



INCOME SPLITTING

United**Future** believes the tax system should work in the interests of those raising families and it should empower family and community self-sufficiency rather than creating dependency. Income splitting recognises that the spouse or partner who has chosen to work part-time or has opted out of the paid work force in order to raise their children is making a vital contribution to our society.

Income splitting recognises the costs of raising a family, and in particular, those situations where one parent is either a full-time carer for their children or works part-time. For tax purposes, the income of both parents is combined and then divided equally, which can mean that they pay less tax since it is levied at a lower rate under our progressive taxation system.

Since the government subsidises childcare for those returning to paid work, it should also acknowledge the contribution of those who have decided to forego their income, in whole or in part, to stay at home with their children.

United**Future** is proposing a voluntary income splitting scheme for parents with dependent children up to the age of 18, in addition to Working for Families and other entitlements.

Key Facts:

- The present tax system means that people who have no dependents pay exactly the same amount of tax as people with dependents.
- Couples who are self-employed in farming or business and retired couples are already able to split their income for tax purposes but this is not available for those on PAYE incomes.
- According to the 2006 census, there were 424,550 two-parent families with dependent children (children under the age of 18 years, living at home) and most of these would benefit from income splitting.
- Treasury estimate that income splitting would cost approximately \$450 million p.a.

Here are some examples of how income splitting works alongside United**Future's** 1,2,3 Tax policy (10 cents up to \$12,000; 20 cents between \$12,000 and \$38,000; and, 30 cents above \$38,000):

- For a family with a combined income of \$45,000 a year, a total tax cut of \$87 a fortnight
- For a family with a combined income of \$60,000 a year, a total tax cut of \$137 a fortnight
- For a family with a combined income of \$80,000 a year, a total tax cut of \$191 a fortnight

Visit www.unitedfuture.org.nz to see how much you would save through income splitting.