-December. Officials will further develop Treaty analysis on the options to support this.

[33]

Recommended action

We recommend that you:

1. **note** the outlined options will provide savings and potentially positive work incentives but may have trade-offs for income adequacy and work incentive impacts for some families

Noted	**Noted**	**Noted**
Minister of Finance	Minister for Social Development and Employment Minister for Child Poverty Reduction	Minister of Revenue

2. **indicate** which of the following options you would like officials to prepare Budget initiative templates for, for submission into the Budget 2026 process:

[33]	Minister of Finance	Minister for Social Development and Employment Minister for Child Poverty Reduction	Minister of Revenue
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**
	Yes / No	**Yes / No**	**Yes / No**

[33]

Noted	Noted	Noted
Minister of Finance	Minister for Social Development and Employment Minister for Child Poverty Reduction	Minister of Revenue

Jean Le Roux
Senior Manager, Social Sector, Communities and Learning
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Dee Collins
Policy Manager, Welfare System and Income Support
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Paul Young
Acting Policy Lead
Inland Revenue

Hon Nicola Willis
Minister of Finance
/ / 2025

Hon Louise Upston
Minister for Social Development and Employment
Minister for Child Poverty Reduction
/ / 2025

Hon Simon Watts
Minister of Revenue
/ / 2025

Appendix 1 – Budget 2026 Working for Families options

Option	Fiscal costs / savings	Distributional impacts	Child poverty impacts / child material hardship impact	Impact on incentivising people from welfare to work

[33]

[33]

Source: *Fiscal costs are based on Inland Revenue's and the Ministry of Social Development's BEFU25 forecasts. Annual costs (and savings) are the average annual cost over the forecast period, i.e. the total cost divided by four. Distributional analysis is from the TAWA modelling provided by The Treasury, based on the 2027/28 tax year, as well as Inland Revenue administrative data based on the 2027/28 financial year (marked with an asterisk).*