

Tax plan for couples to split income – Radio New Zealand, 12 December 2009

The United Future Party is pushing ahead with a proposal to allow couples with children to split their income for tax purposes, even though it might cost as much as \$450 million.

If implemented, says party leader and Revenue Minister Peter Dunne, it could benefit about 300,000 families with children up to the age of 18.

Under the proposal, spelt out in a paper released on Friday, each partner in a relationship with a child would be taxed on an equal share of their combined income. Couples would then be given an annual tax credit, which would vary depending on family circumstances.

For example, Mr Dunne says, if one parent earned \$70,000 a year and the other \$10,000, the taxable income would be combined and split 50-50. The tax credit for that family could be nearly \$1800, he says.

Cautiously optimistic of winning support

Mr Dunne admits it's expensive but says he's determined to fight for the scheme's introduction and is cautiously optimistic that "as this process starts to unfold over the balance of next year, there'll be more support for income-splitting and it will be seen to be part of the overall solution to restructuring our tax and benefit system."

He says income-splitting is one way of enabling parents to have greater choice in their work and caring roles.

He also points out that, because it's a voluntary scheme, not everyone eligible would be likely to take it up - therefore the annual cost would probably be less.

A good plan in theory - budgeting adviser

The chief executive of the Federation of Family Budgeting Systems, Raewyn Fox, says it sounds a good plan, but she has reservations about the cost, considering the state of the economy.

"I'd like to see where the money's going to come from and what they're going to cut back on to be able to afford it," she says, "because that's always an issue. But in theory, it's a good package."

Public submissions on the proposal can be made until February. Mr Dunne, who hopes to introduce the legislation next year, says the Government will support its going to a select committee.